
Apache County, Arizona



Annual Financial Report

*Financial Statements
and
Independent Auditor's Report
June 30, 2020*

Apache County, Arizona

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Independent Auditors' Report

The Arizona Auditor General
Members of the Arizona State Legislature
The 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, 2020, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 unmodified and qualified audit opinions.

Basis for Qualified Opinion on the Road Fund

We did not observe the counting of the inventory of the Road Fund at year-end. Accordingly, we were unable to satisfy ourselves by other auditing procedures concerning the inventory held at June 30, 2020, which is stated at \$373,446. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect to recorded or unrecorded inventory.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the “Basis for Qualified Opinion on the Road Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Road Fund of the County, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund (other than the Road Fund) and the aggregate remaining fund information of the County as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matter

As discussed in note 12 to the financial statements, the County restated beginning net position/fund balance of its financial statements for the year ended June 30, 2020, to correct a misstatement in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages 4 through 11, the Budgetary Comparison Schedules on pages 65 through 69, Schedule of the County’s Proportionate Share of the Net Pension/OPEB Liability—Cost-Sharing Plans on pages 70 through 71, Schedule of Changes in the County’s Net Pension/OPEB Liability and Related Ratios—Agent Plans on pages 72 through 74, and Schedule of County Pension/OPEB Contributions on pages 75 through 76 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 auditing standards generally accepted in the United States of America, 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 Arizona Auditor General, 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 February 7, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Snyder & Brown CPAs, PLLC

Tempe, Arizona
February 7, 2022

Apache County, Arizona

Management's Discussion and Analysis

For the Year Ended June 30, 2020

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, 2020. 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 were more than its liabilities and deferred inflows of resources at the close of the fiscal year by \$11,187,418 net position, an increase of \$4,656,327 from prior year. Of this amount, \$23.5 million was an unrestricted deficit in net position. The amount of the net pension and other postemployment benefits liability at fiscal year-end was \$39,832,295.
- ◆ At the end of the fiscal year, unassigned fund balance for the general fund was \$10,274,228 or 45% 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 Financial 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 the 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).

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 Special Improvement District.

The government-wide financial statements can be found on pages 12–14 of this report.

Fund Financial Statements

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

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a County's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County reports three major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, road fund, and junior college fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The governmental fund financial statements can be found on pages 15–18 of this report.

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2020

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 19–20 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 21–67 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 and other postemployment 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 68–83 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, 2020, assets and deferred outflows of resources were more than its liabilities and deferred inflows of resources by \$11,187,418.

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Condensed Statement of Net Position
As of June 30,

	Governmental Activities	
	2020	2019 (As Restated)
Assets		
Current and other assets	\$ 25,734,659	\$ 23,330,512
Capital assets	24,736,730	25,293,803
Total assets	50,471,389	48,624,315
Deferred Outflows of Resources	7,677,489	6,395,227
Liabilities		
Current and other liabilities	1,752,490	1,853,803
Long-term liabilities outstanding	42,926,371	39,724,394
Total liabilities	44,678,861	41,578,197
Deferred Inflows of Resources	2,282,599	6,910,254
Net Position		
Net investment in capital assets	23,584,158	23,336,324
Restricted	11,168,234	11,118,277
Unrestricted (deficit)	(23,564,974)	(27,923,510)
Total net position (deficit)	\$ 11,187,418	\$ 6,531,091

Net investment in capital assets of \$23,584,158 increased by \$247,834 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) net of related debt 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.

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2020

The County's total net position increased by \$4,656,327 during the fiscal year. The governmental activities had an increase in intergovernmental revenues of \$962,215 and an increase in tax related revenues (property, county excise, shared of state sales taxes) of \$308,895. In addition, PILT (payments in-lieu of taxes) increased \$215,094. Total expenses increased by \$2,942,304 primarily from Road department projects.

At the end of the fiscal year, unrestricted net assets were negative for governmental activities, due to net pension and other postemployment benefits liabilities.

Statement of Activities

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

Condensed Statement of Activities
For the Years Ended June 30,

	Governmental Activities	
	2020	2019 (As Restated)
Revenues		
Program revenues		
Charges for services	\$ 2,742,006	\$ 2,440,023
Operating grants and contributions	15,691,337	14,729,122
Capital grants and contributions	936,815	1,108,808
General revenues		
Property taxes	10,233,122	10,262,609
County excise tax	1,282,331	1,182,639
Share of state sales taxes	6,035,014	5,796,324
Payments in lieu of taxes	9,853,636	9,638,542
Miscellaneous state assistance	575,487	550,050
Contributions not restricted to specific programs	55,607	-
Investment income	239,628	778,180
Gain on sale of assets	78,449	377,678
Miscellaneous	562,557	696,046
Total revenues	<u>48,285,989</u>	<u>47,560,021</u>

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2020

	Governmental Activities	
	2020	2019
Expenses		
General government	\$ 9,210,655	\$ 9,851,844
Public safety	11,606,861	11,689,900
Highways and streets	11,752,872	9,592,885
Health	3,783,198	3,051,310
Culture and recreation	2,061,236	1,853,342
Education	5,130,939	4,498,517
Interest on long-term debt	83,901	149,560
Total expenses	43,629,662	40,687,358
Change in net position	4,656,327	6,872,663
Net position, beginning	6,531,091	(341,572)
Net position, end of year	\$ 11,187,418	\$ 6,531,091

Governmental Activities

Governmental activities total expenses increased primarily due to spending down of the fund balance that had been building up over the previous years.

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.

General Fund total expenditures decreased by \$4.8 million. This decrease was the result of certain public health and public safety expenditures that were paid for with funding from the State of Arizona and therefore accounted for in the grants funds. In addition, the general fund is reporting \$454,890 in committed fund balance in association with health-related activities.

The Road Fund total expenditures increase by \$1.5 million. This increase was due to additional projects taken on during the year to spend down the fund balance that had been increasing over the last several years. In addition, the road fund is reporting \$3,206,428 in restricted fund balance in association with highways and streets activities.

Apache County, Arizona
Management’s Discussion and Analysis
For the Year Ended June 30, 2020

General Fund Budgetary Highlights

The General fund expenditures were under budget due to the contingency and IT capital improvement budgets that the County never intends to fully expend and because certain public safety expenditures were paid for with funding from the State of Arizona and therefore accounted for in the grant funds.

Capital Assets and Debt Administration

Capital assets—The County’s investment in capital assets as of June 30, 2020, totaled \$24.7 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		Increase (Decrease) Percent of Change
	2020	2019	
Buildings	\$ 15,886,076	\$ 16,589,630	-4.2%
Machinery and equipment	5,245,778	5,794,240	-9.5%
Land	2,097,639	2,097,639	0.0%
Infrastructure	500,159	565,986	-11.6%
Improvements other than buildings	312,090	362,150	-13.8%
Construction in progress	694,988	43,388	1501.8%
Totals	\$ 24,736,730	\$ 25,453,033	-2.8%

Additional information on capital assets can be found in Note 5 of the notes to the financial statements on page 33 of this report.

Long-term debt—On June 30, 2020, the County had a total of \$42.9 million in long-term liabilities. Of this amount, \$700,000 was principal outstanding on general obligation bonds, \$452,572 was capital lease obligations and \$1.9 million represents compensated absences payable. The balance of \$39.8 million relates to the net pension and other postemployment benefits liability.

Additional information on the County’s long-term liabilities can be found in Note 6 of the notes to the financial statements on pages 34-36 of this report.

Apache County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Economic Factors and Next Year's Budgets

The County's economy continued to experience moderate growth during fiscal year 2020. Although some economic contraction was expected when preparing the fiscal year 2021 budget, the County's revenues continue to be strong into 2021. 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.

At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments and businesses may face supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant levels of volatility as a result of the pandemic. This volatility has caused significant declines in the value of investments held at year end. While such declines may be temporary, investment values are subject to market fluctuations, and the timing of any such recovery is unknown at the present time. The significance and the duration of the pandemic's financial impact are indeterminable. These financial statements do not consider the potential financial implications of the pandemic.

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.

Basic Financial Statements

Government-Wide Financial Statements

Apache County, Arizona
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,646,124
Investments	11,155,545
Receivables (net of allowance for uncollectibles)	
Property taxes	424,475
Accounts	174,790
Due from other governments	4,337,304
Inventories	373,446
Other postemployment benefits (OPEB) asset	622,975
Capital assets not being depreciated	2,792,627
Capital assets, being depreciated, net	21,944,103
Total assets	50,471,389
 Deferred Outflows of Resources	
Deferred outflows related to pensions and other post-employment benefits	7,677,489
Total deferred outflows of resources	7,677,489
 Liabilities	
Accounts payable	638,914
Accrued payroll and employee benefits	768,041
Unearned revenue	345,535
Noncurrent liabilities	
Due within one year	2,019,673
Due in more than one year	40,906,698
Total liabilities	\$ 44,678,861

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

Apache County, Arizona
Statement of Net Position — continued
June 30, 2020

	Governmental Activities
Deferred Inflows of Resources	
Deferred inflows related to pensions and other postemployment benefits	\$ 2,282,599
Total deferred inflows of resources	2,282,599
Net Position	
Net investment in capital assets	23,584,158
Restricted for	
Public safety	3,303,100
Highways and streets	3,929,796
Health	752,069
Library	1,040,736
Education	1,909,029
Debt service	233,504
Unrestricted (deficit)	(23,564,974)
Total net position	\$ 11,187,418

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

Apache County, Arizona
Statement of Activities
For the Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs					
Governmental activities					
General government	\$ 9,210,655	\$ 1,371,487	\$ 655,974	\$ -	\$ (7,183,194)
Public safety	11,606,861	549,261	4,297,743	-	(6,759,857)
Highways and streets	11,752,872	218,884	7,323,327	936,815	(3,273,846)
Sanitation	-		-	-	-
Health	3,783,198	232,858	1,280,255	-	(2,270,085)
Culture and recreation	2,061,236	15,472	56,864	-	(1,988,900)
Education	5,130,939	354,044	2,077,174	-	(2,699,721)
Interest on long-term debt	83,901	-	-	-	(83,901)
Total governmental activities	<u>\$ 43,629,662</u>	<u>\$ 2,742,006</u>	<u>\$ 15,691,337</u>	<u>\$ 936,815</u>	<u>(24,259,504)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					2,834,553
Property taxes, levied for jail district					918,634
Property taxes, levied for juvenile jail district					458,463
Property taxes, levied for library					1,439,970
Property taxes, levied for library construction					511,104
Property taxes, levied for health service districts					1,147,892
Property taxes, levied for junior college					1,722,304
Property taxes, levied for fire districts					391,313
Property taxes, levied for post secondary education					648,070
Property taxes, levied for flood control					160,819
County excise tax- general purposes					1,282,331
Shared revenue – state sales taxes					6,035,014
Payments in lieu of taxes					9,853,636
Investment income					239,628
Miscellaneous state assistance					575,487
Contributions not restricted to specific programs					55,607
Gain on sale of assets					78,449
Miscellaneous					<u>562,557</u>
Total general revenues					<u>28,915,831</u>
Change in net position					4,656,327
Net position, July 1, 2019, as restated					<u>6,531,091</u>
Net position, June 30, 2020					<u><u>\$ 11,187,418</u></u>

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

Fund Financial Statements

Governmental Funds

Apache County, Arizona
Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,527,089	\$ 1,147,238	\$ 242,136	\$ 1,729,661	\$ 8,646,124
Investments	4,970,203	1,654,926	334,399	4,196,017	11,155,545
Receivables					
Property taxes	114,701	-	97,064	212,710	424,475
Accounts	71,955	39,478	-	63,357	174,790
Due from					
Other funds	193,840	-	-	14,007	207,847
Other governments	570,097	785,689	-	2,981,518	4,337,304
Inventories	-	373,446	-	-	373,446
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 11,447,885</u>	<u>\$ 4,000,777</u>	<u>\$ 673,599</u>	<u>\$ 9,197,270</u>	<u>\$ 25,319,531</u>
Liabilities					
Accounts payable	\$ 243,741	\$ 184,182	\$ -	\$ 210,991	\$ 638,914
Accrued payroll and employee benefits	374,151	183,835	-	210,055	768,041
Unearned revenue	-	-	-	345,535	345,535
Due to other funds	14,007	52,886	-	140,954	207,847
Total liabilities	<u>631,899</u>	<u>420,903</u>	<u>-</u>	<u>907,535</u>	<u>1,960,337</u>
Deferred Inflows of Resources					
Unavailable revenue property taxes	86,868	-	73,817	161,052	321,737
Total deferred inflows of resources	<u>86,868</u>	<u>-</u>	<u>73,817</u>	<u>161,052</u>	<u>321,737</u>
Fund Balances					
Nonspendable	-	373,446	-	-	373,446
Restricted	-	3,206,428	599,782	8,532,724	12,338,934
Committed	454,890	-	-	-	454,890
Unassigned	10,274,228	-	-	(404,041)	9,870,187
Total fund balances	<u>10,729,118</u>	<u>3,579,874</u>	<u>599,782</u>	<u>8,128,683</u>	<u>23,037,457</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,447,885</u>	<u>\$ 4,000,777</u>	<u>\$ 673,599</u>	<u>\$ 9,197,270</u>	<u>\$ 25,319,531</u>

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, 2020

Total governmental funds — fund balances		\$ 23,037,457
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 \$67,238,790 and the accumulated depreciation is \$42,502,060.		24,736,730
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		321,737
Deferred outflows and inflows of resources related to pensions /OPEB are applicable to future reporting periods and therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions/OPEB	\$ 7,677,489	
Deferred inflows of resources related to pensions/OPEB	<u>(2,282,599)</u>	5,394,890
Net OPEB assets held in trust for future benefits are not available for County operations and therefore, are not reported in the funds.		622,975
Long-term liabilities, such as pension/OPEB liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Net pension/OPEB liability	(39,832,295)	
Compensated absences payable	(1,941,504)	
General obligation bonds payable	(700,000)	
Capital leases payable	<u>(452,572)</u>	<u>(42,926,371)</u>
Net position of governmental activities		\$ 11,187,418

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

Apache County, Arizona
Statement of Revenues, Expenditures and
Changes in Fund Balances — Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 3,061,375	\$ -	\$ 2,367,473	\$ 5,004,101	\$ 10,432,949
County excise tax	1,282,331	-	-	-	1,282,331
Licenses and permits	117,381	-	-	-	117,381
Intergovernmental	10,616,356	10,762,633	1,704,107	10,009,193	33,092,289
Charges for services	677,436	218,884	-	748,978	1,645,298
Fines and forfeits	471,526	-	-	507,801	979,327
Investment income	111,305	54,383	8,513	65,427	239,628
Miscellaneous	(3,557)	12,343	-	553,771	562,557
Total revenues	<u>16,334,153</u>	<u>11,048,243</u>	<u>4,080,093</u>	<u>16,889,271</u>	<u>48,351,760</u>
Expenditures					
General government	9,100,064	-	-	1,525,628	10,625,692
Public safety	3,454,761	-	-	7,176,389	10,631,150
Highways and streets	-	9,641,583	-	1,163,817	10,805,400
Health	397,914	-	-	3,331,105	3,729,019
Culture and recreation	25,389	-	-	1,811,632	1,837,021
Education	374,669	-	3,005,147	1,717,388	5,097,204
Capital outlay	185,044	936,815	-	607,651	1,729,510
Debt service					
Principal	-	299,137	-	665,000	964,137
Interest and other charges	-	22,476	-	61,425	83,901
Total expenditures	<u>13,537,841</u>	<u>10,900,011</u>	<u>3,005,147</u>	<u>18,060,035</u>	<u>45,503,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,796,312</u>	<u>148,232</u>	<u>1,074,946</u>	<u>(1,170,764)</u>	<u>2,848,726</u>
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	97,439	-	23,885	121,324
Transfers in	557,872	250,000	-	2,364,255	3,172,127
Transfers out	(1,069,767)	(321,829)	(1,105,698)	(674,833)	(3,172,127)
Total other financing sources (uses)	<u>(511,895)</u>	<u>25,610</u>	<u>(1,105,698)</u>	<u>1,713,307</u>	<u>121,324</u>
Net change in fund balances	2,284,417	173,842	(30,752)	542,543	2,970,050
Fund balances July 1, 2019, as restated	8,444,701	3,387,401	630,534	7,586,140	20,048,776
Changes in nonspendable resources increase in inventories	<u>-</u>	<u>18,631</u>	<u>-</u>	<u>-</u>	<u>18,631</u>
Fund balances, June 30, 2020	<u>\$ 10,729,118</u>	<u>\$ 3,579,874</u>	<u>\$ 599,782</u>	<u>\$ 8,128,683</u>	<u>\$ 23,037,457</u>

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, 2020

Net change in fund balances — total governmental funds		\$ 2,970,050
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 1,729,510	
Depreciation expense	<u>(2,402,938)</u>	(673,428)
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		
Gain on sale of capital assets	78,449	
Proceeds from sale of capital assets	<u>(121,324)</u>	(42,875)
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.		
		(199,827)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences		18,994
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the statement of activities.		
County's share of state's appropriation to EORP	55,607	
County pension/OPEB contributions	2,934,355	
Pension/OPEB expense	<u>(1,389,317)</u>	1,600,645
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.		
General obligation bonds repaid	665,000	
Capital leases repaid	<u>299,137</u>	964,137
Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.		
Increase in inventories		<u>18,631</u>
Change in net position of governmental activities		<u><u>\$ 4,656,327</u></u>

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

Fiduciary Funds

Apache County, Arizona
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 47,034,893	\$ 6,794
Cash and investments held by Treasurer	66,409,678	9,593
Total assets	113,444,571	\$ 16,387
Liabilities		
Due to other governments	-	\$ 16,387
Total liabilities	-	\$ 16,387
Net Position		
Held in trust for investment participants	113,444,571	
Total net position	\$ 113,444,571	

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, 2020

	Investment Trust Fund
Additions	
Contributions from participants	\$ 204,878,322
Net increase in the fair value of investments	431,192
Total additions	205,309,514
Deductions	
Distributions to participants	206,049,281
Change in net position	(739,767)
Net position, July 1, 2019, as restated	114,184,338
Net position, June 30, 2020	\$ 113,444,571

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

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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).

Reporting Entity

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

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

The following table describes the County’s component units:

Component Unit	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
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, Arizona
Notes to Financial Statements
June 30, 2020

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.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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 doing so would distort the direct costs and program revenues reported by the departments concerned.

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 junior college fund accounts for monies from property taxes that the County pays the state for out-of-County-tuition.

The County also reports the following fiduciary 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 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 imposed by the provider have been met.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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. For all other programs, the County uses unrestricted revenues first.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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. Loan proceeds 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 1 year or less at the time of purchase that are not in the County Treasurer's investment pool 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.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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 historical cost. Donated assets are reported at acquisition value.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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.

Postemployment Benefits

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

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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 Income

Investment income 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

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but 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) Stewardship, Compliance, Accountability, and Fund Balance Classifications

Deficit fund balances—At June 30, 2020, the following nonmajor funds reported a deficit in fund balances in excess of \$25,000:

Nonmajor Funds	Deficit
Accent Sheriff	\$ 127,495
Forest Thinning	86,794
Miscellaneous Community Grant	57,124
Miscellaneous Grant	51,002
Accent Attorney	48,712
Drug Testing	43,212
Tyler Technology	37,518
Flood Control	35,154
GIS	27,695
	<u>\$ 514,706</u>

These deficits resulted from operations during the year, but are expected to be corrected through normal operations and transfers from other funds in fiscal year 2021.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

The fund balance classifications for the governmental funds as of June 30, 2020, were as follows:

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 373,446	\$ -	\$ -	\$ 373,446
Prepaid items	-	-	-	-	-
Total nonspendable	<u>-</u>	<u>373,446</u>	<u>-</u>	<u>-</u>	<u>373,446</u>
Restricted for					
Debt service	-	-	-	233,504	233,504
Highways and streets	-	3,206,428	-	723,368	3,929,796
Judicial	-	-	-	1,385,303	1,385,303
Law enforcement	-	-	-	1,917,797	1,917,797
Library	-	-	-	1,040,736	1,040,736
Health	-	-	-	752,069	752,069
General government	-	-	-	1,170,700	1,170,700
Education	-	-	599,782	1,309,247	1,909,029
Total restricted	<u>-</u>	<u>3,206,428</u>	<u>599,782</u>	<u>8,532,724</u>	<u>12,338,934</u>
Committed to					
Health	454,890	-	-	-	454,890
Unassigned	10,274,228	-	-	(404,041)	9,870,187
Total fund balance	<u>\$ 10,729,118</u>	<u>\$ 3,579,874</u>	<u>\$ 599,782</u>	<u>\$ 8,128,683</u>	<u>\$ 23,037,457</u>

3) Deposits and Investments

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

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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. Specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least 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.

Custodial Credit Risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of Credit Risk

Statutes do not include any requirements for concentration of credit risk.

Interest Rate Risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign Currency Risk

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

Deposits—At June 30, 2020, the carrying amount of the County’s deposits was \$55,687,811 including \$258,705 held in money market accounts. The bank balance is \$56,696,492. The County does not have a formal policy with respect to custodial credit risk.

At June 30, 2020, balances in these accounts are insured up to FDIC limits of \$500,000. The remaining amounts are uninsured but fully collateralized pursuant to the Statewide Pooled Collateral Program.

Cash Equivalents

The County is reporting money market accounts totaling \$258,706 as cash equivalents at year-end.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

Investments—The County’s investments at June 30, 2020, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

Investments By Fair Value Level	Amount	Fair Value Measurement Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
U.S. agency securities	\$ 47,825,011	\$ -	\$ 47,825,011
U.S. treasury notes	5,734,151	-	5,734,151
Certificates of deposit	<u>24,015,654</u>	<u>-</u>	<u>24,015,654</u>
Total investments categorized by fair value level	<u>\$ 77,574,816</u>	<u>\$ -</u>	<u>\$ 77,574,816</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. The investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

Credit risk—The County does not have a formal investment policy with respect to credit risk. At June 30, 2020, credit risk for the County’s investments was as follows:

Investment Type	Rating	Rating Agency	Amount
U.S. agency securities	AAA	Moody’s	\$ 47,825,011
Certificates of deposit	Not Rated		<u>24,015,654</u>
			<u>\$ 71,840,665</u>

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2020, the County had \$47,825,011 of U.S. agency securities, \$5,734,151 of U.S. treasury notes, and \$24,015,654 of certificates of deposit that were uninsured and held by the counterparty’s trust department, not in the name of the County.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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, 2020, of 5 percent or more in Freddie Mac (Federal Home Loan Mortgage Corporation), Fannie Mae (Federal National Mortgage Association), Federal Farm Credit Bank, Federal Home Loan Bank, and U.S. Treasury Notes. These investments were 28%, 8%, 12%, 15% and 7%, 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, 2020, the County had the following investments in debt securities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1–5
U.S. agency securities	\$ 47,825,011	\$ 3,519,265	\$ 44,305,746
U.S. treasury notes	5,734,151	3,519,605	2,214,546
Certificates of deposit	24,015,654	4,444,042	19,571,612
	<u>\$ 77,574,816</u>	<u>\$ 11,482,912</u>	<u>\$ 66,091,904</u>

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 - cash and cash equivalents	\$ 55,429,106
Money market accounts	258,705
Amount of investments	<u>77,574,816</u>
Total cash, cash equivalents, and investments	<u>\$ 133,262,627</u>

	Governmental Activities	Investment Trust Fund	Agency Funds	Total
Statement of net position				
Cash and cash equivalents	\$ 8,646,124	\$ 47,034,893	\$ 6,794	\$ 55,687,811
Investments	11,155,545	66,409,678	9,593	77,574,816
Total	<u>\$ 19,801,669</u>	<u>\$ 113,444,571</u>	<u>\$ 16,387</u>	<u>\$ 133,262,627</u>

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

4) Due From Other Governments

Amounts due from other governments at June 30, 2020, as reported on the Governmental funds balance sheet was as follows:

Due From Other Governments	General Fund	Road Fund	Other Governmental	Total
Federal government	\$ -	\$ -	\$ 2,626,698	\$ 2,626,698
State governments	485,323	785,689	244,208	1,515,220
Other	-	-	110,572	110,572
City government	84,774	-	40	84,814
Total	\$ 570,097	\$ 785,689	\$ 2,981,518	\$ 4,337,304

5) Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

Governmental Activities	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<i>Capital assets not being depreciated</i>				
Land	\$ 2,097,639	\$ -	\$ -	\$ 2,097,639
Construction in progress	43,388	651,600	-	694,988
Total capital assets not being depreciated	2,141,027	651,600	-	2,792,627
<i>Capital assets being depreciated</i>				
Buildings	29,242,986	-	-	29,242,986
Improvements other than buildings	726,226	-	-	726,226
Machinery and equipment	31,282,143	1,077,910	(545,151)	31,814,902
Infrastructure	2,662,049	-	-	2,662,049
Total capital assets being depreciated	63,913,404	1,077,910	(545,151)	64,446,163
<i>Less accumulated depreciation</i>				
Buildings	12,653,356	703,554	-	13,356,910
Improvements other than buildings	364,076	50,060	-	414,136
Machinery and equipment	25,487,903	1,583,497	(502,276)	26,569,124
Infrastructure	2,096,063	65,827	-	2,161,890
Total accumulated depreciation	40,601,398	2,402,938	(502,276)	42,502,060
Total capital assets being depreciated, net	23,312,006	(1,325,028)	(42,875)	21,944,103
Governmental activities capital assets, net	\$ 25,453,033	\$ (673,428)	\$ (42,875)	\$ 24,736,730

Apache County, Arizona
Notes to Financial Statements
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Depreciation expense was charged to functions as follows:

Governmental activities	
Highways and streets	\$ 971,041
General government	640,808
Public safety	473,924
Culture and recreation	225,891
Health and welfare	56,983
Education	34,291
Total depreciation expense – governmental activities	<u>\$ 2,402,938</u>

Construction Commitments

The County had major contractual commitments related to various capital projects at June 30, 2020, for the construction of Lodge Teen Center in Round Valley, Limestone building and fuel system. At June 30, 2020, the County spent \$694,988 on these projects and had remaining contractual commitments with contractors of \$1,872,733.

6) Long-Term Liabilities

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2020:

Governmental Activities	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
General obligation bonds	\$ 1,365,000	\$ -	\$ (665,000)	\$ 700,000	\$ 700,000
Capital leases payable	751,709	-	(299,137)	452,572	132,818
Net pension and other postemployment benefits liability	35,647,187	4,185,108	-	39,832,295	-
Compensated absences payable	<u>1,960,498</u>	<u>1,351,464</u>	<u>(1,370,458)</u>	<u>1,941,504</u>	<u>1,186,855</u>
Total governmental activities long-term liabilities	<u>\$ 39,724,394</u>	<u>\$ 5,536,572</u>	<u>\$ (2,334,595)</u>	<u>\$ 42,926,371</u>	<u>\$ 2,019,673</u>

Bonds

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

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Bonds outstanding at June 30, 2020, 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%	\$ 700,000

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2020:

	General Obligation Bonds	
	Principal	Interest
Year ending June 30,		
2021	\$ 700,000	\$ 31,500
Total	\$ 700,000	\$ 31,500

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	\$ 619,355
Machinery and equipment	1,165,455
Less accumulated depreciation	<u>(741,934)</u>
Carrying value	<u>\$ 1,042,876</u>

Apache County, Arizona
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The following schedule details minimum lease payments to maturity for the County’s capital leases payable at June 30, 2020:

Year ending June 30,	
2021	\$ 153,756
2022	87,908
2023	87,908
2024	87,908
2025	21,453
2026	<u>83,440</u>
Total minimum lease payments	522,373
Less amount representing interest	<u>(69,801)</u>
Present value of net minimum lease payments	<u>\$ 452,572</u>

Operating Lease Commitments

The County has entered into a number of operating leases, which have cancellation provisions and are subject to annual appropriations.

Compensated Absences

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2020, the County paid for compensated absences as follows: 42 percent from the general fund, 28 percent from the road fund, and 30 percent from other funds.

7) Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 13 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; cyber security; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment

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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 12 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 nine member entities. The pool provides member entities with health, prescription, dental, vision, life, short-term disability, and accidental death benefits for the entities' 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.

8) 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.

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At June 30, 2020, the County reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

	Governmental Activities
Statement of Net Position and Statement of Activities	
Net OPEB asset	\$ 622,975
Net pension and OPEB liability	39,832,295
Deferred outflows of resources related to pensions and OPEB	7,677,489
Deferred inflows of resources related to pensions and OPEB	2,282,599
Pension and OPEB expense	1,389,317

The County’s accrued payroll and employee benefits includes \$94,682 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020. Also, the County reported \$2,934,355 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS pension and OPEB, PSPRS-Sheriff pension, CORP detention pension and OPEB, CORP-AOC pension, and EORP pension and OPEB plans are described below. The PSPRS-Sheriff OPEB and CORP-AOC OPEB plans are not described due to their relative insignificance to the County’s financial statements.

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 website at www.azasrs.gov.

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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 retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Apache County, Arizona
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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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members’ annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020, were \$1,347,999, \$55,463 and \$19,292, respectively.

During fiscal year 2020, the County paid for ASRS pension and OPEB contributions as follows: 43 percent from the General Fund, 27 percent from the Road Fund, and 30 percent from other governmental funds.

Liability—At June 30, 2020, the County reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB <u>(Asset) Liability</u>
Pension	\$ 16,247,829
Health insurance premium benefit	(31,261)
Long-term disability	73,288

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

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The County's proportion of the net asset or net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The County's proportion measured as of June 30, 2019, and the change from its proportion measured as of June 30, 2018, were:

ASRS	Proportion June 30, 2019	Increase (Decrease) From June 30, 2018
Pension	.11%	(.002)
Health insurance premium benefit	.11%	(.001)
Long-term disability	.11%	(.001)

Expenses—For the year ended June 30, 2020, the County recognized the following pension and OPEB expense.

ASRS	Pension/OPEB Expense
Pension	\$ 458,647
Health insurance premium benefit	45,330
Long-term disability	4,045

Deferred outflows/inflows of resources—At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
ASRS						
Differences between expected and actual experience	\$ 293,521	\$ 3,055	\$ -	\$ 37,369	\$ 8,659	\$ -
Changes of assumptions or other inputs	68,680	647,020	61,478	-	10,964	-
Net difference between projected and actual earnings on plan investments	-	365,195	-	40,653	-	1,563
Changes in proportion and differences between county contributions and proportionate share of contributions	363,620	184,664	277	76	2,221	415
County contributions subsequent to the measurement date	1,347,999	-	55,463	-	19,292	-
Total	<u>\$ 2,073,820</u>	<u>\$ 1,199,934</u>	<u>\$ 117,218</u>	<u>\$ 78,098</u>	<u>\$ 41,136</u>	<u>\$ 1,978</u>

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The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as an increase of net assets or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

ASRS	Pension	Health Insurance Premium Benefit	Long-Term Disability
Year ending June 30,			
2021	\$ 8,159	\$ (13,472)	\$ 2,077
2022	(509,948)	(13,473)	2,077
2023	(70,133)	3,867	3,602
2024	97,809	7,622	3,881
2025	-	(887)	3,301
Thereafter	-	-	4,928

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

ASRS

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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Sensitivity of the County's proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the County's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's proportionate share of the			
Net pension liability	\$ 23,124,424	\$ 16,247,829	\$ 10,500,765
Net insurance premium benefit liability (asset)	158,352	(31,261)	(192,821)
Net long-term disability liability	81,109	73,288	65,703

Plan fiduciary net position—Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

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

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the County's financial statements.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers, which were closed to new members as of July 1, 2018, and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB)

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plan for AOC officers (cost-sharing plans). Employees who were CORP members before July 1, 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP or PSPDCRP. Detention officers, and juvenile detention officers who became members on or after July 1, 2018, participate in PSPDCRP. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, 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:

	Initial Membership Date	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
PSPRS		
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit Percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic disability retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary disability retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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	Initial Membership Date		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018	AOC probation and surveillance officers On or after July 1, 2018
CORP			
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	10 years, age 52.5* 10 years or more years, age 55
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years	
Benefit Percent			
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.25% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service	
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service		
Ordinary disability retirement	2.5% per year of credited service		
Survivor Benefit			
Retired members	80% of retired member's pension benefit		
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.		

*With actuarially reduced benefits.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

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Employees covered by benefit terms—At June 30, 2020, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Sheriff Pension	CORP Detention Pension	CORP Detention Health
Inactive employees or beneficiaries currently receiving benefits	24	6	6
Inactive employees entitled to but not yet receiving benefits	7	23	-
Active employees	21	14	14
Total	52	43	20

Contributions—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension 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, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member-Pension	County-Pension	County-Health Insurance Premium Benefit
PSPRS Sheriff	7.65% - 11.65%	64.11%	N/A
CORP Detention	8.41%	14.82%	0%
CORP AOC	8.41% or 10.18%	30.71% or 27.91%	N/A

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the County’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

	Pension	Health Insurance
PSPRS Sheriff	10.51%	N/A
CORP Detention	8.04%	0.00%
CORP AOC	22.96%	N/A

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The County's contributions to the plans for the year ended June 30, 2020, were:

	Pension	Health Insurance Premium Benefit
PSPRS Sheriff	\$ 969,235	N/A
CORP Detention	92,340	\$0
CORP AOC	200,212	N/A

During fiscal year 2020, the County paid for PSPRS and CORP contributions as follows:

	General Fund	Other Governmental Funds
PSPRS Sheriff	93%	7%
CORP Detention	0%	100%
CORP AOC	16%	84%

Liability—At June 30, 2020, the County reported the following assets and liabilities:

	Net Pension Liability	Net OPEB Asset
PSPRS Sheriff	\$ 11,945,402	N/A
CORP Detention	1,059,814	\$ 136,991
CORP AOC (County's proportionate share)	2,069,061	N/A

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net assets or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

PSPRS and CORP

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	Pub S-2010 Tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 Geometric Real Rate of Return
Short-term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

Discount rates—At June 30, 2019, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the 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 plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB 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, 2019	\$ 15,719,364	\$ 4,584,760	\$ 11,134,604
Adjustment to Beginning of Year	-	(8,263)	8,263
Changes for the year			
Service cost	334,328	-	334,328
Interest on the total liability	1,155,854	-	1,155,854
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the liability	206,218	-	206,218
Changes in assumptions and other inputs	469,681	-	469,681
Contributions – employer	-	989,810	(989,810)
Contributions – employee	-	124,001	(124,001)
Net investment income	-	255,158	(255,158)
Benefit payments, including refunds of employee contributions	(868,089)	(868,089)	-
Administrative expenses	-	(5,423)	5,423
Net changes	<u>1,297,992</u>	<u>495,457</u>	<u>802,535</u>
Balances, June 30, 2020	<u>\$ 17,017,356</u>	<u>\$ 5,071,954</u>	<u>\$ 11,945,402</u>

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

	Increase (Decrease)		
	Plan		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
CORP Detention			
Balances, June 30, 2019	\$ 2,328,500	\$ 1,548,126	\$ 780,374
Changes for the year			
Service cost	97,038	-	97,038
Interest on the total liability	175,314	-	175,314
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the liability	166,676	-	166,676
Change of assumptions and other inputs	49,820	-	49,820
Contributions – employer	-	78,646	(78,646)
Contributions – employee	-	48,326	(48,326)
Net investment income	-	84,647	(84,647)
Benefit payments, including refunds of employee contributions	(112,857)	(112,857)	-
Administrative expenses	-	(2,211)	2,211
Net changes	<u>375,991</u>	<u>96,551</u>	<u>279,440</u>
Balances, June 30, 2020	<u>\$ 2,704,491</u>	<u>\$ 1,644,677</u>	<u>\$ 1,059,814</u>

	Increase (Decrease)		
	Plan		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a) - (b)
CORP Detention-Health Insurance Premium Benefit			
Balances, June 30, 2019	\$ 76,525	\$ 187,951	\$ (111,426)
Changes for the year			
Service cost	2,155	-	2,155
Interest on the total OPEB liability	5,744	-	5,744
Differences between expected and actual experience in the measurement of the OPEB liability	(24,120)	-	(24,120)
Change of assumptions and other inputs	682	-	682
Net investment income	-	10,208	(10,208)
Benefit payments, including refunds of employee contributions	(2,110)	(2,110)	-
Administrative expenses	-	(182)	182
Net changes	<u>(17,649)</u>	<u>7,916</u>	<u>(25,565)</u>
Balances, June 30, 2020	<u>\$ 58,876</u>	<u>\$ 195,867</u>	<u>\$ (136,991)</u>

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

The County’s proportion of the CORP AOC net pension liability was based on the County’s actual contributions to the plan relative to the total of all participating counties’ actual contributions for the year ended June 30, 2019. The County’s proportion measured as of June 30, 2019, was .4904 percent which was an decrease of .04533 from its proportion measured as of June 30, 2018.

Sensitivity of the County’s net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County’s net pension/ OPEB (asset) liabilities calculated using the discount rate of 7.3 percent, as well as what the County’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease 6.3%	Current Discount Rate 7.3%	1% Increase 8.3%
PSPRS Sheriff			
Net pension liability	\$ 14,118,197	\$ 11,945,402	\$ 10,162,982
CORP Detention			
Net pension liability	\$ 1,412,359	\$ 1,059,814	\$ 772,246
Net OPEB (asset) liability	(129,891)	(136,991)	(142,914)
CORP AOC			
County’s proportionate share of the net pension liability	\$ 2,658,193	\$ 2,069,061	\$ 1,588,884

Plan fiduciary net position—Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Expense—For the year ended June 30, 2020, the County recognized the following Pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS Sheriff	\$ 461,487	N/A
CORP Detention	97,804	\$ (14,187)
CORP AOC (County’s proportionate share)	(56,464)	N/A

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

Deferred outflows/inflows of resources—At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS-Sheriff Pension		
Differences between expected and actual experience	\$ 333,602	\$ 193,197
Changes of assumptions or other inputs	667,737	-
Net difference between projected and actual earnings on pension plan investments	76,190	-
County contributions subsequent to the measurement date	969,235	-
Total	\$ 2,046,764	\$ 193,197
CORP - Detention Pension		
Differences between expected and actual experience	\$ 147,720	\$ 59,508
Changes of assumptions or other inputs	62,539	-
Net difference between projected and actual earnings on pension plan investments	23,466	-
County contributions subsequent to the measurement date	92,340	-
Total	\$ 326,065	\$ 59,508
CORP - Detention Health Insurance Premium Benefit		
Differences between expected and actual experience	\$ -	\$ 35,727
Changes of assumptions or other inputs	582	4,233
Net difference between projected and actual earnings on plan investments	256	-
Total	\$ 838	\$ 39,960
CORP - AOC Pension		
Differences between expected and actual experience	\$ 147,840	\$ 58,844
Changes of assumptions or other inputs	132,640	-
Net difference between projected and actual earnings on pension plan investments	38,900	-
Changes in proportion and differences between County contributions and proportionate share of contributions	126,042	292,173
County contributions subsequent to the measurement date	200,212	-
Total	\$ 645,634	\$ 351,017

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

The amounts reported as deferred outflows of resources related to pension and OPEB resulting from County contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

	PSPRS Sheriff		CORP Detention		CORP AOC	
	Pension		Pension		Health	
Year ending June 30,						
2021	\$	357,625	\$	74,528	\$	(8,450)
2022		277,236		76,716		(8,449)
2023		230,870		16,902		(7,043)
2024		18,601		6,071		(5,899)
2025		-		-		(5,859)
Thereafter		-		-		(3,422)

PSPDCRP plan—County sheriff employees, County detention officers, and AOC probation, surveillance, and juvenile detention officers who are not members of PSPRS or CORP participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2020, active PSPDCRP members were required by statute to contribute at least 9 percent (County sheriff employees) or 5 percent (County detention officers, and AOC probation, surveillance, and juvenile detention officers) of the members’ annual covered payroll, and the County was required by statute to contribute 9 percent or 5 percent, respectively, of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the County’s contributions each year as set forth in statute. The plan retains nonvested County contributions when forfeited because of employment terminations. For the year ended June 30, 2020, the County recognized pension expense/(income) of (\$11,738).

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan 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. The EORP pension plan and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at www.psprs.com.

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase’s effects on the plan.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2020, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members’ annual covered payroll. Also, statute required the County to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County’s required contributions to ASRS and EODCRS for these elected officials and judges.

The County’s contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2020, were \$605,648 and \$0, respectively.

During fiscal year 2020, the County paid 100 percent of the EORP pension contributions from the General Fund.

Liability—At June 30, 2020, the County reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the County’s proportionate share of the State’s appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County’s proportionate share of the EORP net pension liability	\$ 8,510,189
State’s proportionate share of the EORP net pension liability associated with the County	799,870
Total	\$ 9,310,059

The County also reported an asset of \$590,533 for its proportionate share of EORP’s net OPEB asset.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

The net asset and net liability were measured as of June 30, 2019, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

The County's proportion of the net pension liability was based on the County's required contributions to the plan relative to the total of all participating employers' required contributions for the year ended June 30, 2019. The County's proportion of the net OPEB asset was based on the County's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2019. The County's proportion measured as of June 30, 2019, was 6.029 percent, which was an increase of .2754 from its proportion measured as of June 30, 2018.

Expense—For the year ended June 30, 2020 the County recognized pension and OPEB expense/(income) for EORP of \$(2,515,247) and \$(27,715), respectively and revenue of \$209,240 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
EORP				
Differences between expected and actual experience	\$ 189,737	\$ 8,071	\$ 18,917	\$ 6,093
Changes of assumptions or other inputs	26,754	241,837	1,328	17,351
Net difference between projected and actual earnings on plan investments	57,898	-	1,967	-
Changes in proportion and differences between County contributions and proportionate share of contributions	1,520,324	85,555	4,702	-
County contributions subsequent to the measurement date	605,648	-	-	-
Total	\$ 2,400,361	\$ 335,463	\$ 26,914	\$ 23,444

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from County contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

	Pension	Health Insurance Premium Benefit
Year ending June 30		
2021	\$ 1,442,843	\$ (5,195)
2022	(14,765)	(3,804)
2023	16,168	6,384
2024	15,003	6,087

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

EORP

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pension/not applicable OPEB
Mortality rates	PubG-2010 tables.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

The long-term expected rate of return on EORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP		Long-Term Expected Geometric Real Rate of Return
Asset Class	Target Allocation	
Short-term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
Private credit	16%	5.36%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

Discount rates—At June 30, 2019, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

Sensitivity of the County’s proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent, as well as what the County’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

EORP	1% Decrease	Current Discount Rate	1% Increase
Rate-pension	6.3%	7.3%	8.3%
County’s proportionate share of the net pension liability	\$ 9,745,447	\$ 8,510,189	\$ 7,458,082
Rate-OPEB	6.3%	7.3%	8.3%
County’s proportionate share of the net OPEB (asset)	(520,730)	(590,533)	(651,250)

Plan fiduciary net position—Detailed information about the plan’s fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan—Elected officials and judges who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute. The EODCDP is not further disclosed because of its relative insignificance to the County’s financial statements.

For the year ended June 30, 2020, active EODCRS members were required by statute to contribute 8 percent of the members’ annual covered payroll, and the County was required by statute to contribute 6 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County’s contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2020, the County recognized pension expense of \$70,729.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

9) Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2020, were as follows:

Payable From	Payable To			Total
	General Fund	Road Fund	Other Governmental Funds	
General fund	\$ -	\$ -	\$ 14,007	\$ 14,007
Other governmental funds	140,954	-	-	140,954
Road fund	<u>52,886</u>	<u>-</u>	<u>-</u>	<u>52,886</u>
Total	<u>\$ 193,840</u>	<u>\$ -</u>	<u>\$ 14,007</u>	<u>\$ 207,847</u>

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, 2020, were as follows:

Transfer From	Transfer to			Total
	General Fund	Road Fund	Other Governmental Funds	
General fund	\$ -	\$ -	\$ 1,069,767	\$ 1,069,767
Road fund	-	250,000	71,829	321,829
Junior college fund	-	-	1,105,698	1,105,698
Other governmental funds	<u>557,872</u>	<u>-</u>	<u>116,961</u>	<u>674,833</u>
Total	<u>\$ 557,872</u>	<u>\$ 250,000</u>	<u>\$ 2,364,255</u>	<u>\$ 3,172,127</u>

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.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

10) County Treasurer’s Investment Pool

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

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

The deposits and investments the County holds are included in the County treasurer’s investment pool, except for \$1,146,721 in other 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 3 for disclosure of the County’s deposit and investment risks.

Details of each major investment classification follow:

Investment Type	Principal	Interest Rate(s)	Maturities	Fair Value
U.S. agency securities	\$ 48,553,802	0.875-4.00	7/2018-10/2021	\$ 47,825,011
U.S. treasury notes	\$ 20,286,621	0.875-1.750	7/2018-04/2021	\$ 5,734,151
Certificates of deposit				\$ 24,015,654

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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

Statement of net position	
Assets	\$ 132,115,906
Net position	<u>\$ 132,115,906</u>
Net position held in trust for	
Internal participants	\$ 18,654,948
External participants	<u>113,460,958</u>
Total net position held in trust	<u>\$ 132,115,906</u>
Statement of changes in net position	
Total additions	\$ 224,198,167
Total deductions	<u>224,833,176</u>
Net decrease	(635,009)
Net position held in trust	
July 1, 2019, as restated	<u>132,750,915</u>
June 30, 2020	<u>\$ 132,115,906</u>

11) Joint Ventures

The County is a member of the Blue Hills Environmental Association (Association), a nonprofit corporation created in 1991 by the County, City of St. Johns, Town of Springerville, and Town of Eagar. The members then entered into a solid waste operation agreement with the Association to operate the Blue Hills Regional Municipal Landfill and to provide solid waste services to the members and public. The Association is accumulating financial reserves to pay for closure and post-closure 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 post-closure care costs as required by state and federal laws and regulations. In the most recent annual financial report, dated June 30, 2019, the County estimated the closure costs and post-closure care costs to be \$2,592,846 assuming the landfill was completely filled to capacity. This amount is based on what it would cost to perform all closure and post-closure care as of June 30, 2019.

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

According to its audited financial information for the year ended June 30, 2019, the landfill had used approximately 34.52 percent of its estimated capacity, and the Association had accumulated \$738,099 of financial reserves to pay for these costs.

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

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

12) Correction of a Misstatement – Prior-period Adjustment

For the fiscal year ended June 30, 2019, the County incorrectly recorded the market value adjustment for investments and the costs related to the self-insurance pool which have impacted beginning fund balance and net position.

Due to these errors, beginning fund balance/net position as of July 1, 2019, was restated, as follows:

	General Fund	Road Fund	Junior College Fund	Other Governmental Funds	Total Governmental Funds
Fund balance at June 30, 2019 as previously reported	\$ 8,068,103	\$ 3,397,650	\$ 635,293	\$ 7,693,472	\$ 19,794,518
Impact of prior-period adjustments	376,598	(10,249)	(4,759)	(107,332)	254,258
Fund balances, July 1, 2019, as restated	<u>\$ 8,444,701</u>	<u>\$ 3,387,401</u>	<u>\$ 630,534</u>	<u>\$ 7,586,140</u>	<u>\$ 20,048,776</u>

	Governmental Activities	Fiduciary Funds
Net position at June 30, 2019, as previously reported	\$ 6,276,833	\$ 115,405,837
Self insurance pool adjustment	413,488	-
Investment market value adjustment	<u>(159,230)</u>	<u>(1,221,499)</u>
Net position at July 1, 2019, as restated	<u>\$ 6,531,091</u>	<u>\$ 114,184,338</u>

Apache County, Arizona
Notes to Financial Statements
June 30, 2020

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.

Required Supplementary Information

Apache County, Arizona
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 2,850,765	\$ 2,850,765	\$ 3,061,375	\$ 210,610
County excise tax	1,448,000	1,448,000	1,282,331	(165,669)
Licenses and permits	89,000	89,000	117,381	28,381
Intergovernmental	8,793,119	8,793,119	10,616,356	1,823,237
Charges for services	160,000	160,000	677,436	517,436
Fines and forfeits	486,000	486,000	471,526	(14,474)
Investment income (loss)	20,000	20,000	111,305	91,305
Contributions	1,132,250	1,132,250	-	(1,132,250)
Miscellaneous	425,100	425,100	(3,557)	(428,657)
Total revenues	<u>15,404,234</u>	<u>15,404,234</u>	<u>16,334,153</u>	<u>929,919</u>
Expenditures				
General government				
Assessor	752,616	752,616	298,445	454,171
Attorney	1,213,822	1,213,822	1,033,657	180,165
Board of supervisors - general	506,802	506,802	385,860	120,942
Board of supervisors - county manager	494,229	494,229	330,689	163,540
Human resources	295,842	295,842	212,579	83,263
Wellness	35,000	35,000	10,168	24,832
Records management	15,849	15,849	13,499	2,350
District #1	249,350	249,350	212,580	36,770
District #2	249,350	249,350	213,670	35,680
District #3	249,350	249,350	241,807	7,543
Clerk of the superior court	622,643	622,643	460,792	161,851
Contingency	3,733,260	3,733,260	85,550	3,647,710
Information technology service	522,357	522,357	429,211	93,146
IT capital improvements and software maintenance	1,000,000	1,000,000	319,387	680,613
Elections	469,619	469,619	380,711	88,908
Finance	530,078	530,078	450,610	79,468
Grounds/maintenance	948,070	948,070	749,350	198,720
JP – Chinle	183,686	183,686	154,903	28,783
JP – Puerco	364,158	364,158	292,940	71,218
JP – St. Johns	237,622	237,622	199,325	38,297
St. Johns magistrate	37,661	37,661	29,872	7,789
JP – Round Valley	342,421	342,421	283,201	59,220
Springerville magistrate	8,081	8,081	3,885	4,196
Communication specialist and project	100,543	100,543	78,907	21,636
Community development	417,863	417,863	276,463	141,400
County fair	25,000	25,000	21,292	3,708
Recorder	583,400	583,400	474,604	108,796
Superior court	513,381	513,381	446,484	66,897
Public defenders	450,000	450,000	398,948	51,052

See accompanying notes to budgetary comparison schedule.

Apache County, Arizona
Required Supplementary Information
Budgetary Comparison Schedule
General Fund — continued
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Favorable (Unfavorable)
	Original	Final		
Expenditures – continued				
Jury fees and related	115,576	115,576	54,735	60,841
Jury trial costs	20,915	20,915	-	20,915
Support and care of persons	-	-	-	-
Treasurer	522,997	522,997	441,109	81,888
Public fiduciary	-	-	-	-
Legal services/judgments	-	-	4,558	(4,558)
Insurance	221,069	221,069	189,375	31,694
Fleet management	200,000	200,000	105,942	94,058
Total general government	<u>16,232,610</u>	<u>16,232,610</u>	<u>9,285,108</u>	<u>6,947,502</u>
Public safety				
Constables	158,632	158,632	164,168	(5,536)
Adult probation	292,603	292,603	291,251	1,352
Juvenile probation	221,970	221,970	219,884	2,086
Dispatch services	517,453	517,453	460,883	56,570
Search and rescue	-	-	-	-
Sheriff	3,544,998	3,544,998	2,318,575	1,226,423
Total public safety	<u>4,735,656</u>	<u>4,735,656</u>	<u>3,454,761</u>	<u>1,280,895</u>
Health				
AHCCCS	469,520	469,520	397,914	71,606
Culture and recreation				
Agricultural extension	25,000	25,000	25,389	(389)
Education				
School SIT Grant	120,000	120,000	-	120,000
School superintendent	373,176	373,176	374,669	(1,493)
Total education	<u>493,176</u>	<u>493,176</u>	<u>374,669</u>	<u>118,507</u>
Total expenditures	<u>21,955,962</u>	<u>21,955,962</u>	<u>13,537,841</u>	<u>8,418,121</u>
Deficiency of revenues over expenditures	<u>(6,551,728)</u>	<u>(6,551,728)</u>	<u>2,796,312</u>	<u>9,348,040</u>
Other Financing Sources (Uses)				
Transfers in	2,166,474	2,166,474	557,872	(1,608,602)
Transfers out	(1,069,767)	(1,069,767)	(1,069,767)	-
Total other financing sources (uses)	<u>1,096,707</u>	<u>1,096,707</u>	<u>(511,895)</u>	<u>(1,608,602)</u>
Net change in fund balances	(5,455,021)	(5,455,021)	2,284,417	7,739,438
Fund balances, June 30, 2019, as restated	-	-	8,444,701	8,444,701
Fund balances, June 30, 2020	<u>\$ (5,455,021)</u>	<u>\$ (5,455,021)</u>	<u>\$ 10,729,118</u>	<u>\$ 16,184,139</u>

See accompanying notes to budgetary comparison schedule.

Apache County, Arizona
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Variance with Final Budget- Favorable (Unfavorable)
	Original and Final	Actual	
Revenues			
Intergovernmental	\$ 10,154,194	\$ 10,762,633	\$ 608,439
Charges for services	826,186	218,884	(607,302)
Investment income	-	54,383	54,383
Miscellaneous	-	12,343	12,343
Total revenues	<u>10,980,380</u>	<u>11,048,243</u>	<u>67,863</u>
Expenditures			
Highways and streets			
General	1,272,983	948,757	324,226
Engineer	758,874	753,798	5,076
HURF support	194,255	189,084	5,171
District #1	922,790	462,041	460,749
District #2	725,953	630,107	95,846
District #3	1,088,070	1,080,756	7,314
Liability insurance	273,000	271,760	1,240
Contingency	448,309	142,448	305,861
RAC Grant	150,000	-	150,000
Limestone Pit	500,000	809,962	(309,962)
Roads - Puerco	971,690	725,497	246,193
Roads - Round Valley	1,002,019	925,157	76,862
Roads - St. Johns	1,159,163	860,124	299,039
Roads - Ganado	2,187,113	1,562,185	624,928
Roads - Chinle	2,189,113	1,538,335	650,778
Total highways and streets	<u>13,843,332</u>	<u>10,900,011</u>	<u>2,943,321</u>
Excess(deficiency) of revenues over expenditures	<u>(2,862,952)</u>	<u>148,232</u>	<u>3,011,184</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	97,439	97,439
Transfers in	250,000	250,000	-
Transfers out	(1,272,983)	(321,829)	951,154
Total other financing sources (uses)	<u>(1,022,983)</u>	<u>25,610</u>	<u>1,048,593</u>
Net change in fund balances	(3,885,935)	173,842	4,059,777
Fund balances, July 1, 2019, as restated	-	3,387,401	3,387,401
Changes in nonspendable resources	-	18,631	18,631
Fund balances, June 30, 2020	<u>\$ (3,885,935)</u>	<u>\$ 3,579,874</u>	<u>\$ 7,465,809</u>

See accompanying notes to budgetary comparison schedule.

Apache County, Arizona
Required Supplementary Information
Budgetary Comparison Schedule
Junior College Fund
For the Year Ended June 30, 2020

	Budgeted Amounts		Variance with Final Budget- Favorable
	Original and Final	Actual	(Unfavorable)
Revenues			
Property taxes	\$ 2,407,177	\$ 2,367,473	\$ (39,704)
Intergovernmental	1,386,790	1,704,107	317,317
Salt River Project	-	-	-
Investment income	-	8,513	8,513
Total revenues	<u>3,793,967</u>	<u>4,080,093</u>	<u>286,126</u>
Expenditures			
Education			
Junior college tuition	<u>2,880,665</u>	<u>3,005,147</u>	<u>(124,482)</u>
Total education	<u>2,880,665</u>	<u>3,005,147</u>	<u>(124,482)</u>
Revenues over (under) expenditures	<u>913,302</u>	<u>1,074,946</u>	<u>161,644</u>
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	<u>(998,570)</u>	<u>(1,105,698)</u>	<u>(107,128)</u>
Total other financing sources (uses)	<u>(998,570)</u>	<u>(1,105,698)</u>	<u>(107,128)</u>
Net change in fund balances	(85,268)	(30,752)	54,516
Fund balances, July 1, 2019, as restated	-	630,534	630,534
Fund balances, June 30, 2020	<u>\$ (85,268)</u>	<u>\$ 599,782</u>	<u>\$ 685,050</u>

See accompanying notes to budgetary comparison schedule.

Apache County, Arizona
Required Supplementary Information
Notes to Budgetary Comparison Schedules
For the Year Ended June 30, 2020

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.

The County budgets capital outlay and debt service expenditures within the functional categories.

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

2) Expenditures in Excess of Appropriations

For the year ended June 30, 2020, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General Fund	
Legal services/judgments	\$ 4,558
Constables	5,536
Agricultural extension	389
School superintendent	1,493
Total general fund	\$ 11,976
Road Fund	
Limestone Pit	\$ 309,962
Total road fund	\$ 309,962
Junior College Fund	
Junior college tuition	\$ 124,482
Total junior college fund	\$ 124,482

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/OPEB Liability — Cost-Sharing Plans
June 30, 2020

Arizona State Retirement System -ASRS

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	Information not available for this schedule
County's proportionate share of the net pension liability	\$ 16,247,839	\$ 15,804,152	\$ 16,570,373	\$ 17,514,604	\$ 16,819,429	\$ 15,839,753	
County's covered payroll	\$ 11,946,330	\$ 11,269,617	\$ 10,627,067	\$ 10,573,233	\$ 9,969,096	\$ 9,649,540	
County's proportionate share of the net pension liability as a percentage of its covered payroll	136.01%	140.2%	155.9%	165.6%	168.7%	164.2%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		Reporting Fiscal Year (Measurement Date)		2017 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011	
County's proportion of the net OPEB (asset)	0.11%	0.11%	0.11%	0.11%	Information not available for this schedule
County's proportionate share of the net OPEB (asset)	\$ (31,261)	\$ (41,108)	\$ (58,180)	\$ (58,180)	
County's covered payroll	\$ 11,946,330	\$ 11,269,617	\$ 10,627,067	\$ 10,627,067	
County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(0.4%)	(0.4%)	(0.4%)	(0.5%)	
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	103.57%	

ASRS - Long-Term Disability

	Reporting Fiscal Year (Measurement Date)		Reporting Fiscal Year (Measurement Date)		2017 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011	
County's proportion of the net OPEB liability	0.11%	0.11%	0.48%	0.48%	Information not available for this schedule
County's proportionate share of the net OPEB liability	\$ 73,288	\$ 59,309	\$ 38,553	\$ 38,553	
County's covered payroll	\$ 11,946,330	\$ 11,269,617	\$ 10,627,067	\$ 10,627,067	
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	(0.5%)	(0.5%)	0.4%	0.4%	
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%	84.44%	

See accompanying notes to pension/OPEB plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of the County's Proportionate Share of the
Net Pension/OPEB Liability — Cost-Sharing Plans — continued
June 30, 2020

**Corrections Officer Retirement Plan -
Administrative Office of the Courts - CORP AOC Pension**

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.49%	0.48%	0.48%	0.48%	0.80%	0.89%	Information not available for this schedule
County's proportionate share of the net pension liability	\$ 2,069,061	\$ 1,928,376	\$ 1,917,366	\$ 1,351,472	\$ 1,953,897	\$ 2,000,091	
County's covered payroll	\$ 587,714	\$ 619,607	\$ 524,605	\$ 546,592	\$ 908,555	\$ 961,116	
County's proportionate share of the net pension liability as a percentage of its covered payroll	352.1%	311.2%	365.5%	247.2%	215.1%	208.1%	
Plan fiduciary net position as a percentage of the total pension liability	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan - EORP Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.28%	1.16%	1.16%	1.16%	1.08%	1.09%	Information not available for this schedule
County's proportionate share of the net pension liability	\$ 8,510,189	\$ 5,940,372	\$ 13,870,744	\$ 10,927,352	\$ 8,445,318	\$ 7,329,261	
State's proportionate share of the net pension liability associated with the County	799,870	1,017,844	2,878,805	2,192,828	2,632,899	2,247,219	
Total	\$ 9,310,059	\$ 6,958,216	\$ 16,749,549	\$ 13,120,180	\$ 11,078,217	\$ 9,576,480	
County's covered payroll	\$ 984,980	\$ 990,328	\$ 836,561	\$ 784,791	\$ 855,434	\$ 942,909	
County's proportionate share of the net pension liability as a percentage of its covered payroll	945%	703%	2002%	1392%	987.3%	777.3%	
Plan fiduciary net position as a percentage of the total pension liability	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	

EORP - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
County's proportion of the net OPEB (asset)	6.03%	5.75%	6.21%	Information not available for this schedule
County's proportionate share of the net OPEB (asset)	\$ (590,533)	\$ (594,695)	\$ (565,110)	
County's covered payroll	\$ 984,980	\$ 990,328	\$ 524,605	
County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(59.95%)	(60.05%)	(67.55%)	
Plan fiduciary net position as a percentage of the total OPEB liability	169.72%	177.16%	164.84%	

See accompanying notes to pension/OPEB plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of Changes in the County's Net Pension/OPEB Liability
and Related Ratios — Agent Plans
June 30, 2020

Public Safety Personnel Retirement System -Sheriff - PSPRS Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total Pension Liability							
Service cost	\$ 334,328	\$ 332,513	\$ 391,384	\$ 352,705	\$ 303,780	\$ 285,074	Information not available for this schedule
Interest on the total pension liability	1,155,854	1,083,199	1,027,927	1,027,738	1,006,417	827,366	
Changes of benefit terms	-	-	225,266	(121,221)	-	373,856	
Difference between expected and actual experience in the measurement of the pension liability	206,218	323,533	(385,625)	(296,009)	(194,211)	(138,700)	
Changes of assumptions or other inputs	469,681	-	618,526	521,471	-	1,777,751	
Benefit payments, including refunds of employee contributions	<u>(868,089)</u>	<u>(982,899)</u>	<u>(848,915)</u>	<u>(932,155)</u>	<u>(805,535)</u>	<u>(902,060)</u>	
Net change in total pension liability	1,297,992	756,346	1,028,563	552,529	310,451	2,223,287	
Total pension liability – beginning	<u>15,719,364</u>	<u>14,963,018</u>	<u>13,934,455</u>	<u>13,381,926</u>	<u>13,071,475</u>	<u>10,848,188</u>	
Total pension liability – ending (a)	<u>\$ 17,017,356</u>	<u>\$ 15,719,364</u>	<u>\$ 14,963,018</u>	<u>\$ 13,934,455</u>	<u>\$ 13,381,926</u>	<u>\$ 13,071,475</u>	
Plan Fiduciary Net Position							
Contributions - employer	\$ 989,810	\$ 906,255	\$ 932,323	\$ 896,934	\$ 655,184	\$ 628,529	
Contributions - employee	124,001	158,820	134,451	178,568	144,239	137,407	
Net investment income	255,158	295,291	459,901	20,966	127,091	435,987	
Benefit payments, including refunds of employee contributions	(868,089)	(982,899)	(848,915)	(932,155)	(805,535)	(902,060)	
Hall/Parker settlement	-	(219,279)	-	-	-	-	
Administrative expenses	(5,423)	(5,194)	(4,469)	(3,418)	(3,473)	(3,511)	
Other changes*	<u>-</u>	<u>49</u>	<u>42</u>	<u>3,873</u>	<u>(2,530)</u>	<u>(248,414)</u>	
Net change in plan fiduciary net position	495,457	153,043	673,333	164,768	114,976	47,938	
Plan fiduciary net position – beginning	4,584,760	4,431,717	3,758,384	3,593,616	3,478,640	3,430,702	
Adjustment to Beginning of Year	<u>(8,263)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Plan fiduciary net position – ending (b)	<u>\$ 5,071,954</u>	<u>\$ 4,584,760</u>	<u>\$ 4,431,717</u>	<u>\$ 3,758,384</u>	<u>\$ 3,593,616</u>	<u>\$ 3,478,640</u>	
County's net pension liability – ending (a) - (b)	\$ 11,945,402	\$ 11,134,604	\$ 10,531,301	\$ 10,176,071	\$ 9,788,310	\$ 9,592,835	
Plan fiduciary net position as a percentage of total pension liability	29.80%	29.17%	29.62%	26.97%	26.85%	26.61%	
Covered valuation payroll	\$ 1,904,980	\$ 1,723,995	\$ 1,723,995	\$ 1,729,119	\$ 1,551,303	\$ 1,576,259	
County's net pension liability as percentage of covered payroll	627.06%	588.51%	588.51%	588.51%	630.97%	608.60%	

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of Changes in the County's Net Pension/OPEB Liability
and Related Ratios — Agent Plans — continued
June 30, 2020

CORP Detention-Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total Pension Liability							
Service cost	\$ 97,038	\$ 102,454	\$ 103,446	\$ 78,199	\$ 83,135	\$ 80,344	Information not available for this schedule
Interest on the total pension liability	175,314	163,204	136,198	141,303	150,847	127,309	
Changes of benefit terms	-	(97,225)	256,152	5,786	-	33,741	
Difference between expected and actual experience in the measurement of the pension liability	166,676	63,320	(66,912)	(134,578)	(188,715)	14,264	
Changes of assumptions or other inputs	49,820	-	63,387	60,136	-	167,399	
Benefit payments, including refunds of employee contributions	(112,857)	(114,982)	(89,590)	(205,467)	(123,291)	(125,921)	
Net change in total pension liability	375,991	116,771	402,681	(54,621)	(78,024)	297,136	
Total pension liability – beginning	2,328,500	2,211,729	1,809,048	1,863,669	1,941,693	1,644,557	
Total pension liability – ending (a)	<u>\$ 2,704,491</u>	<u>\$ 2,328,500</u>	<u>\$ 2,211,729</u>	<u>\$ 1,809,048</u>	<u>\$ 1,863,669</u>	<u>\$ 1,941,693</u>	
Plan Fiduciary Net Position							
Contributions - employer	\$ 78,646	\$ 80,147	\$ 67,206	\$ 86,900	\$ 67,051	\$ 56,502	
Contributions - employee	48,326	61,105	51,467	53,031	46,795	40,107	
Net investment income	84,647	101,432	149,555	7,904	46,477	159,806	
Benefit payments, including refunds of employee contributions	(112,857)	(114,982)	(89,590)	(205,467)	(123,291)	(125,921)	
Administrative expense	(2,211)	(2,235)	(1,708)	(1,518)	(1,505)	(1,257)	
Other changes*	-	(29)	(8)	10	(1,107)	(128,722)	
Net change in plan fiduciary net position	96,551	125,438	176,922	(59,140)	34,420	515	
Plan fiduciary net position – beginning	1,548,126	1,422,688	1,245,766	1,304,906	1,270,486	1,269,971	
Plan fiduciary net position – ending (b)	<u>\$ 1,644,677</u>	<u>\$ 1,548,126</u>	<u>\$ 1,422,688</u>	<u>\$ 1,245,766</u>	<u>\$ 1,304,906</u>	<u>\$ 1,270,486</u>	
County's net pension liability – ending (a) - (b)	\$ 1,059,814	\$ 780,374	\$ 789,041	\$ 563,282	\$ 558,763	\$ 671,207	
Plan fiduciary net position as a percentage of total pension liability	33.51%	66.49%	64.32%	68.86%	70.02%	65.43%	
Covered payroll	\$ 740,025	\$ 666,255	\$ 616,809	\$ 658,695	\$ 637,619	\$ 609,417	
County's net pension liability as percentage of covered payroll	143.22%	117.13%	127.92%	85.52%	87.60%	110.10%	

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

See accompanying notes to pension/OPEB plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of Changes in the County's Net Pension/OPEB Liability
and Related Ratios — Agent Plans — continued
June 30, 2020

CORP Detention-OPEB

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB Liability				
Service cost	\$ 2,155	\$ 2,299	\$ 3,003	Information not available for this schedule
Interest on the total OPEB liability	5,744	6,490	6,984	
Changes of benefit terms	-	-	-	
Difference between expected and actual experience in the measurement of the OPEB liability	(24,120)	(17,643)	(4,579)	
Changes of assumptions or other inputs	682	-	(7,980)	
Benefit payments	<u>(2,110)</u>	<u>(2,358)</u>	<u>(2,630)</u>	
Net change in total OPEB liability	(17,649)	(11,212)	(5,202)	
Total OPEB liability – beginning	<u>76,525</u>	<u>87,737</u>	<u>92,939</u>	
Total OPEB liability – ending (a)	<u>\$ 58,876</u>	<u>\$ 76,525</u>	<u>\$ 87,737</u>	
Plan Fiduciary Net Position				
Contributions - employer	\$ -	\$ -	\$ -	
Net investment income	10,208	12,760	19,046	
Benefit payments	(2,110)	(2,358)	(2,630)	
Administrative expense	<u>(182)</u>	<u>(194)</u>	<u>(166)</u>	
Net change in plan fiduciary net position	7,916	10,208	16,250	
Plan fiduciary net position – beginning	<u>187,951</u>	<u>177,743</u>	<u>161,493</u>	
Plan fiduciary net position – ending (b)	<u>\$ 195,867</u>	<u>\$ 187,951</u>	<u>\$ 177,743</u>	
County's net OPEB liability – ending (a) - (b)	\$ (136,991)	\$ (111,426)	\$ (90,006)	
Plan fiduciary net position as a percentage of total OPEB liability	332.68%	245.61%	202.59%	
Covered payroll	\$ 740,025	\$ 666,255	\$ 616,809	
County's net OPEB (asset) liability as percentage of covered payroll	(18.51%)	(16.72%)	(14.59%)	

See accompanying notes to pension/OPEB plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of County Pension/OPEB Contributions
June 30, 2020

ASRS - Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 1,347,999	\$ 1,302,150	\$ 1,228,388	\$ 1,177,599	\$ 1,163,395	\$ 1,144,174	\$ 1,098,147	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>1,347,999</u>	<u>1,302,150</u>	<u>1,228,388</u>	<u>1,177,599</u>	<u>1,163,395</u>	<u>1,144,174</u>	<u>1,098,147</u>	
County's contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 12,057,237</u>	<u>\$ 11,946,330</u>	<u>\$ 11,269,617</u>	<u>\$ 10,627,067</u>	<u>\$ 10,573,233</u>	<u>\$ 9,969,096</u>	<u>\$ 9,649,540</u>	
County's contributions as a percentage of covered payroll	11%	11%	11%	11%	11%	11%	11%	

ASRS - Health Insurance Premium Benefit

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 55,463	\$ 52,564	\$ 49,586	\$ 57,444	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>55,463</u>	<u>52,564</u>	<u>49,586</u>	<u>57,444</u>	
County's contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 12,057,237</u>	<u>\$ 11,946,330</u>	<u>\$ 11,269,617</u>	<u>\$ 10,627,067</u>	
County's contributions as a percentage of covered payroll		0.46%	0.44%	0.44%	0.54%

ASRS - Long-Term Disability

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily required contribution	\$ 19,292	\$ 19,114	\$ 18,031	\$ 14,361	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>19,292</u>	<u>19,114</u>	<u>18,031</u>	<u>14,361</u>	
County's contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 12,057,237</u>	<u>\$ 11,946,330</u>	<u>\$ 11,269,617</u>	<u>\$ 10,627,067</u>	
County's contributions as a percentage of covered payroll		0.16%	0.16%	0.14%	

See accompanying notes to pension/OPEB plan schedules.

Apache County, Arizona
Required Supplementary Information
Multi-Year Schedule of County Pension/OPEB Contributions— continued
June 30, 2020

CORP- AOC-Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 200,212	\$ 186,935	\$ 140,918	\$ 112,779	\$ 105,915	\$ 144,404	\$ 149,907	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>200,212</u>	<u>186,935</u>	<u>140,918</u>	<u>112,779</u>	<u>105,915</u>	<u>144,404</u>	<u>149,907</u>	
County's contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 626,465	\$ 587,714	\$ 619,607	\$ 524,605	\$ 546,592	\$ 908,555	\$ 961,116	
County's contributions as a percentage of covered payroll	32%	32%	23%	21%	19%	16%	16%	

PSPRS-Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially required contribution	\$ 969,235	\$ 1,005,873	\$ 925,122	\$ 932,323	\$ 896,934	\$ 655,184	\$ 628,529	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>969,235</u>	<u>1,005,873</u>	<u>705,811</u>	<u>932,323</u>	<u>896,934</u>	<u>655,184</u>	<u>628,529</u>	
County's contributions deficiency (excess)	\$ -	\$ -	\$ 219,311	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 1,394,101	\$ 1,904,980	\$ 1,716,008	\$ 1,723,995	\$ 1,729,119	\$ 1,551,303	\$ 1,576,259	
County's contributions as a percentage of covered payroll	70%	53%	54%	54%	52%	42%	40%	

EORP-Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 605,648	\$ 605,763	\$ 232,727	\$ 222,392	\$ 224,760	\$ 220,245	\$ 241,853	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>605,648</u>	<u>605,763</u>	<u>5,127</u>	<u>222,392</u>	<u>224,760</u>	<u>220,245</u>	<u>241,853</u>	
County's contributions deficiency (excess)	\$ -	\$ -	\$ 227,600	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 2,577,715	\$ 984,980	\$ 990,328	\$ 836,561	\$ 784,791	\$ 855,434	\$ 942,909	
County's contributions as a percentage of covered payroll	23%	62%	23%	27%	29%	26%	26%	

The County was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2020 through 2017. Information for fiscal years 2016 through 2011 is not available.

CORP Detention- Pension

	Reporting Fiscal Year							2013 through 2009
	2020	2019	2018	2017	2016	2015	2014	
Actuarially required contribution	\$ 92,340	\$ 89,025	\$ 80,532	\$ 67,206	\$ 86,900	\$ 67,051	\$ 56,502	Information not available for this schedule
County's contributions in relation to the statutorily required contribution	<u>92,340</u>	<u>89,025</u>	<u>80,532</u>	<u>67,206</u>	<u>86,900</u>	<u>67,051</u>	<u>56,502</u>	
County's contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	\$ 566,503	\$ 740,025	\$ 666,225	\$ 616,809	\$ 658,695	\$ 637,619	\$ 609,417	
County's contributions as a percentage of covered payroll	16%	12%	12%	11%	13%	11%	9%	

The County was not required and did not contribute to the CORP Detention health insurance premium benefit plan for fiscal years 2020 through 2017. Information for fiscal years 2016 through 2011 is not available.

Apache County, Arizona
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2020

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-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	17 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

Apache County, Arizona
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2020

2) Factors That Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP-AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-, CORP-, and CORP-AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS-, CORP-, and CORP-AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, EORP liability and required pension contributions for fiscal year 2019 reflect statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.