

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2016

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3838 North Central Avenue
Suite 1700
Phoenix, Arizona 85012
602.230.1040
602.230.1065 (Fax)

Accountants' Compilation Report

www.wa-cpas.com

To the Honorable Board of Supervisors
of La Paz County, Arizona
Parker, Arizona

Management is responsible for the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, (the County) as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has omitted the management's discussion and analysis, budgetary comparison schedules and certain pension schedules related to the County's agent and cost sharing defined benefit plans that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The accompanying financial statements have been prepared assuming the County will continue as a going concern. As discussed in Note 11 to the financial statements, the County has incurred recurring deficits that have negatively affected its liquidity and has raised substantial doubt about its ability to continue as a going concern. Management's plans to alleviate this concern are also disclosed in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We are not independent with respect to the County.

Walker & Armstrong, LLP

Phoenix, Arizona
May 10, 2017

Basic Financial Statements

La Paz County
Statement of Net Position
June 30, 2016
(See Accountants' Compilation Report)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,439,864	\$ 74,498	\$ 1,514,362
Property taxes receivable	316,886	-	316,886
Due from other governments	2,143,881	-	2,143,881
Cash and investments held by trustees	3,758,316	-	3,758,316
Prepaid items	9,367	-	9,367
Capital assets, not being depreciated	43,243,843	-	43,243,843
Capital assets, being depreciated, net	21,564,165	1,056,872	22,621,037
Total assets	<u>72,476,322</u>	<u>1,131,370</u>	<u>73,607,692</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>5,507,839</u>	<u>146,983</u>	<u>5,654,822</u>
Liabilities			
Accounts payable	914,431	57,140	971,571
Accrued liabilities	398,104	28,144	426,248
Interest payable	446,630	-	446,630
Unearned revenue	562,500	-	562,500
Due to:			
Others	141,065	17,564	158,629
Other governments	346,583	-	346,583
Noncurrent liabilities:			
Due within one year	1,237,491	20,888	1,258,379
Due in more than one year	50,660,327	1,538,275	52,198,602
Total liabilities	<u>54,707,131</u>	<u>1,662,011</u>	<u>56,369,142</u>
Deferred Inflows			
Deferred inflows related to pensions	<u>1,931,687</u>	<u>132,056</u>	<u>2,063,743</u>
Net Position			
Net investment in capital assets	61,539,327	1,056,872	62,596,199
Restricted for:			
Highways and streets	484,146	-	484,146
Judicial	1,405,031	-	1,405,031
Public safety	963,735	-	963,735
Health and welfare	524,905	-	524,905
Debt service	3,461,646	-	3,461,646
Other purposes	237,465	-	237,465
Unrestricted (deficit)	(47,270,912)	(1,572,586)	(48,843,498)
Total net position	<u>\$ 21,345,343</u>	<u>\$ (515,714)</u>	<u>\$ 20,829,629</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2016
(See Accountants' Compilation Report)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 10,540,383	\$ 1,873,673	\$ 621,628	\$ 6,931	\$ (8,038,151)	\$ -	\$ (8,038,151)
Public safety	10,538,023	373,933	1,632,499	-	(8,531,591)	-	(8,531,591)
Highways and streets	4,544,026	-	1,070,778	3,899,672	426,424	-	426,424
Sanitation	2,079,127	1,587,886	47,042	-	(444,199)	-	(444,199)
Health	2,632,181	139,120	742,951	-	(1,750,110)	-	(1,750,110)
Welfare	579,791	107,902	257,773	-	(214,116)	-	(214,116)
Culture and recreation	187,862	-	-	-	(187,862)	-	(187,862)
Education	384,065	-	-	-	(384,065)	-	(384,065)
Interest on long-term debt	897,505	-	-	-	(897,505)	-	(897,505)
Total governmental activities	32,382,963	4,082,514	4,372,671	3,906,603	(20,021,175)	-	(20,021,175)
Business-type activities:							
Golf course	1,686,291	1,764,566	-	-	-	78,275	78,275
Parks	906,424	850,701	-	-	-	(55,723)	(55,723)
Total business-type activities	2,592,715	2,615,267	-	-	-	22,552	22,552
Total primary government	\$ 34,975,678	\$ 6,697,781	\$ 4,372,671	\$ 3,906,603	(20,021,175)	22,552	(19,998,623)
General revenues:							
Taxes:							
Property taxes levied for general purposes					4,914,166	-	4,914,166
Property taxes levied for special districts					40,696	-	40,696
Excise tax					4,820,221	-	4,820,221
Payments in lieu of taxes					2,090,571	-	2,090,571
Share of state sales taxes					2,235,955	-	2,235,955
Vehicle license tax					600,746	-	600,746
State shared revenues					550,390	-	550,390
Contributions not restricted to specific programs					613,659	-	613,659
Investment earnings					29,437	-	29,437
Miscellaneous					1,658,654	15,589	1,674,243
Total general revenues					17,554,495	15,589	17,570,084
Changes in net position					(2,466,680)	38,141	(2,428,539)
Net position - July 1, 2015					23,812,023	(553,855)	23,258,168
Net position - June 30, 2016					\$ 21,345,343	\$ (515,714)	\$ 20,829,629

See the accompanying notes to the financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2016**

(See Accountants' Compilation Report)

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 637,810	\$ 277,769	\$ 40,956	\$ -	\$ -	\$ 483,329	\$ 1,439,864
Cash and investments held by trustees	-	-	-	-	3,278,860	479,456	3,758,316
Property tax receivable	314,753	-	-	-	-	2,133	316,886
Due from other governments	272,029	391,958	91,943	-	182,786	1,205,165	2,143,881
Prepaid items	6,223	500	-	-	200	2,444	9,367
Total assets	<u>\$ 1,230,815</u>	<u>\$ 670,227</u>	<u>\$ 132,899</u>	<u>\$ -</u>	<u>\$ 3,461,846</u>	<u>\$ 2,172,527</u>	<u>\$ 7,668,314</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable	\$ 487,951	\$ 160,254	\$ 78,163	\$ -	\$ -	\$ 188,063	\$ 914,431
Accrued liabilities	231,016	26,650	33,435	-	-	107,003	398,104
Unearned revenue	562,500	-	-	-	-	-	562,500
Due to:							
Others	27,326	1,133	52,029	-	-	60,577	141,065
Other governments	221,495	-	-	-	-	125,088	346,583
Total liabilities	<u>1,530,288</u>	<u>188,037</u>	<u>163,627</u>	<u>-</u>	<u>-</u>	<u>480,731</u>	<u>2,362,683</u>
Deferred inflows of resources:							
Unavailable revenues:							
Property taxes	291,063	-	-	-	-	2,028	293,091
Total deferred inflows of resources	<u>291,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,028</u>	<u>293,091</u>
Fund balances:							
Nonspendable:							
Prepaid items	6,223	500	-	-	200	2,444	9,367
Restricted	-	481,690	-	-	3,461,646	3,064,010	7,007,346
Committed	-	-	-	-	-	475,462	475,462
Unassigned	(596,759)	-	(30,728)	-	-	(1,852,148)	(2,479,635)
Total fund balances	<u>(590,536)</u>	<u>482,190</u>	<u>(30,728)</u>	<u>-</u>	<u>3,461,846</u>	<u>1,689,768</u>	<u>5,012,540</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,230,815</u>	<u>\$ 670,227</u>	<u>\$ 132,899</u>	<u>\$ -</u>	<u>\$ 3,461,846</u>	<u>\$ 2,172,527</u>	<u>\$ 7,668,314</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016
(See Accountants' Compilation Report)

Fund balances—total governmental funds		\$ 5,012,540
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$122,581,629 and the accumulated depreciation is \$57,773,621.		64,808,008
Some of the County's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.		293,091
Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.		(446,630)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Notes payable	\$ (1,195,000)	
Obligations under capital leases	(2,073,671)	
Compensated absences payable	(1,091,364)	
Net pension liability	(31,203,289)	
Bonds payable	<u>(16,334,494)</u>	(51,897,818)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore, are not reported in the funds.		<u>3,576,152</u>
Net position of governmental activities		<u><u>\$ 21,345,343</u></u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016
(See Accountants' Compilation Report)

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Revenues:							
Taxes	\$ 6,790,502	\$ 548,745	\$ 1,214,081	\$ -	\$ 2,392,058	\$ 40,694	\$ 10,986,080
Licenses and permits	265,417	-	-	-	-	-	265,417
Fees, fines and forfeits	1,080,751	-	-	-	-	11,711	1,092,462
Intergovernmental	5,044,663	3,899,672	-	-	-	3,663,110	12,607,445
Charges for services	1,733,535	-	302,542	-	-	688,558	2,724,635
Investment income	10,503	3,665	-	-	-	15,269	29,437
Miscellaneous	1,512,366	5,425	3,402	-	-	137,461	1,658,654
Total revenues	<u>16,437,737</u>	<u>4,457,507</u>	<u>1,520,025</u>	<u>-</u>	<u>2,392,058</u>	<u>4,556,803</u>	<u>29,364,130</u>
Expenditures:							
Current:							
General government	7,251,815	-	-	-	20,500	993,189	8,265,504
Public safety	4,351,655	-	3,282,095	-	-	1,848,786	9,482,536
Highways and streets	-	3,390,539	-	-	-	551,777	3,942,316
Sanitation	1,625,994	-	-	-	-	450,606	2,076,600
Health	1,261,983	-	-	-	-	1,336,262	2,598,245
Welfare	151,944	-	-	-	-	416,618	568,562
Culture and recreation	-	-	-	-	-	161,030	161,030
Education	224,211	-	-	-	-	159,857	384,068
Capital outlay	41,924	407,007	1,839	-	-	623,613	1,074,383
Debt service:							
Principal	123,925	-	40,000	-	2,150,000	-	2,313,925
Interest	80,437	-	40,086	-	776,982	-	897,505
Bond issuance costs	-	-	-	-	-	78,205	78,205
Total expenditures	<u>15,113,888</u>	<u>3,797,546</u>	<u>3,364,020</u>	<u>-</u>	<u>2,947,482</u>	<u>6,619,943</u>	<u>31,842,879</u>
Excess (deficiency) of revenues over expenditures	1,323,849	659,961	(1,843,995)	-	(555,424)	(2,063,140)	(2,478,749)
Other financing sources (uses):							
Transfers in	-	-	3,115,672	-	20,700	1,417,665	4,554,037
Transfers out	(4,064,560)	-	-	(489,477)	-	-	(4,554,037)
Proceeds from bonds	-	-	-	-	-	1,019,494	1,019,494
Total other financing sources (uses)	<u>(4,064,560)</u>	<u>-</u>	<u>3,115,672</u>	<u>(489,477)</u>	<u>20,700</u>	<u>2,437,159</u>	<u>1,019,494</u>
Net change in fund balances	(2,740,711)	659,961	1,271,677	(489,477)	(534,724)	374,019	(1,459,255)
Fund balances, July 1, 2015	<u>2,150,175</u>	<u>(177,771)</u>	<u>(1,302,405)</u>	<u>489,477</u>	<u>3,996,570</u>	<u>1,315,749</u>	<u>6,471,795</u>
Fund balances (deficit), June 30, 2016	<u>\$ (590,536)</u>	<u>\$ 482,190</u>	<u>\$ (30,728)</u>	<u>\$ -</u>	<u>\$ 3,461,846</u>	<u>\$ 1,689,768</u>	<u>\$ 5,012,540</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016
(See Accountants' Compilation Report)

Net change in fund balances - total governmental funds		\$ (1,459,255)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for general capital assets	\$ 1,126,926	
Depreciation expense	<u>(1,414,587)</u>	(287,661)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		552,150
<p>Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:</p>		
Notes payable	60,000	
Bonds payable	2,150,000	
Obligations under capital leases	<u>103,925</u>	2,313,925
<p>County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
County pension contributions	1,948,625	
Pension expense	<u>(4,295,925)</u>	(2,347,300)
<p>The issuance of long-term debt obligations provides current financial resources to governmental funds, however, issuances do not affect net position balances.</p>		
		(1,019,494)
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net increase in compensated absences	(197,201)	
Net decrease in interest accrued on debt obligations	<u>(21,844)</u>	<u>(219,045)</u>
Change in net position of governmental activities		<u><u>\$ (2,466,680)</u></u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Position
Proprietary Funds
June 30, 2016
(See Accountants' Compilation Report)

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 73,998	\$ 500	\$ 74,498
Due from Parks Fund	458,595	-	458,595
Noncurrent assets:			
Capital assets, net of accumulated depreciation	601,605	455,267	1,056,872
Total assets	1,134,198	455,767	1,589,965
Deferred Outflows			
Deferred outflows related to pensions	90,872	56,111	146,983
Liabilities			
Current liabilities:			
Accounts payable	36,222	20,918	57,140
Accrued payroll and employee benefits	22,293	5,851	28,144
Due to others	41	17,523	17,564
Due to Golf Course Fund	-	458,595	458,595
Compensated absences payable, current portion	20,888	-	20,888
Total current liabilities	79,444	502,887	582,331
Noncurrent liabilities:			
Compensated absences payable, net of current portion	114,323	13,990	128,313
Net pension liability	871,703	538,259	1,409,962
Total liabilities	1,065,470	1,055,136	2,120,606
Deferred Inflows			
Deferred inflows related to pensions	81,643	50,413	132,056
Net Position			
Net investment in capital assets	601,605	455,267	1,056,872
Unrestricted (deficit)	(523,648)	(1,048,938)	(1,572,586)
Total net position	\$ 77,957	\$ (593,671)	\$ (515,714)

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016
(See Accountants' Compilation Report)

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Operating revenues:			
Fees	\$ 1,764,566	\$ 850,701	\$ 2,615,267
Miscellaneous	-	15,589	15,589
Total operating revenues	<u>1,764,566</u>	<u>866,290</u>	<u>2,630,856</u>
Operating expenses:			
Personnel services	872,776	480,124	1,352,900
Professional services	174,113	7,315	181,428
Supplies	165,507	107,609	273,116
Communications	7,344	8,070	15,414
Utilities	73,208	178,705	251,913
Repairs and maintenance	217,975	55,910	273,885
Depreciation	125,214	53,026	178,240
Other	50,154	15,665	65,819
Total operating expenses	<u>1,686,291</u>	<u>906,424</u>	<u>2,592,715</u>
Increase (decrease) in net position	78,275	(40,134)	38,141
Net position, July 1, 2015	<u>(318)</u>	<u>(553,537)</u>	<u>(553,855)</u>
Net position, June 30, 2016	<u>\$ 77,957</u>	<u>\$ (593,671)</u>	<u>\$ (515,714)</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016
(See Accountants' Compilation Report)

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,764,566	\$ 933,698	\$ 2,698,264
Payments to suppliers and providers of goods and services	(688,034)	(377,816)	(1,065,850)
Payments for employee wages and benefits	(851,237)	(533,699)	(1,384,936)
Net cash provided by operating activities	225,295	22,183	247,478
Cash flows from noncapital financing activities:			
Negative cash balance implicitly repaid	(444,387)	(22,183)	(466,570)
Net cash used for noncapital financing activities	(444,387)	(22,183)	(466,570)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(93,676)	-	(93,676)
Payments on capital lease obligation	(7,383)	-	(7,383)
Net cash used for capital and related financing activities	(101,059)	-	(101,059)
Net decrease in cash and cash equivalents	(320,151)	-	(320,151)
Cash and cash equivalents, July 1, 2015	394,149	500	394,649
Cash and cash equivalents, June 30, 2016	\$ 73,998	\$ 500	\$ 74,498

(continued)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2016
(See Accountants' Compilation Report)

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 78,275	\$ (40,134)	\$ 38,141
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation	125,214	53,026	178,240
Changes in assets, deferred outflows and inflows of resources and liabilities:			
Decrease in due from others	-	64,021	64,021
Increase (decrease) in accounts payable	12,914	(4,542)	8,372
Decrease in accrued payroll and employee benefits	(12,647)	(16,241)	(28,888)
Increase in due to others	-	3,387	3,387
Increase in net pension liability	11,424	28,353	39,777
Increase in deferred outflows of resources	15,087	6,693	21,780
Decrease in deferred inflows of resources	(83,720)	(47,601)	(131,321)
Increase (decrease) in compensated absences payable	78,748	(24,779)	53,969
Net cash provided by operating activities	\$ 225,295	\$ 22,183	\$ 247,478

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(See Accountants' Compilation Report)

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 16,248,200	\$ 716,452
Total assets	\$ 16,248,200	\$ 716,452
Liabilities		
Due to other governments	-	\$ 716,452
Total liabilities	-	\$ 716,452
Net Position		
Held in trust for investment trust participants	\$ 16,248,200	

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016
 (See Accountants' Compilation Report)

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 50,016,570
Total additions	50,016,570
Deductions:	
Distributions to participants	49,924,640
Total deductions	49,924,640
Change in net position	91,930
Net position, July 1, 2015	16,156,270
Net position, June 30, 2016	\$ 16,248,200

See the accompanying notes to the financial statements.

La Paz County
Notes to Financial Statements
June 30, 2016
(See Accountants' Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies

The accounting policies of La Paz 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, 2016, the County implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No.72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

A. Reporting Entity

The County is a general-purpose local government located in southwestern Arizona that was established in 1983. It is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

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

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies -Continued

The following table describes the County’s component units:

Component Unit	Description; Criteria for Inclusion	Reporting Method	Separate Financial Statements
Jail District	A tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems pursuant to Arizona Revised Statutes; All budgetary and operational activities are administered by the La Paz County Board of Supervisors and meet the criteria for a blended component unit.	Blended	Not available
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; All budgetary and operational activities are administered by the La Paz County Board of Supervisors and meet the criteria for a blended component unit.	Blended	Not available

Related Organization:

The Industrial Development Authority of La Paz County (Authority) is a legally separate entity that was created to assist in the financing of commercial and industrial enterprises. The Authority fulfills its function through the issuance of tax exempt or taxable revenue bonds. The County's Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

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.

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies -Continued

Government-wide statements — provide information about the primary government (the County) and its component units. The statements include a Statement of Net Position and a Statement of Activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segments of its business-type 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 and capital grants and contributions, including special assessments.

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

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

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

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as golf course fees, in which each party receives and gives up essentially equal values, are operating revenues. Nonoperating revenues, such as investment income, result from transactions in which the parties do not exchange equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The County reports the following major governmental funds:

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, a special revenue fund, accounts for monies from Highway User Revenue Fund and Vehicle License Tax that are restricted for road maintenance and operations, pavement preservation, and fleet services.

The Jail District Fund was established by La Paz County resolution §89-5845 under the authority of Article 1, Chapter 25, and Title 48, of the Arizona Revised Statutes on November 20, 1989. On June 18, 1990, the Jail District Board of Directors adopted Resolution JD90-12, under the authority of Arizona Revised Statutes §48-4022, establishing a one-half cent excise sales tax effective January 1, 1991, through perpetuity. The Jail District Fund accounts for monies received from excise sales tax revenue that is restricted for debt service, maintenance of effort payments received from the County General Fund and charges for services for prisoner incarceration. The monies are expended for the operating expenditures of the County's jail.

The Business 95 Road Improvement Fund accounts for monies from the Arizona Department of Transportation that is committed for roadway realignment, shoulder improvements, and drainage improvements to state road Business 95. The State of Arizona transferred ownership jurisdiction and maintenance responsibilities to the County during fiscal year 2002.

In May 2017, the County's Board of Supervisors approved transferring the Business 95 Fund's remaining committed fund balance to the Jail District Fund to supplement its operating deficit.

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

The Debt Service Fund accounts for activity pertaining to the County's judgment bonds payable.

The County reports the following major enterprise funds:

The Golf Course Fund accounts for the activities and related operations and maintenance of an 18 hole golf course and pro-shop.

The Parks Fund accounts for the activities and related operations and maintenance of the County's six public parks.

The County reports the following fiduciary 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, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of the 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.

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

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, sales taxes, licenses and permits, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. 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 resources available to finance the program. The County applies grant resources to such programs before using general revenues.

D. Cash and Investments

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

All investments are stated at fair value.

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenses or expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2016, were immaterial, they are not included in the Statements of Net Position or the Balance Sheet.

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

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 and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Gravel and dirt roads	All	N/A	N/A
Water rights	All	N/A	N/A
Land improvements	\$10,000	Straight-line	10-30 years
Infrastructure	10,000	Straight-line	20-75 years
Buildings and improvements	10,000	Straight-line	25-50 years
Improvements other than buildings	5,000	Straight-line	7-30 years
Machinery and equipment	5,000	Straight-line	5-20 years
Golf course and improvements	5,000	Straight-line	30 years

Unlike paved roads, gravel and dirt roads are not depreciated since once they are placed in operation, only annual maintenance is required to keep them operational for an indefinite period.

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

H. *Investment Income*

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

I. *Deferred Outflows/Inflows of Resources*

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

J. *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 160 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 government-wide and proprietary funds' 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 an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, employees who accumulate unused sick leave in excess of 384 hours are paid a percentage of the excess unused sick leave based on the number of years of consecutive service with the County; therefore, the excess sick leave is accrued in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only for employees who have resigned or retired by fiscal year-end.

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 2 - Stewardship, Compliance, and Accountability

Ten General Fund departments had an excess of actual expenditures over appropriations. General Fund departments with expenditures in excess of appropriations were caused mainly by excess expenditures for which budget modifications were not made. The County’s Road Fund also had expenditures in excess of appropriations.

The County will work closely with these departments to minimize future similar overruns.

Deficit fund balances—At June 30, 2016, the following governmental funds reported deficit fund balances exceeding \$50,000:

Fund	Deficit
Governmental funds:	
General Fund	\$ 590,536
Workforce Investment Act - Adult	143,892
Emergency Services	116,306
Bio Terrorism	115,127
Jail Commissary	105,020
Highway Safety Grant	98,791
Statewide Fiscal Stabilization Fund	98,122
High Intensity Drug Trafficking Area Grant	96,684
Stone Garden Grant	92,969
Hazard Mitigation Grant Program	72,135
AZ Game & Fish Boating Grant	70,606
Boating Patrol Grant	64,496
Drug, Gang, Violent Crime Grant	61,579
Anti-Meth Initiative Grant	55,096

The above fund deficits resulted from operations during the year or carryovers from prior years and are expected to be corrected through normal operations in the future or will be settled by future transfers between funds including, if necessary, the general fund. In addition, to the above deficits, the Jail District’s operating deficit is over \$1 million per year in which the losses are being completely subsidized by the General Fund.

In addition the Parks Fund, which is a major proprietary fund, also reported a deficit of \$593,671 which is expected to be recovered by future earnings or transfers from the Golf Course Fund.

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 3 - Fund Balance Classifications of the Governmental Funds

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

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

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

Assigned fund balances are resources constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Manager, Elected Officials and the Finance Director to make the assignments of resources for specific purposes pursuant to resolution by the Board in a public meeting.

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

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

The fund balance categories and classifications for governmental funds as of June 30, 2016, were as follows:

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 3 - Fund Balance Classifications of the Governmental Funds – Continued

	Major Funds						Total
	General Fund	Road Fund	Jail District Fund	Business 95		Other Governmental Funds	
				Road Improvement Fund	Debt Service Fund		
Fund balances:							
Nonspendable	\$ 6,223	\$ 500	\$ -	\$ -	\$ 200	\$ 2,444	\$ 9,367
Restricted for:							
Education	-	-	-	-	-	35,536	35,536
Health	-	-	-	-	-	208,893	208,893
Highways and streets	-	481,690	-	-	-	2,456	484,146
Judicial	-	-	-	-	-	1,335,449	1,335,449
Public safety	-	-	-	-	-	963,735	963,735
Transit	-	-	-	-	-	113,431	113,431
Water and sanitation	-	-	-	-	-	45,237	45,237
Welfare	-	-	-	-	-	316,012	316,012
Debt service	-	-	-	-	3,461,646	-	3,461,646
Other purposes	-	-	-	-	-	43,261	43,261
Total restricted	-	481,690	-	-	3,461,646	3,064,010	7,007,346
Committed to:							
Judicial	-	-	-	-	-	471,920	471,920
Other	-	-	-	-	-	3,542	3,542
Total committed	-	-	-	-	-	475,462	475,462
Unassigned	(596,759)	-	(30,728)	-	-	(1,852,148)	(2,479,635)
Total fund balances	\$ (590,536)	\$ 482,190	\$ (30,728)	\$ -	\$3,461,846	\$ 1,689,768	\$5,012,540

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 4 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer’s investment pool; U.S. Treasury or agency obligations; specified state and local government bonds, notes and other evidence of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper; specified bonds, debentures, and notes and other evidence of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk - Statutes require collateral for deposits at 102 percent of all deposits not covered by federal depository insurance.

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

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

Foreign currency risk - Statutes do not allow foreign investments.

Deposits - Custodial credit risk is the risk that in the event of bank failure the County’s deposits may not be returned to the County. The County does not have a deposit policy for custodial credit risk.

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 4 - Deposits and Investments - Continued

At June 30, 2016, the carrying amount of the County’s total cash in the bank was \$8,935,013 and the bank balance was \$9,161,782. All County deposits are collateralized by the amount not covered by depository insurance.

Investments - The County’s investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	<u>Amount</u>	<u>Fair value measurement using</u>		
		<u>Quoted Prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
U.S. Agency securities	\$ 9,537,396	\$ 9,537,396	\$ -	\$ -
U.S. Government money market funds	<u>3,758,316</u>	<u>3,758,316</u>	-	-
Total investments	<u>\$ 13,295,712</u>	<u>\$ 13,295,712</u>	<u>\$ -</u>	<u>\$ -</u>

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

Credit risk - The County does not have a formal investment policy with respect to credit risk. However, the 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	\$ 9,537,396
U.S. Government money market funds	Aaa	Moody's	<u>3,758,316</u>
			<u>\$ 13,295,712</u>

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2016, the County had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Agency securities	\$ 9,537,396	\$ -	\$ 9,537,396
U.S. Government money market	<u>3,758,316</u>	<u>3,758,316</u>	-
	<u>\$ 13,295,712</u>	<u>\$ 3,758,316</u>	<u>\$ 9,537,396</u>

Notes to Financial Statements – Continued
(See Accountants’ Compilation Report)

Note 4 - Deposits and Investments - Continued

A reconciliation of cash and investments to amounts shown on the Statements of Net Position follows:

	County Treasurer's Investment Pool	Other	Total
Cash on hand	\$ -	\$ 6,605	\$ 6,605
Carrying amount of deposits	8,057,366	877,647	8,935,013
Reported amount of investments	9,537,396	3,758,316	13,295,712
Total	\$ 17,594,762	\$ 4,642,568	\$ 22,237,330

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

	Govern- mental Activities	Business- Type Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 1,439,864	\$ 74,498	\$ 16,248,200	\$ 716,452	\$ 18,479,014
Cash and investments held by trustees	3,758,316	-	-	-	3,758,316
	\$ 5,198,180	\$ 74,498	\$ 16,248,200	\$ 716,452	\$ 22,237,330

Note 5 - Condensed Financial Statements of County Treasurer’s Investment Pool

A.R.S. requires 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’s 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.

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 5 - Condensed Financial Statements of County Treasurer's Investment Pool – Continued

Deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$6,605 of cash on hand, \$877,647 of deposits held in bank, \$479,456 held by the State of Arizona Attorney General's Office and \$3,278,860 held in U.S. Government money market funds. Therefore, deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency securities	.38% to 1.13%	1 - 5 years	\$ 9,537,396
Deposits	N/A	N/A	<u>8,057,366</u>
			<u><u>\$ 17,594,762</u></u>

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

Statement of Net Position	
Assets	\$ 17,594,762
Net position	<u>\$ 17,594,762</u>
Net position held in trust for:	
Internal participants	\$ 674,754
External participants	<u>16,920,008</u>
Total net position held in trust	<u>\$ 17,594,762</u>
Statement of Changes in Net Position	
Total additions	\$ 94,499,937
Total deductions	<u>(95,713,923)</u>
Net decrease	<u>(1,213,986)</u>
Net position held in trust:	
July 1, 2015	<u>18,808,748</u>
June 30, 2016	<u>\$ 17,594,762</u>

Notes to Financial Statements – Continued
(See Accountants' Compilation Report)

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Primary Government			Balance June 30, 2016
	Balance June 30, 2015	Increases	Decreases	
Governmental activities:				
<i>Capital assets</i>				
<i>not being depreciated</i>				
Land	\$ 687,166	\$ -	\$ -	\$ 687,166
Water rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Total capital assets, not being depreciated	43,243,843	-	-	43,243,843
<i>Capital assets being depreciated:</i>				
Land improvements	25,271	-	-	25,271
Building and improvements	16,206,843	47,870	-	16,254,713
Machinery and equipment Improvements	13,435,023	956,906	-	14,391,929
other than buildings	171,848	26,700	-	198,548
Infrastructure	48,371,875	95,450	-	48,467,325
Total capital assets being depreciated	78,210,860	1,126,926	-	79,337,786
Total	121,454,703	1,126,926	-	122,581,629
<i>Less accumulated depreciation for:</i>				
Land improvements	19,895	575	-	20,470
Buildings and improvements Improvements	6,284,229	461,231	-	6,745,460
other than buildings	158,226	2,266	-	160,492
Machinery and equipment Infrastructure	12,099,344	473,550	-	12,572,894
	37,797,340	476,965	-	38,274,305
Total	56,359,034	1,414,587	-	57,773,621
Total capital assets being depreciated, net	21,851,826	(287,661)	-	21,564,165
Governmental activities capital assets, net	\$ 65,095,669	\$ (287,661)	\$ -	\$ 64,808,008

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 6 - Capital Assets – Continued

	Primary Government			Balance June 30, 2016
	Balance June 30, 2015	Increases	Decreases	
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Golf course and improvements	\$ 2,848,510	\$ -	\$ -	\$ 2,848,510
Land improvements	19,131	-	-	19,131
Building and improvements	765,664	-	-	765,664
Improvements other than buildings	536,004	-	-	536,004
Machinery and equipment	<u>1,192,620</u>	<u>93,676</u>	<u>-</u>	<u>1,286,296</u>
Total	<u>5,361,929</u>	<u>93,676</u>	<u>-</u>	<u>5,455,605</u>
<i>Less accumulated depreciation for:</i>				
Golf course and improvements	2,415,331	95,636	-	2,510,967
Land improvements	13,548	638	-	14,186
Buildings and improvements	364,540	22,588	-	387,128
Improvements other than buildings	304,754	27,328	-	332,082
Machinery and equipment	<u>1,122,320</u>	<u>32,050</u>	<u>-</u>	<u>1,154,370</u>
Total	<u>4,220,493</u>	<u>178,240</u>	<u>-</u>	<u>4,398,733</u>
Business-type activities capital assets, net	<u>\$ 1,141,436</u>	<u>\$ (84,564)</u>	<u>\$ -</u>	<u>\$ 1,056,872</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 270,063
Public safety	415,750
Highways and streets	654,251
Welfare	11,229
Health	33,936
Culture and recreation	26,831
Sanitation	2,527
Total governmental activities depreciation expense	<u>\$ 1,414,587</u>
Business-type activities:	
Culture and recreation – Golf Course	\$ 125,214
Culture and recreation – Parks	53,026
Total business-type activities depreciation expense	<u>\$ 178,240</u>

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Governmental activities					
Notes payable	\$ 1,255,000	\$ -	\$ 60,000	\$ 1,195,000	\$ 195,000
Bonds payable	17,465,000	1,019,494	2,150,000	16,334,494	705,000
Obligations under capital leases	2,177,596	-	103,925	2,073,671	228,356
Compensated absences payable	894,163	197,201	-	1,091,364	109,135
Net pension liability	29,902,309	1,300,980	-	31,203,289	-
Governmental activities long-term liabilities	<u>\$ 51,694,068</u>	<u>\$ 2,517,675</u>	<u>\$ 2,313,925</u>	<u>\$ 51,897,818</u>	<u>\$ 1,237,491</u>
Business-type activities					
Obligations under capital leases	\$ 1,324	\$ -	\$ 1,324	\$ -	\$ -
Compensated absences payable	95,228	53,973	-	149,201	20,888
Net pension liability	1,370,185	39,777	-	1,409,962	-
Business-type activities long-term liabilities	<u>\$ 1,466,737</u>	<u>\$ 93,750</u>	<u>\$ 1,324</u>	<u>\$ 1,559,163</u>	<u>\$ 20,888</u>

Capital leases

The County has acquired jail facilities 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.

During 2013, the County refinanced a capital lease obligation originally entered into in 2007 to expand the County's jail facility. The obligation was refinanced under a lease purchase agreement on August 23, 2012 at \$1,585,000. The interest rate decreased from 4.60% per annum to 2.62% per annum and the maturity date was extended from July 2019 to July 2022 with principal and interest payments due biannually. Initial principal payments under the agreement are scheduled to begin on July 1, 2014.

During 2015, the County entered into a lease purchase agreement to finance solar panels in the amount of \$489,121. The lease term extends through fiscal year 2033 with principal and interest paid monthly. Interest on the obligation accrues at 3.0%.

Also during 2015, the County entered into a lease purchase agreement to finance telephone equipment in the amount of \$143,393. The lease term extends through fiscal year 2020 with principal and interest paid monthly. Interest on the obligation accrues at 5.0%.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 7 - Long-Term Liabilities- Continued

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2016:

Year Ending June 30,	Governmental Activities
2017	\$ 284,043
2018	289,065
2019	293,825
2020	287,022
2021	274,891
2022 - 2036	985,022
Total minimum lease payments	2,413,868
Less amount representing interest	340,197
Present value of net minimum lease payments	\$ 2,073,671

The assets acquired through capital leases are as follows:

	Governmental Activities
Jail facility	\$ 2,051,038
Infrastructure	489,121
Machinery and equipment	264,882
Less: accumulated depreciation	668,941
Carrying value	\$ 2,136,100

The Jail District has pledged the maintenance of effort payments from the County's general fund to the Jail District and voter approved excise tax for the payment of the debt service on the lease through 2020. Principal payments and interest expense incurred on this debt during 2016 totaled \$80,086 while voter approved excise taxes and maintenance of effort revenues were \$1,214,081 and \$720,000, respectively. Annual principal and interest payments on the lease are expected to require 11% of total pledged revenue.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 7 - Long-Term Liabilities – Continued

Notes Payable

In August 2008, the County entered into a financing agreement for the purchase of Colorado River water rights. In August 2012, the obligation was refinanced at \$1,015,000 in which the original interest rate of 7.75% per annum decreased to 4.00% per annum and the maturity date extended from July 2018 to July 2021. This obligation is pledged by future County excise tax that has not already been encumbered.

Also, in January 2009 the County entered into an agreement to finance the construction of the Salome Community Center. The obligation was refinanced in August 2012 for \$300,000 in which the original interest rate of 5.75% per annum was reduced to 2.60% per annum and the maturity date extended from January 2019 to July 2020. This obligation is also pledged by future County excise tax that has not already been encumbered.

Pursuant to these agreements, the County has pledged General Fund transaction privilege taxes. For the current year, principal and interest paid on the notes was \$105,010 and the total pledged transaction privilege tax revenues was \$1,489,924. Annual principal and interest payments on the notes are expected to require 21% of total pledged transaction privilege tax revenue.

The annual debt service to maturity for the notes payable is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	\$ 195,000	\$ 40,365
2018	200,000	33,235
2019	205,000	25,905
2020	210,000	18,375
2021	220,000	10,580
2022-2026	165,000	3,300
Total	\$ 1,195,000	\$ 131,760

Bonds payable – On September 12, 2011, the County issued excise tax revenue judgment bonds to finance the cost of settling obligations of a judgment, and related to cost incurred by the County. The bonds issued by the County are described as follows:

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 7 - Long-Term Liabilities – Continued

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Range</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Excise Tax Revenue Judgment Bonds, Series 2011 A (Tax Exempt)	\$16,240,000	2013- 2036	3.72% to 4.75%	\$ 13,840,000
Excise Tax Revenue Judgment Bonds, Series 2011 B (Taxable)	\$ 1,875,000	2013- 2021	5.25%	1,475,000
Excise Tax Revenue Sheriff Patrol Vehicles Financing (Tax Exempt)	\$ 530,000	2016- 2021	2.20%	530,000
Excise Tax Revenue Buckskin Sanitary District Utility Project (Taxable)	\$ 489,494	2017- 2025	4.44%	489,494
				<u>\$ 16,334,494</u>

On September 12, 2011, the County Board of Supervisors authorized a levy of excise tax to be collected until all debt service costs have been paid relating to the County's judgment bonds. For the current year, the County incurred \$747,944 in interest expense and \$2,150,000 in principal payments. Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2016, \$2,392,058 was levied and collected.

On July 12, 2016, the County refunded the bonds in the amount of \$13,760,000 with interest rates ranging from 1.2% to 2.25% and maturing between 2017 and 2025.

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2016:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,639,000	\$ 141,022
2018	1,696,426	254,930
2019	1,724,443	225,820
2020	1,748,550	201,370
2021	1,772,750	174,097
2022-2025	7,753,325	375,299
Total	<u>\$ 16,334,494</u>	<u>\$ 1,372,538</u>

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 7 - Long-Term Liabilities – Continued

Line of credit – The County entered into a revolving line of credit agreement on August 4, 2010 that was amended on July 18, 2011. The revolving line of credit is renewed annually and the total commitment amount during 2016 was \$1,000,000 (it was temporarily increased to \$1.5 million during the year). During 2016, the County Treasurer had draws and repayments of \$9,750,119 and there were no outstanding balances at June 30, 2016. The line is used to meet short-term cash flow needs of the County Treasurer's investment pool.

Landfill closure and postclosure care costs - The County has contracted with an outside agency to provide operations for its solid waste facilities. The contract requires the outside agency to reserve funds in accordance with the closure plan for closure and postclosure care costs. In the event of termination of the contract, the required reserve funds are to be remitted to the County. Consequently, no liability for landfill closure and postclosure care costs has been recorded on the Statement of Net Position.

Compensated absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2016, the County paid for compensated absences as follows: 88 percent from the Governmental Activities and 12 percent from the Business-Type Activities.

Note 8 - Risk Management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 8 - Risk Management – Continued

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 member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool and the Arizona local Government Employee Benefit Trust 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, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. All pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If a pool were to become insolvent, the County would be assessed an additional contribution.

The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust which is 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 does not require 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 9 – Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan – Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System (PSPRS), consisting of La Paz County Sheriffs and La Paz County Attorney Investigators and the Elected Officials Retirement Plan (EORP). The plans are component units of the State of Arizona.

At June 30, 2016, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 31,203,289	\$ 1,409,962	\$ 32,613,251
Deferred outflows of resources	5,507,839	146,983	5,654,822
Deferred inflows of resources	1,931,687	132,056	2,063,743
Pension expense	4,295,925	27,164	4,323,089

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

The County's accrued payroll and employee benefits includes \$30,580 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the County reported \$2,045,546 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

	Retirement initial membership date	
	<i>Before July 1, 2011</i>	<i>On or after July 1, 2011</i>
Years of service and receive benefits	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

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

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.47 percent (10.85 percent retirement, .50 percent for health insurance premiums and .12 percent for long-term disability) of the active members' annual covered payroll. The County's contributions to ASRS for the year ended June 30, 2016 was \$1,009,993. The County's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
ASRS:		
2016	\$ 44,493	\$ 10,652
2015	\$ 50,778	\$ 10,328
2014	\$ 50,420	\$ 20,168

During fiscal year 2016, the County paid for ASRS pension and OPEB contributions as follows: 45.3 percent from the General Fund, 34.4 percent from major funds, and 26.1 percent from other funds.

Pension Liability – At June 30, 2016, the County reported a liability of \$14,692,914 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all employers' contributions for the year ended June 30, 2015. The County's proportion measure as of June 30, 2015, was 0.094 percent, which was consistent from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows / Inflows of Resources – For the year ended June 30, 2016, the County recognized pension expense for ASRS of \$794,855.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 400,938	\$ 769,924
Net Difference between projected and actual earnings on pension plan investments	-	470,870
Changes in proportion and differences between contributions and proportionate share of contributions	120,749	135,333
County contributions subsequent to the measurement date	1,009,993	-
Total	\$ 1,531,680	\$ 1,376,127

The \$1,009,993 reported as deferred outflows of resources relates to ASRS pensions resulting from the County's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30

2017	\$(361,031)
2018	(504,049)
2019	(329,279)
2020	339,919

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	<u>100%</u>	

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

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
The County's proportionate share of the net pension liability	<u>\$ 19,252,739</u>	<u>\$ 14,692,914</u>	<u>\$ 11,567,940</u>

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

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

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

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

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

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

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

PSPRS

Initial membership date:

Before January 1, 2012 On or after January 1, 2012

Retirement and Disability

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

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

CORP

Initial membership date:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increase after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms - At June 30, 2016, the following employees were covered by the agent pension plan's benefit terms:

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

	PSPRS Sheriff	PSPRS Attorney Investigators
Inactive employees or beneficiaries currently receiving benefits	23	1
Inactive employees entitled to but not yet receiving benefits	6	-
Active employees	27	-
Total	56	1

Contributions and annual OPEB costs - State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2016 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP AOC
Active members – Pension	11.65%	0.00%	8.41%
County			
Pension	48.24%	-	19.10%
Health insurance premium benefit	0.00%	-	0.85%

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	PSPRS Sheriff
Pension Contributions made	\$ 786,666
Health Insurance Premium Benefit	
Annual OPEB Cost	-
Contributions made	-

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Contributions to the CORP AOC pension plan for the year ended June 30, 2016, were \$62,165. The County's contributions for the current and preceding year for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC

<u>Year ended June 30</u>	<u>Health Insurance Fund</u>
2016	\$ 5,272
2015	4,645
2014	4,118

During fiscal year 2016, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 71.2 percent from the General Fund, 9.2 percent from major funds, and 21.1 percent from other funds.

Pension Liability – At June 30, 2016, the County reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Sheriff	\$ 9,611,450
PSPRS Attorney Investigators	241,315
CORP AOC (County's proportionate share)	751,897

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the County's net pension liability as a result of the statutory adjustment is not known.

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

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

PSPRS and CORP AOC

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4% - 8% for PSPRS and 4% - 7.25% for CORP AOC
Inflation	4%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2011.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Geometric Real Rate of Return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Pension Discount Rates - The following discount rates were used to measure the total pension liabilities:

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP AOC
Discount rates	7.85%	4.49%	7.85%

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

Changes in the Net Pension Liability

PSPRS - Sheriff

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 14,448,715	\$ 5,565,098	\$ 8,883,616
Changes for the current year:			
Service Cost	271,882	-	271,882
Interest on the total pension liability	1,105,013	-	1,105,013
Differences between expected and actual experience in the measurement of the pension liability	237,456	-	237,456
Contributions – Employer	-	537,234	(537,234)
Contributions – Employee	-	166,848	(166,848)
Net investment income	-	197,454	(197,454)
Benefit payments, including refunds of employee contributions	(1,016,114)	(1,016,114)	-
Pension Plan Administrative Expense	-	(5,190)	5,190
Other	-	(9,829)	9,829
Net Changes	598,237	(129,597)	727,834
Balances at June 30, 2015	\$ 15,046,951	\$ 5,435,501	\$ 9,611,450

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Changes in the Net Pension Liability

PSPRS - Attorney Investigators	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 320,790	\$ 214,449	\$ 106,341
Changes for the current year:			
Interest on the total pension liability	23,957	-	23,957
Differences between expected and actual experience in the measurement of the pension liability	10,341	-	10,341
Change of assumptions or other inputs	107,233	-	107,233
Net investment income	-	7,335	(7,335)
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	-
Pension Plan Administrative Expense	-	(558)	558
Other	-	(220)	220
Net Changes	110,321	(24,653)	134,974
Balances at June 30, 2015	\$ 431,111	\$ 189,796	\$ 241,315

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015 was 0.309 percent, which was a decrease of 0.056 from its proportion measured as of June 30, 2014.

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

	1% Decrease 6.85%	Current Discount Rate 7.85%	1% Increase 8.85%
PSPRS Sheriff	\$ 11,292,478	\$ 9,611,450	\$ 8,197,344
CORP AOC (County's proportionate share)	983,109	751,897	559,469

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

	1% Decrease 3.49%	Current Discount Rate 4.49%	1% Increase 5.49%
PSPRS Attorney Investigators	\$ 169,103	\$ 241,315	\$(189,796)

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

Pension expense - For the year ended June 30, 2016, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	\$ 1,277,616
PSPRS Attorney Investigators	126,273
CORP AOC (County's proportionate share)	84,680

Pension deferred outflows/inflows of resources - At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Sheriff	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 524,104	\$ -
Changes of assumptions or other inputs	984,186	-
Net difference between projected and actual earnings on pension plan investments	181,255	168,982
County contributions subsequent to the measurement date	786,666	-
Total	\$ 2,476,210	\$ 168,982

PSPRS – Attorney Investigators	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 6,595	\$ 6,858

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

CORP AOC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,749	\$ 4,244
Changes of assumptions or other inputs	79,697	-
Net difference between projected and actual earnings on pension plan investments	4,134	-
Changes in proportion and differences between county Contribution and proportionate share of contributions	-	87,861
County contributions subsequent to the measurement date	62,165	-
Total	\$ 171,745	\$ 92,105

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	PSPRS Sheriff	PSPRS Attorney Investigators	CORP AOC
2017	\$ 441,978	\$ (637)	\$ 7,017
2018	441,978	(637)	7,017
2019	441,977	(637)	7,017
2020	186,584	1,648	4,238
2021	8,045	-	(7,814)

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016 were established by the June 30, 2014 actuarial valuations, and those valuations were based on the following actuarial methods and assumptions.

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

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Projections of benefits are based on (1) the plan as the County and plan's members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

PSPRS and CORP - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4% - 7.25% for CORP
Wage growth	4% for PSPRS and CORP

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows:

<u>Year ending June 30,</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Sheriff			
2016	\$ -	100%	\$ -
2015	19,595	100%	-
2014	23,217	100%	-

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Agent Plan OPEB Funding Status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Sheriff
Actuarial value of assets (a)	\$ 458,213
Actuarial accrued liability (b)	269,202
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(189,011)
Funded ratio (a)/(b)	170.2%
Covered payroll (c)	1,937,727
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $[(b) - (a)] / (c)$	0%

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

PSPRS and CORP - OPEB Funded Status

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

C. Elected Officials Retirement Plan

Plan description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

The PSPRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS's Web site at www.psprs.com.

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

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Contributions—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2016, statute required active EORP members to contribute 13 percent of the members' annual covered payroll, and the County to contribute 23.5 percent of active EORP members' annual covered payroll. Also, statute required the County to contribute 12.5 percent to EORP of annual covered payroll of elected officials and judges who were ASRS member and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected official and Judges. The County's contributions to the pension plan for the year ended June 30, 2016, were \$186,722. No OPEB contributions were required or made for the years ended June 30, 2015 and 2016. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EORP

Year ended June 30	Health Insurance Fund
2016	\$ -
2015	-
2014	14,981

During fiscal year 2016, the County paid for EORP pension contributions 100 percent from the General Fund.

Pension liability - At June 30, 2016, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 7,315,675
State's proportionate share of the EORP net pension liability associated with the County	<u>2,280,723</u>
Total	<u>\$ 9,596,398</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015 was 1.23 percent.

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2016, the County recognized pension expense for EORP of \$2,039,665 and revenue of \$613,659 for the County's proportionate share of the State's appropriation to EORP. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 11,698	\$ 81,451
Changes of assumptions or other inputs	1,225,801	-
Net difference between projected and actual earnings on pension plan investments	44,370	-
Changes in proportion and differences between county contributions and proportionate share of contributions	-	338,221
County contributions subsequent to the measurement date	186,722	-
	<u> </u>	<u> </u>
Total	<u>\$ 1,468,591</u>	<u>\$ 419,672</u>

The \$186,722 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2017	\$ 790,990
2018	34,146
2019	3,654
2020	33,407

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

EORP

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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

EORP	Long-Term Expected Geometric Real Rate of Return	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 9 - Pensions and Other Postemployment Benefits – Continued

Discount rate - At June 30, 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2028. A municipal bond rate of 3.80 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 25, 2015, was applied to periods of projected benefit payments after June 30, 2028.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate - The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 4.86 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

EORP	1% Decrease 3.86%	Current Discount Rate 4.86%	1% Increase 5.86%
County's proportionate share of the net pension liability	<u>\$ 8,516,369</u>	<u>\$ 7,315,675</u>	<u>\$ 6,305,955</u>

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 10 - Interfund Activity and Balances

Interfund transfers—Interfund transfers between funds were to cover over-expenditures in certain special revenue funds. In addition, certain special revenue funds transferred cash to the General Fund to increase the General Fund's available resources. The interfund transfers for the year ended June 30, 2016 were as follows:

	Transfer To			
Jail District Fund	Nonmajor - Governmental Funds	Debt Service Fund	Total	
Transfer From:				
General Fund	\$ 3,115,672	\$ 948,888	\$ 20,700	\$ 4,064,560
Business 95 Road Improvement Fund	-	345,164	-	489,477
	<u>\$ 3,115,672</u>	<u>\$ 1,294,052</u>	<u>\$ 20,700</u>	<u>\$ 4,554,037</u>

Interfund receivables and payables—Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The interfund balances between the Parks Fund and the Golf Course Fund totaling \$458,595 are expected to be settled in future years.

Note 11 – Going Concern

The County has incurred several years of deficit spending, which has resulted in a continued decline in the County's available resources. Since June 30, 2012, the County's total cash and cash equivalent balance decreased from \$4,981,380 to \$1,514,362 as of June 30, 2016. \$2,489,281 (72%) of this decrease is attributable to annual deficits incurred by the County's Jail District Fund since 2012. The Jail District Fund's deficit spending continued into 2017. During 2017, the General Fund transferred \$3,115,672 to the Jail District Fund. Of this amount, \$720,000 was the statutorily required annual maintenance of effort. An additional amount of \$2,395,672 was transferred to eliminate the majority of the Jail District's remaining deficit fund balance.

These liquidity concerns were exacerbated when the County was notified by its current servicing bank in March 2017 that the existing \$1 million line of credit will not be available on July 1, 2017. The County has historically relied on this line of credit to manage the seasonality of its cash flows.

Notes to Financial Statements - Continued
(See Accountants' Compilation Report)

Note 11 – Going Concern - Continued

These circumstances and events resulting in the decline in liquidity created substantial doubt about the County's ability to continue as a going concern for 12-months after the year-ended June 30, 2016 and for a reasonable period thereafter.

To alleviate this concern, in March 2017, the Board of Supervisors approved a plan to freeze all hiring and procurement other than those necessary to provide essential services and pursue short-term financing. In April 2017, the Board of Supervisors also approved a plan to reduce expenditures through a reduction in force and other cost saving measures. These actions are expected to result in annual cost savings exceeding \$1.8 million.

In addition, the County is developing a 5-year plan expected to accomplish the following:

- Pursue new sources of revenue.
- Continue pursuing cost containment efforts.
- Obtain short-term financing as the County's cash reserves are replenished.
- Continue to increase the County's cash reserves through a deficit reduction plan.
- Implement new policies and procedures including improved budgeting procedures and monitoring to manage future deficit spending.
- Invest in the County's personnel compliment, technology, and internal controls necessary for long-term sustainability.

The County anticipates that these and future actions will allow the County to meet its existing and future obligations and provide for a long-term plan for fiscal responsibility and financial sustainability.