



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

## Apache County

Year Ended June 30, 2001

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**Debra K. Davenport**  
Auditor General

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**Apache County, Arizona**  
**Single Audit Reporting Package**  
**June 30, 2001**

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of  
Apache County, Arizona

We have audited the accompanying general purpose financial statements of Apache County as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Apache County as of June 30, 2001, and the results of its operations, the cash flows of its internal service fund, and the net assets and changes in net assets of its investment trust fund for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of Apache County taken as a whole. The accompanying schedule of expenditures of federal awards listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2002, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport  
Auditor General

June 20, 2002

**Apache County**  
**Combined Balance Sheet—All Fund Types and Account Groups**  
**June 30, 2001**

Assets	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups	
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long- Term Debt
Cash in bank and on hand	\$ 55,869	\$ 45,513				\$ 347,058		
Cash and investments held by County Treasurer	7,492,028	4,609,966	\$ 327,309	\$ 3,274,649	\$ 328,624	113,101,229		
Receivables:								
Property taxes	94,464	158,985	52,531					
Accounts	19,076	22,072						
Accrued interest	50,680	31,454	2,401	12,079	1,641	799,327		
Due from:								
Other funds	413,356	58,187	1,686	18,392	800			
Other governments	1,045,810	2,605,039						
Inventories	8,948	229,110						
Prepaid items	75,800	11,260						
Fixed assets:								
Land							\$ 1,462,625	
Buildings and improvements							9,789,761	
Improvements other than buildings							310,987	
Machinery and equipment							15,629,847	
Construction in progress							737,214	
Amount available in Debt Service Funds								\$ 318,401
Amount to be provided for retirement of general long-term debt								6,108,579
<b>Total assets</b>	<b>\$ 9,256,031</b>	<b>\$ 7,771,586</b>	<b>\$ 383,927</b>	<b>\$ 3,305,120</b>	<b>\$ 331,065</b>	<b>\$ 114,247,614</b>	<b>\$ 27,930,434</b>	<b>\$ 6,426,980</b>

(Continued)

See accompanying notes to financial statements.

**Apache County**  
**Combined Balance Sheet—All Fund Types and Account Groups**  
**June 30, 2001**  
**(Continued)**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
Liabilities and Fund Equity								
Liabilities:								
Accounts payable	\$ 375,052	\$ 1,255,619		\$ 61,005	\$ 5,072			
Accrued payroll and employee benefits	296,875	272,125						\$ 1,488,612
Due to other funds	55,107	117,136	\$ 18,392	1,686	300,100			
Deposits held for others						\$ 347,058		
Obligations under capital leases								236,368
General obligation bonds payable								4,170,000
Special assessment bonds with governmental commitment payable								532,000
Deferred revenues	<u>87,378</u>	<u>141,747</u>	<u>47,134</u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities	<u>814,412</u>	<u>1,786,627</u>	<u>65,526</u>	<u>62,691</u>	<u>305,172</u>	<u>347,058</u>	<u>        </u>	<u>6,426,980</u>
Fund equity:								
Investment in general fixed assets							\$ 27,930,434	
Retained earnings:								
Unreserved					25,893			
Fund balances:								
Reserved for inventories	8,948	229,110						
Reserved for investment trust participants						113,900,556		
Unreserved	<u>8,432,671</u>	<u>5,755,849</u>	<u>318,401</u>	<u>3,242,429</u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total fund equity	<u>8,441,619</u>	<u>5,984,959</u>	<u>318,401</u>	<u>3,242,429</u>	<u>25,893</u>	<u>113,900,556</u>	<u>27,930,434</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ 9,256,031</u>	<u>\$ 7,771,586</u>	<u>\$ 383,927</u>	<u>\$ 3,305,120</u>	<u>\$ 331,065</u>	<u>\$ 114,247,614</u>	<u>\$ 27,930,434</u>	<u>\$ 6,426,980</u>

See accompanying notes to financial statements.

**Apache County**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types**  
**Year Ended June 30, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:				
Taxes	\$ 2,166,612	\$ 4,698,364	\$ 678,941	
Special assessments			72,515	
Licenses and permits	95,092			
Intergovernmental	6,890,271	10,567,545	185,544	
Charges for services	229,220	825,912		
Fines and forfeits	375,469	84,092		
Investment income	410,338	239,518	50,857	\$ 36,842
Contributions		302,727		
Miscellaneous	<u>276,252</u>	<u>20,921</u>	<u>18</u>	
Total revenues	<u>10,443,254</u>	<u>16,739,079</u>	<u>987,875</u>	<u>36,842</u>
Expenditures:				
Current:				
General government	7,205,556	788,586		
Public safety	3,001,192	4,079,081		
Highways and streets	42,569	8,285,281		
Sanitation		74,293		
Health	644,345	1,359,729		
Welfare		173,087		
Culture and recreation	16,000	605,729		
Education	301,562	1,641,059		
Capital outlay				911,693
Debt service:				
Principal retirement			973,000	
Interest and fiscal charges			120,660	
Total expenditures	<u>11,211,224</u>	<u>17,006,845</u>	<u>1,093,660</u>	<u>911,693</u>
Excess of expenditures over revenues	<u>(767,970)</u>	<u>(267,766)</u>	<u>(105,785)</u>	<u>(874,851)</u>
Other financing sources (uses):				
Operating transfers in	1,221,098	1,041,323	59,136	
Operating transfers out	(1,041,323)	(1,221,098)		(59,136)
General obligation bond proceeds				3,000,000
Total other financing sources (uses)	<u>179,775</u>	<u>(179,775)</u>	<u>59,136</u>	<u>2,940,864</u>
Excess of revenues and other sources over (under) expenditures and other uses	(588,195)	(447,541)	(46,649)	2,066,013
Fund balances, July 1, 2000, as restated	9,030,107	6,458,518	365,050	1,176,416
Decrease in reserve for inventories	<u>(293)</u>	<u>(26,018)</u>		
Fund balances, June 30, 2001	<u>\$ 8,441,619</u>	<u>\$ 5,984,959</u>	<u>\$ 318,401</u>	<u>\$ 3,242,429</u>

See accompanying notes to financial statements.

**Apache County**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual—General and Special Revenue Fund Types**  
**Year Ended June 30, 2001**

	<b>General Fund</b>			<b>Special Revenue Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>						
Taxes	\$ 2,115,887	\$ 2,166,612	\$ 50,725	\$ 4,860,596	\$ 4,698,364	\$ (162,232)
Licenses and permits	100,000	95,092	(4,908)			
Intergovernmental	7,435,854	6,890,271	(545,583)	11,609,265	10,567,545	(1,041,720)
Charges for services	176,870	229,220	52,350	734,400	825,912	91,512
Fines and forfeits	388,600	375,469	(13,131)	208,000	84,092	(123,908)
Investment income	305,000	410,338	105,338	95,000	239,518	144,518
Contributions				523,447	302,727	(220,720)
Miscellaneous	15,000	276,252	261,252		20,921	20,921
Total revenues	<u>10,537,211</u>	<u>10,443,254</u>	<u>(93,957)</u>	<u>18,030,708</u>	<u>16,739,079</u>	<u>(1,291,629)</u>
<b>Expenditures:</b>						
<b>Current:</b>						
<b>General government:</b>						
Assessor	585,095	556,968	28,127			
Attorney	766,996	735,210	31,786			
Board of Supervisors	792,867	700,580	92,287			
Board of Supervisors—District #1	324,468	324,468				
Board of Supervisors—District #2	321,989	213,286	108,703			
Board of Supervisors—District #3	146,484	102,825	43,659			
Building inspector	198,479	198,479				
Clerk of the court	404,661	397,629	7,032			
Communication specialist	97,860	96,876	984			
Contingencies	5,896,713	14,632	5,882,081			
Data processing	367,462	367,462				
Elections	355,050	336,194	18,856			
Finance	259,117	232,700	26,417			
Grounds and maintenance	590,364	590,364				
Insurance	164,291	148,546	15,745			
Justice Court—Chinle	164,674	155,919	8,755			
Justice Court—Puerco	235,441	235,028	413			
Justice Court—St. Johns	142,371	137,418	4,953			
Justice Court—Round Valley	226,221	222,259	3,962			
Legal services and judgments	350,000	69,551	280,449			
Planning and zoning	136,900	122,520	14,380			
Purchasing	52,302	40,096	12,206			
Recorder	312,501	299,557	12,944			
Superior Court	257,075	255,499	1,576			
Treasurer	290,929	261,812	29,117			
Public defenders	375,965	372,544	3,421			
Salary adjustments/Retirement incentive	137,431	17,134	120,297			
Accent/Attorney				93,701	97,137	(3,436)
Bad check prosecution				42,400	8,525	33,875
Case processing assistance				68,117	69,742	(1,625)
CDBG				274,050	31,899	242,151
Child issues education				14,285	1,645	12,640
Child support automation				5,418	4,681	737
Children's justice				10,000	5,000	5,000
Criminal justice records improvement—Attorney					8,800	(8,800)
Data processing services—Schools				275,214	169,009	106,205
Domestic relations education				3,810		3,810
ECO				39,635	26,364	13,271
EECO				258,510	122,256	136,254
Emergency water shed					1,404	(1,404)
Expenditures support & visitation				15,575		15,575
E-Rate				135,700	9,437	126,263
Field trainer					5,108	(5,108)
Fill the gap—Attorney				8,552	992	7,560

(Continued)

See accompanying notes to financial statements.

**Apache County**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual—General and Special Revenue Fund Types**  
**Year Ended June 30, 2001**  
**(Continued)**

	<b>General Fund</b>			<b>Special Revenue Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Fill the gap—Courts				\$ 81,890		\$ 81,890
Fill the gap—Indigent defense				8,118	\$ 6,036	2,082
Juvenile case processing					14,443	(14,443)
Law library				12,950	16,985	(4,035)
Norviel decree				13,790	7,624	6,166
Recorder's surcharge				62,160	30,767	31,393
Superior Court docket storage				28,000	10,601	17,399
Victim's assistance				77,500	79,178	(1,678)
Victim's compensation				55,563	56,055	(492)
VOCA				5,800	4,898	902
Total general government	<u>\$ 13,953,706</u>	<u>\$ 7,205,556</u>	<u>\$ 6,748,150</u>	<u>1,590,738</u>	<u>788,586</u>	<u>802,152</u>
Public safety:						
Adult probation	296,693	281,771	14,922			
Constables	63,174	61,920	1,254			
Contingencies	199,906	199,906				
Emergency services	83,085	47,045	36,040			
Juvenile probation	432,053	351,296	80,757			
Medical examiner	17,429	17,429				
Sheriff	2,047,247	2,041,825	5,422			
ACCENT/Sheriff				286,868	267,137	19,731
Adult intensive supervision				289,789	283,777	6,012
Adult probation enhancement				153,926	133,378	20,548
Adult probation fees				119,000	75,462	43,538
Architectural planning				225,000	5	224,995
CASA				28,652	28,763	(111)
Community punishment				4,475	4,665	(190)
Criminal justice records improvement					780	(780)
Detention center					23,160	(23,160)
Diversion consequence				24,737	19,676	5,061
Diversion fees				4,200		4,200
Diversion intake				139,603	126,475	13,128
Drug testing				30,359	26,256	4,103
Drug treatment and education				25,920	14,237	11,683
Family counseling				20,685	16,179	4,506
Fire district assistance				227,973	217,117	10,856
Ganado school deputies					15,586	(15,586)
J.I.P.S.				155,617	130,430	25,187
JAIBG detention					30,000	(30,000)
Jail district				1,805,473	1,773,641	31,832
Jail enhancement				212,500	58,172	154,328
Jail services				182,270	17,784	164,486
JCRF detention					376,211	(376,211)
Juvenile crime reduction				71,120	20,454	50,666
Juvenile probation fees				42,600	16,662	25,938
Juvenile treatment service				52,209	36,655	15,554
Local law block grant				10,250	10,253	(3)
Parole					285	(285)
R.A.P.				24,913	45,418	(20,505)
RICO, federal justice				58,590	4,629	53,961
RICO, federal treasury				51,970	1,970	50,000
RICO, state and other				79,634	20,197	59,437
Safe schools				82,574	82,985	(411)
State aid to probation				154,987	143,972	11,015
State gang task force				52,008	56,710	(4,702)
Total public safety	<u>3,139,587</u>	<u>3,001,192</u>	<u>138,395</u>	<u>4,617,902</u>	<u>4,079,081</u>	<u>538,821</u>

(Continued)

See accompanying notes to financial statements.

**Apache County**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual—General and Special Revenue Fund Types**  
**Year Ended June 30, 2001**  
**(Continued)**

	<b>General Fund</b>			<b>Special Revenue Funds</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
Highways and streets:						
Salary adjustments/retirement	\$ 42,569	\$ 42,569				
ADOT trails				\$ 500,000		\$ 500,000
Eager cinderpit				26,736	\$ 1,559	25,177
Engineer's inspections				13,420	1,912	11,508
Flood control				262,634	33,650	228,984
Flood/dam projects				1,593,866	677,079	916,787
GIS				91,252	94,597	(3,345)
Roads				9,445,619	7,034,925	2,410,694
Rural addressing				14,997		14,997
Special roads				94,410		94,410
TEA21, bus routes				250,000	247,625	2,375
Transit fund				405,399	193,934	211,465
Total highways and streets	<u>42,569</u>	<u>42,569</u>		<u>12,698,333</u>	<u>8,285,281</u>	<u>4,413,052</u>
Health:						
AHCCCS/ALTCS	644,345	644,345				
Health				1,469,107	1,348,407	120,700
Luna Lake improvement					11,322	(11,322)
Total Health	<u>644,345</u>	<u>644,345</u>		<u>1,469,107</u>	<u>1,359,729</u>	<u>109,378</u>
Welfare:						
JTPA/WIA				308,500	173,087	135,413
Sanitation:						
Waste tire disposal				71,000	74,293	(3,293)
Culture and recreation:						
Agriculture extension	16,000	16,000				
County free library				653,331	605,729	47,602
Total culture and recreation	<u>16,000</u>	<u>16,000</u>		<u>653,331</u>	<u>605,729</u>	<u>47,602</u>
Education:						
School superintendent	301,562	301,562				
Detention education				70,024	18,302	51,722
Forest fees				23,309	22,295	1,014
Junior college tuition				1,107,185	1,054,462	52,723
Post secondary education				626,790	531,158	95,632
Schools indirect cost				28,238	14,842	13,396
Total education	<u>301,562</u>	<u>301,562</u>		<u>1,855,546</u>	<u>1,641,059</u>	<u>214,487</u>
Total expenditures	<u>18,097,769</u>	<u>11,211,224</u>	<u>\$ 6,886,545</u>	<u>23,264,457</u>	<u>17,006,845</u>	<u>6,257,612</u>
Excess of revenues over (under) expenditures	<u>(7,560,558)</u>	<u>(767,970)</u>	<u>6,792,588</u>	<u>(5,233,749)</u>	<u>(267,766)</u>	<u>4,965,983</u>
Other financing sources (uses):						
Operating transfers in	1,221,097	1,221,098	1	1,032,014	1,041,323	9,309
Operating transfers out	(1,032,014)	(1,041,323)	(9,309)	(1,221,097)	(1,221,098)	(1)
Net other financing sources (uses)	<u>189,083</u>	<u>179,775</u>	<u>(9,308)</u>	<u>(189,083)</u>	<u>(179,775)</u>	<u>9,308</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(7,371,475)</u>	<u>(588,195)</u>	<u>6,783,280</u>	<u>(5,422,832)</u>	<u>(447,541)</u>	<u>4,975,291</u>
Fund balances, July 1, 2000, as restated	<u>7,371,475</u>	<u>9,030,107</u>	<u>1,658,632</u>	<u>5,422,832</u>	<u>6,458,518</u>	<u>1,035,686</u>
Decrease in reserve for inventories		(293)	(293)		(26,018)	(26,018)
Fund balances, June 30, 2001	<u>\$ -</u>	<u>\$ 8,441,619</u>	<u>\$ 8,441,619</u>	<u>\$ -</u>	<u>\$ 5,984,959</u>	<u>\$ 5,984,959</u>

See accompanying notes to financial statements.

Apache County  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual—Debt Service and Capital Projects Fund Types  
 Year Ended June 30, 2001

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:						
Taxes	\$ 689,644	\$ 678,941	\$ (10,703)			
Special assessments	76,764	72,515	(4,249)			
Intergovernmental	186,245	185,544	(701)			
Investment income	-	50,857	50,857		\$ 36,842	\$ 36,842
Miscellaneous	-	18	18			
Total revenues	<u>952,653</u>	<u>987,875</u>	<u>35,222</u>	<u>-</u>	<u>36,842</u>	<u>36,842</u>
Capital outlay				\$ 1,145,182	911,693	233,489
Debt service:						
Principal retirement	1,080,738	973,000	107,738			
Interest and fiscal charges	<u>126,693</u>	<u>120,660</u>	<u>6,033</u>			
Total debt service	<u>1,207,431</u>	<u>1,093,660</u>	<u>113,771</u>			
Total expenditures	<u>1,207,431</u>	<u>1,093,660</u>	<u>113,771</u>	<u>1,145,182</u>	<u>911,693</u>	<u>233,489</u>
Excess of revenues over (under) expenditures	<u>(254,778)</u>	<u>(105,785)</u>	<u>148,993</u>	<u>(1,145,182)</u>	<u>(874,851)</u>	<u>270,331</u>
Other financing sources (uses):						
Operating transfers in		59,136	59,136			
Operating transfers out					(59,136)	(59,136)
General obligation bond proceeds					<u>3,000,000</u>	<u>3,000,000</u>
Total other financing sources		<u>59,136</u>	<u>59,136</u>		<u>2,940,864</u>	<u>2,940,864</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(254,778)</u>	<u>(46,649)</u>	<u>208,129</u>	<u>(1,145,182)</u>	<u>2,066,013</u>	<u>3,211,195</u>
Fund balances, as restated, July 1, 2000	<u>254,778</u>	<u>365,050</u>	<u>110,272</u>	<u>1,145,182</u>	<u>1,176,416</u>	<u>31,234</u>
Fund balances, June 30, 2001	<u>\$ -</u>	<u>\$ 318,401</u>	<u>\$ 318,401</u>	<u>\$ -</u>	<u>\$ 3,242,429</u>	<u>\$ 3,242,429</u>

See accompanying notes to financial statements.

**Apache County**  
**Statement of Revenues, Expenses, and Changes in**  
**Retained Earnings—Proprietary Fund Type**  
**Year Ended June 30, 2001**

	<b>Internal Service Fund</b>
Operating revenues:	
Charges for services	\$ 1,785,781
Miscellaneous	<u>11,748</u>
Total operating revenues	<u>1,797,529</u>
Operating expenses:	
Professional services	2,569
Insurance premiums	<u>1,634,209</u>
Total operating expenses	<u>1,636,778</u>
Operating income	<u>160,751</u>
Nonoperating revenues (expense):	
Investment income	21,012
Interest expense	<u>(11,045)</u>
Total net nonoperating revenues	<u>9,967</u>
Net income	170,718
Accumulated deficit, July 1, 2000	<u>(144,825)</u>
Retained earnings, June 30, 2001	<u><u>\$ 25,893</u></u>

See accompanying notes to financial statements.

**Apache County**  
**Statement of Cash Flows—Proprietary Fund Type**  
**Year Ended June 30, 2001**

	<u><b>Internal Service Fund</b></u>
Cash flows from operating activities:	
Operating income	\$ 160,751
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Changes in assets and liabilities:	
Increase in:	
Due from other funds	(800)
Decrease in:	
Accounts receivable	2,001
Accounts payable	(7,666)
Due to other funds	<u>(13,472)</u>
Net cash provided by operating activities	140,814
 Cash flows from noncapital financing activities:	
Interest paid	<u>(11,045)</u>
Net cash used for noncapital financing activities	(11,045)
 Cash flows from investing activities:	
Interest received on investments	<u>22,993</u>
Net cash provided by investing activities	<u>22,993</u>
Net increase in cash and equivalents	152,762
Cash and cash equivalents, July 1, 2000	<u>175,862</u>
Cash and cash equivalents, June 30, 2001	<u><u>\$ 328,624</u></u>
 Cash and cash equivalents, June 30, 2001, consist of:	
Cash and investments held by County Treasurer	<u><u>\$ 328,624</u></u>

See accompanying notes to financial statements.

**Apache County  
Statement of Net Assets  
Investment Trust Fund  
June 30, 2001**

Assets	<b>Treasurer's Investment Pool</b>
Cash and cash equivalents	\$ 113,101,229
Interest and dividends receivable	<u>799,327</u>
Total assets	<u>113,900,556</u>
Liabilities	
Total liabilities	<u>                    </u>
Net assets held in trust	<u>\$ 113,900,556</u>

See accompanying notes to financial statements.

**Apache County**  
**Statement of Changes in Net Assets**  
**Investment Trust Fund**  
**Year Ended June 30, 2001**

	<u><b>Treasurer's Investment Pool</b></u>
Additions:	
Contributions from participants	\$ 220,336,293
Investment income:	
Interest and dividend income	<u>7,190,596</u>
Total investment income	<u>7,190,596</u>
Total additions	<u>227,526,889</u>
 Deductions:	
Distributions to participants	<u>218,982,185</u>
Total deductions	<u>218,982,185</u>
 Net increase in net assets	 8,544,704
 Net assets held in trust:	
July 1, 2000	<u>105,355,852</u>
June 30, 2001	<u>\$ 113,900,556</u>

See accompanying notes to financial statements.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Apache County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the County's more significant accounting policies follows.

The County's major operations include general government, public safety, highway and street maintenance and construction, sanitation, health, welfare, culture and recreation, and education.

**A. Reporting Entity**

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. These general purpose financial statements present all the fund types and account groups of the County (a primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined 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.

**Blended Component Unit**—Greer Acres, a special improvement district, and the Apache County Jail District, which is a tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems, pursuant to Arizona Revised Statutes, are included in the accompanying financial statements since the districts' governing bodies are the same as the governing body of Apache County and they provide services to the entire County. The districts' financial statements are included in the County's financial statements in the Special Revenue Fund Types and the General Fixed Assets and General Long-Term Debt Account Groups.

Separate financial statements of the blended component units are not prepared.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

**B. Fund Accounting**

The County's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the County's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Accounts are separately maintained for each fund and account group; however, in the accompanying financial statements, funds that have similar characteristics have been combined into generic fund types that are further classified into broad fund categories. A description of the County's fund categories, types, and account groups follows:

**1. Governmental Funds** account for the County's general government activities using the flow of current financial resources measurement focus and include the following fund types:

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

The *Special Revenue Funds* account for specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for resources accumulated and used for the payment of general long-term debt principal, interest, and related costs.

The *Capital Projects Funds* account for resources to be used for acquiring or constructing major capital facilities.

**2. Proprietary Funds** account for the County's ongoing activities that are similar to those found in the private sector using the flow of economic resources measurement focus. The County applies all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The County's proprietary fund includes the following fund type:

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

The *Internal Service Fund* accounts for the financing of goods or services provided by the department or agency to other County departments or agencies, or to other governments on a cost-reimbursement basis.

**3. Fiduciary Funds** account for assets the County holds on behalf of others, and include the following fund types:

The *Investment Trust Fund* accounts for investments made by the County on behalf of other governmental entities using the economic resources measurement focus.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

**4. Account Groups** are used to establish control and accountability for certain County assets and liabilities that are not recorded in the funds and include the following two groups:

The *General Fixed Assets Account Group* accounts for all of the County's fixed assets.

The *General Long-Term Debt Account Group* accounts for all of the County's long-term obligations.

### C. Basis of Accounting

The financial statements of the Governmental and Agency Funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance current-period expenditures. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt that are recognized when due. However, since debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year, those expenditures and related liabilities have been recognized in the Debt Service Funds.

Revenues susceptible to accrual are property taxes; special assessments; licenses and permits; intergovernmental aid, grants, and reimbursements; interest revenue; charges for services; and sales taxes collected and held by the State at year-end on the County's behalf. Fines and forfeits and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

The financial statements of the Propriety and Investment Trust Funds are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**D. Budgeting and Budgetary Control**

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

Essentially, the County prepares its budget on the same modified accrual basis of accounting used to record actual revenues and expenditures.

The County has adopted budgets in accordance with the A.R.S. requirements for the General, Special Revenue, Debt Service, and Capital Projects Funds. Formal budget integration is not employed for the Internal Service Fund because effective budgetary control is alternately achieved through the capability of cost recovery.

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budgetary control. Encumbrances outstanding at year-end for goods or services that were not received before fiscal year-end are canceled. However, the County may draw warrants against encumbered amounts for goods or services received but unpaid at June 30 for 60 days immediately following the close of the fiscal year. After 60 days the remaining encumbered balances lapse.

**E. Cash and Investments**

For purpose of its statement of cash flows, the County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

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

**F. Inventories**

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 are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method.

**G. Fixed Assets**

Purchased fixed assets capitalized in the General Fixed Assets Account Group are recorded at the time of purchase as expenditures in the funds from which the expenditures were made. Such assets are capitalized at cost. Donated fixed assets are capitalized at their estimated fair market value at the time received.

Depreciation on general fixed assets is not recorded, and interest incurred during construction is not capitalized. Also, public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage and lighting systems, are not capitalized.

**H. Compensated Absences**

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

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

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

Employees may accumulate up to 1,500 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, for employees who retire with an accumulation of sick leave of at least 500 hours, sick leave benefits do vest and, therefore, are accrued.

The liability for vested compensated absences of the Governmental Funds is recorded in the General Long-Term Debt Account Group since the amount expected to be paid from current financial resources is not significant.

**I. Investment Income**

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

**J. Property Taxes**

Property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues.

**K. Intergovernmental Grants and Aid**

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. Reimbursements not received within 60 days subsequent to fiscal year-end are reported as deferred revenues.

**Note 2 - Stewardship, Compliance, and Accountability**

*Individual Fund Deficits*—The following significant deficits resulted from operations during the year but are expected to be corrected through normal operations in fiscal year 2001-02 or through General Fund operating transfers.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

<b>Fund</b>	<b>Deficit</b>
Special Revenue:	
GIS	\$ 5,181
JCRF detention	151,211
Detention center	9,511
ACCENT/Attorney	5,855
Diversion intake	6,812
State gang task force	29,950

*Excess of Expenditures Over Appropriations in Individual Funds*—Operating transfers out within the General Fund as reported on the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual had an excess of transfers over appropriations. The excess transfers were primarily the result of unexpected expenditures in various funds. Certain Special Revenue Funds, as listed below, had a significant excess of actual expenditures over appropriations.

The excess in the JAIBG detention, JCRF detention, and detention center expenditures resulted from the County charging the construction costs of the new juvenile justice facility to these funds, although budgeting for these expenditures in a different fund. Also, these funds incurred additional expenditures that the County did not budget for. The excess in field trainer, criminal justice records improvement—attorney, juvenile case processing, Ganado school deputies, R.A.P. and Luna Lake improvement expenditures resulted from the County receiving more federal and state grant revenues than budgeted for, which resulted in increased expenditures.

<b>Fund</b>	<b>Excess Expenditures</b>
Special Revenue:	
Field trainer	\$ 5,108
Criminal Justice records improvement—Attorney	8,800
Juvenile case processing	14,443
JAIBG detention	30,000
JCRF detention	376,211
Detention center	23,160
Ganado school deputies	15,586
R.A.P.	20,505
Luna Lake improvement	11,322

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

Note 3 - Deposits and Investments

Arizona Revised Statutes authorize the County to invest public monies in the State Treasurer’s investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

**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 (see Note 14). Those monies are pooled with County monies for investment purposes.

*Deposits*—At June 30, 2001, the investment pool had cash on hand of \$12,000. The carrying amount of the investment pool’s total cash in bank was \$760,118 and the bank balance was \$3,617,402. Of the bank balance \$200,000 was covered by federal depository insurance and \$3,417,402 was covered by collateral held by the pledging financial institution’s trust department or agent in the County’s name.

*Investments*—At June 30, 2001, the investments in the County Treasurer’s investment pool consisted of the following:

	<b>Fair Value</b>
Investment in State Treasurer’s investment pool	\$117,363,417
U.S. government securities	<u>10,998,270</u>
Total	<u>\$128,361,687</u>

The State Board of Deposit provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk. All other investments were insured or registered in the County’s name, or were held by the County or its agent in the County’s name.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

**Other Deposits**—At June 30, 2001, the County had cash on hand of \$2,210. The carrying amount of the County's total nonpooled cash in bank was \$446,230, and the bank balance was \$524,785. Of the bank balance, \$408,669 was covered by federal depository insurance and \$116,116 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

A reconciliation of cash and investments to amounts shown on the combined balance sheet follows.

Cash and Investments:

	<u>County Treasurer's Investment Pool</u>	<u>Other</u>	<u>Total</u>
Cash on hand	\$ 12,000	\$ 2,210	\$ 14,210
Carrying amount of deposits	760,118	446,230	1,206,348
Reported amount of investments	<u>128,361,687</u>		<u>128,361,687</u>
Total	<u>\$129,133,805</u>	<u>\$448,440</u>	<u>\$129,582,245</u>

Combined Balance Sheet:

Cash in bank and on hand	\$ 448,440
Cash and investments held by County Treasurer	<u>129,133,805</u>
Total	<u>\$129,582,245</u>

#### Note 4 - Property Taxes Receivable

The County levies real 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.

During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

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

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2001, were as follows:

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
2000-01	\$48,941	\$ 93,896	\$25,501
Prior	<u>45,523</u>	<u>65,089</u>	<u>27,030</u>
Total	<u>\$94,464</u>	<u>\$158,985</u>	<u>\$52,531</u>

That portion of property taxes receivable not collected within 60 days after June 30, 2001, has been deferred and, consequently, is not included in current-year revenues.

**Note 5 - Due from Other Governments**

Amounts due from other governments at June 30, 2001, in the General Fund include \$794,016 in sales taxes and \$36,818 in auto lieu taxes from the State of Arizona. The remaining balance consists of various grants and contracts with other governmental entities. Amounts due from other governments in the Special Revenue Funds include \$1,101,716 in highway user taxes from the State of Arizona. The remaining balance consists of grants and contracts with other governmental entities.

**Note 6 - Changes in General Fixed Assets**

A summary of the changes in general fixed assets follows:

	<u>Balance July 1, 2000 (as restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2001</u>
Land	\$ 1,458,535	\$ 4,090		\$ 1,462,625
Buildings	9,754,460	35,301		9,789,761
Improvements other than buildings	287,963	23,024		310,987
Machinery and equipment	14,109,214	2,115,017	\$594,384	15,629,847
Construction in progress	<u>                    </u>	<u>737,214</u>	<u>                    </u>	<u>737,214</u>
Total	<u>\$25,610,172</u>	<u>\$2,914,646</u>	<u>\$594,384</u>	<u>\$27,930,434</u>

The estimated cost to complete construction in progress at June 30, 2001, was \$1,366,280.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

**Note 7 - Obligations Under Capital Leases**

The County has acquired five road graders 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. Accordingly, such assets totaling \$808,508 at June 30, 2001, are capitalized in the General Fixed Assets Account Group.

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments at June 30, 2001, were as follows:

	<b>General Long-Term Debt Account Group</b>
Year ending June 30, 2002	\$128,605
Year ending June 30, 2003	<u>128,608</u>
Total minimum lease payments	257,213
Less amount representing interest	<u>20,845</u>
Present value of net minimum lease payments	<u><u>\$236,368</u></u>

**Note 8 - Bonds Payable**

The County's bonded debt consists of general obligation bonds and special assessment bonds with governmental commitment.

**General Obligation Bonds**—General obligation bonds payable at June 30, 2001, consisted of the outstanding general obligation bonds presented below. The bonds are noncallable with interest payable semiannually.

Principal and interest requirements at June 30, 2001, were as follows:

Description	Interest Rates	Maturities	Outstanding Principal July 1, 2000	Issues/ (Retirements)	Outstanding Principal June 30, 2001
General Obligation Series 1998	4 to 6%	7/1/02-04	\$2,100,000	\$ (930,000)	\$1,170,000
General Obligation Series 2001	4.3 to 6.4%	7/1/05-10	<u>                    </u>	<u>3,000,000</u>	<u>3,000,000</u>
		Total	<u><u>\$2,100,000</u></u>	<u><u>\$2,070,000</u></u>	<u><u>\$4,170,000</u></u>

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

General obligation bond debt service requirements to maturity, including \$1,075,534 of interest, are as follows:

Year ending June 30,	
2002	\$ 591,596
2003	573,369
2004	567,769
2005	601,769
2006	598,081
Thereafter	<u>2,312,950</u>
Total	<u>\$5,245,534</u>

During the year ended June 30, 2001, the County issued \$3,000,000 in general obligation bonds, with an average interest rate of 4.9 percent. The proceeds of these bonds were used to acquire equipment and improve roads and highways.

**Special Assessment Bonds with Governmental Commitment**—Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in this district. The bonds are noncallable with interest payable semiannually.

The following special assessment district had bonds outstanding at June 30, 2001.

<u>Description</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding Principal July 1, 2000</u>	<u>Retirements</u>	<u>Outstanding Principal June 30, 2001</u>
Greer Acres - Little Colorado Improvement District	6.1%	1/1/02-10	<u>\$575,000</u>	<u>\$43,000</u>	<u>\$532,000</u>

Special assessment bond debt service requirements to maturity, including \$158,844 of interest, are as follows:

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

Year ending June 30,	
2002	\$ 77,049
2003	77,152
2004	77,071
2005	76,807
2006	76,361
Thereafter	<u>306,404</u>
Total	<u>\$690,844</u>

**Note 9 - Landfill Closure and Postclosure Care Costs**

The County has contracted with an outside agency to operate its solid waste facilities. The outside agency is also responsible for closure and postclosure costs. The County believes that it is unlikely that the outside agency will default on the agreement.

**Note 10 - Risk Management**

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 for each occurrence. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

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

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

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

**Note 11 - Changes in Long-Term Liabilities**

A summary of changes in the liabilities reported in the General Long-Term Debt Account Group follows.

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Accrued payroll and employee benefits	\$1,137,183	\$ 351,429		\$1,488,612
Obligations under capital leases	344,889		\$ 108,521	236,368
General obligation bonds payable	2,100,000	3,000,000	930,000	4,170,000
Special assessment bonds with governmental commitment payable	575,000		43,000	532,000
Total	<u>\$4,157,072</u>	<u>\$3,351,429</u>	<u>\$1,081,521</u>	<u>\$6,426,980</u>

**Note 12 - Interfund Receivables, Payables, and Operating Transfers**

The interfund receivables, payables, and operating transfers by fund are as follows:

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Operating Transfers from Other Funds</u>	<u>Operating Transfers to Other Funds</u>
General Fund	\$413,356	\$ 55,107	\$1,221,098	\$1,041,323
Special Revenue Funds:				
Accent/Attorney		25,000	19,552	
Accent/Sheriff	440	60,710	69,773	
Adult probation services		4,556		
CASA	1,868			
Children's justice		5,000		
County library		49		81,436
Data processing services—Schools	3,480		13,107	
GIS			46,256	
Health services		1,514	508,290	
Jail district		2,308	351,820	
JCRF detention	4,740			
J.I.P.S.	4,644			
JTPA/WIA		3,538		
Roads	30,989	1,709		1,137,000
State aid to probation	9,656			
State gang task force		8,000		
Victim's assistance		3,416	27,000	
Victim's compensation	2,166			
Other	204	1,336	5,525	2,662
Debt Service Funds:				
County bonds I&R	1,686	651	48,881	
Greer Acres bond I&R		17,741	10,255	
Capital Projects Funds:				
1998 Bond issue—General Fund				16,200
1998 Bond issue—Roads				23,266
2001 Bond issue—General Fund	651	1,686		9,415
Greer Acres bond issue	17,741			10,255
Internal Service Fund	800	300,100		
Total	<u>\$492,421</u>	<u>\$492,421</u>	<u>\$2,321,557</u>	<u>\$2,321,557</u>

**Note 13 - Retirement Plans**

**Plan Descriptions**—The County contributes to the four plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 189 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Corrections Officer Retirement Plan* (CORP) is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS and 12 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

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

**ASRS**

3300 North Central Avenue  
P.O. Box 33910  
Phoenix, AZ 85067-3910

(602) 240-2000 or (800) 621-3778

**PSPRS, CORP, and EORP**

1020 East Missouri Avenue  
Phoenix, AZ 85014

(602) 255-5575

**Funding Policy**—The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

*Cost-sharing plans*—For the year ended June 30, 2001, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 2.66 percent (2.17 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2001, 2000, and 1999, were \$245,883, \$233,836, and \$279,133, respectively, which were equal to the required contributions for the year.

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a designated portion of court docket fees plus additional contributions of 0.73 percent of the member's annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2001, 2000, and 1999, were \$5,942, \$5,910, and \$0, respectively, which were equal to the required contributions for the year.

*Agent plans*—For the year ended June 30, 2001, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 11.96 percent. Active CORP members were required by statute to contribute 8.5 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 2.49 percent.

**Annual Pension Cost**—The County's pension cost for the two agent plans for the year ended June 30, 2001, and related information follows:

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
County	11.96%	2.49%
Plan members	7.65%	8.5%
Annual pension cost	\$135,953	\$12,925
Contributions made	\$135,953	\$12,925

The current-year annual required contribution for both the PSPRS and CORP were determined as a part of their June 30, 1999, actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 1999, was 20 years.

**Trend Information**—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans:

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2001	\$135,953	100%	\$0
	2000	73,981	100	0
	1999	42,548	100	0
CORP	2001	\$ 12,925	100%	\$0
	2000	24,632	100	0
	1999	27,671	100	0

**Analysis of Funding Progress**—The following information was obtained from the three most recent actuarial valuations of the agent plans:

**PSPRS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)</u>
6/30/01	\$3,153,292	\$3,324,313	(\$171,021)	94.9%	\$1,228,926	(13.9%)
6/30/00	2,952,523	3,427,926	(475,403)	86.1	1,045,000	(45.5)
6/30/99	2,525,548	2,831,709	(306,161)	89.2	976,764	(31.3)

**CORP**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding (Liability) Excess (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)</u>
6/30/01	\$800,495	\$452,179	\$348,316	177.0%	\$534,228	-
6/30/00	742,627	438,200	304,427	169.5	495,541	-
6/30/99	622,523	410,677	211,846	151.6	533,675	-

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

Note 14 - 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 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.

Details of each investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Investment in Arizona State Treasurer's Investment Pool	\$117,363,417	None stated	None stated	\$117,363,417
U.S. government securities	11,000,000	3.46 - 5.625%	12/01 - 5/02	10,998,270

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

**Statement of Net Assets**

Assets	\$130,031,387
Liabilities	<u>0</u>
Net assets	<u>\$130,031,387</u>

Net assets held in trust for:

Internal participants	\$ 16,130,831
External participants	<u>113,900,556</u>
Total net assets held in trust	<u>\$130,031,387</u>

**Statement of Changes in Net Assets**

Total additions	\$266,764,326
Total deductions	<u>257,178,840</u>
Net increase	9,585,486
Net assets held in trust:	
July 1, 2000	<u>120,445,901</u>
June 30, 2001	<u>\$130,031,387</u>

**Apache County**  
**Notes to Financial Statements**  
**June 30, 2001**

Note 15 - Restatement of Beginning Balances

The fund balances of the General and Special Revenue Funds and the General Fixed Assets Account Group balance at June 30, 2000, have been restated as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>General Fixed Assets Account Group</u>
Fund balances and account group balance at June 30, 2000, as previously reported	\$7,911,189	\$6,088,928	\$31,245,907
Correction for understatement of intergovernmental revenue	1,118,918	369,590	
Correction for improperly classified assets and unrecorded prior year deletions			<u>(5,635,735)</u>
Fund balances and account group balance, as restated June 30, 2000,	<u>\$9,030,107</u>	<u>\$6,458,518</u>	<u>\$25,610,172</u>

## Supplementary Information

**Apache County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2001**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>CFDA Number (Note 2)</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Cooperative Law Enforcement Agreement	10.unknown		\$ 738
Special Supplemental Nutrition Program for Women, Infants and Children, passed through the Arizona Department of Health Services	10.557	761088	93,405
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	<u>44,591</u>
Total U.S. Department of Agriculture			<u>138,734</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants/Entitlement Grants, passed through the Arizona Department of Commerce	14.218	073-01 074-01	<u>31,899</u>
<b>U.S. Department of the Interior</b>			
Payments in Lieu of Taxes	15.226		<u>523,885</u>
<b>U.S. Department of Justice</b>			
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-01-049	4,899
Byrne Formula Grant Program, passed through the Administrative Office of the Courts	16.579	None	26,194
Byrne Formula Grant Program, passed through the Arizona Criminal Justice Commission	16.579	AC-170-01 PC-110-01 CRI-01-028	232,574
Rural Domestic Violence and Child Victimization Enforcement Grant Program, passed through the Governor's Office for Domestic Violence Prevention	16.589	None	26,692
Local Law Enforcement Block Grants Program, passed through the Arizona Criminal Justice Commission	16.592	LLBG-00-107	<u>9,225</u>
Total U.S. Department of Justice			<u>299,584</u>
<b>U.S. Department of Labor</b>			
Workforce Investment Act, passed through the Arizona Department of Economic Security	17.255	E5709023 E5701025	105,811
One Stop Career Center Initiative, passed through the Governor's Office of Employment and Training	17.257	E5709047	<u>888</u>
Total U.S. Department of Labor			<u>106,699</u>

(Continued)

See accompanying notes to schedule.

**Apache County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2001**  
**(Continued)**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>CFDA Number (Note 2)</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	INDRES-NIR-0(004) H5167 10X	\$ 247,625
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Department of Emergency and Military Affairs	20.703	None	<u>2,725</u>
Total U.S. Department of Transportation			<u>250,350</u>
<b>U.S. Institute of Museum and Library Services</b>			
State Library Program, passed through the Arizona Department of Library, Archives, and Public Records	45.310	2000-CIP-0100	<u>17,100</u>
<b>U.S. Federal Emergency Management Agency</b>			
Emergency Management—State and Local Assistance, passed through the Arizona Department of Emergency and Military Affairs	83.534	None	<u>39,579</u>
<b>U.S. Department of Education</b>			
Title I, Technology and Training, passed through the Arizona Department of Library, Archives, and Public Records	84.034	92-I-2-(22)	<u>1,051</u>
<b>U.S. Department of Health and Human Services</b>			
Immunization Grants, passed through the Arizona Department of Health Services	93.268	30-4056 152037	16,032
Grants to States for Access and Visitation Programs, passed through the Arizona Department of Economic Security	93.597	None	1,645
Children's Justice Grants to States, passed through the Arizona Governor's Community Policy Office Division for Children	93.643	CJAG2001-64	5,000
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	852030 152009	7,198
Prevention Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	952025	32,021
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	961084 761140 161064 761102	62,036

(Continued)

See accompanying notes to schedule.

**Apache County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2001**  
**(Continued)**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>CFDA Number (Note 2)</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
Maternal and Child Health Services Block Grant to the States, passed through the Northern Arizona Council of Governments Services to the Elderly	93.994	866000385BA	\$ 69,455
Total U.S. Department of Health and Human Services			<u>193,387</u>
Total Expenditures of Federal Awards			<u>\$ 1,602,268</u>

See accompanying notes to schedule.

**Apache County**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2001**

**Note 1 - Basis of Accounting**

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

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2001 *Catalog of Federal Domestic Assistance*.

**Note 3 - Subrecipients**

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

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount</b>
Schools and Roads—Grants to States	10.665	\$22,295



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of General Purpose Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of  
Apache County, Arizona

We have audited the general purpose financial statements of Apache County as of and for the year ended June 30, 2001, and have issued our report thereon dated June 20, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we will report to the County's management in a separate letter.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter.

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

Debbie Davenport  
Auditor General

June 20, 2002



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Apache County, Arizona

### **Compliance**

We have audited the compliance of Apache County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Apache County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

## **Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

Debbie Davenport  
Auditor General

June 20, 2002

**Apache County**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2001**

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:		Unqualified
	<b>Yes</b>	<b>No</b>
Material weakness identified in internal control over financial reporting?	___	<u>X</u>
Reportable condition identified not considered to be a material weakness?	___	<u>X</u> (None reported)
Noncompliance material to the financial statements noted?	___	<u>X</u>

***Federal Awards***

Material weakness identified in internal control over major programs?	___	<u>X</u>
Reportable condition identified not considered to be a material weakness?	___	<u>X</u> (None reported)

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	___	<u>X</u>
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payment in Lieu of Taxes

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	<u>X</u>	___
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***Other Matters***

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>
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