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# Apache County, Arizona



## Annual Financial Report

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*Financial Statements  
and  
Independent Auditor's Report  
June 30, 2013*

# Apache County, Arizona

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## **Independent Auditors' Report**

[www.wa-cpas.com](http://www.wa-cpas.com)

The Auditor General of the State of Arizona

Honorable Board of Supervisors of  
Apache County, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Apache County, Arizona ("County") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion , the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the County as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 10, the Budgetary Comparison Schedules on pages 44 through 48, and the Schedule of Agent Retirement Plans' Funding Progress on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by The County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by The County solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Walker & Armstrong, LLP*

Phoenix, Arizona  
September 30, 2015

**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

As management of the County of Apache (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished herein.

**Financial Highlights**

- ◆ The assets of Apache County exceeded its liabilities at the close of the fiscal year by \$36.329 million (net position). Of this amount, \$7.776 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The County's total net position as reported in the statement of activities decreased by \$1.950 million.
- ◆ At the end of the fiscal year, unassigned fund balance for the general fund was \$8.975 million or 46% of the total governmental funds' fund balances.

**Overview of 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 Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County finances in a manner similar to private-sector businesses.

The statement of net position presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures 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).

Component units are included in the County's basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County. The blended component units included in the County's basic financial statements are the Apache County Library District, Apache County Flood Control District, Apache County Jail District, Apache County Juvenile Jail District, Apache County Health Services District, and Greer Acres – Little Colorado Special Improvement District.

**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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

**Fund Financial Statements**

A fund is a grouping of related accounts that is 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*—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, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial 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 provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports three major 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 the general, road and Junior College funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The governmental funds financial statements can be found on pages 13–16 of this report.

*Fiduciary funds*—The fiduciary funds are used account for resources held 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 programs.

The fiduciary funds financial statements can be found on pages 17-18 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-43 of this report.



**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Other Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, the report presents certain required supplementary information concerning the County's progress in funding its obligations to provide pension benefits for employees. Also presented are budgetary comparison schedules for the County's general, road and Junior College funds. Required supplementary information can be found on pages 44-48 of this report.

**Government-Wide Financial Analysis**

*Net Position*

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, at June 30, 2013, assets exceeded liabilities by \$36.329 million.

**Condensed Statement of Net Position**  
**As of June 30,**

	Governmental Activities	
	2013	2012, as restated
<b>Assets</b>		
Current and other assets	\$ 21,766,912	\$ 23,482,972
Capital assets	27,574,995	28,413,774
Total assets	49,341,907	51,896,746
<b>Liabilities</b>		
Current and other liabilities	1,876,309	2,048,905
Long-term liabilities outstanding	11,136,473	11,569,149
Total liabilities	13,012,782	13,618,054
<b>Net Position</b>		
Net investment in capital assets	18,023,388	19,909,606
Restricted	10,529,429	10,630,320
Unrestricted	7,776,308	7,738,766
Total net position	\$ 36,329,125	\$ 38,278,692

The largest portion (\$18.023 million, or 49.6%) of the County's net position reflects the investment in capital assets (e.g., land, improvements other than buildings, buildings, machinery and equipment, infrastructure, and construction in progress) less accumulated depreciation and related debt outstanding used to acquire those assets. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although

**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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.

Restricted net position (\$10.50 million, or 34.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position (\$7.78 million or 20%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Total net position decreased in the current year due to continued downturn in economy. Restricted net position increased due to highway and streets.

**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

*Statement of Activities*

The following table illustrates the changes in net position resulting from governmental activities compared to the prior year.

**Condensed Statement of Activities**  
**For the Years Ended June 30,**

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
<i>Program revenues</i>		
Charges for services	\$ 2,894,828	\$ 2,954,902
Operating grants and contributions	12,258,068	13,694,638
Capital grants	13,083	13,879
<i>General revenues</i>		
Property taxes	8,439,359	12,251,763
Share of state sales taxes	5,481,106	5,338,625
Payments in lieu of taxes	6,815,619	5,952,070
Grants and contributions not restricted to specific programs	-	4,700
Investment income (loss)	683,403	(207,133)
Miscellaneous	497,825	316,553
Total revenues	37,083,291	40,319,997
<b>Expenses</b>		
General government	11,842,196	10,708,146
Public safety	9,028,717	9,777,869
Highways and streets	8,532,546	9,142,099
Sanitation	145,611	80,331
Health	3,147,945	3,015,549
Culture and recreation	1,816,560	1,675,381
Education	4,083,227	4,091,107
Welfare	-	4,158
Interest on long-term debt	436,056	559,500
Total expenses	39,032,858	39,054,140
Change in net position	(1,949,567)	1,265,857
Net position, beginning, as restated	38,278,692	37,012,835
<b>Net position, end of year</b>	\$ 36,329,125	\$ 38,278,692

**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

Net position decreased by \$1.95 million, as the economy continued to be sluggish and the continued burdens are passed on by the state. In addition, as noted in the "Economic Factors and Next Year's Budgets" section on page 10, the override voted in by the citizens for the past 7 years ended which negatively affected net position.

*Governmental Activities*

*Financial analysis of the Government's funds*—As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

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

As of June 30, 2013, the County's general fund reported a decrease in fund balance of \$586 thousand. This was primarily due to the override voted in by the citizens for the past 7 years has come to an end. This required the County to eliminate \$3.5 million from the General Fund Budget and expenditures.

The road fund balance decreased by \$668 thousand due to an increase in road projects.

*General Fund Budgetary Highlights*

Total general fund expenditures were under budget by \$2.887 million. This variance between the final budgeted expenditures and actual expenditures in the general fund is due to cuts in spending in anticipation of reduced spending in future years.

*Capital Assets and Debt Administration*

*Capital assets*—The County's investment in capital assets as of June 30, 2013, amounted to \$18.02 million, net of accumulated depreciation and related debt. This investment in capital assets includes land, improvements other than buildings, construction in progress, buildings, infrastructure, and machinery and equipment. The significant decrease in overall capital assets was due to a restatement of infrastructure depreciation.

**Apache County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

**Capital Assets/Net of Depreciation**  
**June 30,**

	Governmental Activities		
	2013	2012, as restated	Increase (Decrease) Percent of Change
Land	\$ 1,981,157	\$ 1,975,672	0.3%
Improvements other than buildings	89,482	63,410	41.1%
Construction in progress	212,672	469,728	-54.7%
Buildings	20,651,159	21,180,685	-2.5%
Infrastructure	298,309	348,391	-14.4%
Machinery and equipment	4,342,216	4,375,888	-0.8%
Totals	\$ 27,574,995	\$ 28,413,774	-3.0%

*Long-term debt*—On June 30, 2013, the County had a total of \$11.136 million in long-term liabilities. Of this amount, \$8.525 million was principal outstanding on general obligation and revenue bonds and \$1.027 million was capital lease obligations. The increase in capital leases was caused by the purchase of new software for the Treasurer and Assessor's office. The remainder balance of \$1.585 million represents compensated absences payable.

Additional information on the County's long-term liabilities can be found in Note 6 of the notes to the financial statements on pages 31-33 of this report.

**Economic Factors and Next Year's Budgets**

For FY 2013, the override voted in by the citizens for the past 7 years ended. This will require the County to eliminate \$3.5 million from the General Fund Budget and as such we continue to maintain a conservative budget approach.

**Requests for Information**

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Apache County Finance Department, Post Office Box 428, St. Johns, AZ 85936.

## Government-Wide Financial Statements

**Apache County, Arizona**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,814,358
Investments	12,804,382
Receivables (net of allowance for uncollectibles)	
Property taxes	585,195
Accounts	548,058
Due from other governments	2,662,701
Inventories	331,654
Prepaid items	20,564
Capital assets not being depreciated	2,193,829
Capital assets, being depreciated, net	25,381,166
Total assets	49,341,907
 <b>Liabilities</b>	
Accounts payable	1,417,465
Accrued payroll and employee benefits	458,844
Noncurrent liabilities	
Due within one year	1,366,750
Due in more than one year	9,769,723
Total liabilities	13,012,782
 <b>Net Position</b>	
Net investment in capital assets	18,023,388
Restricted for	
Highways and streets	1,871,064
Debt service	3,651,465
Other purposes	5,006,900
Unrestricted	7,776,308
Total net position	\$ 36,329,125

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

**Apache County, Arizona**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

	Expenses	Charges for Services
<b>Functions/Programs</b>		
Governmental activities		
General government	\$ 11,842,196	\$ 1,385,993
Public safety	9,028,717	1,255,581
Highways and streets	8,532,546	12,968
Sanitation	145,611	-
Health	3,147,945	135,189
Culture and recreation	1,816,560	19,565
Education	4,083,227	85,532
Interest on long-term debt	436,056	-
Total governmental activities	\$ 39,032,858	\$ 2,894,828
General revenues		
Taxes		
Property taxes, levied for general purposes		
Property taxes, levied for jail district		
Property taxes, levied for juvenile jail district		
Property taxes, levied for library		
Property taxes, levied for library construction		
Property taxes, levied for health service districts		
Property taxes, levied for debt service		
Shared revenue – state sales taxes		
Payments in lieu of taxes		
Investment income (loss)		
Miscellaneous		
Total general revenues		
Change in net position		
Net position, beginning, as restated		
<b>Net position, end of year</b>		



Program Revenues		Net (Expense) Revenue and Changes in Net Position
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 743,664	\$ -	\$ (9,712,539)
2,297,944	13,083	(5,462,109)
6,471,186	-	(2,048,392)
140,810	-	(4,801)
1,111,321	-	(1,901,435)
50,150	-	(1,746,845)
1,442,993	-	(2,554,702)
-	-	(436,056)
<u>\$ 12,258,068</u>	<u>\$ 13,083</u>	<u>(23,866,879)</u>

5,236,481
744,228
314,209
1,077,387
354,663
506,811
205,580
5,481,106
6,815,619
683,403
<u>497,825</u>
<u>21,917,312</u>
(1,949,567)
<u>38,278,692</u>
<u>\$ 36,329,125</u>

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

## Fund Financial Statements

**Apache County, Arizona**  
**Balance Sheet — Governmental Funds**  
**June 30, 2013**

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,297,419	\$ 332,790	\$ 297,132	\$ 1,887,017	\$ 4,814,358
Investments	5,769,483	1,276,959	-	5,757,940	12,804,382
Receivables (net of allowance for uncollectibles)					
Property taxes	184,437	-	84,991	315,767	585,195
Accounts	-	-	-	548,058	548,058
Due from					
Other funds	542,573	-	-	14,355	556,928
Other governments	970,171	1,187,169	117,772	387,589	2,662,701
Inventories	-	331,654	-	-	331,654
Prepaid items	8,036	3,587	-	8,941	20,564
Total assets	<u>\$ 9,772,119</u>	<u>\$ 3,132,159</u>	<u>\$ 499,895</u>	<u>\$ 8,919,667</u>	<u>\$ 22,323,840</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 530,770	\$ 281,702	\$ 20,093	\$ 584,900	\$ 1,417,465
Accrued payroll and employee benefits	199,270	100,872		158,702	458,844
Due to					
Other funds	620	52,886	324,545	178,877	556,928
Deferred revenue	58,164	-	57,060	119,509	234,733
Total liabilities	<u>788,824</u>	<u>435,460</u>	<u>401,698</u>	<u>1,041,988</u>	<u>2,667,970</u>
<b>Fund balances</b>					
Nonspendable	8,036	335,241	-	8,941	352,218
Restricted	-	2,361,458	98,197	7,868,738	10,328,393
Unassigned	8,975,259	-	-	-	8,975,259
Total fund balances	<u>8,983,295</u>	<u>2,696,699</u>	<u>98,197</u>	<u>7,877,679</u>	<u>19,655,870</u>
Total liabilities and fund balances	<u>\$ 9,772,119</u>	<u>\$ 3,132,159</u>	<u>\$ 499,895</u>	<u>\$ 8,919,667</u>	<u>\$ 22,323,840</u>

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

**Apache County, Arizona**  
**Reconciliation of the Balance Sheet of Governmental**  
**Funds to the Statement of Net Position**  
**June 30, 2013**

<b>Total governmental funds — fund balances</b>		<b>\$ 19,655,870</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$61,992,528 and the accumulated depreciation is \$34,417,533.		27,574,995
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		234,733
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	\$ (1,584,866)	
General obligation bonds payable	(4,740,000)	
Revenue bonds payable	(3,785,000)	
Capital leases payable	<u>(1,026,607)</u>	<u>(11,136,473)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 36,329,125</u></b>

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

**Apache County, Arizona**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances — Governmental Funds**  
**For the Year Ended June 30, 2013**

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 2,591,740	\$ -	\$ 1,318,724	\$ 4,909,639	\$ 8,820,103
Licenses and permits	146,502	-	-	-	146,502
Intergovernmental	8,386,611	7,640,189	833,990	7,707,086	24,567,876
Charges for services	386,607	12,968	-	1,281,458	1,681,033
Fines and forfeits	430,854	-	157	492,632	923,643
Investment income	191,937	142,601	4,815	344,050	683,403
Miscellaneous	11,837	222,568	-	263,420	497,825
Total revenues	<u>12,146,088</u>	<u>8,018,326</u>	<u>2,157,686</u>	<u>14,998,285</u>	<u>37,320,385</u>
<b>Expenditures</b>					
<b>Current</b>					
General government	9,518,566	-	-	1,820,448	11,339,014
Public safety	2,721,437	-	-	5,805,291	8,526,728
Highways and streets	57,300	6,810,423	-	798,593	7,666,316
Health	1,166,476	129,924	-	1,824,892	3,121,292
Sanitation	-	-	-	145,611	145,611
Culture and recreation	25,000	-	-	1,571,949	1,596,949
Education	301,340	-	2,247,198	1,499,015	4,047,553
Capital outlay	325,497	699,087	-	246,006	1,270,590
Debt service					
Principal	-	41,248	-	755,778	797,026
Interest and other charges	-	14,470	-	421,586	436,056
Total expenditures	<u>14,115,616</u>	<u>7,695,152</u>	<u>2,247,198</u>	<u>14,889,169</u>	<u>38,947,135</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,969,528)</u>	<u>323,174</u>	<u>(89,512)</u>	<u>109,116</u>	<u>(1,626,750)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	2,688,911	-	-	1,400,661	4,089,572
Transfers out	(1,305,833)	(991,682)	-	(1,792,057)	(4,089,572)
Capital lease agreements	-	-	-	508,000	508,000
Total other financing sources (uses)	<u>1,383,078</u>	<u>(991,682)</u>	<u>-</u>	<u>116,604</u>	<u>508,000</u>
Net change in fund balances	(586,450)	(668,508)	(89,512)	225,720	(1,118,750)
Fund balances, beginning, as restated (Note 13)	9,569,745	3,409,177	187,709	7,651,959	20,818,590
Changes in nonspendable resources					
Decrease in reserve for inventories	-	(43,970)	-	-	(43,970)
<b>Fund balances, ending</b>	<u>\$ 8,983,295</u>	<u>\$ 2,696,699</u>	<u>\$ 98,197</u>	<u>\$ 7,877,679</u>	<u>\$ 19,655,870</u>

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

**Apache County, Arizona**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2013**

**Net change in fund balances — total governmental funds** \$ (1,118,750)

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.

Loss on disposal	\$ (61,859)	
Capital outlay	1,332,449	
Depreciation expense	<u>(2,109,369)</u>	(838,779)

Revenues in governmental funds that provided current financial resources in the current year were reported as revenues in the statement of activities when earned in a prior year. (380,744)

Decrease in compensated absences payable increases net position of governmental activities but does not have any effect on fund balances of the governmental funds. 143,650

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued – capital lease agreement	(508,000)	
General obligation bonds repaid	470,000	
Revenue bonds repaid	195,000	
Capital leases repaid	<u>132,026</u>	289,026

Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.

Decrease in inventories		<u>(43,970)</u>
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**Change in net position of governmental activities** **\$ (1,949,567)**

## Fiduciary Funds

**Apache County, Arizona**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Investment Trust Fund	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 5,722,032	\$ 523,129
Investments, at fair value	<u>66,191,100</u>	<u>1,898,448</u>
Total assets	<u><u>71,913,132</u></u>	<u><u>2,421,577</u></u>
<b>Liabilities</b>		
Due to other governments	<u>-</u>	<u>2,421,577</u>
Total liabilities	<u>-</u>	<u><u>\$ 2,421,577</u></u>
<b>Net Position</b>		
Held in trust for investment trust participants	<u>71,913,132</u>	
Total net position	<u><u>\$ 71,913,132</u></u>	

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



**Apache County, Arizona**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

	Investment Trust Fund
<b>Additions</b>	
Contributions from participants	\$ 186,958,894
Net increase in the fair value of investments	<u>1,196,152</u>
Total additions	<u>188,155,046</u>
 <b>Deductions</b>	
Distributions to participants	<u>191,145,793</u>
Total deductions	<u>191,145,793</u>
Change in net position	(2,990,747)
Net position, beginning	<u>74,903,879</u>
<b>Net position, ending</b>	<u><u>\$ 71,913,132</u></u>

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

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

**1) Summary of Significant Accounting Policies**

Apache County, Arizona’s (the “County”) accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2013, the County implemented the provisions of, GASB 61, *The Financial Reporting Entity* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 61 modifies existing requirements for determining which component units should be included in the financial reporting entity and the related display and disclosure requirements. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

Reporting Entity

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

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

The following table describes the County’s component units:

Component Unit	Primary Activity	Reporting Method
Apache County Flood Control District	A tax-levying district that provides flood control systems; the County’s Board of Supervisors serves as the board of directors.	Blended
Apache County Health Services Districts	Provides comprehensive, culturally sensitive, quality health resources to the County’s residents; the County’s Board of Supervisors serves as the board of directors.	Blended

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Component Unit	Primary Activity	Reporting Method
Apache County Jail District	A tax-levying district that acquires, constructs, operates, maintains, and finances county jails and jail systems; the County's Board of Supervisors serves as the governing board.	Blended
Apache County Juvenile Jail District	A tax-levying district that acquires, constructs, operates, maintains, and finances county juvenile jails and jail systems; the County's Board of Supervisors serves as the board of directors.	Blended
Apache 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
Greer Acres – Little Colorado Special Improvement District	A tax-levying district that develops and constructs sewer systems; the County's Board of Supervisors serves as the board of directors.	Blended

Separately issued financial statements for these component units are not available.

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*—Government-wide statements provide information about the primary government of the County and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. 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

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

- ◆ Capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the County, 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*—The 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:

- ◆ *General Fund*—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.
- ◆ *Road Fund*—The road fund accounts for monies from specific revenue sources that are restricted for road maintenance and operations and for pavement preservation.
- ◆ *Junior College Fund*—The college fund accounts for monies from property taxes that the County pays the state for out of County tuition.

The County reports the following fund types:

- ◆ *Investment Trust Fund*—The investment trust fund accounts for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.
- ◆ *Agency Funds*—The agency funds account for assets the County holds as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, and special districts.

Basis of Accounting

The government-wide, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, 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.

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 one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

Inventories

Inventories in the government-wide financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

Capital Assets

Capital assets are reported at actual cost. 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		
Land	All		
Improvements other than buildings	\$ 5,000		
Construction in progress	\$ 5,000		
		Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight line	25–40 years
Machinery and equipment	\$ 5,000	Straight line	5–8 years
Infrastructure	\$ 5,000	Straight line	40–45 years

Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can be removed or changed by only the Board.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the county manager and finance director to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the County's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Investment Earnings

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

Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to 280 hours of vacation, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Employees may accumulate up to 1,500 hours of sick leave. 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, for employees who have accumulated at least 500 hours of sick leave, sick leave benefits do vest, and therefore, are accrued in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

**2) Stewardship, Compliance, Accountability, and Fund Balance Classifications**

*Deficit fund balances*—At June 30, 2013, the following nonmajor funds reported deficit in fund balances in excess of \$25,000:

Fund	Deficit
Emergency services	\$ 83,673
Sheriff's Grants	174,172
GADA Loan	94,411
Flood Control	69,845
Forest Thinning	44,294
Bioterrorism	41,682
GIS Loan	35,526
Accent/Attorney	30,653

These deficits resulted from operations during the year, but are expected to be corrected through normal operations and transfers from other funds in fiscal year 2014.

The fund balance classifications for the governmental funds as of June 30, 2013, were as follows:



**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total
<b>Fund Balances</b>					
Nonspendable					
Inventories	\$ -	\$ 331,654	\$ -	\$ -	\$ 331,654
Prepaid	8,036	3,587	-	8,941	20,564
Total nonspendable	<u>8,036</u>	<u>335,241</u>	<u>-</u>	<u>8,941</u>	<u>352,218</u>
Restricted for					
Law enforcement	-	-	-	790,003	790,003
Highways and streets	-	2,361,458	-	303,000	2,664,458
Health	-	-	-	396,663	396,663
Education	-	-	98,197	287,059	385,256
Library	-	-	-	1,083,757	1,083,757
Judicial	-	-	-	1,608,021	1,608,021
Other	-	-	-	3,400,235	3,400,235
Total restricted	<u>-</u>	<u>2,361,458</u>	<u>98,197</u>	<u>7,868,738</u>	<u>10,328,393</u>
Unassigned	<u>8,975,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,975,259</u>
Total fund balance	<u>\$ 8,983,295</u>	<u>\$ 2,696,699</u>	<u>\$ 98,197</u>	<u>\$ 7,877,679</u>	<u>\$ 19,655,870</u>

**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 notes; interest-earning investments such as savings accounts, certificates of deposits, 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; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit Risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

3. Fixed income securities must carry one of the two highest ratings by Moody's investor's 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 and certificates of deposit 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. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign Currency Risk

Statutes do not allow foreign investments.

*Deposits*—At June 30, 2013, the carrying amount of the County's deposits was \$11,059,519 and the bank balance was \$11,610,478. The County does not have a formal policy with respect to custodial credit risk.

At June 30, 2013, cash equivalents included \$782,896 in money market accounts. Balances in these accounts are insured up to SIPC limits of \$250,000. The remaining amounts are uninsured and uncollateralized.

*Investments*—The County's investments at June 30, 2013, were as follows:

Investment Type	Amount
U.S. agency securities	\$ 74,758,100
Corporate bonds	3,834,021
Municipal bonds	2,301,809
Total investments	\$ 80,893,930

*Credit risk*—The County does not have a formal investment policy with respect to credit risk. At June 30, 2013, credit risk for the County's investments was as follows:

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AA+	Moody's	\$ 51,579,885
U.S. agency securities	AAA	Moody's	23,178,215
Municipal bonds	AAA	Moody's	919,688
Municipal bonds	AA	Moody's	844,762
Municipal bonds	A+	Moody's	367,103
Municipal bonds	No Rating	Moody's	82,561
Municipal bonds	A	Moody's	51,243
Municipal bonds	AA-	Moody's	36,452
Corporate bonds	A	Moody's	1,692,159
Corporate bonds	A-	Moody's	1,084,854
Corporate bonds	No Rating	Moody's	558,750
Corporate bonds	AA	Moody's	498,258
			<u>\$ 80,893,930</u>

*Custodial credit risk*—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party's possession. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2013, the County had \$74,758,100 of U.S. agency securities, \$2,301,809 of municipal bonds and \$3,834,021 of corporate bonds that were uninsured and held by the counterparty's trust department not in the County's name.

*Concentration of credit risk*—The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2013, of 5 percent or more in Freddie Mac (Federal Home Loan Mortgage Corporation), Fannie Mae (Federal National Mortgage Association), and Federal Home Loan Bank. These investments were 21.37%, 47.68%, and 20.91%, respectively, of the County's total investments.

*Interest rate risk*—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2013, the County had the following investments in debt securities:

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Investment Type	Investment Maturities (in Years)		
	Fair Value	Less Than 1	1-5
U.S. agency securities	\$ 74,758,100	\$ 12,629,670	\$ 62,128,430
Corporate bonds	3,834,021	2,121,825	1,712,196
Municipal bonds	2,301,809	2,301,809	-
	<u>\$ 80,893,930</u>	<u>\$ 17,053,304</u>	<u>\$ 63,840,626</u>

*Foreign currency risk*—State statutes do not allow foreign investments.

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

*Cash and investments:*

Carrying amount of deposits	\$ 11,059,519
Amount of investments	<u>80,893,930</u>
Total	<u>\$ 91,953,449</u>

Statement of Net Position	Governmental Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 4,814,358	\$ 5,722,032	\$ 523,129	\$ 11,059,519
Investments	<u>12,804,382</u>	<u>66,191,100</u>	<u>1,898,448</u>	<u>80,893,930</u>
Total	<u>\$ 17,618,740</u>	<u>\$ 71,913,132</u>	<u>\$ 2,421,577</u>	<u>\$ 91,953,449</u>

**4) Due From Other Governments**

Amounts due from other governments at June 30, 2013, in the general fund include \$970,171 in state shared revenue from sales tax and excise tax. Amounts due from other governments in the road fund include \$1,187,169 in highway user taxes and vehicle license tax from the State of Arizona, and the remaining balances in various contracts with other governmental units. Amounts due from other governments in the other governmental funds include \$505,361 in federal reimbursement grants. The remaining balances result from various grants and contracts with other government units.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

**5) Capital Assets**

Capital asset activity for the year ended June 30, 2013, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 1,975,672	\$ 5,485	\$ -	\$ 1,981,157
Construction in progress	469,728	191,337	(448,393)	212,672
Total capital assets not being depreciated	<u>2,445,400</u>	<u>196,822</u>	<u>(448,393)</u>	<u>2,193,829</u>
<i>Capital assets being depreciated</i>				
Buildings	29,013,044	44,440	(6,267)	29,051,217
Improvements other than buildings	221,601	53,579	(10,920)	264,260
Machinery and equipment	28,412,014	1,486,001	(1,446,877)	28,451,138
Infrastructure	2,032,084	-	-	2,032,084
Total capital assets being depreciated	<u>59,678,743</u>	<u>1,584,020</u>	<u>(1,464,064)</u>	<u>59,798,699</u>
Less accumulated depreciation				
Buildings	7,866,063	538,884	(4,889)	8,400,058
Improvements other than buildings	124,487	53,316	(3,025)	174,778
Machinery and equipment	24,036,126	1,467,087	(1,394,291)	24,108,922
Infrastructure	1,683,693	50,082	-	1,733,775
Total accumulated depreciation	<u>33,710,369</u>	<u>2,109,369</u>	<u>(1,402,205)</u>	<u>34,417,533</u>
Total capital assets being depreciated, net	<u>25,968,374</u>	<u>(525,349)</u>	<u>(61,859)</u>	<u>25,381,166</u>
Governmental activities capital assets, net	<u>\$ 28,413,774</u>	<u>\$ (328,527)</u>	<u>\$ (510,252)</u>	<u>\$ 27,574,995</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Highways and streets	\$ 866,230
Public safety	501,989
General government	459,212
Culture and recreation	219,611
Education	35,674
Health	26,653
Total depreciation expense – governmental activities	<u>\$ 2,109,369</u>

Construction Commitments

Two capital projects were in process at June 30, 2013. One project related to the County's new accounting software which was implemented July 1, 2013, with no additional costs. The second project had an estimated cost to complete of \$74,903 for the construction of bridges within the County.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

**6) Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2013:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds	\$ 5,210,000	\$ -	\$ (470,000)	\$ 4,740,000	\$ 495,000
Revenue bonds	3,980,000	-	(195,000)	3,785,000	205,000
Total bonds payable	9,190,000	-	(665,000)	8,525,000	700,000
Capital leases payable	650,633	508,000	(132,026)	1,026,607	213,522
Compensated absences payable	1,728,516	450,832	(594,482)	1,584,866	453,228
Total governmental activities long-term liabilities	<u>\$ 11,569,149</u>	<u>\$ 958,832</u>	<u>\$ (1,391,508)</u>	<u>\$ 11,136,473</u>	<u>\$ 1,366,750</u>

**Bonds**

The County's bonded debt consists of various issues of general obligation and revenue bonds that are noncallable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The County repays general obligation bonds from voter-approved property taxes.

Bonds outstanding at June 30, 2013, were as follows:

Description	Original Amount Issued	Maturity Ranges	Interest Rates	Outstanding Principal
General obligation bonds				
Series 2007	\$ 7,190,000	7/1/10-21	4.5 - 5.0%	\$ 4,740,000
Revenue bonds				
Series 2007B	3,980,000	8/1/13-27	4.0 - 5.0%	3,785,000
				<u>\$ 8,525,000</u>

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2013:

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Year Ending June 30,	General			
	Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 495,000	\$ 213,300	\$ 205,000	\$ 168,713
2015	520,000	191,025	210,000	160,513
2016	545,000	167,625	220,000	152,113
2017	575,000	143,100	230,000	143,313
2018	605,000	103,612	235,000	134,112
2019-2023	2,000,000	182,925	1,360,000	496,581
2024-2028	-	-	1,325,000	160,875
Total	<u>\$ 4,740,000</u>	<u>\$ 1,001,587</u>	<u>\$ 3,785,000</u>	<u>\$ 1,416,220</u>

The County has pledged state shared revenues to repay the revenue bonds issued by the Greater Arizona Development Authority (the "Authority"). The bonds, issued by the Authority in November 2007 in the amount of \$3.98 million are to provide financing for construction of two administrative facilities and acquisition of two buildings and remodeling thereof to provide office space, and are payable through 2028. Annual interest payments on the bonds for 2013 required approximately 3.5% of the state shared revenue pledged. Principal payments are deferred until August 2013. Total principal and interest remaining to be paid on the revenue bonds is \$5,201,220 as of June 30, 2013, and are expected to require 7% of the state shared revenue pledged. For the current year, interest paid and total state shared revenues were \$176,513 and \$5,481,106, respectively.

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:

	Governmental Activities
Machinery and equipment	\$ 1,253,182
Less accumulated depreciation	<u>(326,136)</u>
Carrying value	<u>\$ 927,046</u>

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2013:

Year Ending June 30,	<u>Governmental Activities</u>
2014	\$ 246,339
2015	243,968
2016	240,903
2017	131,163
2018	128,072
2019	<u>138,382</u>
Total minimum lease payments	1,128,827
Less amount representing interest	<u>(102,220)</u>
Present value of net minimum lease payments	<u><u>\$ 1,026,607</u></u>

Insurance Claims

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

Compensated Absences

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2013, the County paid for compensated absences as follows: 57 percent from the general fund, 22 percent from the road fund, and 21 percent from other funds.

**7) 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.



**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

For these risks of loss, 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 Trust, which is described above.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 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 five 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.

**8) Pensions and Other Postemployment Benefits**

Plan Descriptions

The County contributes to four plans, three of which are described below. The *Elected Officials Retirement Plan* (EORP) is not described, due to its relative insignificance to the County's financial statements. The plans are component units of the State of Arizona and 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

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

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 benefit 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 benefit 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 seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan* (CORP) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers state, county, and local corrections officers; dispatchers; and probation, surveillance, and juvenile detention officers. The CORP is governed by The Board of Trustees of PSPRS and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

ASRS	PSPRS and CORP
3300 N. Central Ave. P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or (800) 621-3778 <a href="http://www.azasrs.gov">www.azasrs.gov</a>	3010 E. Camelback Rd., Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575 <a href="http://www.psprs.com">www.psprs.com</a>

**Apache County, Arizona**  
**Notes to Financial Statements**  
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Funding Policy

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

*Cost-sharing plans*—For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement and 0.24 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 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year Ending June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 937,320	\$ 59,440	\$ 21,947
2012	894,082	57,069	21,741
2011	988,585	64,735	27,430

*Agent plans*—For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the County was required to contribute 41.28 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.65 percent of covered payroll. Active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll and the County was required to contribute 9.32 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution was actuarially set at 1.05 percent of covered payroll.

*Actuarial methods and assumptions*—The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011, 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

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the County and the 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 2013 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5%–8% for PSPRS and CORP
includes inflation at	5% for PSPRS and CORP

*Annual Pension/OPEB Cost*—The County's pension/OPEB cost for the two agent plans for the year ended June 30, 2013, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 481,339	\$ 19,240	\$ 44,102	\$ 4,969
Contributions made	481,339	9,480	48,880	750

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

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Plan	Year Ended June 30,	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
<b>PSPRS</b>				
Pension	2013	\$ 481,339	100 %	\$ -
Health Insurance Premium Benefit	2013	19,240	49 %	(9,760)
Pension	2012	478,223	102 %	8,130
Health Insurance Premium Benefit	2012	17,680	54 %	(8,130)
Pension	2011	414,721	103 %	13,226
Health Insurance Premium Benefit	2011	23,040	43 %	(13,226)
<b>CORP</b>				
Pension	2013	44,103	111 %	4,777
Health Insurance Premium Benefit	2013	4,969	15 %	(4,219)
Pension	2012	38,716	106 %	6,810
Health Insurance Premium Benefit	2012	3,977	45 %	2,177
Pension	2011	37,110	122 %	(2,177)
Health Insurance Premium Benefit	2011	8,588	5 %	(8,138)

*Funded Status*—The funded status of the plans as of the most recent valuation date, June 30, 2013, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 10,848,188	\$ 261,080	\$ 1,644,557	\$ 53,231
Actuarial value of assets (b)	3,838,506	-	1,405,807	-
Unfunded actuarial accrued liability (a) – (b)	7,009,682	261,080	238,750	53,231
Funded ration (b) / (a)	35.4%	0.0%	85.5%	0.0%
Annual covered payroll (c)	1,415,761	1,415,761	551,621	551,621
Unfunded actuarial accrued liability as a percentage of coverage payroll ((a) – (b)) / (c)	495.1%	18.4%	43.3%	9.6%

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

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, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% Market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.5%–8.5% for PSPRS and 4.5%-7.75% for CORP 4.5%

**9) Interfund Balances and Activity**

*Interfund receivables and payables*—Interfund balances at June 30, 2013, were as follows:

Payable From	Payable To		Total
	General Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 620	\$ 620
Road fund	52,886	-	52,886
Junior College fund	324,545	-	324,545
Nonmajor governmental funds	<u>165,142</u>	<u>13,735</u>	<u>178,877</u>
Total	<u>\$ 542,573</u>	<u>\$ 14,355</u>	<u>\$ 556,928</u>

The interfund balances resulted from time lags between the dates that interfund goods and services are provided and reimbursement occurred.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

*Interfund transfers*—Interfund transfers for the year ended June 30, 2013, were as follows:

Transfer From	Transfer to		Total
	General Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 1,305,833	\$ 1,305,833
Road fund	927,682	64,000	991,682
Nonmajor governmental funds	1,761,229	30,828	1,792,057
Total	\$ 2,688,911	\$ 1,400,661	\$ 4,089,572

The principal purposes of interfund transfers was to provide grant matches or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**10) 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 monies under his or 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.

Substantially, all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool, except for \$822,404 in pooled deposit accounts. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks. See Note 3 for disclosure of the County’s deposit and investment risks.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

Details of each major investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Fair Value
U.S. agency securities	\$ 75,345,000	0.10-2.25	7/2013-6/2018	\$ 74,758,100
Municipal bonds	2,250,000	.623-4.91	7/2013-8/2016	2,301,809
Corporate bonds	3,285,000	3.125-4.000	6/2014-3/2017	3,834,021

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

Statement of net position

Assets	\$ 91,131,045
Liabilities	-
Net position	<u>\$ 91,131,045</u>

Net position held in trust for

Internal participants	\$ 16,796,336
External participants	74,334,709
Total net assets held in trust	<u>\$ 91,131,045</u>

Statement of changes in net position

Total additions	\$ 226,044,784
Total deductions	229,571,948
Net decrease	(3,527,164)

Net assets held in trust

July 1, 2012	94,658,209
June 30, 2013	<u>\$ 91,131,045</u>

**11) Joint Ventures**

The County is a member of the Blue Hills Environmental Association (Association), a nonprofit corporation created in 1991 by the County, City of St. Johns, Town of Springerville, and Town of Eagar. The members then entered into a solid waste operation agreement with the Association to operate the Blue Hills Regional Municipal Landfill and to provide solid waste services to the members and public. The Association is



**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

accumulating financial reserves to pay for closure and postclosure care costs when it anticipates closing the landfill in 2040.

However, the County will assume the financial responsibility for these costs if the Association is unable to pay when they are due. Annually, the County files the required financial assurance report with the Arizona Department of Environmental Quality to demonstrate financial responsibility for closure and postclosure care costs as required by state and federal laws and regulations. In the most recent financial assurance report, dated October 1, 2008, the County estimated the closure costs to be \$179,700 and postclosure care costs to be \$178,370 assuming the landfill was completely filled to capacity. This amount is based on what it would cost to perform all closure and postclosure care as of December 2006. According to its non-audited financial information for the year ended June 30, 2013, the landfill had used approximately 13.8 percent of its estimated capacity, and the Association had accumulated \$100,000 of financial reserves to pay for these costs.

The Association issues audited financial statements annually which are available upon request by writing or calling the Association:

Blue Hills Environmental Association  
P.O. Box 175  
St. Johns, AZ 85936  
(928) 337-2357

**12) Litigation**

The County is a defendant in various lawsuits, which arise in the ordinary course of its operations. The County is unable to predict the outcomes of these proceedings, therefore no liability has been accrued in the accompanying financial statements.

**13) Prior-Period Adjustment of Net Position/Fund Balance**

The County had restatements to prior-period net position/fund balance for various corrections made for errors in prior years.

**Apache County, Arizona**  
**Notes to Financial Statements**  
**June 30, 2013**

<b>Description</b>	<b>Fund Balance</b>	<b>Net Position</b>
Balance, as originally reported	\$ 19,606,150	\$ 38,402,718
Restatement to balances:		
Depreciation expense relating to Infrastructure	-	(1,336,466)
Expenditures related to prior years	(113,377)	(113,377)
Understatement of prior years property taxes	531,362	531,362
Non-pooled cash in bank	795,642	795,642
Other	(1,187)	(1,187)
	<u>\$ 20,818,590</u>	<u>\$ 38,278,692</u>

The effect of these restatements on the change in fund balances/net position is immaterial.

**14) Subsequent Events**

In June 2014, the County entered into a settlement with Transwestern Pipeline for improper land valuation in the amount of \$643,224. In March 2015, The County approved a new lease agreement with a bank for new sheriff vehicles in the amount of \$347,464. In June 2015, the County approved the closure of the juvenile detention center. The County estimates that the closure of the facility will save the County approximately \$150 thousand per year.

## Required Supplementary Information

**Apache County, Arizona**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance — Budget to Actual — General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,173,631	\$ 3,173,361	\$ 2,591,740	\$ (581,621)
Licenses and permits	119,180	119,180	146,502	27,322
Intergovernmental	7,958,315	7,958,315	8,386,611	428,296
Charges for services	75,000	75,000	386,607	311,607
Fines and forfeits	432,000	432,000	430,854	(1,146)
Investment income	90,000	90,000	191,937	101,937
Miscellaneous	14,840	14,840	11,837	(3,003)
Total revenues	<u>11,862,966</u>	<u>11,862,696</u>	<u>12,146,088</u>	<u>283,392</u>
<b>Expenditures</b>				
General government				
Assessor	541,875	659,969	659,969	-
Attorney	810,263	810,263	808,262	2,001
Board of supervisors	687,908	687,908	587,031	100,877
Human resources	247,000	247,000	230,965	16,035
Wellness	35,000	35,000	3,744	31,256
Records management	20,812	20,812	12,848	7,964
District #1	227,575	227,575	215,119	12,456
District #2	227,575	227,575	221,287	6,288
District #3	123,812	123,812	103,352	20,460
Clerk of the superior court	452,367	457,022	495,606	(38,584)
Contingency	1,000,000	351,334	490,461	(139,127)
Information technology service	394,929	394,929	392,143	2,786
Elections	358,066	358,066	352,362	5,704
Finance	442,299	442,299	435,289	7,010
Grant management	60,000	60,000	-	60,000
Grounds/maintenance	727,690	858,335	858,335	-
JP – Chinle	149,111	162,879	179,055	(16,176)
JP – Puerco	255,297	263,383	263,409	(26)
JP – St. Johns	151,353	151,353	151,328	25
St. Johns magistrate	37,784	37,784	36,964	820
JP – Round Valley	212,412	212,412	178,768	33,644
Springerville magistrate	47,846	49,348	49,348	-
Eager magistrate	47,846	49,366	49,366	-
Communication specialist and project	94,973	94,973	92,920	2,053
Community development	389,121	389,121	369,370	19,751
Forest service contract	-	14,718	-	14,718
County fair	15,000	15,000	-	15,000
Building Inspector	-	54,472	-	54,472
Recorder	409,624	410,661	403,483	7,178
Superior court	415,587	422,910	422,910	-
Public defenders	400,000	400,000	394,422	5,578

See accompanying notes to required supplementary information.

**Apache County, Arizona**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance — Budget to Actual — General Fund — continued**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures – continued				
Jury fees and related	\$ 127,249	\$ 127,249	\$ 88,935	\$ 38,314
Support and care of persons	5,729	5,729	5,240	489
Treasurer	338,282	338,282	326,957	11,325
Game and fish boating grant	-	115	-	115
Public fiduciary	75,341	75,341	53,438	21,903
Legal services/judgments	25,098	25,098	-	25,098
Insurance	265,393	265,393	226,145	39,248
Retirement reserve	45,000	45,000	-	45,000
Fleet management	300,000	300,000	12,583	287,417
Total general government	<u>10,165,217</u>	<u>9,872,486</u>	<u>9,171,414</u>	<u>701,072</u>
Public safety				
Constables	90,475	93,290	73,583	19,707
Adult probation	272,606	272,606	271,164	1,442
Juvenile probation	213,125	213,125	208,692	4,433
Forest patrol	-	4,187	-	4,187
Search and rescue	8,366	8,366	-	8,366
Sheriff	2,407,161	2,582,989	2,558,027	24,962
Total public safety	<u>2,991,733</u>	<u>3,174,563</u>	<u>3,111,466</u>	<u>63,097</u>
Health				
AHCCCS	1,073,500	1,166,476	1,166,476	-
Culture and recreation				
Agricultural extension	22,500	25,000	25,000	-
Education				
School SIT grant	-	4	-	4
IDEA secure care, special education	-	14,421	-	14,421
School superintendent	320,982	320,982	315,763	5,219
Total education	<u>320,982</u>	<u>335,407</u>	<u>315,763</u>	<u>19,644</u>
Capital outlay				
Capital outlay	914,865	914,865	325,497	589,368
Total expenditures	<u>15,488,797</u>	<u>15,488,797</u>	<u>14,115,616</u>	<u>1,373,181</u>
Resources over (under) charges to appropriations	<u>(3,625,831)</u>	<u>(3,626,101)</u>	<u>(1,969,528)</u>	<u>1,656,573</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,706,506	2,706,506	2,688,911	(17,595)
Transfers out	(3,100,236)	(3,100,236)	(1,305,833)	1,794,403
Total other financing sources (uses)	<u>(393,730)</u>	<u>(393,730)</u>	<u>1,383,078</u>	<u>1,776,808</u>
Net change in fund balances	(4,019,561)	(4,019,831)	(586,450)	3,433,381
Fund balances, beginning of year	4,019,561	4,019,831	9,569,745	5,549,914
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,983,295</u>	<u>\$ 8,983,295</u>

See accompanying notes to required supplementary information.

**Apache County, Arizona**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance — Budget to Actual — Road Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 8,057,200	\$ 8,057,200	\$ 7,640,189	\$ (417,011)
Charges for services	-	-	12,968	12,968
Investment income	-	-	142,601	142,601
Miscellaneous	-	-	222,568	222,568
Total revenues	<u>8,057,200</u>	<u>8,057,200</u>	<u>8,018,326</u>	<u>(38,874)</u>
<b>Expenditures</b>				
Highways and streets				
Engineer	520,000	575,768	575,765	3
HURF Support	127,164	127,164	81,354	45,810
District #1	457,000	457,000	316,688	140,312
District #2	468,500	825,024	825,024	-
District #3	517,000	540,747	540,745	2
Liability insurance	285,000	285,000	276,399	8,601
Contingency	496,080	406,835	45,577	361,258
RAC Grant	60,000	60,000	-	60,000
Roads - Puerco	878,710	878,710	409,085	469,625
Roads - Round Valley	934,867	944,597	944,597	-
Roads - St. Johns	932,393	932,393	929,779	2,614
Roads - Ganado	1,820,000	1,463,476	1,211,086	252,390
Roads - Chinle	1,820,000	1,820,000	1,539,053	280,947
Deferred	<u>522,836</u>	<u>522,836</u>	<u>-</u>	<u>522,836</u>
Total highways and streets	9,839,550	9,839,550	7,695,152	2,144,398
Resources over (under) charges to appropriations	<u>(1,782,350)</u>	<u>(1,782,350)</u>	<u>323,174</u>	<u>2,105,524</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(991,682)</u>	<u>(991,682)</u>	<u>(991,682)</u>	<u>-</u>
Total other financing sources (uses)	<u>(991,682)</u>	<u>(991,682)</u>	<u>(991,682)</u>	<u>-</u>
Net change in fund balances	(2,774,032)	(2,774,032)	(668,508)	2,105,524
Fund balances, beginning of year	2,774,032	2,774,032	3,409,177	635,145
Changes in nonspendable resources	-	-	(43,970)	(43,970)
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,696,699</u>	<u>\$ 2,696,699</u>

See accompanying notes to required supplementary information.

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance — Budget to Actual — Junior College Fund  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$ -	\$ -	\$ 1,318,724	\$ 1,318,724
State Tuition Assistance	466,000	466,000	\$ 582,500	\$ 116,500
Salt River Project	418,325	418,325	251,490	(166,835)
Investment income	-	-	4,815	4,815
Miscellaneous	-	-	157	157
Total revenues	<u>884,325</u>	<u>884,325</u>	<u>2,157,686</u>	<u>(45,363)</u>
<b>Expenditures</b>				
Education				
Junior College Tuition	<u>2,200,000</u>	<u>2,200,000</u>	<u>2,247,198</u>	<u>(47,198)</u>
Net change in fund balances	(1,315,675)	(1,315,675)	(89,512)	1,226,163
Fund balances, beginning of year	<u>1,315,675</u>	<u>1,315,675</u>	<u>187,709</u>	<u>(1,127,966)</u>
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,197</u>	<u>\$ 98,197</u>

See accompanying notes to required supplementary information.

**Apache County, Arizona**  
**Notes to Required Supplementary Information**  
**June 30, 2013**

**1) Budgeting and Budgetary Control**

Arizona Revised Statutes (A.R.S.) require 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. prohibit expenditures or liabilities in excess of the amounts budgeted.

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

**2) Expenditures in Excess of Appropriations**

For the year ended June 30, 2013, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General fund	
Clerk of the superior court	\$ 38,584
Contingency	139,127
JP – Chinle	16,176
JP – Puerco	26

Departments may exceed their department budgets for various reasons, including unexpected events. When departments exceed their budget, it is noted and addressed with the departments in subsequent budget meetings with the County Manager and the Board of Supervisors.



**Apache County, Arizona**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plans' Funding Progress**  
**June 30, 2013**

**Public Safety Personnel Retirement System**

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (b-a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL as a percentage of covered payroll (((b)-(a))/(c))
Pension						
06/30/13	\$ 3,838,506	\$ 10,848,188	\$ 7,009,682	35.40 %	\$ 1,415,761	495.1 %
Health Insurance Premium Benefit						
06/30/13	-	261,080	261,080	0.0 %	\$ 1,415,761	18.4 %
Pension						
06/30/12	\$ 3,874,146	\$ 10,732,008	\$ 6,857,862	36.1 %	\$ 1,508,907	454.5 %
Health Insurance Premium Benefit						
06/30/12	-	249,144	249,144	0.0 %	1,508,907	16.5 %
Pension						
06/30/11	3,929,595	9,876,476	5,946,881	39.8 %	1,596,632	372.5 %
Health Insurance Premium Benefit						
06/30/11	-	268,683	268,683	0 %	1,596,632	16.8 %

**Corrections Officer Retirement Plan**

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (b)-(a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL as percentage of covered payroll (((b)-(a))/(c))
Pension						
06/30/13	\$ 1,405,807	\$ 1,644,557	\$ 238,750	85.5 %	\$ 551,621	43.3 %
Health Insurance Premium Benefit						
06/30/13	-	53,231	53,231	0 %	551,621	9.6 %
Pension						
06/30/12	\$ 1,483,800	\$ 1,710,419	\$ 226,619	86.8 %	\$ 726,536	31.2 %
Health Insurance Premium Benefit						
06/30/12	-	67,289	67,289	0.0 %	726,536	9.3 %
Pension						
06/30/11	1,508,708	1,615,996	107,288	93.4 %	672,259	16.0 %
Health Insurance Premium Benefit						
06/30/11	-	86,798	86,798	0.0 %	672,259	12.9 %