

Gila County
Single Audit Reporting Package
Year Ended June 30, 2009

Gila County
 Single Audit Reporting Package
 Year Ended June 30, 2009

Table of Contents

<u>Financial Section</u>	<u>Page</u>
Independent Auditor's Report	1
Required Supplementary Information	
Management's Discussion and Analysis	3
Government-wide Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Statements	
Governmental Funds	
Balance Sheet.....	13
Reconciliation of the Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	16
Fiduciary Funds	
Statement of Fiduciary Net Assets	17
Statement of Changes in Fiduciary Net Assets	18
Notes to Financial Statements	19
Other Required Supplementary Information	
Schedule of Agent Retirement Plans' Funding Progress	40
Notes to Schedule of Agent Retirement Plans' Funding Progress	41
Budgetary Comparison Schedule – General Fund	42
Budgetary Comparison Schedule – Public Works Fund	45
Notes to Budgetary Comparison Schedules	46
Supplementary Information	
Schedule of Expenditures of Federal Awards.....	48
Notes to Schedule of Expenditures of Federal Awards.....	53
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54

Gila County
Single Audit Reporting Package
Year Ended June 30, 2009

Table of Contents – Concluded

<u>Single Audit Section</u>	<u>Page</u>
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	56
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results	58
Financial Statement Findings	59
Federal Award Findings and Questioned Costs	65
County Responses	
Corrective Action Plan	70
Summary Schedule of Prior Audit Findings.....	76

Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 3 through 9, the Schedule of Agent Retirement Plans' Funding Progress on pages 40 and 41, and the Budgetary Comparison Schedules on pages 42 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of

the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such compliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2011, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

January 24, 2011

Gila County
Management's Discussion and Analysis
June 30, 2009

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, 2009. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the current fiscal year by \$54,599,749 (net assets). Of this amount, \$29,807,172 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$33,152,330, an increase of \$4,309,441 in comparison with the prior year's balance of \$28,842,889.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$15,503,448 or 43% of total general fund expenditures.
- The County's total long-term liabilities decreased by a net of \$827,643 during the current fiscal year in comparison with the prior year's balance of \$6,399,908. Key factors in this decrease included (a) scheduled principal payments of \$921,243, (b) an increase in the landfill closure and postclosure costs of \$121,302 and, (c) a net decrease in compensated absences of \$27,702 during the year.

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

Gila County
Management's Discussion and Analysis
June 30, 2009

The governmental activities of the County include general government; public safety; highways and streets; health, welfare, and 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, Street Lighting Districts and Municipal Property Corporation which function for all practical purposes as departments of the County, and therefore have been included as an integral part of the County.

The government-wide financial statements can be found on pages 11 through 12 of this report.

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

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 17 and 18 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 19 through 38 of this report.

Gila County
Management's Discussion and Analysis
June 30, 2009

Required supplementary information presents budgetary comparison schedules for the general and major special revenue fund. This section also includes certain information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

Required supplementary information can be found on pages 40 through 46 of this report.

Government-wide Financial Analysis

Statement of Net Assets - As noted earlier, net assets 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 exceeded liabilities by \$54,599,749.

Condensed Statement of Net Assets
(in thousands)
Governmental Activities
June 30, 2009 and 2008

	2009	Restated 2008
Assets:		
Current and other assets	\$ 37,805	\$ 32,941
Capital assets	26,087	26,252
Total assets	63,892	59,193
Liabilities:		
Long-term liabilities outstanding	5,572	6,400
Other liabilities	3,720	3,512
Total liabilities	9,292	9,912
Net assets:		
Invested in capital assets, net of related debt	24,468	23,711
Restricted for debt service	325	325
Unrestricted	29,807	25,245
Total net assets	\$ 54,600	\$ 49,281

By far the largest portion of Gila County's net assets is unrestricted. Unrestricted net assets of \$29,807,172 or almost 55% may be used to meet Gila County's ongoing obligations to citizens and creditors. The second largest portion is \$24,468,077 or almost 45% of the total net assets that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure) less any related debt and accumulated depreciation used to acquire those assets that is still outstanding. The County uses these 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, since the capital assets themselves cannot be used to liquidate these liabilities.

Gila County received \$2,386,822 over budget in PILT payments. Assessed valuations increased by 20% in FY 2009. The charges for services increased due to additional services performed by the Public Works Department. This resulted in an increase to current and other assets and unrestricted assets.

Gila County
Management's Discussion and Analysis
June 30, 2009

At the end of the current fiscal year, the County is able to report positive balances in all categories of net assets for its governmental activities.

The 2008 Balances were restated to correct prior years' errors in recording certain capital assets and the related accumulated depreciation. Restated balances have been audited.

Statement of Activities

Already noted was the statement of activities purpose in presenting information in how the government's net assets changed during the current fiscal year. A chart of changes in net assets follows. For the fiscal year, net assets increased \$5,318,402, all coming from governmental activities. The basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include taxes that are used, in part, for the construction of those assets.

**Changes in Net Assets
(in thousands)
Governmental Activities
Years Ended June 30, 2009 and 2008**

	2009	Restated 2008
Revenues		
<i>Program revenues:</i>		
Charges for services	\$ 7,592	\$ 6,509
Grants and contributions	18,490	18,614
<i>General revenues:</i>		
Property taxes	21,383	19,825
County sales tax	6,195	6,679
Share of state sales tax	4,696	5,342
Vehicle license tax	1,715	1,852
Payments in lieu of taxes	4,443	2,079
Miscellaneous	1,314	1,690
Total revenues	65,828	62,590
Expenses		
General government	19,935	19,046
Public safety	16,269	15,969
Highways and streets	6,773	6,811
Health	2,411	2,412
Welfare	8,882	9,524
Sanitation	1,787	1,804
Culture and recreation	1,395	1,440
Education	2,931	2,520
Interest on long-term debt	126	154
Total expenses	60,509	59,680
Increase in net assets	5,319	2,910
Net assets, beginning of year	49,281	46,371
Net assets, end of year	\$ 54,600	\$ 49,281

Gila County
Management's Discussion and Analysis
June 30, 2009

The 2008 Balances were restated to correct prior years' errors in recording certain capital assets and the related accumulated depreciation. Restated balances have been audited.

Revenues

Governmental activities revenues totaled \$65,612,264 for fiscal year 2009 which was an increase of almost 5% over the prior year's total revenues. Payment in lieu of taxes, property taxes and charges for services were the only revenues which had increases over the prior year's amounts. The increase in payment in lieu of taxes (PILT) was because the federal government decided to fully fund PILT to counties and eligible local governments for the next five years starting in federal fiscal year 2008, in accordance with Public Law 110-343, section 6906. Gila County received its first additional PILT payment in November 2008, which was \$1,151,646. The increase in property taxes was due to an increase in assessed valuation; from \$477,900,000 in FY 2008 to \$574,203,136 in FY 2009. The increase in charges for services was due to additional services being performed by the Public Works Department. County sales tax, state sales tax, vehicle license tax, lottery tax and investment income had decreases over the prior year's amounts. These decreases were attributable to the downturn of the economy. Lastly, the grants and contributions remained constant in comparison with the prior year's amount.

Expenses

Governmental activities expenses totaled \$60,293,862 for fiscal year 2009, which represented only a slight increase of just .1% over the prior year's total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate finance-related legal compliance.

Governmental funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$33,152,330, an increase of \$4,309,441 in comparison with the prior year's balance of \$28,842,889.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$15,827,948, which was an increase of almost 33% over the prior year's balance of \$11,857,907.

Gila County received \$2,386,822 over budget in PILT payments. Assessed valuations increased by 20% in FY 2009. The charges for services increased due to additional services performed by the Public Works Department. This resulted in an increase to the General Fund's fund balance.

Gila County
Management's Discussion and Analysis
June 30, 2009

General Fund Budgetary Highlights

The general fund had budgeted expenditures before transfers of \$46,465,860. Overall, actual general fund expenditures were underspent by \$9,482,896. The Solid Waste Management Department had budgeted expenditures of \$2,566,911 while actual expenditures were underspent by \$1,239,998 since the County is reserving funds for the eventual closing of the landfill. The significant County departments and other budgeted line items overspent are Facilities Management—\$227,656, Professional Services—\$95,770, Principal Retirement—\$114,996, and Interest and Fiscal Charges—\$115,429. The County will strive to improve its budgeting procedures and control in the future.

AHCCCS had a favorable variance because the county made an adjustment for the ARRA and ALTCS refunds. The total FY 2009 county refund was \$757,135.86.

Gila County budgeted \$5,000,000, as proposed, borrowing against a Jail Bond District; however, the election did not pass.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$26,087,436 (net of accumulated depreciation and related debt). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc). The prior year's balance of investment in capital assets for its governmental activities was restated from \$26,194,551 to \$26,252,395. The restatement of \$57,844 consists of prior period adjustments that were made to correct accounting errors made in the previously reported amounts of capital assets and accumulated depreciation.

The total net decrease in the County's investment in capital assets for the current fiscal year was \$164,959, a decrease of almost .6% in comparison with the prior year's restated balance of \$26,252,395.

Gila County's Capital Assets
(net of depreciation)
(in thousands)
Governmental Activities
June 30, 2009 and 2008

	2009	Restated 2008
Land	\$ 3,995	\$ 3,974
Construction in progress	1,159	1,092
Buildings	6,101	6,532
Improvements other than buildings	731	747
Machinery and equipment	6,241	7,114
Infrastructure	7,860	6,793
Total	\$ 26,087	\$ 26,252

Gila County
Management's Discussion and Analysis
June 30, 2009

Additional information on the County's capital assets can be found in Note 6 on pages 27 through 28 of this report.

Long-term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$1,395,000. This debt consists of certificates of participation issued to finance renovation costs for several County buildings. The County had long-term capital leases of \$224,359 for machinery and computer equipment. The remainder of Gila County's debt is landfill closure and postclosure care costs of \$2,678,492 and compensated absences payable of \$1,274,414.

The County's debt was decreased by a net of \$827,643 during the current fiscal year. This is primarily due to the County making scheduled debt retirement payments of \$921,243, increased landfill closure and postclosure care costs of \$121,302 and a decrease in compensated absences payable of \$27,702.

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 \$34,452,188. 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 29 through 31 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Gila County is currently 10.8 percent, which is an increase from a rate of 6.0 percent a year ago. This compares unfavorably to the state's average unemployment rate of 8.9 percent. These economic factors were considered in preparing the County's budget for the fiscal year 2009-10. The unreserved ending fund balance in the general fund of \$15,503,448 was appropriated for spending in the fiscal year 2009-10 budget. The County's primary property tax rate remained unchanged for fiscal year 2009-10.

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

Basic Financial Statements

Gila County
Statement of Net Assets
June 30, 2009

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 32,079,378
Cash and investments held by trustee	324,500
Receivables (net of allowances for uncollectibles):	
Property taxes	933,888
Accounts	833,223
Due from other governments	3,633,567
Capital assets, not being depreciated	5,154,137
Capital assets, being depreciated, net	20,933,299
Total assets	63,891,992
 Liabilities	
Accounts payable	2,701,031
Accrued payroll and employee benefits	951,946
Deposits held for others	67,001
Noncurrent liabilities:	
Due within one year	1,716,714
Due in more than one year	3,855,551
Total liabilities	9,292,243
 Net Assets	
Invested in capital assets, net of related debt	24,468,077
Restricted for debt service	324,500
Unrestricted	29,807,172
Total net assets	\$ 54,599,749

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

Gila County
Statement of Activities
Year Ended June 30, 2009

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities					
General government	\$ 19,934,637	\$ 4,540,671	\$ 1,805,881	\$ -	\$ (13,588,085)
Public safety	16,269,034	486,667	2,710,632	25,875	(13,045,860)
Highways and streets	6,773,038	349,746	-	4,659,966	(1,763,326)
Health	2,410,797	267,959	1,061,066	5,100	(1,076,672)
Welfare	8,882,271	17,009	5,238,001	102,918	(3,524,343)
Sanitation	1,787,157	1,767,422	86,236	16,798	83,299
Culture and recreation	1,394,762	58,173	304,952	-	(1,031,637)
Education	2,931,493	105,085	2,472,064	-	(354,344)
Interest on long-term debt	126,434	-	-	-	(126,434)
Total governmental activities	<u>\$ 60,509,623</u>	<u>\$ 7,592,732</u>	<u>\$ 13,678,832</u>	<u>\$ 4,810,657</u>	<u>\$ (34,427,402)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					20,245,729
Property taxes, levied for Street Lighting Districts					13,168
Property taxes, levied for Library District					1,123,887
County general and transportation sales tax					6,194,819
Share of state sales tax					4,696,318
Shared revenue-state vehicle license tax					1,714,849
Payments in lieu of taxes					4,442,701
Shared revenue-state lottery					522,533
Grants and contributions not restricted to specific programs					114,042
Investment earnings					611,299
Miscellaneous					66,459
Total general revenues					<u>39,745,804</u>
Change in net assets					5,318,402
Net assets, July 1, 2008, as restated					<u>49,281,347</u>
Net assets, June 30, 2009					<u>\$ 54,599,749</u>

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

Gila County
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 10,582,863	\$ 8,617,502	\$ 12,879,013	\$ 32,079,378
Cash and investments held by trustee	324,500	-	-	324,500
Receivables (net of allowances for uncollectibles):				
Property taxes	882,566	-	51,322	933,888
Accounts	758,416	7,588	67,219	833,223
Due from:				
Other funds	4,294,201	115,533	-	4,409,734
Other governments	<u>1,726,565</u>	<u>686,885</u>	<u>1,220,117</u>	<u>3,633,567</u>
Total assets	<u>\$ 18,569,111</u>	<u>\$ 9,427,508</u>	<u>\$ 14,217,671</u>	<u>\$ 42,214,290</u>
Liabilities and Fund Balances				
<i>Liabilities:</i>				
Accounts payable	\$ 1,354,284	\$ 473,730	\$ 873,017	\$ 2,701,031
Accrued payroll and employee benefits	649,437	119,582	182,927	951,946
Due to other funds	7,749	-	4,401,985	4,409,734
Deposits held for others	-	-	67,001	67,001
Deferred revenue	<u>729,693</u>	<u>-</u>	<u>202,555</u>	<u>932,248</u>
Total liabilities	<u>2,741,163</u>	<u>593,312</u>	<u>5,727,485</u>	<u>9,061,960</u>
<i>Fund balances:</i>				
Unreserved, reported in:				
General fund	15,503,448	-	-	15,503,448
Special revenue funds	-	8,834,196	8,490,186	17,324,382
Reserved for debt service	<u>324,500</u>	<u>-</u>	<u>-</u>	<u>324,500</u>
Total fund balances	<u>15,827,948</u>	<u>8,834,196</u>	<u>8,490,186</u>	<u>33,152,330</u>
Total liabilities and fund balances	<u>\$ 18,569,111</u>	<u>\$ 9,427,508</u>	<u>\$ 14,217,671</u>	<u>\$ 42,214,290</u>

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

Gila County
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2009

Fund balances - total governmental funds	\$ 33,152,330
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	26,087,436
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	932,248
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(5,572,265)</u>
Net assets of governmental activities	<u>\$ 54,599,749</u>

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

Gila County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	General Fund	Public Works Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 23,101,402	\$ 3,152,896	\$ 1,137,055	\$ 27,391,353
Licenses and permits	470,552	6,328	127,612	604,492
Intergovernmental	12,621,816	4,774,008	12,206,470	29,602,294
Charges for services	4,547,219	343,419	1,396,221	6,286,859
Fines and forfeits	667,003	-	34,378	701,381
Donations and contributions	-	-	217,611	217,611
Investment earnings	200,620	202,762	207,917	611,299
Miscellaneous	10,733	810	54,916	66,459
Total revenues	<u>41,619,345</u>	<u>8,480,223</u>	<u>15,382,180</u>	<u>65,481,748</u>
Expenditures:				
Current:				
General government	17,495,196	-	1,329,803	18,824,999
Public safety	12,686,343	-	3,179,409	15,865,752
Highways and streets	-	5,817,656	54,100	5,871,756
Health	-	-	2,404,171	2,404,171
Welfare	3,572,556	-	5,281,166	8,853,722
Sanitation	1,326,913	-	119,417	1,446,330
Culture and recreation	237,366	-	1,130,111	1,367,477
Education	417,654	-	2,504,351	2,922,005
Debt service:				
Principal retirement	443,996	438,606	38,641	921,243
Interest and fiscal charges	115,429	5,107	5,898	126,434
Capital outlay				
Total expenditures	<u>36,982,964</u>	<u>7,869,830</u>	<u>16,451,312</u>	<u>61,304,106</u>
Excess (deficiency) of revenues over expenditures	<u>4,636,381</u>	<u>610,393</u>	<u>(1,069,132)</u>	<u>4,177,642</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	94,369	20,557	16,873	131,799
Transfers in	703,161	42	1,463,870	2,167,073
Transfers out	<u>(1,463,870)</u>	<u>(543,620)</u>	<u>(159,583)</u>	<u>(2,167,073)</u>
Total other financing sources (uses)	<u>(666,340)</u>	<u>(523,021)</u>	<u>1,321,160</u>	<u>131,799</u>
Net change in fund balances	3,970,041	87,372	252,028	4,309,441
Fund balances, beginning of year	<u>11,857,907</u>	<u>8,746,824</u>	<u>8,238,158</u>	<u>28,842,889</u>
Fund balances, end of year	<u>\$ 15,827,948</u>	<u>\$ 8,834,196</u>	<u>\$ 8,490,186</u>	<u>\$ 33,152,330</u>

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

Gila County
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2009

Net change in fund balances - total governmental funds		\$ 4,309,441
 <i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	2,700,217	
Depreciation expense	(2,517,616)	
		182,601
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital assets sold.		
	(131,799)	
 The statement of activities reports <i>losses</i> arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.		
	(215,761)	
		(347,560)
 Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		346,277
 Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal repaid		921,243
 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.		
Decrease in compensated absences	27,702	
Increase in landfill closure and postclosure costs	(121,302)	
		(93,600)
 Change in net assets of governmental activities		 \$ 5,318,402

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

Gila County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Investment Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 51,551,702	\$ 771,530
Total assets	51,551,702	\$ 771,530
Liabilities		
Due to other governments		\$ 181,893
Deposits held for others		589,637
Total liabilities		\$ 771,530
Net Assets		
Held in trust for investment trust participants	\$ 51,551,702	

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

Gila County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2009

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 122,152,151
Investment earnings	287,191
Total additions	122,439,342
Deductions:	
Distributions to participants	131,632,248
Change in net assets	(9,192,906)
Net assets, July 1, 2008	60,744,608
Net assets, June 30, 2009	\$ 51,551,702

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

Gila County
Notes to Financial Statements
June 30, 2009

Note 1 – Summary of Significant Accounting Policies

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

For the year ended June 30, 2009, the County implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB Statement No. 49 establishes standards for accounting and financial reporting, including note disclosure requirements, for pollution remediation obligations. The implementation of this statement did not have a material effect on the County's financial statements.

A. Reporting Entity

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

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

The following table describes the County's component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Gila County Library District	Provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Gila County Municipal Property Corporation	A nonprofit corporation that assists in the acquisition of tangible real and personal property; exists only to serve the County	Blended	Not available

Gila County
Notes to Financial Statements
June 30, 2009

Related Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

Fund financial statements - provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All

Gila County
Notes to Financial Statements
June 30, 2009

remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

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

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

The County reports the following fund types:

The *Investment Trust Funds* account for pooled assets held and invested by the County Treasurer on behalf of other governmental entities.

The *Agency Funds* account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the federal, state and local governments.

C. Basis of Accounting

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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, special assessments, 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, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Gila County
Notes to Financial Statements
June 30, 2009

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

D. Cash and Investments

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

E. 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.

F. Capital Assets

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. At June 30, 2009, 33 percent of the total governmental activities capital assets are stated at estimated historical cost based on price levels at time of acquisition. Donated assets are reported at estimated fair value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Buildings	5,000	Straight-line	7-30 years
Improvement other than buildings	5,000	Straight-line	20-40 years
Machinery and equipment	5,000	Straight-line	3-25 years
Infrastructure	50,000	Straight-line	7-50 years

G. Investment Earnings

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

Gila County
Notes to Financial Statements
June 30, 2009

H. Compensated Absences

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide 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.

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

Note 2 – Beginning Balances Restated

Net assets on the government-wide Statement of Activities as of July 1, 2008, have been restated to correct prior years' errors in the recording of certain capital assets and the related accumulated depreciation for those assets.

	Governmental Activities
Net assets as of June 30, 2008, as previously reported	\$ 49,223,503
Correction of prior years' errors in capital assets	57,844
Net assets as of July 1, 2008, as restated	\$ 49,281,347

Note 3 – Individual Fund Deficits

The following Special Revenue Funds had fund deficits in excess of \$1,000 as of June 30, 2009:

Fund	Fund Name	Deficit
2000	Housing Department	\$ 247,005
2013	Work Investment Act	6,562
2018	WIA Stimulus	345,606
2520	WIC Special Projects	1,500
2557	Proposition 201 Smoke Free AZ Act	13,948
3000	Narcotics Task Force	22,570
3056	Methamphetamine Initiative Intergovernmental Agreement	12,702
3058	Homeland Security 2007 Sheriff	68,825
3061	Sheriff BLESF Program	25,966
4051	Adult Intensive Probation Supervision	14,866
4059	State Aid Enhancement	33,565

Gila County
Notes to Financial Statements
June 30, 2009

Fund	Fund Name	Deficit
4187	Globe Safe Schools	6,560
4195	Diversion Intake	43,078
4555	Drug Enforcement—Superior Court	28,077
4556	Field Trainer	12,129
5074	State Homeland Security Grant 2004	23,160
6511	Tonto Creek Bridge	4,400
7515	Midland/Central Heights Streets Lighting Improvement District	18,420
7516	Claypool/Lower Miami Streets Lighting Improvement District	27,981
Z143	Consortium-Pima County	22,378
Z152	Math and Science Cycle II	1,434
Z155	Title III Consortium	19,030
Z189	Professional Development	7,999
Z253	Adult Education Library Collaboration	1,777
Z255	Adult Education Distance Learning	4,162
A1	Maintenance and Operation	3,134

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

Note 4 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in 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 rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Gila County
Notes to Financial Statements
June 30, 2009

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 and that public operating fund monies invested in securities and deposits have a maximum of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

Deposits – At June 30, 2009, the carrying amount of the County's deposits was \$7,695,945 and the bank balance was \$8,777,060. The County does not have a formal policy with respect to custodial credit risk. Of the bank balance, \$1,090,403 was covered by federal depository insurance; \$7,103,250 was uninsured with collateral held by the pledging financial institution in the County's name; and \$583,407 was uninsured and uncollateralized.

Investments – The County's investments at June 30, 2009, were as follows:

Investment Type	Amount
U.S. agency securities	\$ 74,181,220
Corporate obligations	2,519,445
U.S. Treasury money market fund	324,500
	\$ 77,025,165

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 policy with respect to credit risk.

At June 30, 2009, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	Aaa	Moody's	\$ 74,181,220
Corporate obligations	Aaa	Moody's	2,519,445
U.S. Treasury money market fund	Aaa	Moody's	324,500
			\$ 77,025,165

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 possession of an outside party. The County does not have a formal policy with respect to custodial credit risk.

At June 30, 2009, the County had a \$324,500 investment reported in the General Fund. The investment was held by a trustee in a U. S. Treasury money market fund

Gila County
Notes to Financial Statements
June 30, 2009

and was uninsured, not registered in the County's name, and held by the counterparty.

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 policy with respect to concentration of credit risk.

Five percent or more of the County's investments at June 30, 2009, were in debt securities of various U.S. agencies as follows:

U.S. Agency	Amount	Percent of County Investments
Federal Home Loan Bank System	\$ 52,907,663	68.6
Federal National Mortgage Association	18,258,857	23.7
	<u>\$ 71,166,520</u>	

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal policy with respect to interest rate risk. At June 30, 2009, the County had the following investments in debt securities:

Investment Type	Amount	Investment Maturities	
		Less than 1 Year	1-5 Years
U.S. agency securities	\$ 74,181,220	\$ 56,939,935	\$ 17,241,285
Corporate obligations	2,519,445	-	2,519,445
U.S. Treasury money market fund	324,500	324,500	-
	<u>\$ 77,025,165</u>	<u>\$ 57,264,435</u>	<u>\$ 19,760,730</u>

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

Cash, deposits, and investments:

Cash on hand	\$ 6,000
Amount of deposits	7,695,945
Amount of investments	77,025,165
	<u>\$ 84,727,110</u>

	Statement of Net Assets	Statement of Fiduciary Net Assets		Total
	Governmental Activities	Investment Trust Funds	Agency Funds	
Cash and investments	\$ -	\$ 51,551,702	\$ 771,530	\$ 52,323,232
Cash and cash equivalents	32,079,378	-	-	32,079,378
Cash and investments held by trustee	324,500	-	-	324,500
Total	<u>\$ 32,403,878</u>	<u>\$ 51,551,702</u>	<u>\$ 771,530</u>	<u>\$ 84,727,110</u>

Gila County
Notes to Financial Statements
June 30, 2009

Note 5 – Due from Other Governments

Amounts due from other governments at June 30, 2009, in the Statement of Net Assets include \$757,136 in Medicaid refunds, \$328,853 in Highway User Revenue, \$234,572 in state-shared sales tax, \$250,766 in auto lieu tax, \$259,842 in County transportation tax, \$251,482 in County excise tax, \$542,078 in Workforce Investment Act grant, \$245,987 in other community service grants, \$521,097 in other federal grants, \$188,810 in state grants, and \$52,944 in reimbursements and charges for services due from various government agencies.

Note 6 – Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008 as restated	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,974,077	\$ 20,805	\$ -	\$ 3,994,882
Construction in progress (estimated cost to complete \$12,459,452)	1,091,889	1,734,513	1,667,147	1,159,255
<i>Total capital assets not being depreciated</i>	<u>5,065,966</u>	<u>1,755,318</u>	<u>1,667,147</u>	<u>5,154,137</u>
<i>Capital assets being depreciated:</i>				
Buildings	19,077,348	148,428	218,578	19,007,198
Improvements other than buildings	861,677	22,597	-	884,274
Machinery and equipment	25,051,988	915,395	2,040,528	23,926,855
Infrastructure	12,313,226	1,525,626	99,456	13,739,396
<i>Total capital assets being depreciated</i>	<u>57,304,239</u>	<u>2,612,046</u>	<u>2,358,562</u>	<u>57,557,723</u>
Less accumulated depreciation for:				
Buildings	12,545,324	428,524	67,761	12,906,087
Improvements other than buildings	114,112	39,163	-	153,275
Machinery and equipment	17,938,358	1,630,383	1,882,896	17,685,845
Infrastructure	5,520,016	419,546	60,345	5,879,217
<i>Total accumulated depreciation</i>	<u>36,117,810</u>	<u>2,517,616</u>	<u>2,011,002</u>	<u>36,624,424</u>
<i>Total capital assets being depreciated, net</i>	<u>21,186,429</u>	<u>94,430</u>	<u>347,560</u>	<u>20,933,299</u>
Governmental activities capital assets, net	<u>\$ 26,252,395</u>	<u>\$ 1,849,748</u>	<u>\$ 2,014,707</u>	<u>\$ 26,087,436</u>

Restatement of Beginning Capital Assets Balance

Capital assets have been restated to correct errors made in accounting for increases (decreases) in cost and accumulated depreciation. The restatements are as follows:

Gila County
Notes to Financial Statements
June 30, 2009

	Balance June 30, 2008 as previously reported	Increases	Decreases	Balance July 1, 2008 as restated
Governmental activities:				
Land	\$ 3,974,077	\$ -	\$ -	\$ 3,974,077
Construction in progress	1,102,264	-	10,375	1,091,889
Buildings	19,077,348	-	-	19,077,348
Improvements other than buildings	885,873	-	24,196	861,677
Machinery and equipment	24,959,573	92,415	-	25,051,988
Infrastructure	12,313,226	-	-	12,313,226
Less accumulated depreciation for:				
Buildings	12,545,324	-	-	12,545,324
Improvements other than buildings	114,112	-	-	114,112
Machinery and equipment	17,938,358	-	-	17,938,358
Infrastructure	5,520,016	-	-	5,520,016
<i>Total net change</i>	<u>\$ 26,194,551</u>	<u>\$ 92,415</u>	<u>\$ 34,571</u>	<u>\$ 26,252,395</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 921,579
Public safety	403,282
Highways and streets	901,282
Health	6,626
Welfare	28,549
Sanitation	219,525
Culture and recreation	27,285
Education	9,488
Total governmental activities depreciation expense	<u>\$ 2,517,616</u>

Construction Commitments

The County has active construction projects as of June 30, 2009, with estimated costs to complete and remaining contractual commitments of \$12,459,452 of which the more significant of these projects includes the Public Works administrative and shop/road buildings, Ice House Canyon and Tonto Creek bridges, Payson building and women's jail dormitory. The projects are funded by loan proceeds and sales taxes.

Note 7 – Loans Payable

The County maintains a revolving line of credit with a \$3,365,000 limit and interest payable at the same time as principal, which is contingent on the County's receipt of "nonrestricted operating revenues" as defined by A.R.S. §11-604.01. The credit line is secured by "nonrestricted" operating revenues received by the County Treasurer. Any unpaid principal and interest becomes due on the maturity date of June 30 of each year. The interest rate is at the bank's prime rate less 3.55% for fiscal year 2009. During fiscal year 2009, the County had not borrowed against the line of credit.

Gila County
Notes to Financial Statements
June 30, 2009

Therefore, the County had no outstanding balance on this credit line as of June 30, 2009.

Note 8 – Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities:					
Certificates of participation payable	\$ 1,625,000	\$ -	\$ 230,000	\$ 1,395,000	\$ 245,000
ADOT loan payable	307,470	-	307,470	-	-
Capital leases payable	608,132	-	383,773	224,359	197,300
Landfill closure and post-closure care costs payable	2,557,190	121,302	-	2,678,492	-
Compensated absences payable	1,302,116	1,594,673	1,622,375	1,274,414	1,274,414
Total governmental activities long-term liabilities	<u>\$ 6,399,908</u>	<u>\$ 1,715,975</u>	<u>\$ 2,543,618</u>	<u>\$ 5,572,265</u>	<u>\$ 1,716,714</u>

Certificates of participation - During the year ended June 30, 2000, the County issued \$3,245,000 in certificates of participation with an interest rate of 6.4 percent to finance renovation costs for a newly-acquired county administration building and several other County buildings, and to refund the outstanding 1991 Series A certificates of participation. The certificates are generally callable, with interest payable semiannually. The County's obligation to make certificates of participation payments will be subject to and dependent upon annual appropriations being made by the County.

Certificates outstanding at June 30, 2009, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal July 1, 2008</u>	<u>Issues</u>	<u>Retirements</u>	<u>Outstanding Principal June 30, 2009</u>
Series 1999	6.4%	11/24/09-5/24/14	\$1,625,000	\$ -	\$230,000	\$1,395,000

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2009:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 245,000	\$ 85,440
2011	260,000	69,440
2012	280,000	52,480
2013	295,000	34,400
2014	315,000	15,200
Total	<u>\$ 1,395,000</u>	<u>\$ 256,960</u>

Capital leases - The County has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for

Gila County
Notes to Financial Statements
June 30, 2009

accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

Machinery and equipment	\$ 539,161
Less: accumulated depreciation	<u>138,545</u>
Carrying value	<u>\$ 400,616</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2009:

Year Ending June 30	
2010	\$ 204,813
2011	<u>28,060</u>
Total minimum lease payments	232,873
Less amount representing interest	<u>8,514</u>
Present value of net minimum lease payments	<u>\$ 224,359</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 period that the County operates the landfill. These costs will be paid from the General Fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$2,678,492 reported as landfill closure and postclosure care liability at June 30, 2009, represents the cumulative amount reported to date based on the approximate use of 56 percent of the estimated capacity of the Buckhead Mesa Landfill and 49 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,440,821 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 2009.

The County has closed four of its landfills as of June 30, 1996, and expects to close the two remaining landfills in 2017 and 2034. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations. The County is planning for expansion of these landfills to extend their useful lives.

In order to comply with state and federal laws and regulations, the County obtained a letter of credit on September 22, 1999, to ensure the costs of landfill closure, postclosure, and possible corrective action can be met. As part of the agreement for the line of credit, the County established a mandatory sinking fund with an escrow agent. The sinking fund balance will equal the estimated landfill closure and postclosure care costs when the landfills are expected to close. The County entered

Gila County
Notes to Financial Statements
June 30, 2009

this agreement as an alternative to complying with the local government financial test requirements.

Insurance Claims - The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Compensated Absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the year ended June 30, 2009, the County paid for compensated absences as follows: 61% from the General Fund, 14% from the Public Works Fund, and 25% from other funds.

Note 9 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described above.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$25,000 per occurrence for property claims and \$25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as required by law, and risk management services. The County is responsible for paying a premium, based on an experience rating formula that allocates pool expenditures and liabilities among the members.

Gila County
Notes to Financial Statements
June 30, 2009

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

Note 10 – Pensions and Other Postemployment Benefits

Plan Descriptions - The County contributes to the four plans described below. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

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

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

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

The Elected Officials Retirement Plan (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county

Gila County
Notes to Financial Statements
June 30, 2009

elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS 3300 North Central Avenue P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or 1-800-621-3778	PSPRS, CORP, and EORP 3010 East Camelback Road, Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575
---	--

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for the ASRS, PSPRS, CORP, and EORP.

Cost-sharing plans—For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2009	\$ 1,349,254	\$ 162,113	\$ 84,434
2008	1,351,689	176,307	83,956
2007	1,279,239	177,907	84,718

Agent plans - For the year ended June 30, 2009, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll and the County was required to contribute 20.59 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at .99 percent of covered payroll. Active CORP members were required by statute to contribute 7.96 percent of the members' annual covered payroll except that, beginning in October 2008, all non-dispatcher members were required to contribute 8.41 percent. In addition, the County was

Gila County
Notes to Financial Statements
June 30, 2009

required to contribute 7.11 percent for the County corrections officers and 6.64 percent for the County dispatchers. The aggregate of these members' and the County's contributions is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.61 percent and 0.66 percent of covered payroll for the County corrections officers and dispatchers, respectively. Active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll; and the County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 21.21 percent of the members' annual covered payroll through September 2008 and 14.05 percent of the members' annual covered payroll for October 2008 through June 2009. The health insurance premium portion of the contribution rate was actuarially set at .91 percent of covered payroll.

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2009, were established by the June 30, 2007, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2009 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	29 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increase includes inflation at	5.50% - 8.50% for PSPRS and CORP; 5.00% for EORP
	5.00%

Gila County
Notes to Financial Statements
June 30, 2009

Annual Pension/OPEB Cost - The County's pension/OPEB cost for the agent plans for the year ended June 30, 2009, and related information follows:

	PSPRS		CORP (Correction Officers)		CORP (Dispatchers)		EORP	
	Pension	Health	Pension	Health	Pension	Health	Pension	Health
		Insurance		Insurance		Insurance		Insurance
Annual Pension/OPEB cost	\$469,011	\$41,923	\$160,364	\$17,293	\$50,081	\$8,159	\$167,153	\$8,667
Contributions made	469,799	14,135	177,657	-0-	50,081	-0-	167,153	8,667

Trend Information - Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans. Separately reported OPEB cost information for the last year of the required trend information will be reported next year when it becomes available.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/OPEB Obligation</u>
PSPRS				
Pension	2009	\$469,011	106%	\$ 27,788
Health Insurance	2009	41,923	34%	(27,788)
Pension	2008	316,638	107%	21,236
Health Insurance	2008	35,079	39%	(21,236)
Pension and Health Insurance	2007	246,045	100%	
CORP				
Correction Officers				
Pension	2009	160,364	111%	17,293
Health Insurance	2009	17,293	0%	(17,293)
Pension	2008	121,638	118%	22,109
Health Insurance	2008	22,109	0%	(22,109)
Pension and Health Insurance	2007	96,332	100%	
CORP				
Dispatchers				
Pension	2009	50,081	116%	8,159
Health Insurance	2009	8,159	0%	(8,159)
Pension	2008	42,127	124%	9,972
Health Insurance	2008	9,972	0%	(9,972)
Pension and Health Insurance	2007	34,777	100%	
EORP				
Pension	2009	167,153	100%	
Health Insurance	2009	8,667	100%	
Pension	2008	128,718	100%	
Health Insurance	2008	11,463	100%	
Pension and Health Insurance	2007	113,227	100%	

Funded Status - The funded status of the plans as of the most recent valuation date, June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However,

Gila County
Notes to Financial Statements
June 30, 2009

because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

	<u>PSPRS</u>		<u>CORP (Correction Officers)</u>		<u>CORP (Dispatchers)</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$ 10,325,612	\$ 334,525	\$ 1,927,732	\$ 116,325	\$ 1,431,610	\$ 55,078
Actuarial value of assets (b)	6,618,791	-	2,335,601	-	1,283,714	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	3,706,821	334,525	(407,869)	116,325	147,896	55,078
Funded ratio (b)/(a)	64.1%	0%	121.2%	0%	89.7%	0%
Covered payroll (c)	\$ 2,088,865	\$ 2,088,865	\$ 2,229,365	\$ 2,229,365	\$ 834,498	\$ 834,498
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a) – (b)] / (c)	177.46%	16.01%	-	5.22%	17.72%	6.60%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% – 8.50% for PSPRS and CORP; 5.00% for EORP
Inflation rate	5.50%

Note 11 – Interfund Balances and Activity

Interfund receivables and payables – Interfund balances at June 30, 2009, were as follows:

<u>Payable From</u>	<u>Payable To</u>		
	<u>General Fund</u>	<u>Public Works Fund</u>	<u>Total</u>
General Fund	\$ -	\$ 7,749	\$ 7,749
Nonmajor Governmental Funds	4,294,201	107,784	4,401,985
Total	<u>\$ 4,294,201</u>	<u>\$ 115,533</u>	<u>\$ 4,409,734</u>

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

Gila County
Notes to Financial Statements
June 30, 2009

Interfund transfers – Interfund transfers for the year ended June 30, 2009, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>			<u>Total</u>
	General Fund	Public Works Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 1,463,870	\$ 1,463,870
Public Works Fund	543,620	-	-	543,620
Nonmajor Governmental Funds	159,541	42	-	159,583
Total	<u>\$ 703,161</u>	<u>\$ 42</u>	<u>\$ 1,463,870</u>	<u>\$ 2,167,073</u>

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

Note 12 – County Treasurer’s Investment Pool

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

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

A majority of all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for \$159,424 of deposits and \$324,500 invested in a U.S. Treasury money market fund. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks. See Note 4 for disclosure of the County’s deposit and investment risks

Details of each investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. agency securities	\$ 73,734,050	1.05-5.125%	7/17/09-11/17/11	\$ 74,181,220
Corporate obligations	2,500,000	variable	7/08/10-12/16/10	2,519,445

Gila County
Notes to Financial Statements
June 30, 2009

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

Statement of Net Assets	
Assets	\$ 83,471,657
Liabilities	-
Net assets	<u>\$ 83,471,657</u>
Net assets held in trust for:	
Internal participants	\$ 31,919,955
External participants	51,551,702
Total net assets held in trust	<u>\$ 83,471,657</u>
Statement of Changes in Net Assets	
Total additions	\$ 219,609,344
Total deductions	224,569,417
Net decrease	<u>(4,960,073)</u>
Net assets held in trust	
July 1, 2008	<u>88,431,730</u>
June 30, 2009	<u>\$ 83,471,657</u>

Note 13 – Subsequent Event

In October 2009, the County issued \$1,140,000 in pledged revenue obligations, series 2009 with interest rates ranging from 3 to 5 percent to refund the outstanding certificates of participation, series 1999. In addition, the County issued \$6,860,000 in pledged revenue obligations, series 2009 with interest rates ranging from 3 to 5 percent to purchase the Payson administration building and heavy equipment and finance renovation costs for the women's jail facility, public works facility, county main administration building and maintenance shop. These pledged revenue obligations are secured by pledges of a half cent County sales tax.

Other Required Supplementary Information

Gila County
 Required Supplementary Information
 Schedule of Agent Retirement Plan's Funding Progress
 June 30, 2009

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Public Safety Personnel Retirement System						
Pension						
6/30/2009	\$ 6,618,791	\$ 10,325,612	\$ (3,706,821)	64.1%	\$ 2,088,865	177.5%
Health Insurance						
6/30/2009	-	334,525	(334,525)	0.0%	2,088,865	16.0%
Pension						
6/30/2008	6,133,620	9,662,245	(3,528,625)	63.5%	2,138,950	165.0%
Health Insurance						
6/30/2008	-	385,905	(385,905)	0.0%	2,138,950	18.0%
Pension and Health Insurance						
6/30/2007	5,670,728	8,896,666	(3,225,938)	63.7%	1,814,801	177.8%
Correction Officers Retirement Plan						
Corrections Officers						
Pension						
6/30/2009	2,335,601	1,927,732	407,869	121.2%	2,229,365	N/A
Health Insurance						
6/30/2009	-	116,325	(116,325)	0.0%	2,229,365	5.2%
Pension						
6/30/2008	1,846,700	1,814,540	32,160	101.8%	2,189,021	N/A
Health Insurance						
6/30/2008	-	81,543	(81,543)	0.0%	2,189,021	3.7%
Pension and Health Insurance						
6/30/2007	1,510,068	1,617,012	(106,944)	93.4%	2,193,427	4.9%
Dispatchers						
Pension						
6/30/2009	1,283,714	1,431,610	(147,896)	89.7%	834,498	17.7%
Health Insurance						
6/30/2009	-	55,078	(55,078)	0.0%	834,498	6.6%
Pension						
6/30/2008	1,214,315	1,335,120	(120,805)	91.0%	755,451	16.0%
Health Insurance						
6/30/2008	-	80,671	(80,671)	0.0%	755,451	10.7%
Pension and Health Insurance						
6/30/2007	1,064,231	1,177,455	(113,224)	90.4%	804,833	14.1%

Gila County
Required Supplementary Information
Notes to Schedule of Agent Retirement Plans' Funding Progress
June 30, 2009

Note 1 - Actuarial Information Available

The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multi-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

Gila County
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2009

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 23,112,706	\$ 23,112,706	\$ 23,101,402	\$ (11,304)
Licenses and permits	717,000	717,000	470,552	(246,448)
Intergovernmental	11,549,165	11,549,165	12,621,816	1,072,651
Charges for services	3,342,800	3,342,800	4,547,219	1,204,419
Fines and forfeits	646,100	646,100	667,003	20,903
Investment earnings	225,000	225,000	200,620	(24,380)
Miscellaneous	13,775	13,775	10,733	(3,042)
Total revenues	<u>39,606,546</u>	<u>39,606,546</u>	<u>41,619,345</u>	<u>2,012,799</u>
Expenditures:				
<i>Current:</i>				
General government				
Administrative Services	129,489	129,489	100,811	28,678
Assessor	1,004,518	1,004,518	1,049,090	(44,572)
Board of Supervisors	1,070,697	1,070,697	1,042,423	28,274
Community Development	1,421,649	1,421,649	1,349,816	71,833
Computer Services	736,358	736,358	645,856	90,502
Constituent Services	150,000	300,000	227,523	72,477
Elections	484,596	484,596	439,095	45,501
Economic Development	-	-	50,000	(50,000)
Facilities Management	1,097,088	1,097,088	1,324,744	(227,656)
Finance	609,082	609,082	541,152	67,930
General Administration	844,195	844,195	736,734	107,461
Payroll Costs	45,000	45,000	40,221	4,779
Personnel	250,837	250,837	233,555	17,282
Pine/Strawberry Ramada Aid	-	-	14,556	(14,556)
Professional Services	330,856	330,856	426,626	(95,770)
Purchasing	84,373	84,373	84,249	124
Recorder	704,075	704,075	645,205	58,870
Rural Addressing	124,323	124,323	109,000	15,323
Rural Drug Recovery Center	-	-	40,500	(40,500)
Treasurer	477,081	477,081	468,256	8,825
Water Supply Development	-	-	5,000	(5,000)

(continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
County Attorney	\$ 2,226,766	\$ 2,226,766	\$ 1,883,728	\$ 343,038
County Attorney - Child Support	864,317	864,317	724,247	140,070
Constable - Globe	119,869	119,869	112,181	7,688
Constable - Payson	166,003	166,003	151,934	14,069
Justice Court - Globe	692,936	692,936	633,223	59,713
Justice Court - Payson	631,824	631,824	564,881	66,943
Indigent Legal Defense	1,196,278	1,196,278	1,039,376	156,902
Clerk of the Superior Court	1,306,065	1,306,065	1,202,594	103,471
Superior Court - Division I	260,988	260,988	243,477	17,511
Superior Court - Division II	237,233	237,233	228,540	8,693
Superior Court - General	974,686	974,686	792,611	182,075
Court System Multi-Information Systems	343,387	343,387	343,992	(605)
Total general government	<u>18,584,569</u>	<u>18,734,569</u>	<u>17,495,196</u>	<u>1,239,373</u>
Public safety				
County Sheriff	8,948,914	9,498,914	9,134,174	364,740
County Sheriff - Facilities Management	305,797	305,797	274,910	30,887
Emergency Services	333,470	333,470	308,023	25,447
Flood Plain Management	206,823	206,823	190,821	16,002
Juvenile Detention	1,299,079	1,299,079	1,085,118	213,961
Natural Resources	250,000	250,000	190,417	59,583
Probation	969,730	969,730	1,012,281	(42,551)
9-1-1	445,046	570,046	490,599	79,447
Total public safety	<u>12,758,859</u>	<u>13,433,859</u>	<u>12,686,343</u>	<u>747,516</u>
Welfare				
AHCCCS Contributions	3,890,000	3,890,000	2,946,689	943,311
Indigent Health	25,000	25,000	16,414	8,586
Community Agencies	296,500	296,500	191,500	105,000
Public Fiduciary	435,687	435,687	417,953	17,734
Total welfare	<u>4,647,187</u>	<u>4,647,187</u>	<u>3,572,556</u>	<u>1,074,631</u>
Sanitation				
Solid Waste Management	<u>2,566,911</u>	<u>2,566,911</u>	<u>1,326,913</u>	<u>1,239,998</u>
Culture and recreation				
Fairgrounds	<u>272,140</u>	<u>272,140</u>	<u>237,366</u>	<u>34,774</u>

(continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Education				
School Superintendent	\$ 388,694	\$ 388,694	\$ 402,654	\$ (13,960)
Special School Reserve	15,000	15,000	15,000	-
Total education	<u>403,694</u>	<u>403,694</u>	<u>417,654</u>	<u>(13,960)</u>
Reserve	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Contingency	<u>1,200,000</u>	<u>375,000</u>	<u>-</u>	<u>375,000</u>
Capital outlay	<u>5,603,500</u>	<u>5,603,500</u>	<u>687,511</u>	<u>4,915,989</u>
Debt service:				
Principal retirement	329,000	329,000	443,996	(114,996)
Interest and fiscal charges	-	-	115,429	(115,429)
Total debt service	<u>329,000</u>	<u>329,000</u>	<u>559,425</u>	<u>(230,425)</u>
Total expenditures	<u>46,465,860</u>	<u>46,465,860</u>	<u>36,982,964</u>	<u>9,482,896</u>
Excess (deficiency) of revenues over expenditures	<u>(6,859,314)</u>	<u>(6,859,314)</u>	<u>4,636,381</u>	<u>11,495,695</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	94,369	94,369
Proceeds from loans	5,000,000	5,000,000	-	(5,000,000)
Transfers in	630,049	630,049	703,161	73,112
Transfers out	<u>(1,422,803)</u>	<u>(1,422,803)</u>	<u>(1,463,870)</u>	<u>(41,067)</u>
Net other financing sources (uses)	<u>4,207,246</u>	<u>4,207,246</u>	<u>(666,340)</u>	<u>(4,873,586)</u>
Net change in fund balances	<u>(2,652,068)</u>	<u>(2,652,068)</u>	<u>3,970,041</u>	<u>6,622,109</u>
Fund balances, beginning of year	<u>2,652,068</u>	<u>2,652,068</u>	<u>11,857,907</u>	<u>9,205,839</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,827,948</u>	<u>\$ 15,827,948</u>

See accompanying notes to budgetary comparison schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
Public Works Fund
Year Ended June 30, 2009

	Original/Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 3,434,634	\$ 3,152,896	\$ (281,738)
Licenses and permits	9,000	6,328	(2,672)
Intergovernmental	5,549,014	4,774,008	(775,006)
Charges for services	-	343,419	343,419
Investment earnings	293,525	202,762	(90,763)
Miscellaneous	-	810	810
Total revenues	<u>9,286,173</u>	<u>8,480,223</u>	<u>(805,950)</u>
Expenditures:			
<i>Current:</i>			
Highways and streets			
Administrative services	778,755	646,853	131,902
Engineering services	1,226,437	858,951	367,486
Survey department	421,637	215,997	205,640
Road maintenance and repair	4,282,105	3,005,847	1,276,258
Maintenance shops	1,396,958	1,090,008	306,950
Emergency reserve	3,241,191	-	3,241,191
Total highways and streets	<u>11,347,083</u>	<u>5,817,656</u>	<u>5,529,427</u>
<i>Capital outlay</i>	<u>6,439,090</u>	<u>1,608,461</u>	<u>4,830,629</u>
<i>Debt service</i>			
Principal retirement	-	438,606	(438,606)
Interest and fiscal charges	-	5,107	(5,107)
Total debt service	<u>-</u>	<u>443,713</u>	<u>(443,713)</u>
Total expenditures	<u>17,786,173</u>	<u>7,869,830</u>	<u>9,916,343</u>
Excess (deficiency) revenues over expenditures	<u>(8,500,000)</u>	<u>610,393</u>	<u>9,110,393</u>
Other financing sources (uses):			
Proceeds from sale of capital assets	-	20,557	20,557
Transfers in	-	42	42
Transfers out	-	(543,620)	(543,620)
Total other financing sources (uses)	<u>-</u>	<u>(523,021)</u>	<u>(523,021)</u>
Net change in fund balances	(8,500,000)	87,372	8,587,372
Fund balances, beginning of year	<u>8,500,000</u>	<u>8,746,824</u>	<u>246,824</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 8,834,196</u>	<u>\$ 8,834,196</u>

See accompanying notes to budgetary comparison schedule.

Gila County
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2009

Note 1 - Budgeting and Budgetary Control

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

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

Note 2 – Expenditures in Excess of Appropriations

For the year ended June 30, 2009, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Assessor	\$ 44,572
Economic Development	50,000
Facilities Management	227,656
Pine/Strawberry Ramada Aid	14,556
Professional Services	95,770
Rural Drug Recovery Center	40,500
Water Supply Development	5,000
Court System Multi-Information Systems	605
Probation	42,551
School Superintendent	13,960
Principal retirement	114,996
Interest and fiscal charges	115,429
Transfers out	41,067
Public Works Fund:	
Principal retirement	438,606
Interest and fiscal charges	5,107
Transfers out	543,620

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

Supplementary Information

Gila County
Supplementary Information
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG861141-0, HG861141-2	\$ 263,904
Commodity Supplemental Food Program	10.565	HG861159, HG361159-1	4,602
Passed through the Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	None	255,853
Collaborative Forest Restoration	10.679	05-DG-11030121-006	37,047
Total U.S. Department of Agriculture			<u>561,406</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers	14.871		311,755
Passed through the Arizona Department of Commerce			
Community Development Block Grants/State's Program	14.228	125-07, 150-09, 116-08	98,919
Passed through the Arizona Department of Economic Security			
Emergency Shelter Grants Program	14.231	E6306015	6,659
Total U.S. Department of Housing and Urban Development			<u>417,333</u>
<u>U.S. Department of Interior</u>			
Payments in Lieu of Taxes	15.226		825,840
Total U.S. Department of Interior			<u>825,840</u>
<u>U.S. Department of Justice</u>			
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-09-052	10,874
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-09-026, DC-09-029	88,385
Total U.S. Department of Justice			<u>99,259</u>

(continued)

See accompanying notes to schedule.

Gila County
Supplementary Information
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Labor</u>			
Passed through the Arizona Department of Economic Security			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	DE070295001, DE081297001	\$ 702,192
WIA Youth Activities	17.259	DE070295001, DE081297001, E5706004	644,739
ARRA - WIA Youth Activities	17.259	DE91206001	528,011
WIA Dislocated Workers	17.260	DE070295001, DE081297001	1,065,675
ARRA - WIA Dislocated Workers	17.260	DE91206001	24,242
Total Workforce Investment Act Cluster			<u>2,964,859</u>
Incentive Grants - WIA Section 503	17.267	DE091083, DE081027001	<u>31,894</u>
Total U.S. Department of Labor			<u>2,996,753</u>
<u>U.S. Department of Transportation</u>			
Passed through the Arizona Department of Transportation			
Gila County Gateway Enhancement	20.Unknown	TEA-GGI-0(200)B	<u>240,530</u>
Total U.S. Department of Transportation			<u>240,530</u>
<u>U.S. Institute of Museum and Library Services</u>			
Passed through the Arizona State Library, Archives and Public Records			
Grants to States	45.310	381-22-01-(04)	<u>12,396</u>
Total U.S. Institute of Museum and Library Services			<u>12,396</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through the Arizona Department of Environmental Quality			
Nonpoint Source Implementation Grants	66.460	EV05-0028 (8-005)	<u>12,298</u>
Total U.S. Environmental Protection Agency			<u>12,298</u>
<u>U.S. Department of Energy</u>			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low Income Persons	81.042	C037-09-02, C055-08	<u>185,694</u>
Total U.S. Department of Energy			<u>185,694</u>

See accompanying notes to schedule.

(continued)

Gila County
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through the Arizona Department of Education			
Adult Education—Basic Grants to States	84.002	V002A070003, V002A080003	\$ 59,232
Title I Grants to Local Educational Agencies	84.010	S010A080003	46,342
Fund for the Improvement of Education	84.215	U215605660	66,940
State Grants for Innovative Programs	84.298	S298A070003, S298A020003	165
Education Technology State Grants	84.318	S318X080005	73,638
Rural Education	84.358	S358B070003	122
English Language Acquisition Grants	84.365	T365A80003A	21,131
Mathematics and Science Partnerships	84.366	S366B070003, S366B080003	541,915
Passed through the Arizona Supreme Court			
Title I Program for Neglected and Delinquent Children	84.013	29823	34,293
Safe and Drug-Free Schools and Communities—State Grants	84.186	S186A080003, Q186A070003	1,334
Passed through the Arizona Department of Economic Security			
Rehabilitation Services—Vocational Rehabilitation Grants to States	84.126	DE070366-001	35,941
Passed through the Arizona Department of Education			
Special Education—Grants to States	84.027	H027A070007, H027A080007	31,132
Passed through the Arizona Supreme Court			
Special Education—Grants to States	84.027	29823	11,937
Total Special Education—Grants to States			<u>43,069</u>
Improving Teacher Quality State Grants	84.367	29823	13,945
Passed through the Arizona Department of Education			
Improving Teacher Quality State Grants	84.367	S367A070049, S367A800049	32,350
Total Improving Teacher Quality State Grants			<u>46,295</u>
Total U.S. Department of Education			<u>970,417</u>
<u>U.S. Election Assistance Commission</u>			
Passed through the Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	none	7,772
Total U.S. Election Assistance Commission			<u>7,772</u>

(continued)

See accompanying notes to schedule.

Gila County
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through the Arizona Department of Health Services			
Public Health Emergency Preparedness	93.069	HG754195	\$ 250,250
Immunization Grants	93.268	HG854284, HG854284-0	31,250
HIV Prevention Activities—Health Department Based	93.940	HG852277-0, HG852277-1	9,443
Preventive Health and Health Services Block Grant	93.991	HG354179	22,707
Maternal and Child Health Services Block Grant to the States	93.994	HG461413-014-6, HG854246-0, HG854246-1	3,248
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E6306015	132,368
Child Support Enforcement	93.563	DES06725-1	1,103,461
Low-Income Home Energy Assistance	93.568	E6306015	223,351
Community Services Block Grant	93.569	E6306015	149,602
Social Services Block Grant	93.667	E6306015	7,207
HIV Care Formula Grants	93.917	HP652141-001, HP652141-001-0	65,356
Passed through the Arizona Secretary of State			
Voting Access for Individuals with Disabilities—Grants to States	93.617	0503AZVOTE, 0603AZVOTE	12,816
Total U.S. Department of Health and Human Services			2,011,059
<u>U.S. Department of Homeland Security</u>			
Passed through the Arizona Department of Emergency Services and Military Affairs			
Homeland Security Grant Program Cluster:			
State Domestic Preparedness Equipment Support Program:			
Citizens Corps	97.004	2004-GE-T4-0051	695
Homeland Security Grant Program	97.067	2006-GE-T6-0007	110,257
Passed through the Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	07-AZDOHS-HSGP-333300-01, 07- AZDOHS-HSGP-333300-02, 07- AZDOHS-HSGP-333300-04	12,738
Total Homeland Security Grant Program			122,995
Total Homeland Security Grant Program Cluster			123,690

(continued)

See accompanying notes to schedule.

Gila County
 Supplementary Information
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Passed through the Arizona Department of Emergency Services and Military Affairs			
Emergency Food and Shelter National Board Program	97.024	26-024800-7	\$ 2,800
Emergency Management Performance Grants	97.042	FFY2008EMPG, FFY2009EMPG	103,290
Total U.S. Department of Homeland Security			<u>229,780</u>
 Total Expenditures of Federal Awards			 <u>\$ 8,570,537</u>

See accompanying notes to schedule.

Gila County
 Supplementary Information
 Notes to Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2009

Note 1 - Basis of Accounting

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

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

The program titles and CFDA numbers were obtained from the 2009 *Catalog of Federal Domestic Assistance*. When there was no federal contract number, the two digit federal agency identifier, a period and the word "unknown" were used.

Note 3 - Subrecipients

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

Program Title	Federal CFDA Number	Amount Paid to Subrecipient
Workforce Investment Act - Adult and Youth Programs	17.258 & 17.259	\$ 1,605,731

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

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 24, 2011. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No 49. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items **09-01** through **09-12**, **09-14**, and **09-15** described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items **09-10**, **09-11** and **09-14** to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items **09-12** and **09-13**.

Gila County's responses to the findings identified in our audit are presented on pages 70 through 73. We did not audit the County's responses and, accordingly, we express no opinion on them.

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



January 24, 2011

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

The Auditor General of the State of Arizona

The Board of Supervisors of
Gila County, Arizona

Compliance

We have audited the compliance of Gila County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Gila County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items **09-16** through **09-19**.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items **09-16** through **09-20** described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Gila County's responses to the findings identified in our audit are presented on pages 74 through 75. We did not audit the County's responses and, accordingly, we express no opinion on them.

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



January 24, 2011

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		Unqualified	
		<u>YES</u>	<u>NO</u>
Internal control over financial reporting:			
Material weaknesses identified?		<u>X</u>	<u> </u>
Significant deficiencies identified not considered to be material weaknesses?		<u>X</u>	<u> </u>
Noncompliance material to the financial statements noted?		<u> </u>	<u>X</u>

Federal Awards

Internal control over major programs:			
Material weaknesses identified?		<u> </u>	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?		<u>X</u>	<u> </u>
Type of auditor's report issued on compliance for major programs:			Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?		<u>X</u>	<u> </u>

Identification of major programs:

14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
Workforce Investment Act Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
84.366	Mathematics and Science Partnerships
93.563	Child Support Enforcement

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

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?		<u>X</u>	<u> </u>
---	--	----------	-------------

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Financial Statement Findings

Item: 09-1 (Repeat Finding)

Subject: Cash

Criteria: Checks that have not been presented for payment within one year of issuance should be added back to check register. An attempt should be made to contact payee to determine why check was not cashed and a replacement check should be issued.

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

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

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

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

Item: 09-2 (Repeat Finding)

Subject: Cash

Criteria: Bank accounts should be reconciled monthly.

Condition: At fiscal year end the County finance department prepares a schedule of all bank accounts held by County departments. The schedule is used to prepare a journal entry to record cash in bank at fiscal year end. The schedule is compiled using bank reconciliations prepared by the Departments. Several bank accounts included on the schedule did not have reconciliations performed or the reconciliations were performed incorrectly.

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

Effect: Incorrect balances were included in the general ledger.

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

Item: 09-3 (Repeat Finding)

Subject: Cash Disbursements – School Superintendent’s Office

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

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

Cause: The School Superintendent’s Office procedure is to attach a copy of the warrant to the invoice.

Effect: Invoices could be resubmitted for duplicate payment.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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

Item: 09-4 (Repeat Finding)

Subject: Capital Assets

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

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

Condition: The County's capital assets list does not include method of acquisition.

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

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

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

Item: 09-5 (Repeat Finding)

Subject: Cash Receipts – School Superintendent's Office and Accommodation School

Criteria: The duties related to cash receipts should be separate.

Condition: A single employee, at both locations, receives and records cash receipts in the general ledger, this includes preparing the treasurer's receipt and depositing the receipts at the Treasurer's office.

Cause: Policies and procedures have not been established.

Effect: The lack of a proper segregation of duties increases the risk that mistakes or errors will not be detected in a timely manner.

Recommendation: The School Superintendent's office and Accommodation School should adopt policies and procedures that require cash receipts to be received by an employee with no general ledger duties and that the employee maintain a log to record all cash receipts received. Another employee with no cash handling or general ledger duties could reconcile the deposits to the log.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Item: 09-6 (Repeat Finding)

Subject: Journal Entries – School Superintendent’s Office

Criteria: Journal entries should be reviewed and approved prior to being posted to the general ledger.

Condition: Journal entries are prepared and posted to the general ledger by the same employee.

Cause: Policies and procedures have not been established.

Effect: Improper entries could be made to the general ledger and the error would not be detected in a timely manner.

Recommendation: To ensure that journal entries are being properly prepared and posted, policies should be implemented that require that all journal entries are reviewed and approved prior to posting.

Item: 09-7 (Repeat Finding)

Subject: Payroll

Criteria: Employee personnel files should include voluntary deduction authorization forms and the Loyalty Oath Form.

Condition: The personnel files for 5 of 30 employees tested did not have the required forms.

Cause: The County does not follow UAMAC requirements for proper personnel file documentation.

Effect: The requirement of the Uniform Accounting Manual for Arizona Counties (UAMAC) was not followed.

Recommendation: To ensure that the requirements of the UAMAC are followed all voluntary employee deductions and other required forms be signed by the employee and included in the employee personnel files.

Item: 09-8 (Repeat Finding)

Subject: Payroll – Accommodation Schools

Criteria: The payroll and personnel functions should be separate.

Condition: The payroll clerk performs the personnel department functions.

Cause: There are not enough employees to perform the separate functions, therefore the payroll clerk’s supervisor reviews payroll for propriety.

Effect: If the review is not regularly performed a fictitious employee could be created and the fraud would not be found and corrected in a timely manner.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Recommendation: An employee with no payroll duties should input all personnel related data into the system and the payroll clerk should have "read only" access to the personnel data.

Item: 09-9 (Repeat Finding)

Subject: Payroll - School Superintendent's Office and Accommodation Schools

Criteria: Employee personnel files should include employment contracts or payroll authorization forms.

Condition: The personnel files for 5 of 13 employees tested did not have the current employment contracts or payroll authorization forms.

Cause: Policies and procedures were not in place to ensure that the required documentation was in the employee's personnel files.

Effect: The requirement of the Uniform Accounting Manual for Arizona Counties (UAMAC) was not followed and employees could be paid incorrectly.

Recommendation: To ensure that the requirements of the UAMAC are followed the departments should establish proper procedures to require approved contracts and payroll authorization forms to be included in personnel files.

Item: 09-10 (Repeat Finding)

Subject: General Ledger

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

Condition: Interfund payables and receivables are not reconciled.

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

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

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

Item: 09-11 (Repeat Finding)

Subject: Accounting and Financial Reporting

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

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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

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

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

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

Item: 09-12 (Repeat Finding)

Subject: Budgeting

Criteria: The County's assessed primary and secondary property taxation, plus all estimated sources of revenue and unencumbered balances from the preceding fiscal year, must equal budgeted expenditures for the current fiscal year, as required by Arizona Revised Statutes (A.R.S.) 42-17051(A).

Condition: The County's budgeted beginning fund balance for the General Fund, for the fiscal year ended June 30, 2009 was \$2,652,068, which was \$9,205,839 less than the actual ending fund balance for the General Fund at June 30, 2008.

Cause: The County does not have internal controls in place to ensure that budgets are prepared properly.

Effect: Property tax levies could be calculated incorrectly due to the County not being in compliance with Arizona Revised Statutes.

Recommendation: To comply with A.R.S. 42-17051(A), the County should establish policies and procedures to ensure that budgets are prepared as required.

Item: 09-13 (Repeat Finding)

Subject: Budgeting

Criteria: The County's budget must include estimates of expenditures for all County departments and the County must not spend monies that are not included in the Budget as required by Arizona Revised Statutes (A.R.S.) §42-17102(B)(1) and §42-17106(A)(1), respectively.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Condition: The County's budget does not include all of the funds maintained by the School Superintendent.

Cause: The County does not have internal controls in place to ensure that budgets are prepared properly.

Effect: There is a lack of fiscal oversight by the County.

Recommendation: To comply with A.R.S. §42-17102(B)(1) and §42-17106(A)(1), the County should establish policies and procedures to ensure that budgets are prepared as required.

Item: 09-14 (Repeat Finding)

Subject: Prior Period Adjustment

Criteria: The County should establish adequate internal control policies and procedures to ensure that all capital assets and the related accumulated depreciation are properly recorded.

Condition: The County made errors in prior years' when recording certain capital assets and the related accumulated depreciation for those assets, resulting in a prior period adjustment totaling \$57,844.

Cause: The County did not have adequate internal control policies in place.

Effect: Capital assets were not properly safeguarded as the County's capital assets list was not properly maintained.

Recommendation: To ensure that capital assets are properly safeguarded policies and procedures should be established that require all capital assets and the related accumulated depreciation to be properly recorded in the County's capital assets list.

Item: 09-15

Subject: Capital Assets

Criteria: The "Request for Disposal of Equipment" forms and documents supporting the sale of capital assets could not be located for items removed from the County's capital assets list.

Condition: "Request for Disposal of Equipment" forms and other documentation should be retained to support removal of capital assets from the County's capital assets list.

Cause: The County's procedures, as listed in the Uniform Accounting Manual for Arizona Counties (UAMAC), for disposal was not followed.

Effect: Capital assets are not being properly safeguarded.

Recommendation: The County should ensure that the policies and procedures as described in the UAMAC are followed.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Federal Award Findings and Questioned Costs

Item: 09-16

CFDA Number: 93.563

Program: Child Support Enforcement

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

Pass-through Entity: Arizona Department of Economic Security

Award Year: 10/1/08-9/30/09

Award Numbers: DES06725-1

Questioned Costs: None

Criteria: The Code of Federal Regulations 45 CFR Section 92.20 requires grantees to maintain records that adequately identify the source and application of funds provided for financially assisted activities.

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

Cause: Inadequate account code structure.

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

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

Item: 09-17

CFDA Numbers: 14.871, 15.226, 17.258, 17.259, 17.260, 84.366, 93.563

Program: Section 8 Housing, PILT, Workforce Investment Act Cluster, Mathematics and Science Partnerships, Child Support Enforcement

Agencies: U.S. Department of Housing and Urban Development, U.S. Department of Interior, U.S. Department of Labor, U.S. Department of Education, U.S. Department of Health and Human Services

Pass-through Entities: Arizona State Treasurer, Arizona Department of Education, Arizona Department of Economic Security

Award Year: Various

Award Numbers: E5706004, DE070295001, DE09126001, DE081297001, S366B07003, S366B080003, DES06725-1

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Questioned Costs: N/A

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

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

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

Effect: The County could lose federal funding.

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

Item: 09-18

CFDA Numbers: 17.258, 17.259, 17.260

Program: Workforce Investment Act Cluster

Agencies: U.S. Department of Labor

Pass-through Entities: Arizona Department of Economic Security

Award Year: 7/1/07-6/30/09, 7/1/08-6/30/10

Award Numbers: E5706004, DE070295001, DE081297001, DE09126001

Questioned Costs: N/A

Criteria: The program must maintain complete property records, as required by the County's policies

Condition: The program capital asset listing does not agree with the County's capital asset listing.

Cause: The client does not have the procedures in place to ensure the completeness of the equipment listing.

Effect: The County lacks the proper controls to safeguard capital assets.

Recommendation: The County should implement policies and procedures to ensure that all equipment purchases are included within the County's property records.

Item: 09-19

CFDA Numbers: 84.366

Program: Mathematics and Science Partnerships

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Agencies: U.S. Department of Education

Pass-through Entities: Arizona Department of Education

Award Year: Various

Award Numbers: S366B07003, S366B8003

Questioned Costs: None

Criteria: OMB Circular A-87, Attachment B, paragraph 8h requires that employees working for a federal award prepare a periodic certification if performing duties for one grant and a personal activity report, or an equivalent document if employees work on multiple activities.

Condition: The program director did not prepare the required reports.

Cause: The School Superintendent's Office was unaware of the requirement.

Effect: Noncompliance with the requirements of federal awards.

Recommendation: The School Superintendent's Office should have all employees that work for programs that receive federal funding prepare a periodic certification if performing duties for one grant and a personal activity report, or an equivalent document if employees work on multiple activities to ensure compliance with the requirements of OMB Circular A-87.

Item: 09-20

CFDA Numbers: 84.366

Program: Mathematics and Science Partnerships

Agencies: U.S. Department of Education

Pass-through Entities: Arizona Department of Education

Award Year: Various

Award Numbers: S366B07003, S366B8003

Questioned Costs: None

Criteria: Employee personnel files should include employment contracts or payroll authorization forms.

Condition: The personnel files for the 3 employees that worked for the grant did not have the current employment contracts or payroll authorization forms.

Cause: Policies and procedures were not in place to ensure that the required documentation was in the employee's personnel files.

Effect: The requirement of the Uniform Accounting Manual for Arizona Counties (UAMAC) was not followed and employees could be paid incorrectly.

Gila County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Recommendation: To ensure that the requirements of the UAMAC are followed the departments should establish proper procedures to require approved contracts and payroll authorization forms to be included in personnel files.

County Responses

Gila County
Corrective Action Plan
Year Ended June 30, 2009

Financial Statement Findings

Item: 09-1 (Repeat Finding)

Subject: Cash

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: March 31, 2011

Corrective Action: The departments were contacted regarding the outstanding checks older than one year, and they are in the process of attempting to locate the payee and will reissue check or escheat to the State. In the future, the finance department will review the reconciliations on a more detail level to ensure that all checks older than one year are cleared on a timely basis.

Item: 09-2 (Repeat Finding)

Subject: Cash

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: March 31, 2011

Corrective Action: Finance receives bank reconciliations on a monthly basis from various departments. More care will be taken to ensure that the bank reconciliation is reviewed to determine that the reconciliation is timely and performed correctly.

Item: 09-3 (Repeat Finding)

Subject: Cash Disbursements – School Superintendent’s Office

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: June 30, 2011

Corrective Action: We agree with the finding and procedures have been changed to include stamping all invoices paid and notating the warrant number on the invoice.

Item: 09-4 (Repeat Finding)

Subject: Capital Assets

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: Procedures were updated and the method of acquisition is properly recorded on the asset control system.

Gila County
Corrective Action Plan
Year Ended June 30, 2009

Item: 09-5 (Repeat Finding)

Subject: Cash Receipts – School Superintendent’s Office and Accommodation School

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: June 30, 2011

Corrective Action: An employee with no general ledger duties has been assigned to maintain a log to record all cash receipts. Another individual will reconcile the log to the deposits.

Item: 09-6 (Repeat Finding)

Subject: Journal Entries – School Superintendent’s Office

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: June 30, 2011

Corrective Action: Journal entries will be reviewed by an individual not preparing the journal entries.

Item: 09-7 (Repeat Finding)

Subject: Payroll

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: A review will be conducted of all personnel files and replacement forms will be requested from employees for any voluntary deduction authorization forms not found in the files. Also, more care will be taken in future to ensure that all personnel files contain all required forms.

Item: 09-8 (Repeat Finding)

Subject: Payroll – Accommodation Schools

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: September 30, 2010

Corrective Action: Only the Governing Board has the power and authority to hire employees. Procedures will be implemented to segregate the duties on maintaining employee action folders and processing employee payroll information into the Visions system.

Gila County
Corrective Action Plan
Year Ended June 30, 2009

Item: 09-9 (Repeat Finding)

Subject: Payroll – School Superintendent’s Office and Accommodation Schools

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: June 30, 2011

Corrective Action: The personnel files will be reviewed to determine that all applicable documents are maintained. Missing documents will be replaced and more care will be taken in future to ensure that all required documents are maintained in the personnel files.

Item: 09-10 (Repeat Finding)

Subject: General Ledger

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: A review will be performed on at least a quarterly basis to ensure that the interfund receivables and payables are reconciled. Also, we have contacted the software vendor to determine if a control can be set up in the software to ensure that all interfund receivables and payables are in balance prior to posting.

Item: 09-11 (Repeat Finding)

Subject: Accounting and Financial Reporting

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: A review will be performed of the funds and accounts in the general ledger and any adjustments will be made to comply with GASB 14. In addition, funds will be reviewed prior to set-up to ensure that the funds are properly classified.

Item: 09-12 (Repeat Finding)

Subject: Budgeting

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: Finding will be reviewed to ensure budgets are prepared as required.

Gila County
Corrective Action Plan
Year Ended June 30, 2009

Item: 09-13 (Repeat Finding)

Subject: Budgeting

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: The County is reviewing this issue. The County School Superintendent only provides information for the general fund. The special revenue funds are maintained on an accounting system that is separate from Gila County.

Item: 09-14 (Repeat Finding)

Subject: Prior Period Adjustment

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: More care will be taken in the future to ensure that capital assets are recorded in the proper category and the related accumulated depreciation is properly calculated.

Item: 09-15

Subject: Capital Assets

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: Procedures will be implemented to require documentation to support the disposal of assets to include the County's "Fixed Asset Disposal Form" or support for the sale of various capital assets items.

Gila County
Corrective Action Plan
Year Ended June 30, 2009

Federal Award Findings and Questioned Costs

Item: 09-16

CFDA Number: 93.563

Program: Child Support Enforcement

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

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: June 30, 2011

Corrective Action: We are reviewing this process and will develop a procedure to possibly record only transactions of the program in its own fund.

Item: 09-17

CFDA Number: 14.871, 15.226, 17.258, 17.259, 17.260, 84.366, 93.563

Program: Section 8 Housing, PILT, Workforce Investment Act Cluster, Mathematics and Science Partnerships, and Child Support Enforcement

Subject: The County's audit was not completed within nine months of June 30, 2009.

Contact Person: Joseph Heatherly, Director of Finance

Anticipated Completion Date: March 11, 2011

Corrective Action: The County is directing efforts to complete all audits by the required time period. We have completed five fiscal years' audits in two years. Our goal is to have the FY2010 audit completed within the required nine-month time frame.

Item: 09-18

CFDA Number: 17.258, 17.259, 17.260

Program: Workforce Investment Act Cluster

Subject: Items that have been capitalized and considered to be capital assets for the WIA program are not included on the County's capital asset listing.

Contact Person: Bree'na York, Community Service Manager, Misti Williams, Accountant

Anticipated Completion Date: June 30, 2011

Corrective Action: The Workforce Investment Act Cluster and the Gila County Finance Department have implemented procedures to incorporate into current policies in place to ensure the completeness of the equipment listing. The two Departments will collaborate and produce inventory lists to exchange between each other to ensure all items over \$5,000 are captured within the County's property records and maintained on those listing until they are disposed of.

Gila County
Corrective Action Plan
Year Ended June 30, 2009

Item: 09-19

CFDA Number: 84.366

Program: Mathematics and Science Partnerships

Subject: A payroll certification, as required by OMB Circular A-87 was not prepared by the program director.

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: June 30, 2011

Corrective Action: The School Superintendent's Office now requires that all employees that work for programs that receive federal funding prepare the required reports.

Item: 09-20

CFDA Number: 84.366

Program: Mathematics and Science Partnerships

Subject: Current employment contracts or payroll authorizations were not in the personnel files of the employees that worked on the grant.

Contact Person: Debra Moya, Deputy Superintendent

Anticipated Completion Date: June 30, 2011

Corrective Action: The personnel files will be reviewed to determine that all applicable documents are maintained. Missing documents will be replaced and more care will be taken in future to ensure that all required documents are maintained in the personnel files.

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Status of Prior Year Federal Award Findings and Questioned Costs

Item: 03-104, 04-19, 05-19, 06-18, 07-19, 08-18

CFDA Number: 93.563

Program: Child Support Enforcement

Status: Corrected

Item: 03-101, 04-21, 05-21, 06-20, 07-21, 08-19

CFDA Number: 93.563

Program: Child Support Enforcement

Status: Not corrected

Corrective Action: We are reviewing this issue to determine the best way to handle. We hope to have completed by 6/30/2011.

Item: 03-102, 04-18, 05-18, 07-22, 08-20

CFDA Number: 93.283, 93.069

Program: Centers for Disease Control and Prevention – Investigations and Technical Assistance, Public Health Emergency Preparedness

Status: Not Corrected

Corrective Action: Grant administrators have been notified and have implemented procedures to ensure that monthly billings are completed and submitted in a timely manner. This procedure includes running general ledger and project reports by the 15th of the month following a month end to ensure that the contract monthly report can be completed and submitted on a timely basis. Also, a monthly report checklist had been created to log completed/submitted dates for each report and will be signed off by approving manager on a monthly basis. Anticipated completion date is June 30, 2011

Item: 04-24, 05-24, 06-22, 07-23, 08-21

CFDA Number: 10.665, 14.871, 15.226, 16.579, 17.255, 17.258, 17.259, 17.260, 39.011, 84.366, 93.069, 93.283, 93.563, 16,007, 16,008, 97.004, 97.042, 97.067

Program: Schools and Roads – Grants to States, Section 8 Housing Choice Vouchers, Payments in Lieu of Taxes, Byrne Formula Grant Program, Workforce Investment Act Cluster, Election Reform Payments, Mathematics and Science Partnerships, Public Health Emergency

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Preparedness, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Child Support Enforcement and Homeland Security Grant Program Cluster

Status: Not corrected

Corrective Action: The County is directing efforts to complete all audits by the required time period. We have completed five fiscal years' audits in two years. Our goal is to have the FY2010 audit completed within the required nine-month time frame. Anticipated completion date is March 31, 2011.

Item: 07-24, 08-22

CFDA Number: 16,007, 97.067, 17.258, 17.259, 17.260, 93.069, 93.283, 93.563

Program: Homeland Security Grant Program Cluster, Workforce Investment Act Cluster, Public Health Emergency Preparedness, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Child Support Enforcement

Status: Corrected