Apache County, Arizona

Basic Financial Statements

Year ended June 30, 2015

Apache County, Arizona

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Independent Auditors' Report

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, 2015, 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, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 11, the Budgetary Comparison Schedules on pages 65 through 70, Schedule of the County's Proportionate Share of the Net Pension Liability—Cost-Sharing Pension Plans on page 71, Schedule of Changes in the County's Net Pension Liability and Related Ratios—Agent Pension Plans on pages 72 through 73, Schedule of County Pension Contributions on pages 74 through 76, Schedule of Agent OPEB Plans' Funding Progress on pages 77 through 78 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 August 7, 2017, 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
August 7, 2017

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished herein.

Financial Highlights

- Apache County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $2.66 million (net position), a decrease of $31.54 million from prior year, primarily due to the implementation of the provisions of GASB Statement No.68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No.71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 68). Of this amount, ($20 million) was unrestricted deficit in net position. GASB 68 required the County to report the net position liability attributable to the County's employees for those pension plans its employees participated in. The amount of the net pension liability at fiscal year-end was $35,433,147.
- At the end of the fiscal year, unassigned fund balance for the general fund was $8,299,880 or 50% 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 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 deferred outflows of resources, and liabilities and deferred inflow of resources, with the difference 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 expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 or provide services entirely to 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.

The government-wide financial statements can be found on pages 12 and 13 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 four 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 fund, road fund, the junior college fund, and GADA loan fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Fiduciary funds—The fiduciary funds are used to 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 18-19 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 20-64 of this report.

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 65-78 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, 2015, assets exceeded liabilities by $2,660,133.

Condensed Statement of Net Position
As of June 30,

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	**$ 18,979,935**	$ 19,283,737
Capital assets	**26,771,434**	27,270,226
Total assets	**45,751,369**	46,553,963
Deferred Outflows of Resources		
Pensions	**7,074,579**	-
Liabilities		
Current and other liabilities	**1,783,340**	2,014,040
Long-term liabilities outstanding	**45,058,942**	10,337,890
Total liabilities	**46,842,282**	12,351,930
Deferred Inflows of Resources		
Pensions	**3,323,533**	-
Net Position		
Net investment in capital assets	**18,810,057**	18,633,866
Restricted	**7,995,898**	7,202,547
Unrestricted (deficit)	**(24,145,822)**	8,365,620
Total net position	**$ 2,660,133**	$ 34,202,033

Net investment in capital assets of $18,810,057 increased by $176,191 which 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 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 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.

The County's total net position decreased by $31,541,900 during the fiscal year, primarily due to the implementation of GASB 68. This net position decrease is also attributable to the following factors. The governmental activities had a decrease in program revenues of $409,237 and an increase in property tax revenue of $359,796. In addition, all other general revenues increased $1,283,031. GASB 68 entries required the County to report at fiscal year-end a $35,433,147 net pension liability attributable to its employees along with the related deferred pension outflows and inflows of resources. Total expenses also increased by $2,182,788 mainly due to the implementation of GASB 68.

At the end of the fiscal year, unrestricted net assets were negative for governmental activities due to the implementation of GASB 68.

Statement of Activities

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

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Condensed Statement of Activities
For the Years Ended June 30,

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Charges for services	**$ 2,255,425**	$ 2,315,302
Operating grants and contributions	**12,388,476**	12,737,836
General revenues		
Property taxes	**9,331,087**	8,971,291
County excise tax	**1,197,735**	1,258,013
Share of state sales taxes	**4,827,730**	4,782,584
Payments in lieu of taxes	**7,908,530**	7,456,724
Miscellaneous State assistance	**550,038**	550,038
Contributions not restricted to specific programs	**666,102**	-
Investment income	**136,987**	138,607
Miscellaneous	**493,642**	311,767
Total revenues	**39,755,752**	38,522,162
Expenses		
General government	**13,951,453**	11,169,591
Public safety	**10,963,042**	10,236,746
Highways and streets	**7,999,299**	8,851,148
Health	**3,134,842**	3,099,323
Culture and recreation	**1,827,202**	1,878,466
Education	**4,577,274**	5,005,373
Interest on long-term debt	**378,930**	408,607
Total expenses	**42,832,042**	40,649,254
Change in net position	**(3,076,290)**	(2,127,092)
Net position, beginning, as restated	**5,736,423**	36,329,125
Net position, end of year	**$ 2,660,133**	$ 34,202,033

Overall net position decreased by $31,541,900 primarily as a result of the implementation of GASB 68. Also, the decrease was partially attributable to the sluggish economy and the continued burdens passed on by the state of Arizona.

Governmental Activities

The increase in general government expenses was primarily due to pension related expenses. The increase in public safety expenditures was from the additional grant revenue and the hiring of additional deputies. Highway and streets decrease was driven by less road projects throughout the County.

Governmental Funds

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.

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, 2015, the County's general fund reported a decrease in fund balance of $1,186,354 and the GADA loan fund reported an increase in fund balance of $639,204. This was primarily due to a fund transfer to set aside monies to pay off the GADA loan.

The road fund balance only increased by $103 thousand due to fewer road projects.

General Fund Budgetary Highlights

Total general fund expenditures were under budget by $3.7 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 revenues in future years.

Capital Assets and Debt Administration

Capital assets—The County's investment in capital assets as of June 30, 2015, totaled $26.8 million, net of accumulated depreciation. This investment in capital assets includes land, improvements other than buildings, construction in progress, buildings, infrastructure, and machinery and equipment.

Capital Assets/Net of Depreciation
June 30,

	Governmental Activities		
	2015	2014	Increase (Decrease) Percent of Change
Land	**$ 1,937,957**	$ 1,937,957	0.0%
Improvements other than buildings	**267,427**	71,780	272.6%
Construction in progress	**47,353**	467,079	-89.9%
Buildings	**19,306,819**	20,017,966	-3.6%
Infrastructure	**548,550**	607,617	-9.7%
Machinery and equipment	**4,663,328**	4,167,827	11.9%
Totals	**$ 26,771,434**	$ 27,270,226	-1.8%

Additional information on capital assets can be found in Note 6 of the notes to the financial statements on page 32 of this report.

Long-term debt—On June 30, 2015, the County had a total of $45.1 million in long-term liabilities. Of this amount, $7.1 million was principal outstanding on general obligation and revenue bonds, $866 thousand was capital lease obligations and $1.7 million represents compensated absences payable. The balance of $35.4 million relates to the net pension liability.

Additional information on the County's long-term liabilities can be found in Note 7 of the notes to the financial statements on pages 33-35 of this report.

Economic Factors and Next Year's Budgets

The significant downturn in the national and state economies that began the latter part of 2008 continued to affect the County in fiscal year 2015. The U.S. and state economies continued to experience a moderate recovery during 2015 and continued minimal improvement is expected in fiscal year 2016. The County closely monitors revenues, expenditures and applicable economic indicators to ensure that the County remains fiscally strong. The County continues to budget conservatively for revenue estimates and other factors affecting the County**.**

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, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	$ 6,122,182
Investments	9,035,990
Receivables (net of allowance for uncollectibles)	
Property taxes	523,586
Accounts	227,639
Due from other governments	2,739,910
Inventories	316,205
Prepaid items	14,423
Capital assets not being depreciated	1,985,310
Capital assets, being depreciated, net	24,786,124
Total assets	45,751,369
Deferred Outflows of Resources	
Deferred outflows related to pensions	7,074,579
Total deferred outflows of resources	7,074,579
Liabilities	
Accounts payable	1,029,292
Accrued payroll and employee benefits	754,048
Noncurrent liabilities	
Due within one year	2,035,299
Due in more than one year	43,023,643
Total liabilities	46,842,282
Deferred Inflows of Resources	
Deferred inflows related to pensions	3,323,533
Total deferred inflows of resources	3,323,533
Net Position	
Net investment in capital assets	18,810,057
Restricted for	
Public safety	1,271,361
Highways and streets	3,083,655
Health	236,439
Library	825,009
Debt service	2,579,434
Unrestricted (deficit)	(24,145,822)
Total net position	$ 2,660,133

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

Apache County, Arizona
Statement of Activities
For the Year Ended June 30, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs				
Governmental activities				
General government	$ 13,951,453	$ 1,294,449	$ 825,959	$ (11,831,045)
Public safety	10,963,042	357,716	2,154,044	(8,451,282)
Highways and streets	7,999,299	222,935	6,419,143	(1,357,221)
Health	3,134,842	206,157	1,368,635	(1,560,050)
Culture and recreation	1,827,202	19,057	25,000	(1,783,145)
Education	4,577,274	155,111	1,595,695	(2,826,468)
Interest on long-term debt	378,930	-	-	(378,930)
Total governmental activities	$ 42,832,042	$ 2,255,425	$ 12,388,476	(28,188,141)
General revenues				
Taxes				
Property taxes, levied for general purposes				2,815,994
Property taxes, levied for jail district				1,017,523
Property taxes, levied for juvenile jail district				466,057
Property taxes, levied for library				1,456,631
Property taxes, levied for library construction				501,918
Property taxes, levied for health service districts				641,637
Property taxes, levied for junior college				1,479,686
Property taxes, levied for fire districts				442,611
Property taxes, levied for post secondary education				509,030
County excise tax- general purposes				1,197,735
Shared revenue – state sales taxes				4,827,730
Payments in lieu of taxes				7,908,530
Investment income				136,987
Miscellaneous state assistance				550,038
Contributions not restricted to specific programs				666,102
Miscellaneous				493,642
Total general revenues				25,111,851
Change in net position				(3,076,290)
Net position, beginning of year, as restated				5,736,423
Net position, end of year				$ 2,660,133

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

Fund Financial Statements

Apache County, Arizona
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Road Fund	Junior College Fund	GADA Loan	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 3,199,274	$ 719,446	$ 146,454	$ 871,005	$ 1,186,003	$ 6,122,182
Investments	4,869,520	1,025,536	208,763	1,241,576	1,690,595	9,035,990
Receivables (net of allowance for uncollectibles)						
Property taxes	148,054	-	112,497	-	263,035	523,586
Accounts	84,662	68,847	-	-	74,130	227,639
Due from						
Other funds	257,009	-	-	-	-	257,009
Other governments	578,969	947,312	174,825	-	1,038,804	2,739,910
Inventories	-	316,205	-	-	-	316,205
Prepaid items	8,418	2,407	-	-	3,598	14,423
Total assets	$ 9,145,906	$ 3,079,753	$ 642,539	$ 2,112,581	$ 4,256,165	$ 19,236,944
Liabilities						
Liabilities						
Accounts payable	$ 204,853	$ 213,917	$ 448,568	$ -	$ 161,954	$ 1,029,292
Accrued payroll and employee benefits	507,730	86,058	-	-	160,260	754,048
Due to other funds	-	52,886	77,486	-	126,637	257,009
Total liabilities	712,583	352,861	526,054	-	448,851	2,040,349
Deferred Inflows of Resources						
Unavailable revenue property taxes	125,025	-	94,182	-	162,388	381,595
Total deferred inflows of resources	125,025	-	94,182	-	162,388	381,595
Fund Balances						
Nonspendable	8,418	318,612	-	-	3,598	330,628
Restricted	-	2,408,280	22,303	2,112,581	4,188,747	8,731,911
Unassigned	8,299,880	-	-	-	(547,419)	7,752,461
Total fund balances	8,308,298	2,726,892	22,303	2,112,581	3,644,926	16,815,000
Total liabilities, deferred inflows of resources, and fund balances	$ 9,145,906	$ 3,079,753	$ 642,539	$ 2,112,581	$ 4,256,165	$ 19,236,944

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

Apache County, Arizona
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2015

Total governmental funds — fund balances		$ 16,815,000
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 $63,916,435 and the accumulated depreciation is $37,145,001.		26,771,434
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		381,595
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	7,074,579	
Deferred inflows of resources related to pensions	(3,323,533)	3,751,046
Long-term liabilities, such as pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Net pension liability	(35,433,147)	
Compensated absences payable	(1,664,418)	
General obligation bonds payable	(3,725,000)	
Revenue bonds payable	(3,370,000)	
Capital leases payable	(866,377)	(45,058,942)
Net position of governmental activities		$ 2,660,133

Apache County, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances — Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Road Fund	Junior College Fund	GADA Loan	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	$ 2,717,108	$ -	$ 1,935,545	$ -	$ 4,653,932	$ 9,306,585
County excise tax	1,197,735	-	-	-	-	1,197,735
Licenses and permits	86,794	-	-	-	-	86,794
Intergovernmental	8,590,233	8,568,474	1,475,956	-	7,040,111	25,674,774
Charges for services	443,594	222,935	-	-	438,580	1,105,109
Fines and forfeits	539,553	-	-	-	523,969	1,063,522
Investment income	62,770	17,956	10,873	10,072	35,316	136,987
Miscellaneous	179,063	70,256	-	-	244,323	493,642
Total revenues	13,816,850	8,879,621	3,422,374	10,072	12,936,231	39,065,148
Expenditures						
General government	9,551,332	-	-	360	1,264,966	10,816,658
Public safety	3,300,542	-	-	-	6,100,586	9,401,128
Highways and streets	-	6,986,871	-	-	281,100	7,267,971
Health	1,154,064	-	-	-	1,941,071	3,095,135
Culture and recreation	25,000	-	-	-	1,586,523	1,611,523
Education	369,773	-	3,265,781	-	896,395	4,531,949
Capital outlay	599,008	715,215	-	-	448,064	1,762,287
Debt service						
Principal	102,030	44,491	-	210,000	693,776	1,050,297
Interest and other charges	94	11,014	-	160,508	207,314	378,930
Total expenditures	15,101,843	7,757,591	3,265,781	370,868	13,419,795	39,915,878
Excess (deficiency) of revenues over (under) expenditures	(1,284,993)	1,122,030	156,593	(360,796)	(483,564)	(850,730)
Other Financing Sources (Uses)						
Transfers in	2,452,276	-	-	1,000,000	1,815,568	5,267,844
Transfers out	(2,728,951)	(1,018,843)	(194,817)	-	(1,325,233)	(5,267,844)
Capital lease agreements	375,314	-	-	-	-	375,314
Total other financing sources (uses)	98,639	(1,018,843)	(194,817)	1,000,000	490,335	375,314
Net change in fund balances	(1,186,354)	103,187	(38,224)	639,204	6,771	(475,416)
Fund balances, beginning of year, as restated	9,494,652	2,635,357	60,527	1,473,377	3,638,155	17,302,068
Changes in nonspendable resources						
Decrease in inventories	-	(11,652)	-	-	-	(11,652)
Fund balances, ending	$ 8,308,298	$ 2,726,892	$ 22,303	$ 2,112,581	$ 3,644,926	$ 16,815,000

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

Apache County, Arizona
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances — total governmental funds		$ (475,416)
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	(28,632)	
Capital outlay	1,762,287	
Depreciation expense	(2,232,447)	(498,792)
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.		24,502
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Decrease in compensated absences		37,112
County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.		
County's share of state's appropriation to EORP	666,102	
County pension contributions	2,231,058	
Pension expense	(5,724,187)	(2,827,027)
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 agreements	(375,314)	
General obligation bonds repaid	520,000	
Revenue bonds repaid	210,000	
Capital leases repaid	320,297	674,983
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		(11,652)
Change in net position of governmental activities		$ (3,076,290)

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

Fiduciary Funds

Apache County, Arizona
Statement of Net Position
Fiduciary Funds
June 30, 2015

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 23,888,555	$ 693,069
Investments, at fair value	34,052,013	987,937
Total assets	57,940,568	1,681,006
Liabilities		
Due to other governments	-	1,681,006
Total liabilities	-	1,681,006
Net Position		
Held in trust for investment trust participants	57,940,568	-
Total net position	$ 57,940,568	$ -

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, 2015

	Investment Trust Fund
Additions	
Contributions from participants	$ 280,103,147
Net decrease in the fair value of investments	(9,481)
Total additions	280,093,666
Deductions	
Distributions to participants	279,205,881
Total deductions	279,205,881
Change in net position	887,785
Net position, July 1, 2014	57,052,783
Net position, June 30, 2015	$ 57,940,568

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

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, 2015, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

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. 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	Description; Criteria for Inclusion	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. County management has operational responsibility for the component unit.	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. County management has operational responsibility for the component unit.	Blended

Component Unit	Description; Criteria for Inclusion	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. County management has operational responsibility for the component unit.	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. County management has operational responsibility for the component unit.	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. County management has operational responsibility for the component unit.	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. County management has operational responsibility for the component unit.	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 information's usefulness.

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
- Capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

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

Fund financial statements—Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental 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.
- *GADA Loan Fund*—The GADA loan funds accounts for loans from the Greater Arizona Development Authority for various County projects.

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

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, 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.

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	Depreciation Method	Estimated Useful Life
Land	All		
Construction in progress	$ 5,000		
Buildings	$ 5,000	Straight line	25–40 years
Improvements other than 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

Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications

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

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

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

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

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

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balance first. It is the

County's policy to use committed amounts first when disbursing unrestricted fund balances, 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 employees earned based on services already rendered. Employees may accumulate up to 280 hours of vacation, but they forfeit any unused vacation hours in excess of the maximum amount at fiscal year-end. Upon termination of employment, the County pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate up to 1,500 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but employees forfeit them 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) Restatement of Net Position and Fund Balance

Change in Accounting Principle
Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Correction of an error

During 2015, there were some additional non-pooled cash in bank accounts held by the County departments. The correction records the book balance of these bank accounts as of July 1, 2014.

	Governmental Activities Net Position	General Fund Beginning Fund Balance	Junior College Fund	Other Governmental Funds
Beginning balances, as originally reported	$ 34,202,033	$ 9,105,188	$ (89,076)	$ 5,261,135
Prior-period adjustment - implementation of GASB 68				
Net pension liability (measurement date as of June 30, 2013)	(30,909,668)	-	-	-
Deferred outflows - County contributions made during fiscal year 2014	2,054,594	-	-	-
Additional non-pooled cash in bank	389,464	389,464	-	-
Reclassificaiton of fund balance				
Post secondary education fund - combined with junior college fund			149,603	(149,603)
GADA loan fund - new major fund	-	-	-	(1,473,377)
Total prior-period adjustments	(28,465,610)	389,464	149,603	(1,622,980)
Beginning balances, as restated	$ 5,736,423	$ 9,494,652	$ 60,527	$ 3,638,155

3) Stewardship, Compliance, Accountability, and Fund Balance Classifications

Deficit fund balances—At June 30, 2015, the following nonmajor funds reported deficit in fund balances in excess of $25,000:

Nonmajor Funds	Deficit
Sheriff's Grants	$ 111,208
Library Construction Bond	109,987
Flood Control	107,791
Post Secondary Education	88,558
Case Processing Assistance	41,991
Forest Thinning	37,165
Tyler Technology	34,415
Declared Emergency	30,738
Various Grants	28,486

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

The fund balance classifications for the governmental funds as of June 30, 2015, were as follows:

	General Fund	Road Fund	Junior College Fund	GADA Loan	Other Governmental Funds	Total
Fund Balances						
Nonspendable						
Inventories	$ -	$ 316,205	$ -	$ -	$ -	$ 316,205
Prepaid	8,418	2,407	-	-	3,598	14,423
Total nonspendable	8,418	318,612	-	-	3,598	330,628
Restricted for						
Law enforcement	-	-	-	-	742,605	742,605
Highways and streets	-	2,408,280	-	-	359,170	2,767,450
Health	-	-	-	-	236,439	236,439
Judicial	-	-	-	-	1,271,361	1,271,361
Library	-	-	-	-	825,009	825,009
Education	-	-	22,303	-	60	22,363
General government	-	-	-	2,112,581	754,103	2,866,684
Total restricted	-	2,408,280	22,303	2,112,581	4,188,747	8,731,911
Unassigned	8,299,880	-	-	-	(547,419)	7,752,461
Total fund balance	$ 8,308,298	$ 2,726,892	$ 22,303	$ 2,112,581	$ 3,644,926	$ 16,815,000

4) Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the state treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposits, and repurchase agreements in eligible depositories; and specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the county treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit Risk
Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.

2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

<u>Custodial Credit Risk</u>
Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

<u>Concentration of Credit Risk</u>
Statutes do not include any requirements for concentration of credit risk.

<u>Interest Rate Risk</u>
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.

<u>Foreign Currency Risk</u>
Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2015, the carrying amount of the County's deposits was $30,703,806 and the bank balance was $31,296,475. The County does not have a formal policy with respect to custodial credit risk.

At June 30, 2015, cash equivalents included $11,204,095 in money market accounts. Balances in these accounts are insured up to FDIC limits of $500,000. The remaining amounts are uninsured and uncollateralized.

Investments—The County's investments at June 30, 2015, were as follows:

Investment Type	Amount
U.S. agency securities	$ 41,199,979
Corporate bonds	2,024,175
Municipal bonds	851,786
Total investments	$ 44,075,940

Credit risk—The County does not have a formal investment policy with respect to credit risk. At June 30, 2015, credit risk for the County's investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AA+	S&P's	$ 31,706,747
U.S. agency securities	No Rating	S&P's	9,493,232
Municipal bonds	AAA	S&P's	100,397
Municipal bonds	AA	S&P's	133,925
Municipal bonds	AA+	S&P's	504,930
Municipal bonds	AA-	S&P's	112,534
Corporate bonds	A-	S&P's	533,918
Corporate bonds	No Rating	S&P's	923,257
Corporate bonds	AA+	S&P's	567,000
			$ 44,075,940

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, 2015, the County had $41,199,979 of U.S. agency securities, $851,786 of municipal bonds and $2,024,175 of corporate bonds that were uninsured, and held by the counterparty's trust department or agent but 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, 2015, of 93 percent or more in Freddie Mac (Federal Home Loan Mortgage Corporation), Fannie Mae (Federal National Mortgage Association), Federal Farm Credit Bank and Federal Home Loan Bank. These investments were 12%, 35%, 12% and 34%, 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, 2015, the County had the following investments in debt securities:

		Investment Maturities (in Years)	
Investment Type	Fair Value	Less Than 1	1–5
U.S. agency securities	$ 41,199,979	$ 1,231,810	$ 39,968,169
Corporate bonds	2,024,175	1,457,175	567,000
Municipal bonds	851,786	115,000	736,786
	$ 44,075,940	$ 2,803,985	$ 41,271,955

Foreign currency risk—State statutes do not allow foreign investments unless the investment is denominated in United States Dollars.

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

Cash and investments—

Carrying amount of deposits	$ 19,499,711
Money market accounts	11,204,095
Total cash and cash equivalents	30,703,806
Amount of investments	44,075,940
Total cash, cash equivalents and investments	$ 74,779,746

	Governmental Activities	Investment Trust Fund	Agency Funds	Total
Statement of net position				
Cash and cash equivalents	$ 6,122,182	$ 23,888,555	$ 693,069	$ 30,703,806
Investments	9,035,990	34,052,013	987,937	44,075,940
Total	$ 15,158,172	$ 57,940,568	$ 1,681,006	$ 74,779,746

5) Due From Other Governments

Amounts due from other governments at June 30, 2015, in the general fund include $578,170 in state shared revenue from sales tax and excise tax. Amounts due from other governments in the road fund include $947,312 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 $841,652 in federal reimbursement grants. The remaining balances result from various grants and contracts with other government units.

6) Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	$ 1,937,957	$ -	$ -	$ 1,937,957
Construction in progress	467,079	47,354	(467,080)	47,353
Total capital assets not being depreciated	2,405,036	47,354	(467,080)	1,985,310
Capital assets being depreciated				
Buildings	29,126,916	-	-	29,126,916
Improvements other than buildings	264,260	216,224	-	480,484
Machinery and equipment	28,865,007	1,965,789	(898,545)	29,932,251
Infrastructure	2,391,474	-	-	2,391,474
Total capital assets being depreciated	60,647,657	2,182,013	(898,545)	61,931,125
Less accumulated depreciation				
Buildings	9,108,950	711,147	-	9,820,097
Improvements other than buildings	192,480	20,577	-	213,057
Machinery and equipment	24,697,180	1,441,656	(869,913)	25,268,923
Infrastructure	1,783,857	59,067	-	1,842,924
Total accumulated depreciation	35,782,467	2,232,447	(869,913)	37,145,001
Total capital assets being depreciated, net	24,865,190	(50,434)	(28,632)	24,786,124
Governmental activities capital assets, net	$ 27,270,226	$ (3,080)	$ (495,712)	$ 26,771,434

Depreciation expense was charged to functions as follows:

Governmental activities	
Highways and streets	$ 727,782
Public safety	633,132
General government	565,218
Culture and recreation	218,278
Education	45,685
Health and welfare	42,352
Total depreciation expense – governmental activities	$ 2,232,447

Construction Commitments

One project was in process as of June 30, 2015, with an estimated cost to complete of $84,243 for the construction of bridges within the County.

7) Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2015:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds payable					
General obligation bonds	$ 4,245,000	$ -	$ (520,000)	$ 3,725,000	$ 545,000
Revenue bonds	3,580,000	-	(210,000)	3,370,000	220,000
Total bonds payable	7,825,000	-	(730,000)	7,095,000	765,000
Capital leases payable	811,360	375,314	(320,297)	866,377	305,523
Net pension liabilites	30,909,668	10,567,708	(6,044,229)	35,433,147	-
Compensated absences payable	1,701,530	1,225,116	(1,262,228)	1,664,418	964,776
Total governmental activities long-term liabilities	$ 41,247,558	$ 12,168,138	$ (8,356,754)	$ 45,058,942	$ 2,035,299

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, 2015, 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%	$ 3,725,000
Revenue bonds				
Series 2007B	3,980,000	8/1/13–27	4.0 – 5.0%	3,370,000
				$ 7,095,000

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2015:

	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
Year ending June 30,				
2016	$ 545,000	$ 167,625	$ 220,000	$ 152,113
2017	575,000	143,100	230,000	143,313
2018	605,000	117,225	235,000	134,112
2019	635,000	90,000	250,000	122,363
2020	665,000	61,425	260,000	109,862
2021-2025	700,000	31,500	1,480,000	377,169
2026-2028	-	-	695,000	48,063
Total	$ 3,725,000	$ 610,875	$ 3,370,000	$ 1,086,995

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 2015 required approximately, 3.3% of the state shared revenue pledged. Total principal and interest remaining to be paid on the revenue bonds is $4,456,995 as of June 30, 2015, and are expected to require 7% of the state shared revenue pledged. For the current year, interest paid, principal paid and total state shared revenues were $160,513, $210,000 and $4,827,730, 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 following assets were acquired through capital leases:

Software	$ 538,277
Machinery and equipment	1,241,632
Less accumulated depreciation	(567,093)
Carrying value	$ 1,212,816

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2015:

Year ending June 30,		
2016	$	340,521
2017		233,193
2018		230,102
2019		138,381
Total minimum lease payments		942,197
Less amount representing interest		(75,820)
Present value of net minimum lease payments	$	866,377

Compensated Absences
Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2015, the County paid for compensated absences as follows: 45 percent from the general fund, 19 percent from the road fund, and 36 percent from other funds.

Line of Credit
The County entered into a revolving line of credit agreement on August 17, 2015. The revolving line of credit is renewed annually and the total commitment amount during 2016 was $5,600,000. During 2015, the County Treasurer had draws and repayments of $0 and there were no outstanding balances at June 30, 2015. The line is used to meet short-term cash flow needs of the County Treasurer's investment pool.

8) Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 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.

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 law requires, and risk-management services. The County is responsible for paying a premium, based on an experience-rating formula, that allocates pool expenditures and liabilities among the members.

The Arizona Local Government Employee Benefit Trust is a public entity risk pool currently composed of six member counties. The pool provides member counties with health, prescription, dental, vision, life, short-term disability, and accidental death benefits for the counties' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and dependents and requires its employees to contribute a portion of that premium.

The Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust receive independent audits annually and an audit by the Arizona Department of Insurance every five years. All pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If a pool were to become insolvent, the County would be assessed an additional contribution.

9) Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan - Detention Officers (CORP), the Corrections Officer Retirement Plan - Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System - Sheriff (PSPRS), and the Elected Officials Retirement Plan (EORP), all described below. The plans are component units of the State of Arizona.

At June 30, 2015, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

	Governmental Activities
Statement of net position and statement of activities	
Net pension liabilities	$ 35,433,147
Deferred outflows of resources	7,074,579
Deferred inflows of resources	3,323,533
Pension expense	5,724,187

The County's accrued payroll and employee benefits includes $18,037 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the County reported $2,231,058 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. The Arizona State Retirement System

Plan description—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

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

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

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 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 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.31 percent for retirement, 0.20 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the ASRS. The County's contributions to the pension plan for the year ended June 30, 2015, were $1,144,174. The County's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30,		
2015	$ 58,195	$ 11,836
2014	57,096	22,838
2013	59,440	21,947

During fiscal year 2015, the County paid for ASRS pension and OPEB contributions as follows: 41 percent from the General Fund, 27 percent from the Road fund, and 32 percent from other governmental funds.

Pension liability—At June 30, 2015, the County reported a liability of $15,839,753 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The County's proportion measured as of June 30, 2014, was 0.11%, which was an decrease of .0008% from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the County recognized pension expense for ASRS of $1,079,697. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 805,023	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,769,884
Changes in proportion and differences between county contributions and proportionate share of contributions	85,920	-
County contributions subsequent to the measurement date	1,144,174	-
Total	$ 2,035,117	$ 2,769,884

The $1,144,174 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30,	Pension Expense
2016	$ (305,104)
2017	(305,104)
2018	(576,261)
2019	(692,472)

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

ASRS	
Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County's proportionate share of the net pension liability	$ 20,020,635	$ 15,839,753	$ 13,571,414

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers, and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS and CORP issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50 % less 2% for each year credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP

	Initial Membership Date: Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years any age 10 years age 62	25 years age 52.5 10 years age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit Percent		
Normal retirement	2.0% to 2.5% year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	
Ordinary Disability Retirement	2.5% per year of credited service or normal retirement, whichever is greater	
Survivor Benefit		
Retired members	80% of retired member's pension benefit	
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	20	5
Inactive employees entitled to but not yet receiving benefits	6	7
Active employees	28	19
Total	54	31

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	CORP Detention	CORP AOC
Active members-pensions	11.05%	8.41%	8.41%
County			
Pension	41.28%	9.32%	14.88%
Health insurance premium benefit	1.65%	1.05%	1.24%

In addition, the County was required by statute to contribute at the actuarially determined rate of 19.65 percent for the PSPRS and 7.34 percent for the CORP of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the PSPRS or CORP.

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Sheriff	CORP Detention
Pension		
Contributions made	$ 655,184	$ 67,051
Health Insurance Premium Benefit		
Annual OPEB cost	14,280	796
Contributions made	14,280	796

Contributions to the CORP AOC pension plan for the year ended June 30, 2015, were $144,404. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC

	Health Insurance
Year ended June 30,	
2015	$ 11,108
2014	10,873
2013	12,135

During fiscal year 2015, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 82 percent from the General Fund and 18 percent from other funds.

Pension liability—At June 30, 2015, the County reported the following net pension liabilities:

	Net Pension Liability
PSPRS Sheriff	$ 9,592,835
CORP Detention	671,207
CORP AOC (County's proportionate share)	2,000,091

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

PSPRS and CORP - Pension

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Pension discount rates—The following discount rates were used to measure the total pension liabilities:

	PSPRS Sheriff	CORP Detention	CORP AOC
Discount rates	7.85%	7.85%	7.85%

The projection of cash flows used to determine the PSPRS and CORP discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
PSPRS Sheriff			
Balances, June 30, 2014	$ 10,848,188	$ 3,430,702	$ 7,417,486
Changes for the year			
Service cost	285,074	-	285,074
Interest on total pension liability	827,366	-	827,366
Changes of benefit terms	373,856	-	373,856
Differences between expected and actual experience in the measurement of the pension liability	(138,700)	-	(138,700)
Changes of assumptions or other inputs	1,777,751	-	1,777,751
Contributions – employer	-	600,229	(600,229)
Contributions – employee	-	165,707	(165,707)
Net investment income	-	435,987	(435,987)
Benefit payments, including refunds of employee contributions	(902,060)	(902,060)	-
Adminstrative expenses	-	(3,511)	3,511
Other changes	-	(248,414)	248,414
Net changes	2,223,287	47,938	2,175,349
Balances, June 30, 2015	$ 13,071,475	$ 3,478,640	$ 9,592,835

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
CORP			
Balances, June 30, 2014	$ 1,644,557	$ 1,269,971	$ 374,586
Changes for the year			
Service cost	80,344	-	80,344
Interest on total pension liability	127,309	-	127,309
Changes of benefit terms	33,741	-	33,741
Differences between expected and actual experience in the measurement of the pension liability	14,264	-	14,264
Changes of assumptions or other inputs	167,399	-	167,399
Contributions – employer	-	50,332	(50,332)
Contributions – employee	-	46,277	(46,277)
Net investment income	-	159,806	(159,806)
Benefit payments, including refunds of employee contributions	(125,921)	(125,921)	-
Administrative espenses	-	(1,257)	1,257
Other changes	-	(128,722)	128,722
Net changes	297,136	515	296,621
Balances, June 30, 2015	$ 1,941,693	$ 1,270,486	$ 671,207

The County's proportion of the CORP AOC net pension liability as of June 30, 2013 and 2014, was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2014. The County's proportion measured as of June 30, 2013 and 2014, was .89 percent.

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rates noted above, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 6.85%	Current Discount Rate 7.85%	1% Increase 8.85%
PSPRS Sheriff			
Net pension liability	$ 11,117,136	$ 9,592,835	$ 8,320,787
CORP Detention			
Net pension liability	$ 907,110	$ 671,207	$ 474,959
CORP AOC			
County's proportionate share of the net pension liability	$ 2,641,074	$ 2,000,091	$ 1,467,520

Pension plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2015, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	$ 1,415,030
CORP Detention	123,243
CORP AOC (County's proportionate share)	267,637

Pension deferred outflows/inflows of resources—At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS-Sheriff		
Differences between expected and actual experience	$ -	$ 109,313
Changes of assumptions or other inputs	1,401,085	-
Net difference between projected and actual earnings on pension plan investments	-	142,607
County contributions subsequent to the measurement date	655,184	-
Total	$ 2,056,269	$ 251,920

	Deferred Outflows of Resources	Deferred Inflows of Resources
CORP - Detention		
Differences between expected and actual experience	$ 11,545	$ -
Changes of assumptions or other inputs	135,490	-
Net difference between projected and actual earnings on pension plan investments	-	52,047
County contributions subsequent to the measurement date	67,051	-
Total	$ 214,086	$ 52,047

	Deferred Outflows of Resources	Deferred Inflows of Resources
CORP - AOC		
Differences between expected and actual experience	$ 94,939	$ -
Changes of assumptions or other inputs	293,845	-
Net difference between projected and actual earnings on pension plan investments	-	110,725
County contributions subsequent to the measurement date	144,404	-
Total	$ 533,188	$ 110,725

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP AOC
Year ending June 30,			
2016	$ 311,627	$ 21,616	$ 57,214
2017	311,627	21,616	57,214
2018	311,627	21,616	57,214
2019	214,284	21,616	57,214
2020	-	8,524	49,205

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit 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 the County and plans' members understand them 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 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 PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

PSPRS and CORP—OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued 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; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%–8.5% for PSPRS and 4.5%–7.75% for CORP
Wage growth	4.5% for PSPRS and CORP

Agent plan OPEB trend information—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS- Sheriff			
2015	$ 14,280	100 %	$ -
2014	9,126	100 %	-
2013	19,240	49 %	(9,760)
CORP-Detention			
2015	796	100 %	-
2014	213	100 %	(213)
2013	4,969	15 %	(4,219)

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Sheriff	CORP Detention
Actuarial value of assets (a)	$ 279,936	$ 166,431
Actuarial accrued liability (b)	281,104	110,931
Unfunded actuarial accrued liability (funding excess) (b) – (a)	1,168	(55,500)
Funded ratio (a) / (b)	99.6%	150.0%
Annual covered payroll (c)	1,544,967	695,661
Unfunded actuarial accrued liability (funding excess) as a percentage of coverage payroll ([(b) – (a)] / (c))	0.08%	(8.0%)

The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS and CORP—OPEB Funded Status	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

C. Elected Officials Retirement Plan

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

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

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years age 65 5 years any age* any years and age if disabled	10 years age 62 5 years age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit Percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates $5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for EORP. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the County was required to contribute 23.5 percent of active EORP members' annual covered payroll. In addition, the County was required by statute to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the EORP. The County's contributions to the pension plan for the year ended June 30, 2015, were $220,245. No OPEB contributions were required or made for the year ended June 30, 2015. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EORP

Year ended June, 30	Health Insurance Fund
2015	$ -
2014	9,523
2013	10,198

During fiscal year 2015, the County paid 100 percent of the EORP pension contributions from the General Fund.

Pension liability—At June 30, 2015, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	$ 7,329,261
State's proportionate share of the EORP net pension liability associated with the County	2,247,219
Total	$ 9,576,480

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The County's proportion of the net pension liability as of June 30, 2013 and 2014, was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2014. The County's proportion measured as of June 30, 2013 and 2014, was 1.09 percent.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the County recognized pension expense for EORP of $2,838,580 and revenue of $666,102 for the County's proportionate share of the State's appropriation to EORP. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
EORP		
Differences between expected and actual experience	$ 32,205	$ -
Changes of assumptions or other inputs	1,983,469	-
Net difference between projected and actual earnings on pension plan investments	-	138,957
County contributions subsequent to the measurement date	220,245	-
Total	$ 2,235,919	$ 138,957

The $220,245 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	$ 1,126,096
2017	820,100
2018	(34,740)
2019	(34,739)

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

EORP	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short-term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Discount rate—At June 30, 2014, the discount rate used to measure the EORP total pension liability was 5.67 percent, which was a decrease of 2.18 from the discount rate used as of June 30, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

EORP

	1% Decrease (4.67%)	Current Discount Rate (5.67%)	1% Increase (6.67%)
County's proportionate share of the net pension liability	$ 8,556,301	$ 7,329,261	$ 6,293,221

Pension plan fiduciary net position—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

10) Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2015, were as follows:

	Payable To	
Payable From	General Fund	Total
Road fund	$ 52,886	$ 52,886
Junior College fund	77,486	77,486
Other governmental funds	126,637	126,637
Total	$ 257,009	$ 257,009

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

Interfund transfers—Interfund transfers for the year ended June 30, 2015, were as follows:

	Transfer to			
Transfer From	General Fund	GADA Loan	Nonmajor Governmental Funds	Total
General fund	$ -	$ 1,000,000	$ 1,728,951	$ 2,728,951
Road fund	932,226	-	86,617	1,018,843
College fund	194,817	-	-	194,817
Nonmajor governmental funds	1,325,233	-	-	1,325,233
Total	$ 2,452,276	$ 1,000,000	$ 1,815,568	$ 5,267,844

The principal purpose of interfund transfers was to provide grant matches, fund debt service payments, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

11) 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 deposits and investments the County holds are included in the County treasurer's investment pool, except for $1,191,994 in pooled deposits 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 4 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rates	Maturities	Fair Value
U.S. agency securities	$ 41,215,000	0.375-1.282	3/2016-11/2017	$ 41,199,979
Corporate bonds	2,076,250	.451-3.036	9/2015-3/2017	2,024,175
Municipal bonds	840,000	1.997-4.310	7/2015-8/2016	851,786

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

Statement of net position	
Assets	$ 73,587,752
Liabilities	-
Net position	$ 73,587,752
Net position held in trust for	
Internal participants	$ 13,966,178
External participants	59,621,574
Total net assets held in trust	$ 73,587,752
Statement of changes in net position	
Total additions	$ 356,855,255
Total deductions	355,288,379
Net increase	1,566,876
Net assets held in trust	
July 1, 2014	72,020,876
June 30, 2015	$ 73,587,752

12) 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 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 annual financial report, dated June 30, 2012, the County estimated the closure costs and postclosure care costs to be $201,983 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 June 30, 2012. According to its audited financial information for the year ended June 30, 2015, the landfill had used approximately 12.5 percent of its estimated capacity, and the Association had accumulated $105,471 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

13) 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.

14) Subsequent Event

On June 6, 2017, the County's Board of Supervisors voted unanimously to pay off the Greater Arizona Development Authority loan. The carrying amount of this loan was $3,370,000 as of June 30, 2015. The outstanding principal of the amount paid off was $2,920,000 as of July 3, 2017.

Required Supplementary Information

Apache County, Arizona
Required Supplementary Information
Budget Comparison Schedule
General Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget-Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Property taxes	$ 3,362,684	$ 3,362,684	**$ 2,717,108**	$ (645,576)
County excise tax	1,200,000	1,200,000	**1,197,735**	(2,265)
Licenses and permits	99,200	99,200	**86,794**	(12,406)
Intergovernmental	6,722,608	6,722,608	**8,590,233**	1,867,625
Charges for services	84,000	84,000	**443,594**	359,594
Fines and forfeits	441,000	441,000	**539,553**	98,553
Investment income	8,000	8,000	**62,770**	54,770
Contributions	988,344	988,344	**-**	(988,344)
Miscellaneous	20,001	20,001	**179,063**	159,062
Total revenues	12,925,837	12,925,837	**13,816,850**	891,013
Expenditures				
General government				
Assessor	611,942	611,942	**613,330**	(1,388)
Attorney	936,603	936,603	**935,613**	990
Board of supervisors - general	342,300	342,300	**497,490**	(155,190)
Board of supervisors - county manager	296,605	296,605	**296,435**	170
Human resources	252,213	252,213	**242,753**	9,460
Wellness	-	-	**12,186**	(12,186)
Records management	12,205	12,205	**7,035**	5,170
District #1	234,139	234,139	**203,709**	30,430
District #2	234,139	234,139	**225,359**	8,780
District #3	190,230	190,230	**120,463**	69,767
Clerk of the superior court	542,506	542,506	**503,884**	38,622
Contingency	3,000,000	3,000,000	**109,732**	2,890,268
Information technology service	477,526	477,526	**442,009**	35,517
IT capital improvements and software maintenance	841,594	841,594	**183,045**	658,549
Elections	409,803	409,803	**370,272**	39,531
Finance	464,108	464,108	**464,058**	50
Grant management	60,000	60,000	**58,239**	1,761
Grounds/maintenance	820,056	820,056	**778,200**	41,856
JP – Chinle	164,080	164,080	**148,568**	15,512
JP – Puerco	284,569	284,569	**276,357**	8,212
JP – St. Johns	172,937	172,937	**158,382**	14,555
St. Johns magistrate	39,309	39,309	**39,187**	122
JP – Round Valley	236,406	236,406	**235,140**	1,266
Springerville magistrate	40,008	40,008	**34,540**	5,468
Eager magistrate	40,008	40,008	**33,981**	6,027
Communication specialist and project	100,293	100,293	**96,368**	3,925
Community development	397,998	397,998	**360,561**	37,437
County fair	15,000	15,000	**15,000**	-
Recorder	492,230	492,230	**503,078**	(10,848)
Superior court	436,261	436,261	**417,966**	18,295
Public defenders	400,000	400,000	**400,693**	(693)

See accompanying notes to required supplementary information.

Apache County, Arizona
Required Supplementary Information
Budget Comparison Schedule
General Fund— continued
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Favorable
	Original	Final	**Actual**	(Unfavorable)
Expenditures – continued				
Jury fees and related	$ 112,203	$ 112,203	**$ 75,783**	$ 36,420
Jury trial costs	20,915	20,915	**-**	20,915
Support and care of persons	5,729	5,729	**-**	5,729
Treasurer	487,117	487,117	**491,319**	(4,202)
Public fiduciary	71,306	71,306	**67,243**	4,063
Legal services/judgments	25,098	25,098	**-**	25,098
Insurance	210,000	210,000	**212,993**	(2,993)
Retirement reserve	-	-	**-**	-
Other - expense reimbursement	-	-	**-**	-
Fleet management	300,000	300,000	**220,407**	79,593
Total general government	13,777,436	13,777,436	**9,851,378**	3,926,058
Public safety				
Constables	118,454	118,454	**122,866**	(4,412)
Adult probation	279,606	279,606	**280,116**	(510)
Juvenile probation	218,597	218,597	**218,596**	1
Search and rescue	-	-	**4,625**	(4,625)
Sheriff	2,529,539	2,529,539	**2,700,111**	(170,572)
Total public safety	3,146,196	3,146,196	**3,326,314**	(180,118)
Health				
AHCCCS	1,084,500	1,084,500	**1,154,064**	(69,564)
Culture and recreation				
Agricultural extension	25,000	25,000	**25,000**	-
Education				
IDEA secure care, special education	41,894	41,894	**40,135**	1,759
School superintendent	329,871	329,871	**329,638**	233
Total education	371,765	371,765	**369,773**	1,992
Total expenditures	18,404,897	18,404,897	14,726,529	3,678,368
Deficiency of revenues over expenditures	(5,479,060)	(5,479,060)	**(909,679)**	4,569,381
Other Financing Sources (Uses)				
Transfers in	2,452,276	2,452,276	**2,452,276**	-
Transfers out	(1,973,216)	(1,973,216)	**(2,728,951)**	(755,735)
Total other financing sources (uses)	479,060	479,060	**(276,675)**	(755,735)
Net change in fund balances	(5,000,000)	(5,000,000)	**(1,186,354)**	3,813,646
Fund balances, beginning of year	5,000,000	5,000,000	**9,494,652**	4,494,652
Fund balances, end of year	$ -	$ -	**$ 8,308,298**	$ 8,308,298

See accompanying notes to required supplementary information.

Apache County, Arizona
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Intergovernmental	$ 8,483,000	$ 8,483,000	**$ 8,568,474**	$ 85,474
Charges for services	-	-	**222,935**	222,935
Investment income	-	-	**17,956**	17,956
Miscellaneous	-	-	**70,256**	70,256
Total revenues	8,483,000	8,483,000	**8,879,621**	396,621
Expenditures				
Highways and streets				
Engineer	520,000	520,000	**569,732**	(49,732)
HURF support	-	-	**13,588**	(13,588)
District #1	245,565	245,565	**240,077**	5,488
District #2	68,445	68,445	**114,350**	(45,905)
District #3	105,051	105,051	**106,095**	(1,044)
Liability insurance	285,000	285,000	**257,328**	27,672
Contingency	410,000	410,000	**257,849**	152,151
RAC Grant	150,000	150,000	**10,739**	139,261
Limestone Pit	350,000	350,000	**460,321**	(110,321)
Roads - Puerco	954,587	954,587	**671,815**	282,772
Roads - Round Valley	1,051,005	1,051,005	**977,403**	73,602
Roads - St. Johns	1,096,900	1,096,900	**885,990**	210,910
Roads - Ganado	1,962,500	1,962,500	**1,836,229**	126,271
Roads - Chinle	1,962,500	1,962,500	**1,356,075**	606,425
Deferred	820,480	820,480	**-**	820,480
Total highways and streets	9,982,033	9,982,033	**7,757,591**	2,224,442
Resources over (under) charges to appropriations	(1,499,033)	(1,499,033)	**1,122,030**	2,621,063
Other Financing Sources (Uses)				
Transfers out	(1,018,843)	(1,018,843)	**(1,018,843)**	-
Total other financing sources (uses)	(1,018,843)	(1,018,843)	**(1,018,843)**	-
Net change in fund balances	(2,517,876)	(2,517,876)	**103,187**	2,621,063
Fund balances, beginning of year	2,517,876	2,517,876	**2,635,357**	117,481
Changes in nonspendable resources	-	-	**(11,652)**	(11,652)
Fund balances, end of year	$ -	$ -	**$ 2,726,892**	$ 105,829

See accompanying notes to required supplementary information.

Apache County, Arizona
Required Supplementary Information
Budgetary Comparison Schedule
Junior College Fund
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget-Favorable
	Original	Final	**Actual**	(Unfavorable)
Revenues				
Property taxes	$ 2,035,967	$ 2,035,967	**$ 1,935,545**	$ (100,422)
Intergovernmental	699,300	699,300	**699,300**	-
Salt River Project	784,270	784,270	**776,656**	(7,614)
Investment income	-	-	**10,873**	10,873
Total revenues	3,519,537	3,519,537	**3,422,374**	(97,163)
Expenditures				
Education				
Junior college tuition	3,366,276	3,366,276	**3,265,781**	100,495
Other Financing Sources (Uses)				
Transfers out	-	-	(194,817)	(194,817)
Total other financing sources (uses)	-	-	**(194,817)**	(194,817)
Net change in fund balances	153,261	153,261	**(38,224)**	(191,485)
Fund balances, beginning of year	(153,261)	(153,261)	60,527	213,788
Fund balances, end of year	$ -	$ -	**$ 22,303**	$ 22,303

See accompanying notes to required supplementary information.

Apache County, Arizona
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

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. prohibits expenditures or liabilities in excess of the amounts budgeted.

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

2) Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted item: present value of net minimum capital lease payments.

The following schedule reconciles the excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedule:

	General Fund
Deficiency of revenues over expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balances	$ (1,284,993)
Present value of net minimum capital lease payments	375,314
Deficiency of revenues over expenditures from the budgetary comparison schedules	$ (909,679)

Apache County, Arizona
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

3) Expenditures in Excess of Appropriations

For the year ended June 30, 2015, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General fund	
Assessor	$ 1,388
Board of supervisors - general	155,190
Wellness	12,186
Recorder	10,848
Public defenders	693
Treasurer	4,202
Insurance	2,993
Constables	4,412
Adult probation	510
Search and rescue	4,625
Sheriff	170,572
AHCCCS	69,564
Road fund	
Engineer	49,732
Hurf support	13,588
District #2	45,905
District #3	1,044
Limestone Pit	110,321

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
Multi-Year Schedule of the County's Proportionate Share of the Net Pension Liability — Cost-Sharing Pension Plans
June 30, 2015

Arizona State Retirement System -ASRS

	Reporting Fiscal Year (Measurement Date) 2015 (2014)	2014 through 2006
County's proportion of the net pension liability	0.11%	Information not available
County's proportionate share of the net pension liability	$ 15,839,753	
County's covered-employee payroll	$ 9,505,668	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	166.63%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Corrections Officer Retirement Plan - Administrative Office of the Courts

	Reporting Fiscal Year (Measurement Date) 2015 (2014)	2014 through 2006
County's proportion of the net pension liability	0.89%	Information not available
County's proportionate share of the net pension liability	$ 2,000,091	
County's covered-employee payroll	$ 961,116	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	208.10%	
Plan fiduciary net position as a percentage of the total pension liability	58.59%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date) 2015 (2014)	2014 through 2006
County's proportion of the net pension liability	1.09%	Information not available
County's proportionate share of the net pension liability	$ 7,329,261	
State's proportionate share of the net pension liability associated with the County	2,247,219	
Total	$ 9,576,480	
County's covered-employee payroll	$ 942,909	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	777.30%	
Plan fiduciary net position as a percentage of the total pension liability	31.91%	

See accompanying notes to pension plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of Changes in the County's Net Pension Liability and Related Ratios — Agent Pension Plans
June 30, 2015

Public Safety Personnel Retirement System -Sheriff

	Reporting Fiscal Year (Measurement Date) 2015 (2014)	Reporting Fiscal Year (Measurement Date) 2014 through 2006
Total Pension Liability		
Service cost	$ 285,074	Information not available
Interest on the total pension liability	827,366	
Changes of benefit terms	373,856	
Difference between expected and actual experience in the measurement of the pension liability	(138,700)	
Changes of assumptions or other inputs	1,777,751	
Benefit payments, including refunds of employee contributions	(902,060)	
Net change in total pension liability	2,223,287	
Total pension liability – beginning	10,848,188	
Total pension liability – ending (a)	$ 13,071,475	
Plan Fiduciary Net Position		
Contributions - employer	$ 600,229	
Contributions - employee	165,707	
Net investment income	435,987	
Benefit payments, including refunds of employee contributions	(902,060)	
Administrative expenses	(3,511)	
Other changes	(248,414)	
Net change in plan fiduciary net position	47,938	
Plan fiduciary net position – beginning	3,430,702	
Plan fiduciary net position – ending (b)	$ 3,478,640	
County's net pension liability – ending (a) - (b)	$ 9,592,835	
Plan fiduciary net position as a percentage of total pension liability	26.61%	
Covered-employee payroll	$ 1,576,259	
County's net pension liability as percentage of covered-employee payroll	608.58%	

See accompanying notes to pension plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of Changes in the County's Net Pension Liability and Related Ratios Agent Pension Plans — continued
June 30, 2015

Correctional Officer Retirement Plan-CORP

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total Pension Liability		
Service cost	$ 80,344	Information not available
Interest on the total pension liability	127,309	
Changes of benefit terms	33,741	
Difference between expected and actual experience in the measurement of the pension liability	14,264	
Changes of assumptions or other inputs	167,399	
Benefit payments, including refunds of employee contributions	(125,921)	
Net change in total pension liability	297,136	
Total pension liability – beginning	1,644,557	
Total pension liability – ending (a)	$ 1,941,693	
Plan Fiduciary Net Position		
Contributions - employer	$ 50,332	
Contributions - employee	46,277	
Net investment income	159,806	
Benefit payments, including refunds of employee contributions	(125,921)	
Administrative expense	(1,257)	
Other changes	(128,722)	
Net change in plan fiduciary net position	515	
Plan fiduciary net position – beginning	1,269,971	
Plan fiduciary net position – ending (b)	$ 1,270,486	
County's net pension liability – ending (a) - (b)	$ 671,207	
Plan fiduciary net position as a percentage of total pension liability	65.43%	
Covered-employee payroll	$ 609,417	
County's net pension liability as percentage of covered-employee payroll	110.14%	

See accompanying notes to pension plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of County Pension Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	**$ 1,144,174**	$ 1,098,147	Information not available
County's contributions in relation to the statutorily required contribution	**1,144,174**	1,098,147	
County's contributions deficiency (excess)	**$ -**	$ -	
County's covered-employee payroll	**$ 9,814,053**	$ 9,505,668	
County's contributions as a percentage of covered-employee payroll	**11.66%**	11.55%	

Corrections Officer Retirement Plan- Administrative Office of the Courts

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	**$ 144,404**	$ 149,907	Information not available
County's contributions in relation to the statutorily required contribution	**144,404**	149,907	
County's contributions deficiency (excess)	**$ -**	$ -	
County's covered-employee payroll	**$ 908,555**	$ 961,116	
County's contributions as a percentage of covered-employee payroll	**15.89%**	15.60%	

Elected Officials Retirement Plan

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	**$ 220,245**	$ 241,853	Information not available
County's contributions in relation to the statutorily required contribution	**220,245**	241,853	
County's contributions deficiency (excess)	$ -	$ -	
County's covered-employee payroll	**$ 855,434**	$ 942,909	
County's contributions as a percentage of covered-employee payroll	**25.75%**	25.65%	

See accompanying notes to pension plan schedules.

Apache County, Arizona
Required Supplementary Information
Schedule of County Pension Contributions — continued
June 30, 2015

Public Safety Retirement System - Sheriff	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially required contribution	**$ 655,184**	$ 628,529	Information not available
County's contributions in relation to the actuarially required contribution	**655,184**	628,529	
County's contributions deficiency (excess)	**$ -**	$ -	
County's covered-employee payroll	**$ 1,551,303**	$ 1,576,259	
County's contributions as a percentage of covered-employee payroll	**42.23%**	**39.87%**	

Correctional Officer Retirement Plan	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially required contribution	**$ 67,051**	$ 56,502	Information not available
County's contributions in relation to the actuarially required contribution	**67,051**	56,502	
County's contributions deficiency (excess)	**$ -**	$ -	
County's covered-employee payroll	**$ 637,619**	$ 609,417	
County's contributions as a percentage of covered-employee payroll	**10.52%**	**9.27%**	

See accompanying notes to pension plan schedules.

Apache County, Arizona
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

1) Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

PSPRS and CORP

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Apache County, Arizona
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b)-(a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll ([(b)-(a)]/(c))
PSPRS Sheriff						
6/30/15	$ 279,936	$ 281,104	$ 1,168	99.58%	$ 1,544,967	0.08%
6/30/14	256,880	257,589	709	99.72%	1,514,813	0.05%
6/30/13	-	261,080	261,080	0.00%	1,415,761	18.44%
CORP Detention						
6/30/15	$ 166,431	$ 110,931	$ (55,500)	150.03%	$ 695,661	0.00%
6/30/14	152,985	71,810	(81,175)	213.04%	582,323	0.00%
6/30/13	-	53,231	53,231	0.00%	551,621	9.65%

See accompanying notes to schedule of agent OPEB plans' funding progress.

Apache County, Arizona
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

1) Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS and CORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.