

Gila County
Annual Financial Report
Year Ended June 30, 2010

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Independent Auditors' 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 the aggregate remaining fund information of Gila County (the County), as of and for the year ended June 30, 2010, 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 auditing standards generally accepted in the United States of America 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 the 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 the aggregate remaining fund information of Gila County, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior period adjustments were recorded and discussed in Note 9 to the basic financial statements, to correct errors in the prior year audited financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 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 the 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.

The management's discussion and analysis on pages 3 through 10, the Schedule of Agent Retirement Plans' Funding Progress on pages 44 and 45, and budgetary comparison information on pages 46 through 51, 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 inquires 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.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
October 10, 2011

Gila County
Management's Discussion and Analysis
June 30, 2010

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, 2010. 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 \$65,513,482 (net assets). Of this amount, \$33,738,545 (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 \$46,352,198, an increase of \$9,141,509 in comparison with the prior year's balance of \$37,210,689 (as restated).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$19,021,519 or 47% of total general fund expenditures.
- The County's total long-term liabilities increased by a net of \$6,352,111 during the current fiscal year in comparison with the prior year's balance of \$5,572,265. Key factors in this increase included (a) new issuance of series 2009 pledged revenue refunding obligations of \$1,140,000 with bond premium of \$31,324, (b) new issuance of series 2009 pledged revenue obligations of \$6,860,000 with bond premium of \$188,539, (c) principal debt reduction of \$1,792,300 (including the refunded certificates of participation), (d) a decrease in the landfill closure and post-closure costs of \$81,938 and, (e) a net increase in compensated absences of \$6,486 during the year.
- The prior year financial statements were restated to report a restricted cash balance for the landfill that was previously unrecorded and to correct other errors noted in the prior year financial statements. Note 9 to the financial statements provide further disclosure related to the restatements.

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.

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Management's Discussion and Analysis
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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.

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

The government-wide financial statements not only include the County itself (known as the primary government), but also the legally separate Gila County Library District, 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 12 through 13 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 three funds that are considered to be major funds, General, Public Works, and Housing Funds. Data from the other governmental funds is combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

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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 18 and 19 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 20 through 42 of this report.

Required supplementary information presents budgetary comparison schedules for the general and major special revenue funds. This section also includes certain information concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 44 through 51 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 \$65,513,482.

Condensed Statement of Net Assets
(in thousands)
Governmental Activities
June 30, 2010 and 2009

	2010	2009 (Restated)
Current and other assets	\$ 51,629	\$ 41,795
Capital assets	29,859	26,087
Total assets	81,487	67,882
Current liabilities	4,050	3,652
Long-term liabilities	11,924	5,572
Total liabilities	15,974	9,224
Net assets:		
Invested in capital assets, net of related debt	27,087	24,468
Restricted	4,688	4,014
Unrestricted	33,739	30,176
Total net assets	\$ 65,513	\$ 58,658

The largest portion of Gila County's net assets is unrestricted. Unrestricted net assets of \$33,738,545 or 52% may be used to meet Gila County's ongoing obligations to citizens and creditors. The second largest portion is \$27,086,747 or 41% 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.

Gila County
Management's Discussion and Analysis
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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.

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

Assets of the County increased by \$13.6 million. The most significant increase was the result of unspent bond proceeds in the amount of \$5.3 million and a \$3.7 million increase in capital assets. The bond proceeds are the result of the current year bond issue that will be utilized for various County building and street projects. The increase in capital assets is discussed later in this discussion and analysis about major capital asset activity.

The increase in the unrestricted net assets is largely due to the current year changes in revenues and expenses. The County had a net change in net assets of \$6,855,374. Approximately \$2.6 million of this increase is attributable to an increase in amounts invested in capital assets, net of related debt. The County utilizes capital grants to fund a significant portion of those capital assets; however, the related costs of those assets are capitalized and therefore the assets funded through grants and other intergovernmental agreements are reflected in the change in net assets. The remaining change in net assets, discussed in the following section resulted in an increase in unrestricted and restricted net assets.

The 2009 statement of net assets and changes in net assets were restated to correct errors in the previously issued financial statements, as described in Note 9 to the financial statements. The 2009 statement of net assets and changes in net assets, as previously reported, were audited in the prior year and the corrections to those prior year statements were audited in the current fiscal year.

Statement of Activities

Already noted was the statement of activities purpose in presenting how the government's net assets changed during the current fiscal year. For the fiscal year, net assets increased by \$6,855,374, 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. The following table presents the change in net assets.

Gila County
Management's Discussion and Analysis
June 30, 2010

Changes in Net Assets
(in thousands)
Governmental Activities
Years Ended June 30, 2010 and 2009

	2010	2009 (Restated)
Revenues		
Program Revenues		
Charges for services	\$ 7,010	\$ 7,592
Grants and contributions	21,998	18,859
General Revenues:		
Property taxes	23,779	21,383
County sales tax	5,489	6,195
Share of state sales tax	4,196	4,696
Vehicle license tax	1,579	1,715
Payments in lieu of taxes	3,267	4,443
Miscellaneous	1,078	1,314
Total Revenues	<u>68,397</u>	<u>66,197</u>
Expenses		
General government	20,403	19,935
Public safety	16,339	16,269
Highways and streets	6,564	6,773
Health	2,609	2,411
Welfare	10,156	8,882
Sanitation	1,048	1,447
Culture and recreation	1,343	1,395
Education	2,782	2,931
Interest on long-term debt	298	126
Total Expenses	<u>61,542</u>	<u>60,169</u>
Increase in net assets	6,855	6,028
Net assets, beginning of the year, as restated	58,658	52,630
Net assets, end of the year	<u>\$ 65,514</u>	<u>\$ 58,658</u>

Revenues

Governmental activities revenues totaled \$68,397,160 for fiscal year 2010 which was an increase of almost 3% over the prior year's total revenues. Grants and contributions and property taxes were the only revenues that had an increase over the prior year's amount. The increase in grants and contributions was due to the receipt of ARRA funding. The increase in property taxes was due to increased property tax rates. Charges for services, county sales tax, state sales tax, state vehicle license tax, payments in lieu of taxes, and miscellaneous revenues had a decrease over the prior year's amount. These decreases were due to a continued downturn of the economy.

Expenses

Governmental activities expenses totaled \$61,541,786 for fiscal year 2010, which was only a slight increase of just 2% over the prior year's total expenses.

Gila County
Management's Discussion and Analysis
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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 \$46,352,198, an increase of \$9,141,509 in comparison with the prior year's balance of \$37,210,689 (as restated).

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 \$19,021,519, an increase of almost 23% over the prior year's balance of \$15,503,448. The increase was largely due to the issuance of \$8,000,000 in pledged revenue obligations, as well as an increase in property tax revenues and state and federal grants and aid. Expenditures increased \$3.3 million due to the use of a portion of the bond proceeds; however, the increase in property taxes offset the increase in expenditures.

The public works fund reported a decrease in fund balance of approximately \$1.0 million. Overall, actual public works fund expenditures were under budget by \$9,769,408. Actual expenditures were less than budget and less than prior year expenditures due to decreased maintenance projects and capital projects during the fiscal year. Before transfers, the public works fund reported a positive change in fund balance of \$1.2 million due to decreased expenditures and increased property tax revenues; however, \$2.2 million was transferred to the General Fund and Nonmajor Governmental Funds to supplement other programs.

The Housing Fund reported an increase in fund balance of almost \$200,000. Generally, expenditures of the Housing Fund are funded 100 percent by grants and donations. The \$200,000 increase was due to a transfer to cover prior year deficits that were not funded by grants and contributions.

General Fund Budgetary Highlights

The general fund had budgeted expenditures before other financing sources and uses of \$60,911,747. Overall, actual general fund expenditures were under budget by \$20,603,482. The County had budgeted \$10,350,000 for reserves and contingencies, none of which was spent during the current fiscal year, accounting for more than half the \$20.6 million of expenditures under budget. Capital outlay accounted for an additional \$6.2 million of the unspent budget as the County had budgeted the use of the bond proceeds; however, those funds will be carried over to the next fiscal year for appropriations. The Solid Waste Management department had budgeted expenditures of \$2,600,934 while actual expenditures were under budget by \$1,704,656 as the County is accumulating funds for the eventual closing of the landfill.

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The significant County departments and other budgeted line items over budget are the Professional Services—\$438,669 and Interest and Fiscal Charges—\$506,006. The County will strive to improve its budgeting procedures and control in the future.

Capital Asset and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$29,859,130 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc).

Major capital asset activity during the fiscal year included:

- Completion of the Payson building acquisition and improvements for \$1,066,565 plus land for \$50,000; current year costs of \$966,350.
- Completion of the WIC building and parking lot for \$458,898 and \$29,078, respectively; current year costs \$234,313.
- Continued construction of the Tonto Creek Bridge; current year costs of \$1,075,187 reported as an increase in construction in progress.
- Continued construction of the public works complex; current year costs of \$888,364 reported as an increase in construction in progress.
- Continued construction of the women's jail dorm; current year costs of \$569,622 reported as an increase in construction in progress.
- Purchase of thirty vehicles totaling \$768,492.

The total net increase in the County's investment in capital assets for the current fiscal year was \$3,771,694, an increase of 14% in comparison with the prior year's balance of \$26,087,436.

Capital Assets at Year-End
(Net of Accumulated Depreciation)
(in thousands)
Governmental Activities
June 30, 2010 and 2009

	2010	2009
Land	\$ 4,100	\$ 3,995
Construction in Progress	3,635	1,159
Buildings	7,396	6,101
Improvements Other than Buildings	719	731
Machinery and Equipment	6,365	6,241
Infrastructure	7,644	7,860
Total Capital Assets, Net	\$ 29,859	\$ 26,087

Additional information on the County's capital assets can be found in Note 5 on page 28 of this report.

Gila County
Management's Discussion and Analysis
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Long-term Debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$7,800,000 (excluding the premium on the bonds). This outstanding balance consists of series 2009 pledged revenue refunding obligations of \$1,110,000 (bond premium of \$31,324) to refund the outstanding 1999 series certificates of participation and series 2009 pledged revenue obligations of \$6,690,000 (bond premium of \$188,539) to finance construction costs for several County buildings. The County had long-term capital leases of \$27,059 for machinery and computer equipment. The remainder of Gila County's debt is landfill closure and post-closure care costs of \$2,596,554 and compensated absences payable of \$1,280,900.

The County's debt was increased by a net of \$6,352,111 during the current fiscal year due to the following key factors (a) new issuance of series 2009 pledged revenue refunding obligations of \$1,140,000 with a bond premium of \$31,324, (b) new issuance of series 2009 pledged revenue obligations of \$6,860,000 with a bond premium of \$188,539, (c) principal reduction of \$1,792,300, (d) a decrease in the landfill closure and post-closure costs of \$81,938 and, (e) a net increase in compensated absences of \$6,486 during the year.

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 \$39,384,666. 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 7 on pages 29 through 32 of this report.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for Gila County is currently 11.1 percent, which is an increase from a rate of 10.8 percent a year ago. This compares unfavorably to the state's average unemployment rate of 9.5 percent. These economic factors were considered in preparing the County's budget for the fiscal year 2010-11. The unreserved ending fund balance in the general fund of \$19,021,519 was appropriated for spending in the fiscal year 2010-11 budget.

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, 2010

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,702,090
Investments	31,046,011
Cash and investments held by trustee	5,274,539
Receivables (net of allowances for uncollectibles):	
Property taxes	1,064,661
Accounts	928,669
Due from other governments	4,246,508
Restricted cash	4,067,040
Deferred charges	299,243
Capital assets	
Nondepreciable	7,734,967
Depreciable	22,124,163
Total assets	81,487,891
Liabilities	
Accounts payable	2,937,544
Accrued payroll and employee benefits	1,112,489
Noncurrent liabilities:	
Due within one year	1,597,959
Due in more than one year	10,326,417
Total liabilities	15,974,409
Net Assets	
Invested in capital assets, net of related debt	27,086,747
Restricted for:	
Sanitation	4,067,040
Debt service	621,150
Unrestricted	33,738,545
Total net assets	\$ 65,513,482

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

Gila County
Statement of Activities
Year Ended June 30, 2010

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	\$ 20,403,053	\$ 3,305,786	\$ 2,531,606	\$ -	\$ (14,565,661)
Public safety	16,339,195	1,391,040	3,522,102	-	(11,426,053)
Highways and streets	6,563,962	227,787	3,523,215	2,034,040	(778,920)
Health	2,608,870	258,415	1,382,789	269,601	(698,065)
Welfare	10,155,830	169,307	5,995,143	-	(3,991,380)
Sanitation	1,047,557	1,579,806	101,501	-	633,750
Culture and recreation	1,343,385	23,205	46,460	-	(1,273,720)
Education	2,782,149	54,607	2,591,271	-	(136,271)
Interest on long-term debt	297,785	-	-	-	(297,785)
Total governmental activities	<u>\$ 61,541,786</u>	<u>\$ 7,009,953</u>	<u>\$ 19,694,087</u>	<u>\$ 2,303,641</u>	(32,534,105)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					22,424,425
Property taxes, levied for street lighting districts					62,981
Property taxes, levied for library district					1,291,414
County general and transportation sales tax					5,489,236
Share of state sales tax					4,196,381
Shared revenue-state vehicle license tax					1,579,496
Payments in lieu of taxes					3,267,127
Shared revenue-state lottery					304,382
Grants and contributions not restricted to specific programs					279,396
Investment income					219,054
Miscellaneous					275,587
Total general revenues					<u>39,389,479</u>
Change in net assets					6,855,374
Net assets, July 1, 2009, as restated					58,658,108
Net assets, June 30, 2010					<u>\$ 65,513,482</u>

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

**Gila County
Balance Sheet
Governmental Funds
June 30, 2010**

	General Fund	Public Works Fund	Housing Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 17,677,688	\$ 7,599,354	\$ 239,999	\$ 10,231,060	\$ 35,748,101
Cash and investments held by trustee	5,274,539	-	-	-	5,274,539
Receivables (net of allowances for uncollectibles):					
Property taxes	1,000,894	-	-	63,767	1,064,661
Accounts	760,583	5,091	39,246	123,749	928,669
Due from:					
Other funds	1,257,000	103,384	-	98,233	1,458,617
Other governments	1,360,462	734,015	564,070	1,587,961	4,246,508
Restricted cash	4,067,040	-	-	-	4,067,040
Total assets	<u>\$ 31,398,206</u>	<u>\$ 8,441,844</u>	<u>\$ 843,315</u>	<u>\$ 12,104,770</u>	<u>\$ 52,788,135</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,328,518	\$ 491,183	\$ 87,004	\$ 1,030,839	\$ 2,937,544
Accrued payroll and employee benefits	736,227	119,719	10,444	246,099	1,112,489
Due to other funds	98,233	-	650,000	710,384	1,458,617
Deferred revenues	872,130	-	-	55,157	927,287
Total liabilities	<u>3,035,108</u>	<u>610,902</u>	<u>747,448</u>	<u>2,042,479</u>	<u>6,435,937</u>
Fund balances:					
Unreserved, reported in:					
General fund	19,021,519	-	-	-	19,021,519
Special revenue funds	-	7,830,942	95,867	10,062,291	17,989,100
Reserved for sanitation	4,067,040	-	-	-	4,067,040
Reserved for capital projects	5,274,539	-	-	-	5,274,539
Total fund balances	<u>28,363,098</u>	<u>7,830,942</u>	<u>95,867</u>	<u>10,062,291</u>	<u>46,352,198</u>
Total liabilities and fund balances	<u>\$ 31,398,206</u>	<u>\$ 8,441,844</u>	<u>\$ 843,315</u>	<u>\$ 12,104,770</u>	<u>\$ 52,788,135</u>

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

Gila County
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Fund balances - total governmental funds	\$ 46,352,198
 <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.	29,859,130
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	927,287
Deferred charges on issuance of long term liabilities are not financial resources and therefore are not reported in the governmental funds.	299,243
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(11,924,376)</u>
Net assets of governmental activities	<u><u>\$ 65,513,482</u></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, 2010

	General Fund	Public Works Fund	Housing Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 25,119,149	\$ 2,799,473	\$ -	\$ 1,354,395	\$ 29,273,017
Licenses and permits	509,582	4,032	-	130,130	643,744
Intergovernmental	11,737,024	4,537,888	1,517,637	13,505,819	31,298,368
Charges for services	4,062,783	208,416	-	1,351,711	5,622,910
Fines and forfeits	671,062	-	-	72,237	743,299
Donations and contributions	-	-	266,730	59,412	326,142
Investment income	100,022	28,677	-	90,355	219,054
Miscellaneous	86,849	23,942	-	164,796	275,587
Total revenues	<u>42,286,471</u>	<u>7,602,428</u>	<u>1,784,367</u>	<u>16,728,855</u>	<u>68,402,121</u>
Expenditures:					
Current:					
General government	18,083,947	-	-	1,363,834	19,447,781
Public safety	12,615,941	-	-	3,322,985	15,938,926
Highways and streets	-	5,387,333	-	50,078	5,437,411
Health	-	-	-	2,594,948	2,594,948
Welfare	3,759,830	-	1,732,498	4,613,953	10,106,281
Sanitation	896,278	-	-	95,228	991,506
Culture and recreation	220,087	-	-	1,095,486	1,315,573
Education	404,447	-	-	2,369,685	2,774,132
Debt service:					
Principal retirement	275,755	50,000	-	71,545	397,300
Interest and fiscal charges	206,763	36,492	-	3,515	246,770
Issuance costs	299,243	-	-	-	299,243
Capital outlay	3,545,974	888,368	59,340	1,990,907	6,484,589
Total expenditures	<u>40,308,265</u>	<u>6,362,193</u>	<u>1,791,838</u>	<u>17,572,164</u>	<u>66,034,460</u>
Excess (deficiency) of revenues over expenditures	1,978,206	1,240,235	(7,471)	(843,309)	2,367,661
Other financing sources (uses):					
Issuance of long-term debt	8,000,000	-	-	-	8,000,000
Premium on long-term debt issuance	219,863	-	-	-	219,863
Payment to refunding agent	(1,446,015)	-	-	-	(1,446,015)
Transfers in	1,963,090	4,700	207,000	2,082,462	4,257,252
Transfers out	(1,869,179)	(2,248,189)	-	(139,884)	(4,257,252)
Total other financing sources (uses)	<u>6,867,759</u>	<u>(2,243,489)</u>	<u>207,000</u>	<u>1,942,578</u>	<u>6,773,848</u>
Net change in fund balances	8,845,965	(1,003,254)	199,529	1,099,269	9,141,509
Fund balances, beginning of year, as restated	<u>19,517,133</u>	<u>8,834,196</u>	<u>(103,662)</u>	<u>8,963,022</u>	<u>37,210,689</u>
Fund balances, end of year	<u>\$ 28,363,098</u>	<u>\$ 7,830,942</u>	<u>\$ 95,867</u>	<u>\$ 10,062,291</u>	<u>\$ 46,352,198</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 of the Governmental Funds
to the Statement of Activities
Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 9,141,509

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 6,225,552	
Depreciation expense	(2,427,733)	
		3,797,819
Excess capital expenditures over depreciation		

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets. (26,125)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. (4,961)

Issuance of long-term debt provides 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.

Series 2009 pledged revenue obligations issued	(6,860,000)	
Series 2009 pledged revenue refunding obligations issued	(1,140,000)	
Bond premium	(219,863)	
Bond issue costs	299,243	
Principal repaid	1,792,300	
		(6,128,320)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Increase in compensated absences	(6,486)	
Decrease in landfill closure and postclosure costs	81,938	
		75,452

Change in net assets of governmental activities \$ 6,855,374

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

Gila County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 623,722
Investments	43,070,490	-
Total assets	43,070,490	\$ 623,722
Liabilities		
Due to other governments	-	\$ 102,948
Deposits held for others	-	520,774
Total liabilities	-	\$ 623,722
Net Assets		
Held in trust for investment trust participants	\$ 43,070,490	

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, 2010

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 121,727,272
Investment earnings	60,081
Total additions	121,787,353
Deductions:	
Distributions to participants	130,268,565
Change in net assets	(8,481,212)
Net assets, July 1, 2009	51,551,702
Net assets, June 30, 2010	\$ 43,070,490

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

Gila County
Notes to Financial Statements
June 30, 2010

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).

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

Related Organizations

The Environmental Economic Community Organization and Eastern Arizona Counties Organization 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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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 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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Housing Fund accounts for the County's affordable housing operations.

Additionally, the County reports the following fund types:

The *Investment Trust Fund* accounts for pooled assets held and invested by the County Treasurer on behalf of the 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 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. The 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 measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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 Taxes 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, 2010, 39 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
Improvements Other Than Buildings	5,000	Straight-Line	20 years
Machinery and Equipment	5,000	Straight-Line	3-25 years
Infrastructure	50,000	Straight-Line	7-50 years

G. Investment Income

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

Gila County
Notes to Financial Statements
June 30, 2010

Note 1 – Summary of Significant Accounting Policies (Continued)

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 is reported in the governmental funds' financial statements only if they have matured; for example, as a result of employee resignations and retirements by fiscal year-end.

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

Note 2 – Individual Fund Deficits

The following Special Revenue Funds had fund deficits in excess of \$1,000 as of June 30, 2010:

Fund	Deficit
Proposition 201 Smoke Free AZ Act	\$ 11,145
FTF Early Childhood Screening	8,678
State Homeland Security FFY 2009	30,414
Recorder/Document System	59,804
Midland/Central Heights Streets Lighting Improvement District	13,380
Claypool/Lower Miami Streets Lighting Improvement District	18,865

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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 3 – Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities, specified state and local government bonds; and 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.

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 maturity 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, 2010, the carrying amount of the County's deposits was \$14,661,391 and the bank balance was \$16,377,705. The County does not have a formal policy with respect to custodial credit risk. Of the bank balance \$6,290 was uninsured and uncollateralized.

Gila County
Notes to Financial Statements
June 30, 2010

Note 3 – Deposits and Investments (Continued)

Investments—The County's investments at June 30, 2010, were as follows:

Investment Type	Amount
U.S. Agency Securities	\$ 65,884,401
U.S. Treasury Securities	1,499,595
U.S. Treasury Money Market Fund	4,227,100
Corporation Obligations	2,505,405
	\$ 74,116,501

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, 2010, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. Agency Securities	Aaa	Moody's	\$ 65,884,401
U.S. Treasury Securities	Aaa	Moody's	1,499,595
U.S. Treasury Money Market Fund	Aaa	Moody's	4,227,100
Corporation Obligations	Aaa	Moody's	2,505,405
			\$ 74,116,501

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, 2010, the County had \$4,227,100 of investments reported in the General Fund. The investments were held by a trustee in a U. S. Treasury money market fund 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, 2010, were in debt securities of various U.S. agencies as follows:

U.S. Agency	Amount	Percent of County Investments
Federal Home Loan Bank System	\$48,086,362	64.9%
Federal National Mortgage Association	7,530,000	10.2%
Federal Farm Credit Banks	7,263,120	9.8%
	\$62,879,482	

Gila County
Notes to Financial Statements
June 30, 2010

Note 3 – Deposits and Investments (Continued)

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.

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Agency Securities	\$ 65,884,401	\$ 49,605,186	\$ 16,279,215
U.S. Treasury Securities	1,499,595	1,499,595	-
U.S. Treasury Money Market Fund	4,227,100	4,227,100	-
Corporate Obligations	2,505,405	2,505,405	-
	<u>\$ 74,116,501</u>	<u>\$ 57,837,286</u>	<u>\$ 16,279,215</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 on Hand	\$ 6,000
Amount of Deposits	14,661,391
Amount of Investments	74,116,501
	<u>\$ 88,783,892</u>

	<u>Statement of Net Assets</u>	<u>Statement of Fiduciary Net Assets</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	
Cash and Cash Equivalents	\$ 4,702,090	\$ -	\$ 623,722	\$ 5,325,812
Investments	31,046,011	43,070,490	-	74,116,501
Total Cash and Investments	35,748,101	43,070,490	623,722	79,442,313
Restricted Cash	4,067,040	-	-	4,067,040
Cash and Investments Held by Trustee	5,274,539	-	-	5,274,539
	<u>\$ 45,089,680</u>	<u>\$ 43,070,490</u>	<u>\$ 623,722</u>	<u>\$ 88,783,892</u>

Restricted cash represents monies set aside as part of the landfill line of credit agreement discussed further in Note 7 to the financial statements.

Gila County
Notes to Financial Statements
June 30, 2010

Note 4 – Due from Other Governments

Amounts due from other governments at June 30, 2010, in the Statement of Net Assets include \$444,481 in Medicaid refunds, \$444,482 in County excise and transportation tax, \$334,999 in Highway User Revenue, \$193,732 in state-shared sales tax, \$229,038 in auto lieu tax and license registration fees, \$403,166 in Workforce Investment Act grants, \$263,285 in federal forest service reimbursements, \$256,384 in health service grants, \$434,833 in other community service grants, \$229,131 in other federal grants, \$371,526 in state grants, \$214,347 in education grants, \$140,160 in state school equalization, and \$286,944 in reimbursements and charges for services due from various government agencies.

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,994,882	\$ 130,895	\$ 26,125	\$ 4,099,652
Construction in Progress (estimated cost to complete \$9,496,972)	1,159,255	4,461,620	1,985,560	3,635,315
Total Capital Assets, Not Being Depreciated	5,154,137	4,592,515	2,011,685	7,734,967
Capital Assets, Being Depreciated:				
Buildings	19,007,198	1,737,682	437,800	20,307,080
Improvements Other Than Buildings	884,274	29,078	-	913,352
Machinery and Equipment	23,926,855	1,593,085	145,221	25,374,719
Infrastructure	13,739,396	258,752	-	13,998,148
Total Capital Assets, Being Depreciated	57,557,723	3,618,597	583,021	60,593,299
Accumulated Depreciation for:				
Buildings	12,906,087	443,167	437,800	12,911,454
Improvements Other Than Buildings	153,275	40,926	-	194,201
Machinery and Equipment	17,685,845	1,468,614	145,221	19,009,238
Infrastructure	5,879,217	475,026	-	6,354,243
Total Accumulated Depreciation	36,624,424	2,427,733	583,021	38,469,136
Total Capital Assets, Being Depreciated, Net	20,933,299	1,190,864	-	22,124,163
Governmental Activities Capital Assets, Net	\$ 26,087,436	\$ 5,783,379	\$ 2,011,685	\$ 29,859,130

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 922,661
Public Safety	400,269
Highways and Streets	867,513
Health	13,922
Welfare	49,549
Sanitation	137,989
Culture and Recreation	27,812
Education	8,018
	<u>\$ 2,427,733</u>

Gila County
Notes to Financial Statements
June 30, 2010

Note 5 – Capital Assets (Continued)

Construction Commitments

The County has active construction projects as of June 30, 2010, with estimated costs to complete of \$9,496,972 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. Funding for the public works administrative building, shop/road building, Payson building and women’s jail dormitory will be provided from the current year bond issue. The Ice House Canyon and Tonto Creek bridges will be funded by an intergovernmental agreement with ADOT and the use of a portion of the current year bond proceeds.

Note 6 – Loans Payable

The County maintains a revolving line of credit with a \$3,500,000 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 2010. The following schedule summarizes the activity for the line of credit for the fiscal year ended June 30, 2010. The County had no outstanding balance at year-end.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
Governmental Activities					
Line of Credit	\$ -	\$ 268,424	\$ 268,424	\$ -	\$ -

Note 7 – Long-Term Liabilities

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Participation Payable	\$ 1,395,000	\$ -	\$ 1,395,000	\$ -	\$ -
Series 2009 Pledged Revenue Refunding Obligations	-	1,140,000	30,000	1,110,000	40,000
Series 2009 Pledged Revenue Obligations	-	6,860,000	170,000	6,690,000	250,000
Bond Premium	-	219,863	-	219,863	
Capital Leases Payable	224,359	-	197,300	27,059	27,059
Landfill Closure and Postclosure Care Costs Payable	2,678,492	-	81,938	2,596,554	-
Compensated Absences Payable	1,274,414	1,638,588	1,632,102	1,280,900	1,280,900
Governmental Activities Long-Term Liabilities	\$ 5,572,265	\$ 9,858,451	\$ 3,506,340	\$ 11,924,376	\$ 1,597,959

Gila County
Notes to Financial Statements
June 30, 2010

Note 7 – Long-Term Liabilities (Continued)

Series 2009 Pledged Revenue Obligations—During the year ended June 30, 2010, the County issued \$8,000,000 in pledged revenue obligations with an interest rate of 3.0-5.0 percent to finance renovation costs for a newly-acquired county administration building and several other County buildings, and to advance refund the outstanding 1999 Series A certificates of participation (\$1,395,000). The obligations are generally noncallable, with interest payable semi-annually. The County's obligation to make pledged revenue obligation payments will be payable solely from, and secured by, a pledge and lien upon the County's excise taxes through fiscal year 2029. Annual principal and interest payments on the bonds are expected to require less than 15% of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were \$430,913 and \$4,196,381 respectively.

The net proceeds of \$1,446,015 from the advance refunding (\$1,495,824 gross proceeds, including \$324,500 of cash reserve from the County less \$49,809 of issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded certificates of participation. As a result, the refunded certificates of participation are considered defeased, and the liability for those certificates has been removed from the statement of net assets.

The advance refunding extended the debt service requirements by 15 years over the prior debt service requirements, resulting in an increase in debt service payments over the next 20 years of \$84,329, but resulted in an economic gain (i.e. difference between the present values of the debt service payments on the old and new debt) of \$9,093.

Bonds payable at June 30, 2010, were as follows:

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding July 1, 2009</u>	<u>Issues</u>	<u>Retirements</u>	<u>Outstanding June 30, 2010</u>
Series 2009	3-5%	7/1/2011-2029	\$ -	\$ 8,000,000	\$ 200,000	\$ 7,800,000

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2010:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 290,000	\$ 327,850
2012	305,000	319,150
2013	310,000	310,000
2014	320,000	300,700
2015	325,000	291,100
2016-2020	1,830,000	1,265,950
2021-2025	2,230,000	864,750
2026-2029	2,190,000	280,750
Total	<u>\$ 7,800,000</u>	<u>\$ 3,960,250</u>

Gila County
Notes to Financial Statements
June 30, 2010

Note 7 – Long-Term Liabilities (Continued)

Capital leases—The County has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for 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	192,461
Carrying Value:	<u>\$ 346,700</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2010:

Year Ending June 30,	
2011	\$ 28,060
Less Amount Representing Interest	1,001
Present Value of Net Minimum Lease Payments	<u>\$ 27,059</u>

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its six landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfill is closed. 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 \$2,596,554 reported as landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount reported to date based on the approximate use of 59 percent of the estimated capacity of the Buckhead Mesa Landfill and 52 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$2,132,669 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 2010.

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

Gila County
Notes to Financial Statements
June 30, 2010

Note 7 – Long-Term Liabilities (Continued)

Landfill closure and postclosure care costs (Continued)—In order to comply with state and federal laws and regulations, the County obtained a letter of credit on July 9, 2009, 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 current balance is reported in the statement of net assets and the governmental funds balance sheet as restricted cash. For fiscal year 2010, the County's annual payments to comply with this agreement total \$340,000. The County entered 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 may require 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—During the year ended June 30, 2010, the County paid for compensated absences as follows: 63% from the General Fund, 13% from the Public Works Fund, 1% from the Housing Fund, and 23% from other funds.

Note 8 – 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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 8 – Risk Management (Continued)

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.

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 9 – Beginning Balances Restated

Beginning net assets/fund balance have been restated in the government-wide statement of activities and governmental fund statement of revenues, expenditures, and changes in fund balances to 1) record a previously unrecorded restricted cash balance held by a local financial institution to accumulate monies for the payment of closure and post-closure care costs of the landfill; 2) to record prior year unrecorded revenues that were earned, but not yet received at June 30, 2009; 3) to reverse revenues recorded in the prior year that were received, but unearned at June 30, 2009; and 4) to properly record equity in the Housing Fund that was reported as a liability in error in the previously issued financial statements.

Gila County
Notes to Financial Statements
June 30, 2010

Note 9 – Beginning Balances Restated (Continued)

The following summary reconciles beginning net assets/fund balance to the prior year audited financial statements:

	Governmental Activities	General Fund	Public Works Fund	Housing Fund	Other Governmental Funds	Total
Beginning Net Assets/Fund Balance (as previously reported)	\$ 54,599,749	\$ 15,827,948	\$ 8,834,196	\$ (247,005)	\$ 8,737,191	\$ 33,152,330
Corrections of Errors:						
Landfill Restricted Cash	3,689,185	3,689,185	-	-	-	3,689,185
Revenues earned, but not recorded	488,938	-	-	75,833	413,105	488,938
Revenues received in advance	(187,274)	-	-	-	(187,274)	(187,274)
Equity reported as a liability	67,510	-	-	67,510	-	67,510
Beginning Net Assets/Fund Balance (as restated)	<u>\$ 58,658,108</u>	<u>\$ 19,517,133</u>	<u>\$ 8,834,196</u>	<u>\$ (103,662)</u>	<u>\$ 8,963,022</u>	<u>\$ 37,210,689</u>

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 and 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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 10 – Pensions and Other Postemployment Benefits (Continued)

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 state, county, and local correction officers; dispatchers; and probation, surveillance, and juvenile detention officers. 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 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, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.4 percent (9.0 percent for retirement and 0.4 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 9.4 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members' annual covered payroll.

Gila County
Notes to Financial Statements
June 30, 2010

Note 10 – Pensions and Other Postemployment Benefits (Continued)

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

Arizona State Retirement System Last Three Fiscal years			
	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years Ended June 30,			
2010	\$ 1,481,953	\$ 117,277	\$ 71,077
2009	1,349,254	162,113	84,434
2008	1,351,689	176,307	83,956

Agent plans—For the year ended June 30, 2010, 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 20.03 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at .78 percent of covered payroll. Active CORP members were required by statute to contribute 8.4 percent of the members' annual covered payroll and the County was required to contribute 7.01 percent for the County corrections officers and 5.61 percent for the County dispatchers. The aggregate of these members' and the County contributions are the actuarially required amounts. The health insurance premium portion of the contribution rate was actuarially set at 0.57 percent and 0.45 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 contribute at the actuarially determined rate of 26.25 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.89 percent of covered payroll. The health insurance contribution rates reported include both the actuarially determined rates for normal cost and for the amortization of the unfunded accrued liability for health insurance.

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2010, were established by the June 30, 2008, 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 multi-year 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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 10 – Pensions and Other Postemployment Benefits (Continued)

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 2010 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 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
Includes inflation at	5.50% for PSPRS and CORP; 5.00% for EORP

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2010, and related information follows:

	PSPRS		CORP (Correction Officers)		CORP (Dispatchers)		EORP	
	Health		Health		Health		Health	
	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance
Annual Pension/ OPEB Cost	\$ 422,009	\$ 35,293	\$ 153,574	\$ 16,637	\$ 42,583	\$ 7,555	\$ 165,173	\$ 5,531
Contributions Made	440,678	16,624	164,680	5,531	46,738	3,400	165,173	5,531

Gila County
Notes to Financial Statements
June 30, 2010

Note 10 – Pensions and Other Postemployment Benefits (Continued)

Trend Information—Annual pension cost and OPEB information for the current and two preceding years follows for each of the agent plans.

<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	2010	\$ 422,009	104%	\$ 18,669
Health Insurance	2010	35,293	47%	(18,669)
Pension	2009	469,011	106%	27,788
Health Insurance	2009	41,923	34%	(27,788)
Pension	2008	316,638	107%	21,236
Health Insurance	2007	35,079	39%	(21,236)
CORP Correction Officers				
Pension	2010	153,574	107%	11,106
Health Insurance	2010	16,637	33%	(11,106)
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)
CORP Dispatchers				
Pension	2010	42,583	110%	4,155
Health Insurance	2010	7,555	45%	(4,155)
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)
EORP				
Pension	2010	165,173	100%	
Health Insurance	2010	5,531	100%	
Pension	2009	167,153	100%	
Health Insurance	2009	8,667	100%	
Pension	2008	128,718	100%	
Health Insurance	2008	11,463	100%	

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2010, along with the actuarial assumptions and methods used in those valuations follow. 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 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.

Gila County
Notes to Financial Statements
June 30, 2010

Note 10 – Pensions and Other Postemployment Benefits (Continued)

The funded status of the plans as of the most recent valuation date, June 30, 2010, are as follows:

	(In Millions)					
	PSPRS		CORP (Corrections Officers)		CORP (Dispatchers)	
	Health		Health		Health	
	Pension	Insurance	Pension	Insurance	Pension	Insurance
Actuarial accrued liability (a)	\$ 10.7	\$ 0.3	\$ 2.4	\$ 0.1	\$ 1.5	\$ 0.1
Actuarial value of assets (b)	6.7	-	2.6	-	1.4	-
Unfunded actuarial accrued liability (funding excess) (a)-(b)	4.0	0.3	(0.2)	0.1	0.1	0.1
Funded ratio (b) / (a)	62.5%	0.0%	110.2%	0.0%	90.6%	0.0%
Covered payroll (c)	\$ 2.1	\$ 2.1	\$ 2.3	\$ 2.3	\$ 0.7	\$ 0.7
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll([(a)-(b)] / (c))	187.7%	15.7%	N/A	6.2%	19.5%	7.3%

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, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for underfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-Year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% – 8.5% for PSPRS and CORP; 5.00% for EORP
Includes inflation at	5.50% for PSPRS and CORP; 5.00% for EORP

Gila County
Notes to Financial Statements
June 30, 2010

Note 11 – Interfund Balances and Activity

Interfund receivables and payables – Interfund balances at June 30, 2010, were as follows:

Payable From	Payable To			Total
	General Fund	Public Works Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 98,233	\$ 98,233
Housing Fund	650,000	-	-	650,000
Nonmajor Governmental Funds	607,000	103,384	-	710,384
Total	\$ 1,257,000	\$ 103,384	\$ 98,233	\$ 1,458,617

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. Also, interfund balances are recorded to eliminate deficit cash balances at year-end. All interfund balances are expected to be paid in one year.

Interfund transfers – Interfund transfers for the year ended June 30, 2010, were as follows:

Transfer From	Transfer To				Total
	General Fund	Public Works Fund	Housing Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ -	\$ 80,000	\$ 1,789,179	\$ 1,869,179
Public Works Fund	1,954,906	-	-	293,283	2,248,189
Nonmajor Governmental Funds	8,184	4,700	127,000	-	139,884
Total	\$ 1,963,090	\$ 4,700	\$ 207,000	\$ 2,082,462	\$ 4,257,252

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, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (4) transfer indirect cost reimbursements to the general fund.

Gila County
Notes to Financial Statements
June 30, 2010

Note 12 – Condensed Financial Statements of 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 \$66,268 of deposits, \$1,047,438 of U.S. agency securities and \$4,227,100 of 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 disclosed in Note 3.

Details of each investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Fair Value
U.S. Agency Securities	\$ 64,730,701	0.18-5.07%	7/16/10-11/17/11	\$ 64,836,963
U.S. Treasury Securities	1,500,000	0.18%	8/26/2010	1,499,595
Corporate Obligations	2,500,000	0.34-.0.90%	7/8/10-12/16/10	2,505,405
	<u>\$ 68,730,701</u>			<u>\$ 68,841,963</u>

Gila County
Notes to Financial Statements
June 30, 2010

**Note 12 – Condensed Financial Statements of County Treasurer’s Investment Pool
(Continued)**

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

Statement of Net Assets	
Assets	<u>\$ 78,620,787</u>
Net assets Held in Trust for:	
Internal participants	35,550,297
External participants	<u>43,070,490</u>
Total Net Assets Held in Trust	<u><u>\$ 78,620,787</u></u>
 Statement of Changes in Net Assets	
Total Additions	\$ 220,758,931
Total Deductions	<u>225,609,801</u>
Net Decrease	(4,850,870)
 Net assets held in trust, July 1, 2009	 <u>83,471,657</u>
 Net assets held in trust, June 30, 2010	 <u><u>\$ 78,620,787</u></u>

Other Required Supplementary Information

Gila County
Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2010

Actuarial Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
Public Safety Personnel Retirement System						
Pension						
2010	\$ 6,691,802	\$ 10,700,853	\$ 4,009,051	62.5%	\$ 2,135,860	187.7%
Health Insurance						
2010	-	335,302	335,302	0.0%	2,135,860	15.7%
Pension						
2009	6,618,791	10,325,612	3,706,821	64.1%	2,088,865	177.5%
Health Insurance						
2009	-	334,525	334,525	0.0%	2,088,865	16.0%
Pension						
2008	6,133,620	9,662,245	3,528,625	63.5%	2,138,950	165.0%
Health Insurance						
2008	-	385,905	385,905	0.0%	2,138,950	18.0%
Correction Officers Retirement Plan - Correction Officers						
Pension						
2010	\$ 2,610,037	\$ 2,367,964	\$ (242,073)	110.2%	\$ 2,268,346	N/A
Health Insurance						
2010	-	139,794	139,794	0.0%	2,268,346	6.2%
Pension						
2009	2,335,601	1,927,732	(407,869)	121.2%	2,229,365	N/A
Health Insurance						
2009	-	116,325	116,325	0.0%	2,229,365	5.2%
Pension						
2008	1,846,700	1,814,540	(32,160)	101.8%	2,189,021	N/A
Health Insurance						
2008	-	81,543	81,543	0.0%	2,189,021	3.7%
Correction Officers Retirement Plan - Dispatchers						
Pension						
2010	\$ 1,358,329	\$ 1,440,064	\$ 81,735	94.3%	\$ 726,419	11.3%
Health Insurance						
2010	-	52,936	52,936	0.0%	726,419	7.3%
Pension						
2009	1,283,714	1,431,610	147,896	89.7%	834,498	17.7%
Health Insurance						
2009	-	55,078	55,078	0.0%	834,498	6.6%
Pension						
2008	1,214,315	1,335,120	120,805	91.0%	755,451	16.0%
Health Insurance						
2008	-	80,671	80,671	0.0%	755,451	10.7%

See accompanying notes to this Schedule.

Gila County
Required Supplementary Information
Agent Retirement Plans'
Note to Schedule of Funding Progress
June 30, 2010

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 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.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 23,690,352	\$ 25,119,149	\$ 1,428,797
Licenses and permits	582,500	509,582	(72,918)
Intergovernmental	11,514,151	11,737,024	222,873
Charges for services	3,570,071	4,062,783	492,712
Fines and forfeits	745,500	671,062	(74,438)
Investment income	100,000	100,022	22
Miscellaneous	700,787	86,849	(613,938)
Total revenues	<u>40,903,361</u>	<u>42,286,471</u>	<u>1,383,110</u>
Expenditures:			
Current:			
General government			
Administrative services	131,442	84,846	46,596
Assessor	1,012,898	962,938	49,960
Board of supervisors	1,085,184	1,038,733	46,451
Community development	1,440,728	1,282,269	158,459
Computer services	773,876	605,891	167,985
Constituent services	300,000	255,153	44,847
Elections	338,073	291,770	46,303
Facilities management	1,984,587	1,621,756	362,831
Finance	623,143	569,428	53,715
General administration	1,044,740	913,859	130,881
Personnel	248,971	246,105	2,866
Professional services	329,000	767,669	(438,669)
Purchasing	85,188	78,010	7,178
Recorder	711,003	650,322	60,681
Rural addressing	118,988	109,766	9,222
Treasurer	516,101	483,535	32,566
Judicial Services			
County attorney	2,227,473	1,925,409	302,064
County attorney - child support	943,074	731,539	211,535
Constable - Globe	111,725	112,150	(425)
Constable - Payson	167,872	151,897	15,975
Justice court - Globe	700,330	679,376	20,954
Justice court - Payson	657,629	577,485	80,144
Indigent legal defense	1,196,278	1,106,425	89,853
Clerk of the superior court	1,300,818	1,233,464	67,354
Superior court - division I	265,524	244,326	21,198
Superior court - division II	242,322	233,429	8,893
Superior court - general	998,487	813,551	184,936
Court system multi-information systems	380,559	312,846	67,713
Total general government	<u>19,936,013</u>	<u>18,083,947</u>	<u>1,852,066</u>

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Public safety			
County sheriff	9,836,422	9,623,687	212,735
County sheriff - facilities management	310,512	274,594	35,918
Emergency services	574,925	393,113	181,812
Flood plain management	196,244	156,967	39,277
Juvenile detention	1,293,701	1,188,269	105,432
Probation	1,039,289	979,311	59,978
Total public safety	<u>13,251,093</u>	<u>12,615,941</u>	<u>635,152</u>
Welfare			
AHCCCS contributions	3,300,100	3,159,600	140,500
Indigent health	25,000	17,175	7,825
Community agencies	264,500	154,250	110,250
Public fiduciary	440,678	428,805	11,873
Total welfare	<u>4,030,278</u>	<u>3,759,830</u>	<u>270,448</u>
Sanitation			
Solid waste management	2,600,934	896,278	1,704,656
Culture and recreation			
Fairgrounds	297,838	220,087	77,751
Education			
School superintendent	396,151	404,157	(8,006)
Special school reserve	15,000	290	14,710
Total education	<u>411,151</u>	<u>404,447</u>	<u>6,704</u>
Reserve	8,950,000	-	8,950,000
Contingency	1,400,000	-	1,400,000
Capital outlay	9,700,000	3,545,974	6,154,026
Debt service:			
Principal retirement	334,440	275,755	58,685
Interest and fiscal charges	-	506,006	(506,006)
Total debt service	<u>334,440</u>	<u>781,761</u>	<u>(447,321)</u>
Total expenditures	<u>60,911,747</u>	<u>40,308,265</u>	<u>20,603,482</u>
Excess of revenues over expenditures	(20,008,386)	1,978,206	21,986,592

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund (Continued)
Year Ended June 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	48,100	-	(48,100)
Proceeds from sale of bonds	8,000,000	8,000,000	-
Premium on bond issued	-	219,863	219,863
Payment to refunding agent	-	(1,446,015)	(1,446,015)
Transfers in	1,000,000	1,963,090	963,090
Transfers out	<u>(2,040,648)</u>	<u>(1,869,179)</u>	<u>171,469</u>
Net other financing sources (uses)	<u>7,007,452</u>	<u>6,867,759</u>	<u>(139,693)</u>
Net change in fund balances	(13,000,934)	8,845,965	21,846,899
Fund balances, beginning of year, as restated	<u>13,000,934</u>	<u>19,517,133</u>	<u>6,516,199</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 28,363,098</u>	<u>\$ 28,363,098</u>

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
Public Works Fund
Year Ended June 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes	\$ 3,630,842	\$ 2,799,473	\$ (831,369)
Licenses and permits	3,600	4,032	432
Intergovernmental	4,929,591	4,537,888	(391,703)
Charges for services	-	208,416	208,416
Investment income	233,934	28,677	(205,257)
Miscellaneous	300	23,942	23,642
Total revenues	<u>8,798,267</u>	<u>7,602,428</u>	<u>(1,195,839)</u>
Expenditures:			
Current:			
Highways and streets			
Administrative services	3,876,229	628,790	3,247,439
Engineering services	876,305	717,776	158,529
Survey department	314,496	205,337	109,159
Road maintenance and repair	8,125,022	2,792,515	5,332,507
Maintenance shops	1,100,153	1,042,915	57,238
Total highways and streets	<u>14,292,205</u>	<u>5,387,333</u>	<u>8,904,872</u>
Capital outlay	1,839,396	888,368	951,028
Debt service			
Principal retirement	-	50,000	(50,000)
Interest and fiscal charges	-	36,492	(36,492)
Total debt service	<u>-</u>	<u>86,492</u>	<u>(86,492)</u>
Total expenditures	<u>16,131,601</u>	<u>6,362,193</u>	<u>9,769,408</u>
Excess of revenues over expenditures	(7,333,334)	1,240,235	8,573,569
Other financing sources (uses):			
Transfers in	-	4,700	4,700
Transfers out	(1,000,000)	(2,248,189)	1,248,189
Net other financing uses	<u>(1,000,000)</u>	<u>(2,243,489)</u>	<u>1,248,189</u>
Net change in fund balances	(8,333,334)	(1,003,254)	7,330,080
Fund balances, beginning of year	8,333,334	8,834,196	500,862
Fund balances, end of year	<u>\$ -</u>	<u>\$ 7,830,942</u>	<u>\$ 7,830,942</u>

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Budgetary Comparison Schedule
Housing Fund
Year Ended June 30, 2010

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,256,932	\$ 1,517,637	\$ (739,295)
Donations and contributions	76,255	266,730	190,475
Total revenues	<u>2,333,187</u>	<u>1,784,367</u>	<u>(548,820)</u>
Expenditures:			
<i>Current:</i>			
Welfare	2,413,187	1,732,498	680,689
Capital outlay	-	59,340	(59,340)
Total expenditures	<u>2,413,187</u>	<u>1,791,838</u>	<u>621,349</u>
Excess of revenues over expenditures	(80,000)	(7,471)	72,529
Other financing sources (uses):			
Transfers in	80,000	207,000	127,000
Net change in fund balances	-	199,529	199,529
Fund balances, beginning of year, as restated	-	(103,662)	(103,662)
Fund balances, end of year	<u>\$ -</u>	<u>\$ 95,867</u>	<u>\$ 95,867</u>

The Notes to the Budgetary Comparison Schedules are an integral part of this schedule.

Gila County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2010

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, 2010, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General Fund:	
Professional services	\$ 438,669
Constable - Globe	425
School superintendent	8,006
Interest and fiscal charges	506,006
Public Works Fund:	
Principal retirement	50,000
Interest and fiscal charges	36,492
Housing Fund	
Capital outlay	59,340

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.