



APACHE COUNTY, ARIZONA

Annual Financial Report

Year Ended June 30, 2010

APACHE COUNTY, ARIZONA
Annual Financial Report
Year Ended June 30, 2010

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Independent Auditors' Report

The Auditor General of the State of Arizona and
The Board of Supervisors of
Apache County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Apache County, Arizona (the "County") as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Apache County as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages i through ix, the Budgetary Comparison Schedules on pages 28 through 32, and the Schedule of Agent Retirement Plans' Funding Progress on page 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and others within the County, 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.

REDW LLC

Phoenix, Arizona
April 12, 2013

Apache County Management's Discussion and Analysis

As management of the County of Apache, we offer readers of the County of Apache financial statements this narrative overview and analysis of the financial activities of the County of Apache for fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished herein.

Financial Highlights

- The assets of Apache County exceeded its liabilities at the close of the fiscal year by \$36,137,064 (net assets). Of this amount, \$7,897,512 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets as reported in the statement of activities increased by \$1,755,583. This is a change from the prior year when net assets had increased by \$662,815.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$8,290,024 or 51% of the total governmental funds' fund balances.
- Apache County's total long-term liabilities decreased by \$642,888 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Required supplementary information is included in addition to the basic financial statements.

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

The *Statement of Activities* presents information showing how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in

Apache County Management's Discussion and Analysis

cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 1 and 2 of this report.

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

Governmental Funds. 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. Reconciliations are provided for both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

Apache County Management's Discussion and Analysis

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

The governmental funds financial statements can be found on pages 3-6 of this report.

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 7-8 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 can be found on pages 9-27 of this report.

Other Required Supplementary Information. In addition to the basic financial statements and accompanying notes, the report presents certain required supplementary information concerning the County's progress in funding its obligations to provide pension benefits for employees. Also presented are budgetary comparison schedules for the County's General, Road, and Junior College Funds.

Required supplementary information can be found on pages 28-33 of this report.

Government-wide Financial Analysis

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, at June 30, 2010, assets exceeded liabilities by \$36,137,064.

Apache County Management's Discussion and Analysis

Condensed Statement of Net Assets June 30,

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 18,507,342	\$ 19,944,902
Capital assets	<u>31,443,924</u>	<u>29,632,444</u>
Total assets	49,951,266	49,577,346
Current and other liabilities	1,579,508	2,318,283
Long-term liabilities	<u>12,234,694</u>	<u>12,877,582</u>
Total liabilities	13,814,202	15,195,865
Net Assets		
Invested in capital assets, net of related debt	20,676,951	20,154,907
Restricted net assets	7,562,601	6,127,272
Unrestricted net assets	<u>7,897,512</u>	<u>8,099,302</u>
Total net assets	<u>\$ 36,137,064</u>	<u>\$ 34,381,481</u>

The largest portion (\$20,676,951 or 57%) of the County's net assets reflects the investment in capital assets (e.g., land, buildings, machinery and equipment, and construction in progress) less accumulated depreciation and related debt outstanding used to acquire those assets. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets (\$7,562,601 or 21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (\$7,897,512 or 22%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

Current and other assets increased due to larger fund carryovers in FY 2010. This was due to the County cutting expenditure budgets in anticipation of the loss of the override election.

Long-term liabilities decreased due to the continued payment of the County's long term obligations.

Apache County Management's Discussion and Analysis

Statement of Activities

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

Condensed Statement of Activities Year Ended June 30

	Governmental Activities	
	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 3,204,731	\$ 3,290,750
Operating grants and contributions	15,677,044	15,581,396
Capital grants	17,557	90,593
General Revenues:		
Property taxes	11,670,181	11,034,154
Share of state sales taxes	5,020,347	5,816,042
Payments in lieu of taxes	4,104,064	4,615,906
Grants and contributions not restricted to specific programs	317,987	784,111
Investment income	313,327	373,400
Miscellaneous	408,364	23,689
Total revenues	<u>40,733,602</u>	<u>41,610,041</u>
Expenses:		
General government	10,167,073	10,894,819
Public safety	10,311,652	10,589,912
Highways and streets	9,463,835	10,162,946
Sanitation	93,342	67,607
Health	2,905,438	2,924,742
Culture and recreation	1,279,324	1,201,697
Education	4,459,373	4,507,466
Interest on long-term debt	297,982	598,037
Total expenses	<u>38,978,019</u>	<u>40,947,226</u>
Change in net assets	1,755,583	662,815
Net assets – beginning	<u>34,381,481</u>	<u>33,718,666</u>
Net assets – ending	<u>\$ 36,137,064</u>	<u>\$ 34,381,481</u>

Apache County Management's Discussion and Analysis

Capital grants decreased by \$73,036 or 81% due to the decrease in capital grants received in the current year.

Property taxes were increased by \$636,027 in order to make up for shortfalls caused by the State's funding cuts along with the decline in state shared revenues.

General government expenses decreased \$727,746 or 7% due to a decrease in revenues throughout the County due to the downturn in the state and national economies requiring the general fund to cut budgets significantly.

Highway and streets expenses decreased \$699,111 or 7%, driven by a reduction in highway user revenue funds and a conservative budget approach.

Governmental Activities

Financial analysis of the Government's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

Governmental funds – governmental activities are contained in the general, special revenue, debt service and capital projects funds. The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2010, the County's General Fund reported a decrease in fund balance of \$125,216 (1%), which was driven by the County's desire to stay conservative during the downturn of the economy and the potential loss of the override election.

The Road fund balance increased by \$753,373 (42%) due to decreased road maintenance and a conservative budget approach.

General Fund Budgetary Highlights

Total general fund revenues were under budget by \$546,148. Historically Salt River Project contributions in lieu of taxes have been budgeted as contributions, but reported as intergovernmental revenues in the financial statements. The amount received from SRP for the general fund was \$844,545. When this amount is compared to contributions instead of intergovernmental revenues, the variance is only \$3,472 which is due to adjustment to the assessed value; and the additional variance in revenue is driven mainly by lower than expected tax revenue and investment income. After this transfer

Apache County Management's Discussion and Analysis

intergovernmental revenues has a variance of approximately \$1 million driven by a decrease in state shared revenues and approximately \$200,000 decrease in lottery funds.

Total general fund expenditures were under budget by \$6,140,987. The significant budget variances between the final budgeted expenditures and actual expenditures in the General Fund are discussed below:

- Attorney's department expenditures were \$179,095 lower due to vacancies that were not filled.
- Board of Supervisors departmental expenditures were \$653,743 lower than final budgeted amounts due to planned conservative spending for the benefit of the population.
- Contingency departmental expenditures were \$3,156,491 lower than final budgeted amounts due to the budgeting of prior years' sales tax revenues that had been held in litigation. These funds were awarded to the County when the case was settled in 1999. The County has budgeted these funds as contingency spending to protect them from actual expenditures due to the expenditure limitations imposed by the State of Arizona. This also explains the variance in the transfers in as the litigation monies are held in a separate fund and transferred in only when needed.
- Data processing expenditures were \$1,050,713 lower due to budgeted capital expenditures that were never expended.
- Finance department expenditures were 119,110 lower due to vacancies that were not filled.
- Grounds/maintenance departmental expenditures were \$164,190 lower than final budgeted amounts due to budgeting for the new building and not having trends on the related maintenance expenditures.
- AHCCCS expenditures were \$180,534 lower than the final budget because the County anticipated the amounts to be around \$1.1 million the county then received \$180,600 based on refunds for the previous year.
- Capital outlay expenditures were \$581,924 higher driven by additional cost to complete the renovation of the Pioneer School Facility (\$258,294) that was covered by our contingency account and vehicles (\$279,455) that were budgeted through the Board of Supervisor's account.

Apache County Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2010, amounted to \$31,443,924 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

	Governmental Activities		
	<u>FY2010</u>	<u>FY2009</u>	Increase (Decrease) Percent of <u>Change</u>
Land	\$ 1,975,672	\$ 2,000,093	(1%)
Improvements other than buildings	63,410	63,410	0%
Construction in progress	32,582	9,865,350	(99%)
Buildings	22,315,662	9,377,223	138%
Infrastructure	1,785,020	1,835,102	(3%)
Machinery and equipment	<u>5,271,578</u>	<u>6,491,266</u>	(19%)
Totals	<u>\$31,443,924</u>	<u>\$29,632,444</u>	(6%)

Construction in progress decreased as Buildings increased due to construction being completed on the new library buildings. Additionally, the decrease in machinery and equipment is the result of depreciation.

Long-Term Debt

On June 30, 2010, the County had a total of \$12,234,694 in long-term liabilities. Of this amount, \$10,070,000 was principal outstanding on general obligation and revenue bonds, \$520,158 was a contract payable, and \$176,815 was capital lease obligations. The remainder represents compensated absences payable.

Additional information on the County's long-term liabilities can be found in Note 6 of the Notes to the Financial Statements on pages 18 through 20 of this report.

Apache County Management's Discussion and Analysis

Economic Factors and the Next Year's Budget

In FY2010 Apache County experienced the same economic slowdown that was felt throughout the State of Arizona. As such, the County expected severe drops in revenue and has budgeted FY2011 in a conservative manner.

Going forward, Tucson Electric Power has completed their 4th unit construction. As such the County expects additional revenues generated by increased assessed valuation as well as new permanent employment. This should help offset some of the downturn in the economy.

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.

APACHE COUNTY, ARIZONA

Statement of Net Assets

June 30, 2010

	Governmental Activities
ASSETS	
Cash and investments	\$ 13,491,716
Receivables (net of allowance for uncollectibles):	
Property taxes	665,541
Accounts	175,979
Special assessments	323
Due from other governments	3,736,994
Inventories	254,095
Prepaid items	182,694
Capital assets, not being depreciated	2,071,664
Capital assets, being depreciated, net	<u>29,372,260</u>
Total assets	<u>49,951,266</u>
LIABILITIES	
Accounts payable	903,011
Accrued payroll and employee benefits	676,497
Noncurrent liabilities	
Due within 1 year	1,181,111
Due in more than 1 year	<u>11,053,583</u>
Total liabilities	<u>13,814,202</u>
NET ASSETS	
Invested in capital assets, net of related debt	20,676,951
Restricted for:	
Public safety	683,389
Highways and streets	2,639,981
Debt service	599,479
Other purposes	3,639,752
Unrestricted	<u>7,897,512</u>
Total net assets	<u>\$ 36,137,064</u>

See accompanying notes to financial statements.

APACHE COUNTY, ARIZONA

Statement of Activities

Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
General government	\$ 10,167,073	\$ 1,665,911	\$ 1,638,450		\$ (6,862,712)
Public safety	10,311,652	1,164,487	1,601,081		(7,546,084)
Highways and streets	9,463,835	246,421	8,806,048		(411,366)
Sanitation	93,342		94,920	\$ 17,557	19,135
Health	2,905,438	116,921	1,699,315		(1,089,202)
Culture and recreation	1,279,324	10,991			(1,268,333)
Education	4,459,373		1,837,230		(2,622,143)
Interest on long-term debt	<u>297,982</u>				<u>(297,982)</u>
Total governmental activities	<u>\$ 38,978,019</u>	<u>\$ 3,204,731</u>	<u>\$15,677,044</u>	<u>\$ 17,557</u>	<u>(20,078,687)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					6,971,259
Property taxes, levied for jail district					1,026,665
Property taxes, levied for juvenile jail district					513,391
Property taxes, levied for library					1,625,627
Property taxes, levied for library construction					652,115
Property taxes, levied for health service districts					823,936
Property taxes, levied for debt service					57,188
Shared revenue - state sales taxes					5,020,347
Payments in lieu of taxes					4,104,064
Grants and contributions not restricted to specific programs					317,987
Investment earnings					313,327
Miscellaneous					<u>408,364</u>
Total general revenues					<u>21,834,270</u>
Change in net assets					1,755,583
Net assets, July 1, 2009					<u>34,381,481</u>
Net assets, June 30, 2010					<u>\$ 36,137,064</u>

See accompanying notes to financial statements.

APACHE COUNTY, ARIZONA

Balance Sheet
Governmental Funds

June 30, 2010

	General Fund	Road Fund	Junior College	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 669,572	\$ 69,370	\$ 29,278	\$ 756,552	\$ 1,524,772
Investments	5,255,035	544,442	229,788	5,937,679	11,966,944
Receivables (net of allowances for uncollectibles):					
Property taxes	249,654		69,188	346,699	665,541
Accounts	107,280			68,699	175,979
Special assessments				323	323
Due from:					
Other funds	1,992,857	644,031		75,842	2,712,730
Other governments	838,772	1,318,629	466,000	1,113,593	3,736,994
Inventories		254,095			254,095
Prepaid items	42,628	7,044		133,022	182,694
Total assets	<u>\$ 9,155,798</u>	<u>\$ 2,837,611</u>	<u>\$ 794,254</u>	<u>\$ 8,432,409</u>	<u>\$ 21,220,072</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 190,505	\$ 188,107		\$ 524,399	\$ 903,011
Accrued payroll and employee benefits	319,215	140,204		217,078	676,497
Due to:					
Other funds	147,988		\$ 653,700	1,911,042	2,712,730
Deferred revenue	165,438		27,996	330,556	523,990
Total liabilities	<u>823,146</u>	<u>328,311</u>	<u>681,696</u>	<u>2,983,075</u>	<u>4,816,228</u>
Fund balances:					
Reserved for:					
Inventories		254,095			254,095
Prepaid items	42,628	7,044		133,022	182,694
Unreserved, reported in:					
General fund	8,290,024				8,290,024
Special revenue funds		2,248,161	112,558	4,716,833	7,077,552
Debt service funds				599,479	599,479
Total fund balances	<u>8,332,652</u>	<u>2,509,300</u>	<u>112,558</u>	<u>5,449,334</u>	<u>16,403,844</u>
Total liabilities and fund balances	<u>\$ 9,155,798</u>	<u>\$ 2,837,611</u>	<u>\$ 794,254</u>	<u>\$ 8,432,409</u>	<u>\$ 21,220,072</u>

See accompanying notes to financial statements

APACHE COUNTY, ARIZONA

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds

June 30, 2010

Fund balances - total governmental funds		\$ 16,403,844
Amounts reported for governmental activities in the Statement of Net Assets 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 \$59,558,273 and the accumulated depreciation is \$28,114,349.		31,443,924
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		523,990
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Compensated absences payable	\$ (1,467,721)	
General obligation bonds payable	(6,090,000)	
Revenue bonds payable	(3,980,000)	
Installment purchase contract payable	(520,158)	
Capital leases payable	<u>(176,815)</u>	<u>(12,234,694)</u>
Net assets of governmental activities		<u>\$ 36,137,064</u>

See accompanying notes to financial statements.

APACHE COUNTY, ARIZONA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2010

	General Fund	Road Fund	Junior College	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 4,727,566		\$ 1,127,696	\$ 5,799,435	\$ 11,654,697
Special assessments				17,234	17,234
Licenses and permits	137,225				137,225
Intergovernmental	8,382,667	\$ 8,639,276	669,528	7,474,756	25,166,227
Charges for services	397,866	7,355		1,422,911	1,828,132
Fines and forfeits	596,079			569,838	1,165,917
Investment earnings	134,692	13,067	9,327	156,241	313,327
Miscellaneous	210,275	2,045		176,772	389,092
Total revenues	<u>14,586,370</u>	<u>8,661,743</u>	<u>1,806,551</u>	<u>15,617,187</u>	<u>40,671,851</u>
Expenditures:					
Current:					
General government	8,308,941			1,382,659	9,691,600
Public safety	3,330,401			6,237,895	9,568,296
Highways and streets		7,627,167		392,710	8,019,877
Sanitation				93,342	93,342
Health	929,866			1,949,867	2,879,733
Culture and recreation	22,200			1,257,124	1,279,324
Education	346,908		1,818,902	2,272,578	4,438,388
Capital outlay	581,924	229,453		3,679,470	4,490,847
Debt service:					
Principal				609,270	609,270
Interest and other charges				300,126	300,126
Total expenditures	<u>13,520,240</u>	<u>7,856,620</u>	<u>1,818,902</u>	<u>18,175,041</u>	<u>41,370,803</u>
Excess (deficiency) of revenues over expenditures	<u>1,066,130</u>	<u>805,123</u>	<u>(12,351)</u>	<u>(2,557,854)</u>	<u>(698,952)</u>
Other Financing Sources (Uses):					
Transfers in	60,825			1,305,206	1,366,031
Transfers out	(1,252,706)	(52,500)		(60,825)	(1,366,031)
Sale of capital assets	535	750		300	1,585
Total other financing sources and uses	<u>(1,191,346)</u>	<u>(51,750)</u>		<u>1,244,681</u>	<u>1,585</u>
Net change in fund balances	(125,216)	753,373	(12,351)	(1,313,173)	(697,367)
Fund balances, July 1, 2009	<u>8,456,788</u>	<u>1,791,170</u>	<u>124,909</u>	<u>6,762,356</u>	<u>17,135,223</u>
Decrease in reserve for inventories		(34,943)			(34,943)
(Decrease)/increase in reserve for prepaid items	1,080	(300)		151	931
Fund balances, June 30, 2010	<u>\$ 8,332,652</u>	<u>\$ 2,509,300</u>	<u>\$ 112,558</u>	<u>\$ 5,449,334</u>	<u>\$ 16,403,844</u>

See accompanying notes to financial statements

APACHE COUNTY, ARIZONA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances to the Statement of Activities
Governmental Funds

Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ (697,367)

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	\$ 4,501,974	
Depreciation expense	<u>(2,622,994)</u>	1,878,980

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
assets differs from the change in fund balance by the net book value
of the capital assets sold. (67,500)

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the funds. 32,594

Decrease in compensated absences payable increases net assets of
governmental activities but does not have any effect on fund
balances of the governmental funds. 33,618

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

Principal repayments:

General obligation bonds payable	410,000	
Special assessment bonds payable	74,000	
Installment purchase contract payable	60,075	
Capital leases payable	<u>65,195</u>	609,270

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

Decrease in inventories	(34,943)	
Increase in prepaid items	<u>931</u>	<u>(34,012)</u>

Change in net assets of governmental activities \$ 1,755,583

See accompanying notes to financial statements.

APACHE COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2010

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 187,988,866
Net decrease in the fair value of investments	<u>(1,570,485)</u>
Total additions	<u>186,418,381</u>
Deductions:	
Distributions to participants	<u>185,487,553</u>
Total deductions	<u>185,487,553</u>
Change in net assets	930,828
Net assets, July 1, 2009	<u>118,238,037</u>
Net assets, June 30, 2010	<u>\$ 119,168,865</u>

See accompanying notes to financial statements.

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2010, the County implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets.

A. Reporting Entity

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

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

The following table describes the County's component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Apache County Flood Control District	A tax-levying district that provides flood control systems; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Apache County Health Services Districts	Provides comprehensive, culturally sensitive, quality health resources to the County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Apache County Jail District	A tax-levying district that acquires, constructs, operates, maintains, and finances county jails and jail systems; the County's Board of Supervisors serves as the governing board	Blended	Not available
Apache County Juvenile Jail District	A tax-levying district that acquires, constructs, operates, maintains, and finances county juvenile jails and jail systems; the County's Board of Supervisors serves as the board of directors	Blended	Not available

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Apache County Library District	Provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Greer Acres - Little Colorado Special Improvement District	A tax-levying district that develops and constructs sewer systems; the County's Board of Supervisors serves as the board of directors	Blended	Not available

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

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

Fund financial statements - provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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

The *Road Fund* accounts for monies from specific revenue sources that are restricted for road maintenance and operations and for pavement preservation.

The *Junior College Fund* accounts for monies from specific revenue sources used for paying out-of-county tuition expenses.

The County reports the following fund types:

The *investment trust fund* accounts for pooled assets held and invested by the County Treasurer on behalf of other governmental entities.

The *agency funds* account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

C. Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

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

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

D. Cash and Investments

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

E. Inventories

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 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.

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.

F. Property Tax Calendar

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

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

G. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All		
Construction in progress	\$ 5,000		
Improvements other than buildings	\$ 5,000		
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

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

H. Investment Earnings

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

I. Compensated Absences

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

Employees may accumulate up to 1,500 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, for employees who have accumulated at least 500 hours of sick leave, sick leave benefits do vest, and therefore, are accrued in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit fund balances - At June 30, 2010, the following funds reported significant deficits in fund balances:

Fund	Deficit
Bioterrorism	\$ 90,105
Sheriff Grants	63,091
Emergency Services	268,224
D.P. Service School	57,622
Assessor Surcharge	15,419
ACCENT/Attorney	26,231
EECBG	43,772
Jail District	347,048
GADA Loan	65,832

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 2013.

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Credit Risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk

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

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk

Statutes do not allow foreign investments.

Deposits - At June 30, 2010, the carrying amount of the County's deposits was \$14,033,033, and the bank balance was \$14,069,910. The County does not have a formal policy with respect to custodial credit risk.

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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

<u>Investment Type</u>	<u>Amount</u>
U.S. agency securities	\$ 108,560,168
Corporate bonds	8,111,016
Money market funds	<u>4,472,638</u>
	<u>\$ 121,143,822</u>

Credit Risk - The County does not have a formal investment policy with respect to credit risk. At June 30, 2010, credit risk for the County's investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. agency securities	AAA	Moody's	\$ 108,560,168
Corporate bonds	AA3	Moody's	953,670
Corporate bonds	AA2	Moody's	2,131,369
Corporate bonds	AA1	Moody's	1,609,390
Corporate bonds	A3	Moody's	52,704
Corporate bonds	A2	Moody's	2,756,383
Corporate bonds	Withdrawn Rate	Moody's	607,500
Money market funds	AAA	Moody's	<u>4,472,638</u>
			<u>\$ 121,143,822</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 the possession of an outside party. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2010, the County had \$108,560,168 of U.S. agency securities, \$8,111,016 of corporate bonds, and \$4,472,638 in money market funds that were uninsured and held by the counterparty's trust department not in the County's name.

Concentration of Credit Risk - The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2010, of 5 percent or more in Freddie Mac (Federal Home Loan Mortgage Corporation), Fannie Mae (Federal National Mortgage Association), and Federal Home Loan Bank. These investments were 19.07%, 41.05%, and 25.72%, respectively, of the County's total investments.

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

Interest Rate Risk - The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2010, the County had the following investments in debt securities:

Investment Type	Investment Maturities		
	Amount	Less than 1 year	1-5 years
U.S. agency securities	\$ 108,560,168	\$ 1,559,640	\$ 107,000,528
Corporate bonds	8,111,016	953,670	7,157,346
Money market funds	4,472,638	4,472,638	
	<u>\$ 121,143,822</u>	<u>\$ 6,985,948</u>	<u>\$ 114,157,874</u>

Foreign currency risk - State statutes do not allow foreign investments.

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Assets follows:

Cash and investments:

Cash on hand	\$ 36,877
Carrying amount of deposits	14,033,033
Amount of investments	<u>121,143,822</u>
Total	<u>\$ 135,213,732</u>

Statement of Net Assets:	Governmental Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 13,491,716	\$ 16,012,545	\$ 337,519	\$ 29,841,780
Investments		<u>103,156,320</u>	<u>2,215,632</u>	<u>105,371,952</u>
Total	<u>\$ 13,491,716</u>	<u>\$ 119,168,865</u>	<u>\$ 2,553,151</u>	<u>\$ 135,213,732</u>

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2010 in the General Fund include \$800,020 in state shared revenue from sales tax and excise tax and \$38,752 in various grants and contracts with other governmental units. Amounts due from other governments in the Road Fund include \$1,310,009 in highway user taxes and vehicle license tax from the State of Arizona, and the remaining balances in various contracts with other governmental units. Junior College Fund has \$466,000 due from other government from state grant. Amounts due from other governments in the Other Governmental Funds include \$810,934 in federal reimbursement grants. The remaining balances result from various grants and contracts with other government units.

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

NOTE 5 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 2,000,093		\$ (24,421)	\$ 1,975,672
Improvements other than buildings	63,410			63,410
Construction in progress	<u>9,865,350</u>	<u>\$ 3,802,898</u>	<u>\$ (13,635,666)</u>	<u>32,582</u>
Total capital assets not being depreciated	<u>11,928,853</u>	<u>3,802,898</u>	<u>(13,660,087)</u>	<u>2,071,664</u>
Capital assets being depreciated:				
Buildings	15,238,847	13,751,861	(106,807)	28,883,901
Machinery and equipment	26,329,597	582,881	(341,854)	26,570,624
Infrastructure	<u>2,032,084</u>			<u>2,032,084</u>
Total	<u>43,600,528</u>	<u>14,334,742</u>	<u>(448,661)</u>	<u>57,486,609</u>
Less accumulated depreciation for:				
Buildings	5,861,624	770,343	(63,728)	6,568,239
Machinery and equipment	19,838,331	1,802,569	(341,854)	21,299,046
Infrastructure	<u>196,982</u>	<u>50,082</u>		<u>247,064</u>
Total	<u>25,896,937</u>	<u>2,622,994</u>	<u>(405,582)</u>	<u>28,114,349</u>
Total capital assets being depreciated, net	<u>17,703,591</u>	<u>11,711,748</u>	<u>(43,079)</u>	<u>29,372,260</u>
Governmental activities capital assets, net	<u>\$ 29,632,444</u>	<u>\$15,514,646</u>	<u>\$ (13,703,166)</u>	<u>\$ 31,443,924</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 384,269
Public safety	743,356
Highways and streets	1,443,958
Health	25,705
Welfare	4,721
Education	<u>20,985</u>
Total depreciation expense - governmental activities	<u>\$ 2,622,994</u>

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

Construction Commitments

The County completed various major capital projects by June 30, 2010. Only one capital project is remaining at June 30, 2010 with estimated costs to complete of \$52,500 for the remodel of the Round Valley Justice Building.

NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Due Within</u> <u>1 Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,500,000		\$ (410,000)	\$ 6,090,000	\$ 430,000
Revenue bonds	3,980,000			3,980,000	
Special assessment bonds with governmental commitment	<u>74,000</u>		<u>(74,000)</u>		
Total bonds payable	10,554,000		(484,000)	10,070,000	430,000
Installment purchase contract payable	580,233		(60,075)	520,158	60,075
Capital leases payable	242,010		(65,195)	176,815	68,282
Compensated absences payable	<u>1,501,339</u>	<u>\$ 696,748</u>	<u>(730,366)</u>	<u>1,467,721</u>	<u>622,754</u>
Governmental activities long-term liabilities	<u>\$ 12,877,582</u>	<u>\$ 696,748</u>	<u>\$(1,339,636)</u>	<u>\$ 12,234,694</u>	<u>\$ 1,181,111</u>

Bonds - The County's bonded debt consists of various issues of general obligation, revenue, and special assessment bonds that are noncallable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. The County repays general obligation bonds from voter-approved property taxes. Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners.

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

<u>Description</u>	<u>Original</u> <u>Amount</u>	<u>Maturity</u> <u>Ranges</u>	<u>Interest</u> <u>Rates</u>	<u>Outstanding</u> <u>Principal</u>
General obligation bonds:				
Series 2007	\$ 7,190,000	7/1/10-21	4.5 - 5.0%	\$ 6,090,000
Revenue bonds:				
Series 2007B	3,980,000	8/1/13-27	4.0 - 5.0%	<u>3,980,000</u>
				<u>\$ 10,070,000</u>

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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

Year ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 430,000	\$ 276,250		\$ 176,512
2012	450,000	255,825		176,512
2013	470,000	234,450		176,512
2014	495,000	213,300	\$ 195,000	172,613
2015	520,000	191,025	205,000	164,612
2016-2020	3,025,000	579,375	1,145,000	687,087
2021-2025	700,000	31,500	1,415,000	407,709
2026-2028			1,020,000	76,355
Total	<u>\$ 6,090,000</u>	<u>\$ 1,781,725</u>	<u>\$ 3,980,000</u>	<u>\$ 2,037,912</u>

The County has pledged state shared revenues to repay the revenue bonds issued by the Greater Arizona Development Authority (the Authority). The bonds, issued by the Authority in November 2007 in the amount of \$3.98 million are to provide financing for construction of two administrative facilities and acquisition of two buildings and remodeling thereof to provide office space, and are payable through 2028. Annual interest payments on the bonds for 2010 required approximately 3.5% of the state shared revenue pledged. Principal payments are deferred until August 2013. Total principal and interest remaining to be paid on the bonds is \$6,017,912 as of June 30, 2010.

Installment purchase contracts - In August 2007, the County acquired land and an attached building under contract agreements at a total purchase price of \$625,000. In July 2008, the County acquired land and an attached building under contract agreements at a total purchase price of \$165,000. The following schedule details debt service requirements to maturity for the County's installment purchase contracts payable at June 30, 2010:

Year ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 60,075	\$ 42,935
2012	<u>460,083</u>	<u>36,272</u>
Total	<u>\$ 520,158</u>	<u>\$ 79,207</u>

Capital leases - The County has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 513,452
Less accumulated depreciation	<u>272,257</u>
Carrying value	<u>\$ 241,195</u>

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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

Year ending June 30,	<u>Governmental Activities</u>
2011	\$ 75,767
2012	75,767
2013	<u>37,885</u>
Total minimum lease payments	189,419
Less amount representing interest	<u>(12,604)</u>
Present value of net minimum lease payments	<u>\$ 176,815</u>

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

Compensated absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2010, the County paid for compensated absences as follows: 62 percent from the General Fund, 26 percent from the Road Fund, and 12 percent from other funds.

NOTE 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; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described on page 20.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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.

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

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

NOTE 8 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions - The County contributes to four plans, three of which are described below. The Elected Officials Retirement Plan (EORP) is not described, due to its relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

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

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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.

<u>ASRS</u>	<u>PSPRS and CORP</u>
3300 North Central Ave. P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or (800) 621-3778	3010 East Camelback Road, Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

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

Cost-sharing plans - For the year ended June 30, 2010, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.4 percent (9.0 percent for retirement and 0.4 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.4 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2010	\$ 871,228	\$ 104,501	\$ 43,483
2009	880,772	105,826	54,735
2008	899,687	117,350	56,308

Agent plans - For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute 27.50 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.93 percent of covered payroll. Active CORP members were required by statute to contribute 8.41 percent of the members' annual covered payroll and the County was required to contribute 8.47 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution was actuarially set at 0.68 percent of covered payroll.

Actuarial methods and assumptions-The contribution requirements for the year ended June 30, 2010, were established by the June 30, 2008, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

Projections of benefits are based on 1) the plans as understood by the County and the plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2010 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases includes inflation at	5.50%-8.50% 5.50%

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

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 423,152	\$ 22,888	\$ 41,352	\$ 7,906
Contributions made	438,203	7,837	49,258	0

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

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

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
PSPRS:				
Pension	2010	\$ 423,152	104 %	\$ 15,051
Health Insurance	2010	22,888	34 %	(15,051)
Pension	2009	386,486	103 %	13,492
Health Insurance	2009	13,545	50 %	(13,492)
Pension	2008	309,621	101 %	1,803
Health Insurance	2008	19,408	91 %	(1,803)
CORP:				
Pension	2010	\$ 41,352	119 %	\$ 7,906
Health Insurance	2010	7,906	0 %	(7,906)
Pension	2009	79,963	112 %	8,544
Health Insurance	2009	8,544	0 %	(8,544)
Pension	2008	56,861	118 %	8,784
Health Insurance	2008	8,784	0 %	(8,784)

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

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 8,947,515	\$ 220,347	\$ 1,374,358	\$ 60,465
Actuarial value of assets (b)	3,726,840	0	1,375,193	0
Unfunded actuarial accrued liability (funding excess) (a) – (b)	5,220,675	220,347	(835)	60,465
Funded ratio (b) / (a)	41.7%	0.0%	100.1%	0.0%
Covered payroll (c)	1,403,221	1,403,221	690,673	690,673
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $[(a) - (b)] / (c)$	372.0%	15.7%	0.0%	8.75%

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-Year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50%-8.50%
includes inflation at	5.50%

NOTE 9 - INTERFUND BALANCES AND ACTIVITY

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

Payable to	Payable from			Total
	General Fund	Junior College Fund	Nonmajor Governmental Funds	
General Fund		\$ 653,700	\$ 1,339,157	\$ 1,992,857
Road Fund	\$ 72,146		571,885	644,031
Nonmajor Governmental Funds	75,842			75,842
Total	<u>\$ 147,988</u>	<u>\$ 653,700</u>	<u>\$ 1,911,042</u>	<u>\$ 2,712,730</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, 2010, were as follows:

Transfer from	Transfer to		Total
	General Fund	Nonmajor Governmental Funds	
General Fund		\$ 1,252,706	\$ 1,252,706
Road Fund		52,500	52,500
Nonmajor Governmental Funds	\$ 60,825		60,825
Total	<u>\$ 60,825</u>	<u>\$ 1,305,206</u>	<u>\$ 1,366,031</u>

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

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

NOTE 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 her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

Substantially, all deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$1,229,612 of deposits. 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:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. agency securities	\$107,460,000	1.0% - 4.4%	11/10 - 6/15	\$ 108,560,168
Corporate bonds	10,465,000	1.5% - 5.0%	12/10 - 1/15	8,111,016
Money market funds	4,472,638	None stated	N/A	4,472,638

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

Statement of Net Assets	
Assets	\$ 133,984,120
Liabilities	
Net Assets	<u>\$ 133,984,120</u>
Net assets held in trust for:	
Internal participants	\$ 14,815,255
External participants	<u>119,168,865</u>
Total net assets held in trust	<u>\$ 133,984,120</u>
Statement of Changes in Net Assets	
Total additions	\$ 252,708,669
Total deductions	<u>253,034,117</u>
Net decrease	<u>(325,448)</u>
Net assets held in trust:	
July 1, 2009	<u>134,309,568</u>
June 30, 2010	<u>\$ 133,984,120</u>

APACHE COUNTY, ARIZONA

Notes to Financial Statements

June 30, 2010

NOTE 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 postclosure care costs when it anticipates closing the landfill in 2040.

However, the County will assume the financial responsibility for these costs if the Association is unable to pay when they are due. Annually, the County files the required financial assurance report with the Arizona Department of Environmental Quality to demonstrate financial responsibility for closure and postclosure care costs as required by state and federal laws and regulations. In the most recent financial assurance report, dated October 1, 2008, the County estimated the closure costs to be \$179,700 and postclosure care costs to be \$178,370 assuming the landfill was completely filled to capacity. This amount is based on what it would cost to perform all closure and postclosure care as of December 2006. According to its non-audited financial information for the year ended June 30, 2010, the landfill had used approximately 5 percent of its estimated capacity, and the Association had accumulated \$97,605 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

NOTE 12 - LITIGATION

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

APACHE COUNTY, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 4,766,588	\$ 4,766,588	\$ 4,727,566	\$ (39,022)
Licenses and permits	164,700	164,700	137,225	(27,475)
Intergovernmental	8,497,204	8,497,204	8,382,667	(114,537)
Charges for services	87,000	87,000	397,866	310,866
Fines and forfeits	546,000	546,000	596,079	50,079
Investment income	196,000	196,000	134,692	(61,308)
Contributions	848,017	848,017		(848,017)
Miscellaneous	27,009	27,009	210,275	183,266
Total revenues	<u>15,132,518</u>	<u>15,132,518</u>	<u>14,586,370</u>	<u>(546,148)</u>
Expenditures:				
General government				
Assessor	683,462	683,462	653,617	29,845
Attorney	965,567	965,567	786,472	179,095
Board of Supervisors	2,023,431	2,023,431	1,369,688	653,743
Clerk of the Court	545,464	545,464	433,886	111,578
Contingency	3,353,008	3,353,008	196,517	3,156,491
Data processing	1,406,127	1,406,127	355,414	1,050,713
Elections	243,018	243,018	181,564	61,454
Finance	539,225	539,225	420,115	119,110
Grounds/maintenance	896,682	896,682	732,492	164,190
JP-Chinle	171,754	171,754	137,554	34,200
JP-Puerco	290,988	290,988	255,338	35,650
JP-St. Johns	177,041	177,041	166,384	10,657
JP-Round Valley	339,572	339,572	278,297	61,275
Communication specialist and project	113,743	113,743	92,210	21,533
Community development	480,035	480,035	372,434	107,601
Recorder	470,563	470,563	372,148	98,415
Superior Court	505,273	505,273	398,052	107,221
Public Defenders	575,000	575,000	488,410	86,590
Jury fees and related	144,477	144,477	14,001	130,476
Support and care of persons	6,848	6,848	11,002	(4,154)
Treasurer	329,354	329,354	280,855	48,499
Legal services/judgments	30,000	30,000	31,553	(1,553)
Insurance	200,888	200,888	203,137	(2,249)
Public Fiduciary	90,601	90,601	77,801	12,800
Retirement reserve	45,661	45,661		45,661
Total general government	<u>14,627,782</u>	<u>14,627,782</u>	<u>8,308,941</u>	<u>6,318,841</u>

(Continued)

See accompanying notes to budgetary comparison schedule.

APACHE COUNTY, ARIZONA
 Required Supplementary Information
 Budgetary Comparison Schedule
 General Fund
 Year Ended June 30, 2010

	(continued)		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Constables	\$ 84,970	\$ 84,970	\$ 77,977	\$ 6,993
Adult probation	337,824	337,824	313,106	24,718
Juvenile probation	264,113	264,113	254,483	9,630
Sheriff	<u>2,771,666</u>	<u>2,771,666</u>	<u>2,684,835</u>	<u>86,831</u>
Total public safety	3,458,573	3,458,573	3,330,401	128,172
Health				
AHCCCS	1,110,400	1,110,400	929,866	180,534
Culture and recreation				
Agricultural extension	22,200	22,200	22,200	
Education				
School Superintendent	350,272	350,272	346,908	3,364
Professional Development	<u>92,000</u>	<u>92,000</u>	<u> </u>	<u>92,000</u>
Total education	442,272	442,272	346,908	95,364
Capital outlay			<u>581,924</u>	<u>(581,924)</u>
Total expenditures	<u>19,661,227</u>	<u>19,661,227</u>	<u>13,520,240</u>	<u>6,140,987</u>
Excess (deficiency) of revenues over expenditures	(4,528,709)	(4,528,709)	1,066,130	5,594,839
Other Financing Sources(Uses):				
Transfers in	4,697,072	4,697,072	60,825	(4,636,247)
Transfers out	(972,363)	(972,363)	(1,252,706)	(280,343)
Sales of capital assets	<u> </u>	<u> </u>	<u>535</u>	<u>535</u>
Total other financing sources and uses	<u>3,724,709</u>	<u>3,724,709</u>	<u>(1,191,346)</u>	<u>(4,916,055)</u>
Net change in fund balances	(804,000)	(804,000)	(125,216)	678,784
Fund balances, July 1, 2009	804,000	804,000	8,456,788	7,652,788
Increase in reserve for prepaids	<u> </u>	<u> </u>	<u>1,080</u>	<u>1,080</u>
Fund balances, June 30, 2010	<u> </u>	<u> </u>	<u>\$ 8,332,652</u>	<u>\$ 8,332,652</u>

See accompanying notes to budgetary comparison schedule.

APACHE COUNTY, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 8,653,000	\$ 8,653,000	\$ 8,639,276	\$ (13,724)
Charges for services	122,000	122,000	7,355	(114,645)
Investment income	12,000	12,000	13,067	1,067
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>2,045</u>	<u>1,045</u>
Total revenues	<u>8,788,000</u>	<u>8,788,000</u>	<u>8,661,743</u>	<u>(126,257)</u>
Expenditures:				
Highways and Streets				
Engineer	465,418	465,418	570,047	(104,629)
Safety	15,000	15,000	3,641	11,359
District #1	2,068,699	2,068,699	1,977,067	91,632
District #2	1,820,000	1,820,000	1,787,436	32,564
District #3	3,301,004	3,301,004	3,000,667	300,337
Liability insurance	242,682	242,682	248,279	(5,597)
Contingency	551,348	551,348	40,030	511,318
Deferred	<u>721,250</u>	<u>721,250</u>	<u> </u>	<u>721,250</u>
Total expenditures	<u>9,185,401</u>	<u>9,185,401</u>	<u>7,627,167</u>	<u>1,558,234</u>
Capital outlay	<u> </u>	<u> </u>	<u>229,453</u>	<u>(229,453)</u>
Excess (deficiency) of revenues over expenditures	(397,401)	(397,401)	805,123	1,202,524
Other Financing Sources (Uses):				
Transfers out	(1,022,529)	(1,022,529)	(52,500)	970,029
Sale of capital assets	<u> </u>	<u> </u>	<u>750</u>	<u>750</u>
Total other financing sources and uses	<u>(1,022,529)</u>	<u>(1,022,529)</u>	<u>(51,750)</u>	<u>970,779</u>
Net change in fund balances	(1,419,930)	(1,419,930)	753,373	2,173,303
Fund balances, July 1, 2009	1,419,930	1,419,930	1,791,170	371,240
Decrease in reserve for inventories	<u> </u>	<u> </u>	<u>(34,943)</u>	<u>(34,943)</u>
Decrease in reserve for prepaids	<u> </u>	<u> </u>	<u>(300)</u>	<u>(300)</u>
Fund balances, June 30, 2010	<u>\$ </u>	<u>\$ </u>	<u>\$ 2,509,300</u>	<u>\$ 2,509,300</u>

See accompanying notes to budgetary comparison schedule.

APACHE COUNTY, ARIZONA

Required Supplementary Information
Budgetary Comparison Schedule
Junior College Fund

Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Property taxes	\$ 1,148,191	\$ 1,148,191	\$ 1,127,696	(20,495)
Intergovernmental	727,895	727,895	669,528	\$ (58,367)
Investment income			9,327	9,327
Total revenues	<u>1,876,086</u>	<u>1,876,086</u>	<u>1,806,551</u>	<u>(69,535)</u>
Expenditures:				
Education:				
Junior College Tuition	<u>1,818,900</u>	<u>1,818,900</u>	<u>1,818,902</u>	<u>(2)</u>
Total expenditures	<u>1,818,900</u>	<u>1,818,900</u>	<u>1,818,902</u>	<u>(2)</u>
Excess (deficiency) of revenues over expenditures	<u>57,186</u>	<u>57,186</u>	<u>(12,351)</u>	<u>(69,537)</u>
Net change in fund balances	57,186	57,186	(12,351)	(69,537)
Fund Balances, July 1, 2009	<u>(57,186)</u>	<u>(57,186)</u>	<u>124,909</u>	<u>112,909</u>
Fund Balances, June 30, 2010	<u>\$</u>	<u>\$</u>	<u>\$ 112,558</u>	<u>\$ 112,558</u>

See accompanying notes to budgetary comparison schedule.

APACHE COUNTY, ARIZONA
 Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2010

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General Fund:	
Legal services/judgments	\$ 1,553
Support and care of persons	4,154
Insurance	2,249
Capital outlay	581,924
Road Fund :	
Engineer	104,629
Liability insurance	5,597
Capital outlay	229,453

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

APACHE COUNTY, ARIZONA

Required Supplementary Information
Schedule of Agent Retirement Plans' Funding Progress

June 30, 2010

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension						
6/30/10	\$ 3,726,840	\$ 8,947,515	\$(5,220,675)	41.7 %	\$ 1,403,221	372.0 %
Health						
Insurance						
6/30/10	0	220,347	(220,347)	0.0 %	1,403,221	15.7 %
Pension						
6/30/09	3,577,284	8,352,034	(4,774,750)	42.8 %	1,556,734	306.7 %
Health						
Insurance						
6/30/09	0	228,725	(228,725)	0.0 %	1,556,734	14.7 %
Pension						
6/30/08	3,341,532	7,484,212	(4,142,680)	44.6 %	1,338,474	309.5 %
Health						
Insurance						
6/30/08	0	248,221	(248,221)	0.0 %	1,338,474	18.6 %

CORRECTIONS OFFICER RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension						
6/30/10	\$ 1,375,193	\$ 1,374,358	\$ 835	100.1 %	\$ 690,673	0.0 %
Health						
Insurance						
6/30/10	0	60,465	(60,465)	0.0 %	690,673	8.8 %
Pension						
6/30/09	1,307,226	1,340,391	(33,165)	97.5 %	692,519	4.8 %
Health						
Insurance						
6/30/09	0	76,840	(76,840)	0.0 %	692,519	11.1 %
Pension						
6/30/08	1,189,066	1,271,850	(82,784)	93.5 %	798,548	10.4 %
Health						
Insurance						
6/30/08	0	50,585	(50,585)	0.0 %	798,548	6.3 %