Gila County

Annual Financial Report

Year Ended June 30, 2017

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General

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DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Gila County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Gila County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages a-1 through a-9, the budgetary comparison schedules on pages 48 through 53, schedule of the County's proportionate share of the net pension liability—cost sharing plans on page 54, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 55 through 57, schedule of County pension contributions on pages 58 through 59, and the schedule of agent OPEB plans' funding progress on page 61 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Compliance over the use of highway user revenue fund and other dedicated State transportation revenue monies

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for highway user revenue fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated State transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Donna Miller, CPA
Director, Financial Audit Division

June 28, 2019

Gila County
Management's discussion and analysis
June 30, 2017

As management of Gila County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the financial statements.

Financial highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by $17.7 million (net position). Of this amount, $29.1 million is the net investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure and construction in progress); $24.5 million is restricted for specific purposes (restricted net position); and $(35.9) million is the County's deficit that is primarily a result of recognizing long-term liabilities related to pensions.

- At June 30, 2017, total assets were $85.5 million, a decrease of $3.3 million, or 3.8 percent in comparison with the prior fiscal year's balance of $88.8 million.

- At June 30, 2017, total liabilities were $72.3 million, an increase of $748,000 or 1 percent in comparison with the prior fiscal year's balance of $71.5 million.

- At June 30, 2017, the County reported total deferred outflows of resources related to pensions of $11.2 million and deferred inflows of resources related to pensions of $6.7 million.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $35.1 million, a decrease of $2.2 million in comparison with the prior year's balance of $37.4 million.

- At the end of the current fiscal year, general fund had an unrestricted fund balance of $16.5 million or 40.4 percent of total general fund expenditures. Of this amount, assigned fund balance for a contingency reserve and cash flow reserves was $12.8 million and unassigned fund balance was $3.6 million.

Overview of the financial statements

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

Government-wide financial statements

Government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business.

The *statement of net position* presents information on all of the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (full accrual accounting). Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or part of their costs through user fees and charges.

The governmental activities of the County include general government; public safety; highways and streets; health; welfare; sanitation; culture and recreation; and education.

The government-wide financial statements not only include the County itself (known as the primary government), but also the legally separate Gila County Library District and Street Lighting Districts which function for all practical purposes as departments of the County, and therefore have been included as an integral part of the County. The business-type activities account for landfill operations.

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

Fund financial statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds statements focus on near-term inflows and outflows of spendable resources as well as the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial position.

Because the focus of governmental fund statements is narrower than the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between governmental funds and governmental activities. The County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for two funds that are considered to be major funds, General and Public Works. Data from the other governmental funds is combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for landfill operations. The proprietary fund financial statements can be found on pages 7 through 9 of this report.

Fiduciary Funds are used to account for resources held by the County for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 10 and 11 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 through 46 of this report.

Required supplementary information presents budgetary comparison schedules for the general and major special revenue funds. This section also includes certain information concerning the County's net pension liability and pension contributions. Required supplementary information can be found on pages 47 through 61 of this report.

Government-wide financial analysis

Statement of net position—As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $17.7 million as presented in the following table.

Condensed statement of net position
(in thousands)
June 30, 2017 and 2016

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$ 38,893	$ 43,638	$10,346	$ 9,379	$49,239	$53,017
Capital assets	32,993	32,487	3,274	3,340	36,267	35,827
Total assets	71,886	76,125	13,620	12,719	85,506	88,844
Deferred outflows of resources						
Total deferred outflows of resources	11,041	7,561	118	60	11,159	7,621
Current and other liabilities	2,619	4,559	41	70	2,660	4,629
Long-term liabilities	65,422	62,944	4,213	3,974	69,635	66,918
Total liabilities	68,041	67,503	4,254	4,044	72,295	71,547

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Deferred inflows of resources						
Total deferred inflows of resources	$ 6,554	$ 5,150	$ 121	$ 103	$ 6,675	$ 5,253
Net position						
Net investment in capital assets	25,866	26,563	3,241	3,341	29,107	29,904
Restricted	19,723	19,623	4,803	4,793	24,526	24,416
Unrestricted	(37,257)	(35,153)	1,319	498	(35,938)	(34,655)
Total net position	$ 8,332	$ 11,033	$ 9,363	$ 8,632	$ 17,695	$ 19,665

The largest portion of the County's net position is approximately $29.1 million, or 164.5 percent, that reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. The County's restricted net position of $24.5 million, or 138.6 percent, is subject to external restrictions on how they may be used. The County's unrestricted deficit of $(35.9) million, or negative 203.1 percent, was an increase of $1.3 million from the prior year's unrestricted deficit of $34.6 million.

The following provides an explanation of governmental activities, deferred outflows and inflows related to pensions that changed significantly over the prior year:

- Deferred outflows and inflows related to pensions – the net increase of $3.5 million and $1.4 million for the deferred outflows and inflows related to pensions, respectively, was a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2015 and a measurement date of June 30, 2016.

The following provides an explanation of business-type activities, cash and investments that changed significantly over the prior year:

- Current and other assets – the net increase of $967,000 was largely due to more charges for services and less operating expenses in the current year.

Statement of activities—Already noted was the statement of activities purpose in presenting how the government's net position changed during the current fiscal year. At the end of the current fiscal year, net position decreased by $1.97 million. The following table presents the changes in net position.

Changes in net position
(in thousands)
Years ended June 30, 2017 and 2016

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 2,954	$ 2,898	$1,976	$1,692	$ 4,930	$ 4,590
Grants and contributions	13,538	17,035			13,538	17,035
General revenues:						
Property taxes	21,385	21,507			21,385	21,507
County excise tax	4,462	4,050			4,462	4,050
Share of state sales taxes	5,594	5,332			5,594	5,332
Shared revenue, state vehicle license tax	1,825	1,604			1,825	1,604
State appropriations	617	550			617	550
Shared revenue, state liquor license tax	17	9			17	9
Payments in lieu of taxes	3,744	3,915			3,744	3,915
Investment income	26	164	(5)	17	21	181
Miscellaneous	1,338	1,601	1	3	1,339	1,604
Gain on disposal of capital assets	238	36			238	36
Total revenues	55,738	58,701	1,972	1,712	57,710	60,413
Expenses:						
General government	$23,236	$24,026			$23,236	$24,026
Public safety	18,028	18,021			18,028	18,021
Highways and streets	5,194	5,466			5,194	5,466
Health	2,742	2,896			2,742	2,896
Welfare	6,085	6,160			6,085	6,160
Sanitation	48	67	$1,246	$1,387	1,294	1,454
Culture and recreation	1,433	1,314			1,433	1,314
Education	1,376	3,135			1,376	3,135
Interest on long-term debt	292	316			292	316
Total expenses	58,434	61,401	1,246	1,387	59,680	62,788
Change in net position before transfers	(2,696)	(2,700)	726	325	(1,970)	(2,375)
Transfers	(5)		5			
Changes in net position	(2,701)	(2,700)	731	325	(1,970)	(2,375)
Net position—beginning	11,033	13,733	8,632	8,307	19,665	22,040
Net position—ending	$ 8,332	$11,033	$9,363	$8,632	$17,695	$19,665

Overall, the governmental activities revenues decreased by $3 million, or 5 percent, and program expenses decreased by $3 million, or 4.8 percent, in the current fiscal year. The following provides an explanation of governmental activities, revenues and expenses that changed significantly compared to the prior year:

Grants and contributions—The net decrease of $3.5 million was largely due to the reduction of $1.2 million national forest fees, $840,000 education grants, $533,000 child support enforcement grants, $349,000 health services grants, and $197,000 state subsidy for the elected official retirement plan.

- The reduction in national forest fees was from a change in the Securing Rural Schools Act which was reauthorized for a two-year period by section 524 of P.L. 114-0 and signed into law by the President on April 16, 2015. This reauthorization reestablished annual decreases of 5 percent of the full funding amount provided in section 3(11)(c) of the SRS Act, which provided for FY 2012 and each fiscal year thereafter, the full funding amount was to be 95 percent of the full funding amount of the preceding fiscal year. The 2017 Securing Rural Schools disbursement received by Gila County was $268,429. The 2016 disbursement was $1,442,909. This year-to-year difference of 81.4% had a significant impact.

- The net decrease in education grants and contributions was due to decline in student enrollment and a few state and federal programs were closed out in the current year.

- The reduction in child support enforcement grant revenues resulted as the County did not request or receive reimbursements for program expenditures until subsequent fiscal years. The County received reimbursements for fiscal year 2017 child support enforcement program expenditures in December 2017 and July 2018, totaling $544,540.

- Health services grants were most significantly affected by the relinquishment of the CHOICES program for drug and mental health education as only five local individuals qualified for its grant-mandated Drug Court Intervention Approaches, not the 126 participants (and their families) that staff intended to serve with the program. In addition, Maternal and Child Home Visiting program was ended on September 30, 2016, and several federal programs received less funding in current fiscal year.

Education expenses—The net decrease of $1.8 million was primarily due to the reduction of $1 million national forest fees and $840,000 education grants as mentioned above.

Overall, the business-type activities revenues increased by $259,000, or 15.2 percent, and program expenses decreased by $141,000, or 10.2 percent, in the current fiscal year. The following provides an explanation of governmental activities, revenues and expenses that changed significantly compared to the prior year:

Charges for services—The net increase of $284,000 or 16.8 percent was due to Buckhead Mesa Landfill was the selected service provider for one very high-volume client resulting in unusually high fees for its services.

Sanitation expenses—The net decrease of $141,000 or 10.2 percent was primarily due to the reduction of repairs and maintenance costs because most major repair on fully depreciated construction equipment was done in prior years and the increase of estimated landfill closure and postclosure care costs calculated by the County's contracted engineering specialist.

Financial analysis of the governmental funds

The County reported two major funds for this fiscal year: the General Fund and Public Works Fund. At the end of the current fiscal year, the County's governmental funds reported combined fund balances of $35.7 million, which was a decrease of $1.7 million from the prior year. Of the total, $15.9 million constitutes unrestricted fund balances.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was $16,812,575, a decrease of $4,013,994, or 19.3 percent over the prior year's balance of $20,840,994. The unrestricted fund balance of the general fund was $16.5 million, which represents 40.4 percent of total general fund expenditures. This ratio indicates a strong fund balance position in comparison to expenditures.

The following provides an explanation of major fund's activities that changed significantly over the prior year:

General Fund

- Cash and investments—The net decrease of $4.3 million was primarily due to the transfers of $2.1 million to other governmental funds for the Copper Administrative building project and the reduction of $1.7 million of liabilities in the current year.

- Cash and investments held by trustee—The net decrease of $1.8 million was solely due to the reimbursements of series 2015 pledged revenue obligations proceeds for the expenditures spent on the Copper Administrative building.

Public Works Fund

- Cash and investments—The net increase of $1.2 million was largely due to excess of revenues over expenditures in the current year while receivables and liabilities remained relatively unchanged.

- Transportation excise tax—The net increase of $142,000 was solely due to a better economy.

General fund budgetary highlights

General Fund actual expenditures were $3,571,714 under the adopted budget and actual revenues were more than estimated revenues by $398,560. The County had budgeted $386,380 for contingency reserve but did not have to spend any of the reserve during the fiscal year. The Education department (School Superintendent) had budgeted expenditures of $389,378 while actual expenditures of $591,177 were over budget due to not budgeting for the national forest fees of $238,549 passed through to subrecipients (school districts). Grants passed through to subrecipients were recognized as revenues and corresponding expenditures. This also accounted for much of the favorable variance in intergovernmental revenues.

The significant County departments and other budgeted line items over budget are Board of Supervisors $133,290, General Administration $269,548, Professional Services $168,987, and School Superintendent

$201,799. The over budget expenditures for School Superintendent was due to unbudgeted pass-through grants as mentioned above. The over budget expenditures for the remaining departments were primarily due to unexpected costs. The County will strive to improve its budgeting procedures and control in the future.

Capital asset and debt administration

Capital assets include land, construction in progress, buildings, machinery and equipment and infrastructure assets (roads, highways, bridges, etc.). The County's total capital assets net of accumulated depreciation increased by only $440,000, or almost 1.2 percent, during the current fiscal year in comparison with the prior year's balance of $35,827,218.

The County's investment in capital assets for its governmental activities as of June 30, 2017, amounts to $33 million (net of accumulated depreciation), a net increase of $506,000, or 1.6 percent, from the prior year.

The County's investment in capital assets for its business-type activities as of June 30, 2017, amounts to $3.3 million (net of accumulated depreciation), a net decrease of $67,000, or 2 percent from the prior year.

Major capital asset activity during the fiscal year included:

Governmental activities:

- Buildings—The net increase of $528,000 consists of improvements of $1.5 million added to the Copper Administrative building and Globe and Payson courthouse buildings and the accumulated depreciation of $925,000 added in fiscal year 2017.

- Machinery and equipment—The net increase of $168,000 consists of new equipment of $1.3 million and the accumulated depreciation of $1.1 million added in fiscal year 2017.

The following table provides a breakdown of the County's capital assets as of June 30, 2017 and 2016.

Capital Assets at Year-End
(Net of Accumulated Depreciation)
(in thousands)
June 30, 2017 and 2016

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 2,261	$ 2,261	$3,000	$3,000	$ 5,261	$ 5,261
Construction in progress	3,374	3,237			3.374	3,237
Buildings	12,599	12,071			12,599	12,071
Improvements other than buildings	677	678			677	678
Machinery and equipment	3,873	3,705	269	327	4,142	4,032
Infrastructure	10,209	10,535	5	13	10,214	10,548
Total capital assets, net	$32,993	$32,487	$3,274	$3,340	$36,267	$35,827

Additional information on the County's capital assets can be found in Note 5 on pages 21 through 22 of this report.

Long-term debt—The County's total long-term liabilities as of June 30, 2017, amounts to $69.6 million, a net increase of $2.7 million during the current fiscal year in comparison with the prior year's balance of $66.9 million.

Major long-term debt activity during the fiscal year included:

Governmental activities:

- Net pension liability—An net increase of $3.5 million was a result of the actuarial valuation performed of the County's participated pension plans as of June 30, 2015 and a measurement date of June 30, 2016.

- Pledged revenue obligations payable—The net decrease of $540,000 was a result of the regular scheduled principal payments for the 2009 and 2015 series pledged revenue obligations.

Business-type activities:

- Landfill closure and postclosure care costs payable—The increase of $242,000 was a result of changing its estimate at year-end.

State statutes limit the amount of general obligation debt a county may issue to 6 percent of its total assessed valuation. The current debt limitation for the County is $29,777,644. Since the County has no general obligation debt, this amount equals the debt capacity. Additional information on long-term debt can be found in Note 7 on pages 23 through 25 of this report.

Economic factors and next year's budgets and rates

The unemployment rate for Gila County is 5.9 percent at June 2017 which is lower than the previous year's rate of 7.4 percent. The state unemployment rate was 4.8 percent at June 2017. There is an increase in property assessed valuations with no change in tax rate for the fiscal year 2017. These economic factors were considered in preparing the County's budget for this fiscal year 2017.

Requests for Information

This financial report is designed to provide a greater overview of Gila County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed as follows:

Finance Director
Gila County
1400 Street
Globe, Arizona 85501-1483

Gila County
Statement of net position
June 30, 2017

	Governmental activities	Business-type activities	Total
Assets			
Cash and investments	$ 33,526,316	$ 5,373,448	$ 38,899,764
Receivables (net of allowances for uncollectibles):			
Property taxes	509,726		509,726
Accounts	503,626	158,780	662,406
Interest	68,297	10,516	78,813
Due from other governments	3,871,322		3,871,322
Prepaid items	288		288
Inventories	210,632		210,632
Cash and investments held by trustee—restricted	203,076	4,803,221	5,006,297
Capital assets, not being depreciated	5,635,133	3,000,000	8,635,133
Capital assets, being depreciated, net	27,357,516	273,780	27,631,296
Total assets	71,885,932	13,619,745	85,505,677
Deferred outflows of resources			
Deferred outflows related to pensions	11,041,267	118,417	11,159,684
Total deferred outflows of resources	11,041,267	118,417	11,159,684
Liabilities			
Accounts payable	1,669,272	30,933	1,700,205
Accrued payroll and employee benefits	474,770	9,691	484,461
Due to other governments	191,460		191,460
Deposits held for others	144,843		144,843
Unearned revenue	138,849		138,849
Noncurrent liabilities:			
Due within one year	1,904,527	25,367	1,929,894
Due in more than one year	63,517,743	4,187,943	67,705,686
Total liabilities	68,041,464	4,253,934	72,295,398
Deferred inflows of resources			
Deferred inflows related to pensions	6,554,024	121,369	6,675,393
Total deferred inflows of resources	6,554,024	121,369	6,675,393
Net position			
Net investment in capital assets	25,866,145	3,240,780	29,106,925
Restricted for:			
Public safety	182,896		182,896
Highways and streets	10,232,578		10,232,578
Health services	1,041,657		1,041,657
Judicial activities	4,142,725		4,142,725
Law enforcement	630,857		630,857
Education	1,828,824		1,828,824
Sanitation	117,052		117,052
Social services	585,407		585,407
Library	343,579		343,579
Street lighting improvement	16,825		16,825
Other purposes	601,037		601,037
Landfill closure and postclosure care costs		4,803,221	4,803,221
Unrestricted (deficit)	(37,257,871)	1,318,858	(35,939,013)
Total net position	$ 8,331,711	$ 9,362,859	$ 17,694,570

See accompanying notes to financial statements.

Gila County
Statement of activities
Year ended June 30, 2017

		Program revenues			Net (expense) revenue and changes in net position		
					Primary government		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Functions/programs							
Governmental activities							
General government	$ 23,236,214	$ 1,977,360	$ 847,310		$ (20,411,544)		$ (20,411,544)
Public safety	18,027,633	580,047	2,831,838		(14,615,748)		(14,615,748)
Highways and streets	5,194,469	5,992		$ 5,103,796	(84,681)		(84,681)
Health	2,741,980	241,899	1,632,062		(868,019)		(868,019)
Welfare	6,084,786	50,189	1,824,739		(4,209,858)		(4,209,858)
Sanitation	48,065		108,256		60,191		60,191
Culture and recreation	1,432,603		161,655		(1,270,948)		(1,270,948)
Education	1,376,222	98,071	1,027,855		(250,296)		(250,296)
Interest on long-term debt	292,225				(292,225)		(292,225)
Total governmental activities	58,434,197	2,953,558	8,433,715	5,103,796	(41,943,128)		(41,943,128)
Business-type activities							
Landfill	1,245,924	1,976,157				$ 730,233	730,233
Total business-type activities	1,245,924	1,976,157				730,233	730,233
Total primary government	$ 59,680,121	$ 4,929,715	$ 8,433,715	$ 5,103,796	(41,943,128)	730,233	(41,212,895)
General revenues							
Taxes:							
Property taxes, levied for general purposes					20,176,539		20,176,539
Property taxes, levied for street lighting districts					54,915		54,915
Property taxes, levied for library district					1,153,520		1,153,520
County excise tax for general purpose					3,019,807		3,019,807
County excise tax for transportation purpose					1,442,009		1,442,009
Shared revenue—state sales tax					5,594,259		5,594,259
Shared revenue—state vehicle license tax					1,825,337		1,825,337
Shared revenue—state liquor license tax					17,177		17,177
State appropriations					617,150		617,150
Payments in lieu of taxes					3,744,362		3,744,362
Investment earnings					25,915	(5,196)	20,719
Miscellaneous					1,338,572	638	1,339,210
Gain on disposal of capital assets					237,621		237,621
Transfers in (out)					(5,338)	5,338	
Total general revenues					39,241,845	780	39,242,625
Change in net position					(2,701,283)	731,013	(1,970,270)
Net position, July 1, 2016					11,032,994	8,631,846	19,664,840
Net position, June 30, 2017					$ 8,331,711	$ 9,362,859	$ 17,694,570

See accompanying notes to financial statements.

Gila County
Balance sheet
Governmental funds
June 30, 2017

	General fund	Public works fund	Other governmental funds	Total governmental funds
Assets				
Cash and investments	$ 16,128,989	$ 9,644,603	$ 7,752,724	$ 33,526,316
Receivables (net of allowances for uncollectibles):				
Property taxes	478,181		31,545	509,726
Accounts	413,233	568	89,825	503,626
Interest	33,319	19,306	15,672	68,297
Due from other funds	4,823			4,823
Due from other governments	2,130,130	688,555	1,052,637	3,871,322
Cash and investments held by trustee-restricted	203,076			203,076
Prepaid items			288	288
Inventories	138,415	72,217		210,632
Total assets	19,530,166	10,425,249	8,942,691	38,898,106
Liabilities				
Accounts payable	1,142,521	145,155	381,596	1,669,272
Accrued payroll and employee benefits	325,709	47,516	101,545	474,770
Due to:				
Other funds			4,823	4,823
Other governments			191,460	191,460
Deposits held for others	144,843			144,843
Unearned revenue	116,782		22,067	138,849
Total liabilities	1,729,855	192,671	701,491	2,624,017
Deferred inflows of resources:				
Unavailable revenue—property taxes	399,070		27,374	426,444
Unavailable revenue—intergovernmental			105,873	105,873
Unavailable revenue—charges for services	575,283		491	575,774
Unavailable revenue—miscellaneous	13,383		12,070	25,453
Total deferred inflows of resources	987,736		145,808	1,133,544
Fund balances:				
Nonspendable	138,415	72,217	288	210,920
Restricted	203,076	10,160,361	9,182,294	19,545,731
Assigned	12,824,579			12,824,579
Unassigned	3,646,505		(1,087,190)	2,559,315
Total fund balances	16,812,575	10,232,578	8,095,392	35,140,545
Total liabilities, deferred inflows of resources, and fund balances	$ 19,530,166	$ 10,425,249	$ 8,942,691	$ 38,898,106

See accompanying notes to financial statements.

Gila County
Reconciliation of the governmental funds balance sheet to the government-wide statement of net position
June 30, 2017

Fund balances—total governmental funds	$ 35,140,545
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.	32,992,649
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	1,133,544
Long-term liabilities, such as net pension liabilities and pledged revenue obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(65,422,270)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds	4,487,243
Net position of governmental activities	$ 8,331,711

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2017

	General fund	Public works fund	Other governmental funds	Total governmental funds
Revenues:				
Taxes	$ 23,217,608	$ 1,442,009	$ 1,209,885	$ 25,869,502
Licenses and permits	584,837	5,992	130,884	721,713
Intergovernmental	12,894,837	5,103,797	7,026,840	25,025,474
Charges for services	883,025		933,785	1,816,810
Fines and forfeits	398,846		24,755	423,601
Donations and contributions	159		197,108	197,267
Investment earnings	64,691	25,317		90,008
Miscellaneous	873,909	22,112	394,828	1,290,849
Total revenues	38,917,912	6,599,227	9,918,085	55,435,224
Expenditures:				
Current:				
General government	20,467,788		1,726,179	22,193,967
Public safety	14,700,832		2,335,506	17,036,338
Highways and streets		5,541,301	51,175	5,592,476
Health			3,048,871	3,048,871
Welfare	4,180,023		2,000,211	6,180,234
Sanitation			100,193	100,193
Culture and recreation	25,708		1,459,310	1,485,018
Education	591,177		820,942	1,412,119
Debt service:				
Principal retirement	540,209			540,209
Interest and other charges	303,797			303,797
Total expenditures	40,809,534	5,541,301	11,542,387	57,893,222
Excess (deficiency) of revenues over expenditures	(1,891,622)	1,057,926	(1,624,302)	(2,457,998)
Other financing sources (uses):				
Sale of capital assets	466	237,155		237,621
Transfers in			2,117,500	2,117,500
Transfers out	(2,122,838)			(2,122,838)
Total other financing sources (uses)	(2,122,372)	237,155	2,117,500	232,283
Net change in fund balances	(4,013,994)	1,295,081	493,198	(2,225,715)
Fund balances, July 1, 2016	20,840,994	8,937,497	7,602,194	37,380,685
Changes in nonspendable resources:				
Decrease in reserve for inventories	(14,425)			(14,425)
Fund balances, June 30, 2017	$16,812,575	$ 10,232,578	$ 8,095,392	$35,140,545

See accompanying notes to financial statements.

Gila County

Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities
Year ended June 30, 2017

Net change in fund balances—total governmental funds		$ (2,225,715)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	3,333,826	
Depreciation expense	(2,827,868)	505,958
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is issued, whereas these amounts are amortized in the statement of activities.		
Bond premium amortized	11,572	
Principal repaid	540,209	551,781
County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.		
County pension contributions	3,324,668	
Pension expense	(5,396,461)	(2,071,793)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.		
Increase in compensated absences payable	(21,018)	
Decrease in claims and judgments payable	508,522	487,504
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities		
Property taxes	(22,712)	
Intergovernmental	(517,586)	
Charges for services	(26,038)	
Miscellaneous revenue	(23,378)	(589,714)
Some revenues reported in the statement of activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds.		
Charges for services	17,471	
Miscellaneous revenue	7,009	
EORP subsidy	630,641	655,121
Some cash outlays, such as purchases of inventories, are reported as expenditures in the governmental funds when purchased. In the statement of activities, however, they are reported as expenses when consumed.		
Decrease in inventories		(14,425)
Change in net position of governmental activities		$ (2,701,283)

See accompanying notes to financial statements.

Gila County
Statement of net position
Proprietary fund
June 30, 2017

	Business-type activities—enterprise fund landfill
Assets	
Current assets:	
Cash and investments	$ 5,373,448
Accounts receivable	158,780
Interest receivable	10,516
Total current assets	5,542,744
Noncurrent assets:	
Restricted cash and investments	4,803,221
Capital assets:	
Nondepreciable	3,000,000
Depreciable, net	273,780
Total noncurrent assets	8,077,001
Total assets	13,619,745
Deferred outflows of resources	
Deferred outflows related to pensions	118,417
Total deferred outflows of resources	118,417
Total assets and deferred outflows of resources	13,738,162
Liabilities	
Current liabilities:	
Accounts payable	30,933
Accrued payroll and employee benefits	9,691
Total current liabilities	40,624
Noncurrent liabilities:	
Compensated absences payable	30,112
Landfill closure and postclosure care costs payable	3,520,368
Net pension liability	662,830
Total noncurrent liabilities	4,213,310
Total liabilities	4,253,934
Deferred inflows of resources	
Deferred inflows related to pensions	121,369
Total deferred inflows of resources	121,369
Total liabilities and deferred inflows of resources	4,375,303
Net position	
Net investment in capital assets	3,273,780
Restricted for landfill closure and postclosure care costs	4,803,221
Unrestricted	1,285,858
Total net position	$ 9,362,859

See accompanying notes to financial statements.

Gila County
Statement of revenues, expenses, and changes in fund net position
Proprietary fund
Year ended June 30, 2017

	Business-type activities—enterprise fund landfill
Operating revenues:	
Landfill fees	$ 1,948,235
Other	27,922
Total operating revenues	1,976,157
Operating expenses:	
Personal services	521,672
Professional services	66,974
Supplies	90,466
Utilities	6,132
Repairs and maintenance	93,673
Landfill closure and postclosure care costs	242,381
Depreciation	94,081
Other	130,545
Total operating expenses	1,245,924
Operating income	730,233
Nonoperating revenues (expenses):	
Donations and contributions	638
Investment loss	(5,196)
Transfer in	5,338
Total nonoperating revenues	780
Increase in net position	731,013
Net position, July 1, 2016	8,631,846
Net position, June 30, 2017	$ 9,362,859

See accompanying notes to financial statements.

Gila County
Statement of cash flows
Proprietary fund
Year ended June 30, 2017

	Business-type activities—enterprise fund landfill
Cash flows from operating activities	
Receipts from customers	$ 1,931,710
Payments to suppliers and providers of goods and services	(396,646)
Payments for employee wages and benefits	(585,582)
Net cash provided by operating activities	949,482
Cash flows from noncapital financing activities	
Donations and contributions	638
Transfer from general fund	5,338
Payment due from general fund	33,000
Net cash provided by noncapital financing activities	38,976
Cash flows from capital and related financing activities	
Purchases of capital assets	(27,334)
Net cash used for capital and related financing activities	(27,334)
Cash flows from investing activities	
Investment loss	(7,603)
Net cash used for investing activities	(7,603)
Net increase in cash and cash equivalents	953,521
Cash and cash equivalents, July 1, 2016	9,223,148
Cash and cash equivalents, June 30, 2017	$ 10,176,669
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 730,233
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	94,081
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Accounts receivable	(44,732)
Due from other governments	285
Deferred outflows related to pensions	(58,774)
Accounts payable	(8,856)
Accrued payroll and employee benefits	(20,141)
Compensated absences payable	5,307
Landfill closure and postclosure care costs payable	242,381
Net pension liability	(8,685)
Deferred inflows related to pensions	18,383
Net cash provided by operating activities	$ 949,482

See accompanying notes to financial statements.

Gila County
Statement of fiduciary net position
Fiduciary funds
June 30, 2017

	Investment trust funds	Agency funds
Assets		
Cash and investments	$ 36,961,114	$ 950,121
Interest receivable	70,264	920
Total assets	$ 37,031,378	$ 951,041
Liabilities		
Due to other governments		461,987
Deposits held for others		489,054
Total liabilities		$ 951,041
Net position		
Held in trust for investment trust participants	$ 37,031,378	

See accompanying notes to financial statements.

Gila County
Statement of changes in fiduciary net position
Fiduciary funds
Year ended June 30, 2017

	Investment trust funds
Additions:	
Contributions from participants	$ 108,028,137
Investment earnings	242,674
Total additions	108,270,811
Deductions:	
Distributions to participants	99,980,815
Change in net position	8,289,996
Net position, July 1, 2016	28,741,382
Net position, June 30, 2017	$ 37,031,378

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

Gila County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

A. Reporting entity

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

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

The following table describes the County's component units:

Component unit	Description; criteria for inclusion	Reporting method	For separate financial statements
Gila County Library District	A tax-levying district that provides and maintains library services for the County's residents; the County's Board of Supervisors serves as the board of directors, and county management has operational responsibility for the component unit.	Blended	Not available
Gila County Street Lighting Districts	A tax-levying district that operates and maintains street lighting in areas outside local city jurisdictions; the County's Board of Supervisors serves as the board of directors, and county management has operational responsibility for the component unit.	Blended	Not available

B. Basis of presentation

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

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 overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities. 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 segment 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. Program revenues include:

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

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

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

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

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 user charges in which each party receives and gives up essentially equal values are operating revenues. Other revenues such as grants and contributions result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered 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 *public works fund* accounts for road construction and maintenance of major and nonmajor regional roads. It is funded by a half-cent county sales tax, impact fees, highway user revenues, and vehicle license taxes.

The County reports the following proprietary fund:

The landfill fund accounts for the sanitation fee revenues and expenses related to the operation of the County's Buckhead Mesa and Russell Gulch landfills.

The County also reports the following fund types:

The *investment trust funds* account for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *agency funds* account for assets the County holds as an agent for the State, various local governments, and other parties.

C. Basis of accounting

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

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, 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.

D. Cash and investments

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

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

E. Inventories

Inventories in the government-wide financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute “available spendable resources.” These inventories are stated at cost using the first-in, first-out method.

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 (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

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

	Capitalization threshold	Depreciation method	Estimated useful life
Land	All	N/A	N/A
Buildings	$5,000	Straight-line	7-30 years
Improvements other than buildings	5,000	Straight-line	20 years
Machinery and equipment	5,000	Straight-line	3-25 years
Infrastructure	5,000	Straight-line	7-50 years

H. Deferred outflows and inflows of resources

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

I. Pensions

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

J. Fund balance classifications

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

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

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

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

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

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

K. Investment earnings

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

L. Compensated absences

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

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary fund financial statements. A liability 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. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, upon retirement, employees who have accumulated at least 1,000 hours of sick leave receive a $3,000 bonus. The liability for the bonus related to the sick leave is recorded in the government-wide and proprietary fund 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 by fiscal year-end.

M. Miscellaneous Disclosures

Pursuant to A.R.S. §35-391(B), the County shall disclose in its annual financial report the amount of any reward, discount, incentive, or other financial consideration received by the governmental entity resulting from credit card payments. The County received $20,908 in credit card rebates during calendar year 2017.

Note 2 - Individual fund deficits

The following special revenue funds had fund deficits in excess of $1,000 as of June 30, 2017:

Fund	Deficit
Drug Gang Violent Crime 16.738	$203,783
Housing	175,478
IV D Incentive/SSRE 93.563	175,466
State Aid Enhancement	154,474
Attorney's Justice Enhancement	77,957
Drug Prosecution Grant 16.738	66,152
Adult Intensive Prob Supervision	40,711
Crime Victim Assistance Prog	29,702
Public Health Emerg Prep 93.069	27,601
Marijuana Eradication 16.Unk	19,830
Superior & JP Crts Security	19,485
Supp Nutritn Asst Prg Ed 10.561	18,009
Prop 201 Smoke Free AZ Act	17,915
HIV Consortium 93.917	13,299
HSGP-Dispatch Comm 97.067	12,956

Fund	Deficit
CASA – Globe	9,620
Juvenile Standards Probation	8,572
IV-D Child Support 93.563	7,348
Conciliation Court Fund	4,477

These fund deficits resulted either from operations or a carryover deficit from prior years but are expected to be corrected through normal operations or through general fund transfers in future years.

Note 3 - Deposits and investments

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

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

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

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

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

Foreign currency risk
Statutes do not allow foreign investments unless the investments is denominated in United States dollars.

Deposits—At June 30, 2017, the carrying amount of the County's deposits was $17,674,720, and the bank balance was $19,043,420. Of the bank balance, $133,499 was uninsured and uncollateralized. The County does not have a formal policy related to custodial credit risk for deposits.

Investments—The County's investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

		Fair value measurement using	
	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Investments by fair value level			
U.S. Treasury securities	$23,338,106	$23,338,106	
Federal Farm Credit Banks	5,837,453	5,837,453	
Federal Home Loan Bank	10,461,223	10,461,223	
Federal Home Loan Mortgage Corporation	13,241,594	13,241,594	
Federal National Mortgage Association	3,782,152	3,782,152	
Corporate bonds	3,518,751	3,518,751	
Negotiable certificates of deposits	1,719,687	1,719,687	
U.S. Treasury money market funds	2,237,610	2,034,538	$203,072
Total investments by fair value level	$64,136,576	$63,933,504	$203,072

Investments categorized as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

Investments categorized as Level 2 of the fair value hierarchy are valued using prices quoted for those investments in markets that are not active.

Credit risk—The County does not have a formal investment policy with respect to credit risk.

At June 30, 2017, credit risk for the County's investments was as follows:

Investment type	Rating	Rating agency	Amount
U.S. agency securities	Aaa	Moody's	$33,322,422
Corporate bonds	Aa3	Moody's	1,981,454
Corporate bonds	Aa2	Moody's	518,199
Corporate bonds	Aa1	Moody's	509,517
Corporate bonds	Aaa	Moody's	509,581
Negotiable certificates of deposits	Unrated	N/A	1,719,687
U.S. Treasury money market funds	Unrated	N/A	2,237,610
			$40,798,470

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the outside party's possession. The County does not have a formal investment policy with respect to custodial credit risk.

Concentration of credit risk—The County does not have a formal investment policy with respect to concentration of credit risk. The County had investments at June 30, 2017, representing 5 percent or more of the County's total investments as follows:

U.S. agency	Percent
Federal Home Loan Mortgage Corporation	20.65%
Federal Home Loan Bank	16.31%
Federal Farm Credit Banks	9.10%
Federal National Mortgage Association	5.90%

Interest rate risk—The County does not have a formal investment policy with respect to interest rate risk. At June 30, 2017, the County had the following investments in debt securities:

Investment type	Amount	Weighted average maturity (years)
U.S. agency securities	$33,322,422	1.02
U.S. Treasury securities	23,338,106	1.15
Corporate bonds	3,518,751	1.82
Negotiable certificates of deposits	1,719,687	2.67
U.S. Treasury money market funds	2,237,610	0.00
Total	$64,136,576	

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

Cash, deposits, and investments:	
Cash on hand	$ 6,000
Amount of deposits	17,674,720
Amount of investments	64,136,576
Total	$81,817,296

Statement of net position

	Governmental activities	Business-type activities	Investment trust funds	Agency funds	Total
Cash and investments	$33,526,316	$ 5,373,448	$36,961,114	$950,121	$76,810,999
Cash and investments held by trustee—restricted	203,076	4,803,221			5,006,297
Total	$33,729,392	$10,176,669	$36,961,114	$950,121	$81,817,296

Note 4 – Due from other governments

Amounts due from other governments at June 30, 2017, are shown as follows:

	Governmental activities			
	General fund	Public works fund	Other governmental funds	Total
State-shared sales tax	$ 609,762			$ 609,762
County excise tax	550,768	$261,018		811,786
State-shared vehicle license tax	70,373	39,606		109,979
State-shared liquor license tax	4,510			4,510
Highway user revenue		369,231		369,231
Grants and contributions from local, state, and federal governments	2,300		$ 942,421	944,721
Reimbursements for goods or services provided for governmental units	816,676	18,700	110,216	945,592
Miscellaneous	75,741			75,741
Total	$2,130,130	$688,555	$1,052,637	$3,871,322

Note 5 - Capital assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,260,826	$ 1		$ 2,260,827
Construction in progress	3,236,918	212,029	$ 74,641	3,374,306
Total capital assets not being depreciated	5,497,744	212,030	74,641	5,635,133
Capital assets being depreciated:				
Buildings	22,459,072	1,507,738		23,966,810
Improvements other than buildings	1,151,326	52,610		1,203,936
Machinery and equipment	25,539,958	1,288,058	544,429	26,283,587
Infrastructure	20,205,472	348,031		20,553,503
Total capital assets being depreciated	69,355,828	3,196,437	544,429	72,007,836
Less accumulated depreciation for:				
Buildings	10,388,061	979,893		11,367,954
Improvements other than buildings	473,372	54,046		527,418
Machinery and equipment	21,835,073	1,120,241	544,429	22,410,885
Infrastructure	9,670,375	673,688		10,344,063
Total accumulated depreciation	42,366,881	2,827,868	544,429	44,650,320
Total capital assets being depreciated, net	26,988,947	368,569		27,357,516
Governmental activities, capital assets, net	$32,486,691	$ 580,599	$ 74,641	$32,992,649

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 3,000,000			$ 3,000,000
Total capital assets not being depreciated	3,000,000			3,000,000
Capital assets being depreciated:				
Machinery and equipment	2,954,211	$ 27,334		2,981,545
Infrastructure	169,340			169,340
Total capital assets being depreciated	3,123,551	27,334		3,150,885
Less accumulated depreciation for:				
Machinery and equipment	2,627,055	85,614		2,712,669
Infrastructure	155,969	8,467		164,436
Total	2,783,024	94,081		2,877,105
Total capital assets being depreciated, net	340,527	(66,747)		273,780
Business-type activities, capital assets, net	$ 3,340,527	$ (66,747)		$ 3,273,780

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$1,019,314
Public safety	538,312
Highways and streets	1,147,693
Health	11,855
Welfare	27,675
Sanitation	25,783
Culture and recreation	57,236
Total governmental activities depreciation expense	$2,827,868
Business-type activities:	
Sanitation	$ 94,081

Note 6 – Significant construction commitments

At June 30, 2017, the County had major construction commitments related to various capital projects for the constructions of Tonto Creek Bridge, Gordon Canyon Bridge, Main Street and the improvements of Golden Hill Road, Monroe Street, Roberts Road, and Cemetery Road. As of June 30, 2017, the County had spent $3,374,306 on these construction projects and reported the total amount in construction in progress. An estimated cost to complete these capital projects is approximately $23.7 million, which is predominantly financed by transportation excise tax and state and federal grants.

Note 7 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental activities					
Pledged revenue obligations payable	$ 7,730,930		$ 540,209	$ 7,190,721	$ 557,149
Revenue obligations premium payable	150,431		11,572	138,859	11,572
Net pension liability	53,136,592	$3,864,630	347,260	56,653,962	
Compensated absences payable	1,417,710	1,298,351	1,277,333	1,438,728	1,335,806
Claims and judgments payable	508,522	45,857	554,379		
Total governmental activities long-term liabilities	$62,944,185	$5,208,838	$2,730,753	$65,422,270	$1,904,527
Business-type activities					
Net pension liability	$ 671,515		$ 8,685	$ 662,830	
Compensated absences payable	24,805	$ 26,203	20,896	30,112	$ 25,367
Landfill closure and postclosure care costs payable	3,277,987	242,381		3,520,368	
Total business-type activities long-term liabilities	$ 3,974,307	$ 268,584	$ 29,581	$ 4,213,310	$ 25,367

Series 2015 pledged revenue obligations—During the year ended June 30, 2015, the County issued $2 million in series 2015 pledged revenue obligations with an interest rate of 0.53-2.70 percent to purchase and remodel the Copper Administrative building, a used modular office building. The obligations are generally noncallable, with interest payable semiannually.

Series 2009 pledged revenue and pledged revenue refunding obligations—During the year ended June 30, 2010, the County issued $8 million in series 2009 pledged revenue obligations with an interest rate of 3-5 percent to finance renovation costs for a newly acquired county administration building and several other county buildings, and to advance refund the outstanding 1999 Series A certificates of participation. The obligations are generally noncallable, with interest payable semiannually.

The following pledged revenue and pledged revenue refunding obligations were outstanding at June 30, 2017:

Description	Original amount issued	Interest rates	Maturities	Outstanding June 30, 2017
Gila County Pledged Revenue Obligations, Series 2009	$6,860,000	3-5%	2018-2029	$4,770,000
Gila County Pledged Revenue Refunding Obligations, Series 2009	1,140,000	3-5%	2018-2029	790,000
Gila County Pledged Revenue Obligations, Series 2015	2,000,000	0.53-2.70%	2018-2025	1,630,721
Total				$7,190,721

The following schedule details debt service requirements to maturity for the County's pledged revenue and pledged revenue refunding obligations payable at June 30, 2017:

	Governmental activities	
	Principal	Interest
Year ending June 30		
2018	$ 557,149	$ 286,822
2019	574,493	269,878
2020	592,274	251,897
2021	615,549	232,822
2022	629,359	212,412
2023-2027	3,071,897	692,564
2028-2029	1,150,000	87,000
	$7,190,721	$2,033,395

The County has pledged a portion of its excise taxes and state sales tax revenues toward the payment of debt related to revenue obligations outstanding at June 30, 2017. At June 30, 2017, future pledged revenues through final maturity at July 1, 2029, totaled $9,224,116, consisting of $7,190,721 for principal and $2,033,395 for interest. Future principal and interest payments are expected to require less than 11 percent of pledged revenues. In the current year, total principal and interest paid, and total pledged resources were $842,971 and $7,788,776, respectively.

Landfill closure and postclosure care costs—State and federal laws and regulations require the County to place a final cover on its six landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each operating period. These costs will be paid from the landfill fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The $3,520,368 reported as landfill closure and postclosure care liability at June 30, 2017, represents the cumulative amount reported to date based on the approximate use of 77 percent of the estimated capacity of the Buckhead Mesa Landfill and 64 percent of the Russell Gulch Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,433,082 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2017.

The County has closed four of its landfills as of June 30, 1996, and expects to close the two remaining landfills in 2020 and 2034. The actual costs may also be higher due to inflation, changes in technology, or changes in regulations. The County is planning to expand these landfills to extend their useful lives.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and correction action when needed. In order to comply with the local government financial test requirements, the County established a restricted bank account with a cash balance that will cover the estimated landfill closure and postclosure care costs when Russell Gulch and Buckhead Mesa landfills are expected to close. The current balance is reported in the business-type activities statement of net position and the proprietary fund statement of net position as restricted cash. Although the restricted bank account is not one of the allowable mechanisms listed in 40 CFR §258.74, the Arizona Department Environmental Quality (ADEQ) approved the calendar year 2017 financial assurance demonstration for the Russell Gulch and Buckhead Mesa landfills and required the County to submit future financial assurance in compliance with 40 CFR §258.74.

Special use permit—The Buckhead Mesa Landfill was issued a special use permit from the United States Department of Agriculture Forest Service for the purpose of using and maintaining a sanitary landfill, which expires on December 31, 2019, and has annual fees of $18,998.

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the year ended June 30, 2017, the County paid for compensated absences as follows: 71 percent from the general fund, 10 percent from the public works fund, 2 percent from the landfill fund, and 17 percent from other funds.

Claims and judgments payable—Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2017, the County paid off the total claims and judgments payable of excess employee contributions made to the Public Safety Personnel Retirement System (PSPRS) and Elected Officials Retirement Plan (EORP). The County will receive a future credit from PSPRS and EORP for the amounts refunded to employees in fiscal year 2018.

Note 8 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2017, were as follows:

	General fund	Public works fund	Other governmental funds	Total
Fund balances:				
Nonspendable:				
Prepaid items			$ 288	$ 288
Inventories	$ 138,415	$ 72,217		210,632
Total nonspendable	138,415	72,217	288	210,920
Restricted for:				
Public safety			182,896	182,896
Highways and streets		10,160,361		10,160,361
Health services			942,870	942,870
Judicial activities			4,125,353	4,125,353
Law enforcement			630,857	630,857
Education			1,828,824	1,828,824
Sanitation			117,052	117,052
Social services			577,364	577,364
Library			314,782	314,782
Street lighting improvement			13,497	13,497
Capital projects	203,076			203,076
Other purposes			448,799	448,799
Total restricted	203,076	10,160,361	9,182,294	19,545,731
Assigned to:				
Contingency reserve	12,453,317			12,453,317
Education	3,599			3,599
Other purposes	367,663			367,663
Total assigned	12,824,579			12,824,579
Unassigned	3,646,505		(1,087,190)	2,559,315
Total fund balances	$16,812,575	$10,232,578	$ 8,095,392	$35,140,545

Note 9 - Risk management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of $25,000 per occurrence for property claims and $25,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of $300 million per occurrence for property claims and $15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as law requires, and risk management services. The County is responsible for paying a premium based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

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

The Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust receive independent audits annually and an audit by the Arizona Department of Insurance every 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.

Note 10 - Pension and other postemployment benefits

The County contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2017, 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	$56,653,962	$662,830	$57,316,792
Deferred outflows of resources	11,041,267	118,417	11,159,684
Deferred inflows of resources	6,554,024	121,369	6,675,393
Pension expense	5,396,461	(6,467)	5,389,994

The County's accrued payroll and employee benefits include $72,767 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the County reported $3,324,668 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan descriptions—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:

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

*With actuarially reduced benefits.

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

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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, statute required the County to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2017, were $1,746,245. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS Year ended June 30	Health benefit supplement fund	Long-term disability fund
2017	$90,927	$22,732
2016	82,512	19,803
2015	99,175	20,171

During fiscal year 2017, the County paid for ASRS pension and OPEB contributions as follows: 62 percent from the general fund, 14 percent from the public works fund, 2 percent from the landfill fund, and 22 percent from other governmental funds.

Pension liability—At June 30, 2017, the County reported a liability of $28,096,646 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016, was 0.17407 percent, which was a decrease of 0.0086 from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2016, the County recognized pension expense for ASRS of $(265,056). At June 30, 2017, 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	$ 170,741	$1,932,844
Changes of assumptions or other inputs		1,486,538
Net difference between projected and actual earnings on pension plan investments	3,044,741	
Changes in proportion and differences between county contributions and proportionate share of contributions	2,462	1,783,277
County contributions subsequent to the measurement date	1,746,245	
Total	$4,964,189	$5,202,659

The $1,746,245 reported as deferred outflows of resources related to ASRS pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. 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	
2018	$(2,474,496)
2019	(1,516,100)
2020	1,152,145
2021	853,736

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

ASRS	
Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 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:

ASRS Asset class	**Target allocation**	**Long-term expected arithmetic real rate of return**
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

ASRS	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
County's proportionate share of the net pension liability	$35,825,358	$28,096,646	$21,899,910

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

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

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

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

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

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

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	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP	Initial membership date: Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 25 years any age (dispatchers) 20 years any age (all others) 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	
Survivor benefit		
Retired members	80% of retired member's pension benefit	

CORP	Initial membership date: Before January 1, 2012	Initial membership date: On or after January 1, 2012
Active members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers
Inactive employees or beneficiaries currently receiving benefits	31	11	3
Inactive employees entitled to but not yet receiving benefits	13	25	4
Active employees	38	59	5
Total	82	95	12

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits that employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Active members—pension				
PSPRS members with an initial membership date on or before July 19, 2011				
July 2016 through April 2017	11.65%	n/a	n/a	n/a
April 2017 through June 2017	7.65%	n/a	n/a	n/a
PSPRS members with an initial membership date after July 19, 2011, and all CORP members	11.65%	8.41%	8.41%	8.41%
County				
Pension	41.96%	8.50%	17.25%	20.08%
Health insurance premium benefit	0.00%	0.18%	0.00%	0.80%

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, 2017, were:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers
Pension			
Contributions made	$951,182	$204,740	$37,583
Health insurance premium benefit			
Annual OPEB cost	$0	$4,284	$0
Contributions made	$0	$4,284	$0

Contributions to the CORP AOC pension plan for the year ended June 30, 2017, were $218,961. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC

Year ended June 30	Health insurance fund
2017	$8,713
2016	$12,510
2015	19,879

During fiscal year 2017, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 85 percent from the general fund and 15 percent from other governmental funds.

Pension liability—At June 30, 2017, the County reported the following net pension liabilities:

	Net pension liability
PSPRS Sheriff	$11,895,221
CORP Detention	1,382,821
CORP Dispatchers	791,827
CORP AOC (County's proportionate share)	3,704,368

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for 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.

- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.

- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liabilities as a result of these changes is not known.

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

PSPRS and CORP—pension	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
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, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

PSPRS and CORP **Asset class**	**Target allocation**	**Long-term expected arithmetic 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	100%	

Pension discount rates—At June 30, 2016, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015.

The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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, 2016	$17,329,389	$ 6,361,360	$10,968,029
Changes for the year:			
Service cost	403,538		403,538
Interest on the total pension liability	1,325,851		1,325,851
Change of benefit terms	134,564		134,564
Differences between expected and actual experience in the measurement of the pension liability	(416,800)		(416,800)
Changes of assumptions or other inputs	632,607		632,607
Contributions—employer		867,460	(867,460)
Contributions—employee		243,186	(243,186)
Net investment income		37,079	(37,079)
Benefit payments, including refunds of employee contributions	(1,282,671)	(1,282,671)	
Administrative expense		(5,735)	5,735
Other changes		10,578	(10,578)
Net changes	797,089	(130,103)	927,192
Balances at June 30, 2017	$18,126,478	$ 6,231,257	$11,895,221

CORP Detention	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2016	$4,650,206	$4,035,816	$ 614,390
Changes for the year:			
Service cost	341,734		341,734
Interest on the total pension liability	368,315		368,315
Changes of benefit terms	10,391		10,391
Differences between expected and actual experience in the measurement of the pension liability	238,078		238,078
Changes of assumptions or other inputs	218,760		218,760
Contributions—employer		191,008	(191,008)
Contributions—employee		187,968	(187,968)
Net investment income		25,007	(25,007)

CORP Detention	Increase (decrease) Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Benefit payments, including refunds of employee contributions	$ (258,317)	$ (258,317)	
Administrative expense		(3,936)	$ 3,936
Other changes		8,800	(8,800)
Net changes	918,961	150,530	768,431
Balances at June 30, 2017	$5,569,167	$4,186,346	$1,382,821

CORP Dispatchers	Increase (decrease) Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) – (b)
Balances at June 30, 2016	$1,833,989	$1,266,213	$567,776
Changes for the year:			
Service cost	35,574		35,574
Interest on the total pension liability	140,477		140,477
Changes of benefit terms	6,381		6,381
Differences between expected and actual experience in the measurement of the pension liability	47,078		47,078
Changes of assumptions or other inputs	56,724		56,724
Contributions—employer		35,930	(35,930)
Contributions—employee		20,184	(20,184)
Net investment income		7,545	(7,545)
Benefit payments, including refunds of employee contributions	(124,520)	(124,520)	
Administrative expense		(1,467)	1,467
Other changes		(9)	9
Net changes	161,714	(62,337)	224,051
Balances at June 30, 2017	$1,995,703	$1,203,876	$791,827

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, 2016. The County's proportion measured as of June 30, 2016, was 1.312892 percent, which was a decrease of 0.062666 from its proportion measured as of June 30, 2015.

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.50 percent, 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	Current discount rate 7.50%	1% Increase 8.50%
PSPRS Sheriff			
Net pension liability	$14,051,202	$11,895,221	$10,100,681
CORP Detention			
Net pension liability	$2,116,320	$1,382,821	$777,678
CORP Dispatchers			
Net pension liability	$1,029,611	$791,827	$592,803
CORP AOC			
County's proportionate share of the net pension liability	$4,760,905	$3,704,368	$2,831,712

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, 2017, the County recognized the following pension expense:

	Pension expense
PSPRS Sheriff	$1,867,528
CORP Detention	307,191
CORP Dispatchers	116,753
CORP AOC (County's proportionate share)	473,506

Pension deferred outflows/inflows of resources—At June 30, 2017, 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	$ 16,678	$334,404
Changes of assumptions or other inputs	870,484	
Net difference between projected and actual earnings on pension plan investments	388,731	
County contributions subsequent to the measurement date	951,182	
Total	$2,227,075	$334,404

CORP Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$190,440	$175,218
Changes of assumptions or other inputs	232,098	
Net difference between projected and actual earnings on pension plan investments	257,511	
County contributions subsequent to the measurement date	204,740	
Total	$884,789	$175,218

CORP Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 66,156	$28,566
Changes of assumptions or other inputs	65,016	
Net difference between projected and actual earnings on pension plan investments	75,806	
County contributions subsequent to the measurement date	37,583	
Total	$244,561	$28,566

CORP AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 78,769	$186,534
Changes of assumptions or other inputs	502,795	
Net difference between projected and actual earnings on pension plan investments	279,744	
Changes in proportion and differences between county contributions and proportionate share of contributions		315,827
County contributions subsequent to the measurement date	218,961	
Total	$1,080,269	$502,361

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Year ending June 30				
2018	$521,638	$101,321	$49,684	$112,240
2019	120,124	102,733	54,406	112,240
2020	193,406	150,232	55,138	100,444
2021	106,321	150,545	19,184	34,821
2022				(798)

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the County and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

PSPRS and CORP—OPEB contribution requirements

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

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

Year ended June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
PSPRS Sheriff			
2017	$ 0	0.000%	$0
2016	0	0.000%	0
2015	33,309	100.0	0
CORP Detention			
2017	$ 4,284	100.0%	$0
2016	8,578	100.0	0
2015	22,113	100.0	0
CORP Dispatchers			
2017	$ 0	0.000%	$0
2016	0	100.0	0
2015	2,696	100.0	0

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Sheriff	CORP Detention	CORP Dispatchers
Actuarial value of assets (a)	$ 656,455	$ 355,038	$ 92,630
Actuarial accrued liability (b)	$ 447,162	$ 200,469	$ 31,995
Unfunded actuarial accrued liability (funding excess) (b) – (a)	$ (209,293)	$ (154,569)	$ (60,635)
Funded ratio (a)/(b)	146.80%	177.10%	289.50%
Annual covered payroll (c)	$2,202,807	$2,327,273	$216,597
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(9.50%)	(6.60%)	(28.00%)

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

PSPRS and CORP—OPEB funded status

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent closed
Remaining amortization period	19 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	7.40%
Projected salary increases	3.5%–7.5% for PSPRS and 3.5%–6.50% for CORP
Wage growth	3.5% for PSPRS and CORP

C. Elected Officials Retirement Plan

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

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

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

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

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

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, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 2017 and 7 percent of the members' annual covered payroll for April 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members 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 officials and judges. The County's contributions to the pension plan for the year ended June 30, 2017, were $208,566. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During fiscal year 2017, the County paid for EORP pension contributions as follows: 100 percent from the general fund.

Pension liability—At June 30, 2017, 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	$11,445,909
State's proportionate share of the EORP net pension liability associated with the County	2,363,282
Total	$13,809,191

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

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, 2016. The County's proportion measured as of June 30, 2016, was 1.2115242 percent, which was a decrease of 0.0503839 from its proportion measured as of June 30, 2015.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30,

2016. The change in the County's proportionate share of the collective net pension liability as a result of these changes in not known.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for EORP of $2,890,072 and revenue of $630,641 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2017, 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**
Differences between expected and actual experience		$215,245
Changes of assumptions or other inputs	$1,285,091	
Net difference between projected and actual earnings on pension plan investments	265,144	
Changes in proportion and differences between county contributions and proportionate share of contributions		216,940
County contributions subsequent to the measurement date	208,566	
Total	$1,758,801	$432,185

The $208,566 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	$726,778
2019	241,812
2020	96,348
2021	53,113

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

EORP	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2016, 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 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

EORP **Asset class**	**Target allocation**	**Long-term expected arithmetic 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	100%	

Discount rate—At June 30 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. 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 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

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 3.68 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 (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

EORP	1% Decrease (2.68%)	Current discount rate (3.68%)	1% Increase (4.68%)
County's proportionate share of the net pension liability	$13,323,603	$11,445,909	$9,878,512

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

Note 11 - Interfund balances and activity

Interfund receivables and payables—Interfund balances at June 30, 2017, were as follows:

	Payable to General Fund
Payable from	
Other Governmental Funds	$4,823

The interfund balances resulted from time lags between the dates that interfund goods and services are provided or reimbursable expenditures occur and the dates payments are made.

Interfund transfers—Interfund transfers for the year ended June 30, 2017, were as follows:

	Landfill Fund	Transfers to Other Governmental Funds	Total
Transfers from			
General Fund	$5,338	$2,117,500	$2,122,838

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

Note 12 - County Treasurer's investment pool

Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County'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.

The County's deposits and investments are included in the County Treasurer's investment pool, except for $776,196 in deposits and $5,006,297 of cash and investments held by trustee. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 3 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Fair value
U.S. agency securities	$33,345,000	0.625% - 3.750%	07/17 – 02/21	$33,322,422
U.S. Treasury securities	23,352,000	0.750% - 2.130%	09/17 –12/21	23,338,106
U.S. Treasury money market funds	2,034,538	0.000% - 0.260%	N/A	2,034,538
Corporate bonds	3,480,000	1.550%- 3.750%	05/18 – 08/21	3,518,751
Negotiable certificates of deposits	1,750,000	1.050% -1.550%	08/18 – 08/21	1,719,687
	$63,961,538			$63,933,504

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

Statement of net position	
Assets	$ 76,184,802
Liabilities	461,940
Net position	$ 75,722,862
Net position held in trust for:	
Internal participants	38,691,484
External participants	37,031,378
Total net position held in trust	$ 75,722,862
Statement of changes in net position	
Total additions	$173,429,094
Total deductions	167,259,481
Net increase	6,169,613
Net position held in trust:	
July 1, 2016	69,553,249
June 30, 2017	$ 75,722,862

Note 13 – Operating lease

The County leases computer software and hardware equipment under the provisions of a long-term lease agreement classified as an operating lease for accounting purposes. Rental expenditures under the terms of the operating lease were $90,767 for the year ended June 30, 2017. The operating lease has a remaining noncancelable term of 4 years. The following future minimum payments were required under the operating lease at June 30, 2017:

Year ending June 30	**Governmental Activities**
2018	$ 90,767
2019	90,767
2020	90,767
2021	90,767
Total minimum lease payments	$363,068

Other Required Supplementary Information

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2017

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 23,664,722	$ 23,217,608	$ (447,114)
Licenses and permits	402,000	584,837	182,837
Intergovernmental	13,384,898	12,894,837	(490,061)
Charges for services	797,849	1,447,637	649,788
Fines and forfeitures	425,749	398,846	(26,903)
Donations and contributions		159	159
Investment earnings	100,000	64,691	(35,309)
Miscellaneous	308,746	873,909	565,163
Total revenues	39,083,964	39,482,524	398,560
Expenditures:			
Current:			
General government			
Administrative services	133,229	128,107	5,122
Assessor	1,062,457	951,636	110,821
Board of supervisors	1,108,180	1,241,470	(133,290)
Community development	1,099,514	928,245	171,269
Computer services	821,167	799,092	22,075
Constituent services	270,000	247,138	22,862
Elections	413,944	362,778	51,166
Facilities management	2,263,227	1,739,731	523,496
Finance/purchasing	934,540	931,434	3,106
General administration	522,161	791,709	(269,548)
Personnel	775,622	674,695	100,927
Professional services	370,500	539,487	(168,987)
Recorder	702,175	607,188	94,987
Treasurer	509,048	469,536	39,512
Contingency reserve	386,380		386,380

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2017
(Continued)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Judicial services			
County attorney	$ 2,066,728	$ 1,937,043	$ 129,685
County attorney—child support	842,769	579,730	263,039
Constable—Globe	145,308	155,715	(10,407)
Constable—Payson	180,898	183,866	(2,968)
Justice Court—Globe	616,675	580,690	35,985
Justice Court—Payson	565,955	562,470	3,485
Indigent legal defense	1,265,500	1,302,743	(37,243)
Clerk of the superior court	1,403,046	1,255,482	147,564
Superior Court—Division I	178,608	162,476	16,132
Superior Court—Division II	176,197	171,836	4,361
Superior Court—General	926,892	720,660	206,232
Court system multi-information systems	197,526	78,057	119,469
Total general government	19,938,246	18,103,014	1,835,232
Public safety			
County sheriff	12,275,291	11,588,711	686,580
County sheriff—facilities management	327,515	242,637	84,878
Emergency services (including GIS Rural Addressing)	299,011	313,767	(14,756)
Flood plain management	202,102	193,434	8,668
Juvenile detention	1,335,112	886,594	448,518
Probation	953,812	818,219	135,593
Total public safety	15,392,843	14,043,362	1,349,481
Welfare			
AHCCCS contributions	3,525,800	3,518,417	7,383
Community agencies	242,500	217,451	25,049
Public fiduciary	420,421	444,155	(23,734)
Total welfare	4,188,721	4,180,023	8,698

(Continued)

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2017
(Concluded)

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Culture and recreation			
Fairgrounds		$ 4	$ (4)
Education			
School superintendent	$ 389,378	591,177	(201,799)
Special school reserve	5,599		5,599
Total education	394,977	591,177	(196,200)
Capital outlay	4,222,000	3,657,487	564,513
Debt service	854,000	844,006	9,994
Total expenditures	44,990,787	41,419,073	3,571,714
Excess (deficiency) of revenues over expenditures	(5,906,823)	(1,936,549)	3,970,274
Other financing sources (uses)			
Proceeds from sale of capital assets		466	466
Indirect costs		609,539	609,539
Transfers in	15,399		(15,399)
Transfers out	(2,026,857)	(2,122,838)	(95,981)
Total other financing sources (uses)	(2,011,458)	(1,512,833)	498,625
Net change in fund balances	(7,918,281)	(3,449,382)	4,468,899
Fund balances, July 1, 2016	7,918,281	20,840,994	12,922,713
Decrease in reserve for inventories		(14,425)	(14,425)
Fund balances, June 30, 2017	$ -	$ 17,377,187	$ 17,377,187

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Budgetary comparison schedule
Public works fund
Year ended June 30, 2017

	Original and final budgeted amounts	Actual amounts	Variance with final budget
Revenues:			
Taxes	$ 1,364,856	$ 1,442,009	$ 77,153
Licenses and permits	1,904	5,992	4,088
Intergovernmental	5,143,042	5,103,797	(39,245)
Investment earnings	27,600	25,317	(2,283)
Miscellaneous	50,000	22,112	(27,888)
Total revenues	6,587,402	6,599,227	11,825
Expenditures:			
Highways and streets	10,854,666	5,541,301	5,313,365
Total expenditures	10,854,666	5,541,301	5,313,365
Excess (deficiency) of revenues over expenditures	(4,267,264)	1,057,926	5,325,190
Other financing sources (uses):			
Proceeds from sale of capital assets		237,155	237,155
Transfers out	(15,399)		15,399
Total other financing sources and uses	(15,399)	237,155	252,554
Net change in fund balances	(4,282,663)	1,295,081	5,577,744
Fund balances, July 1, 2016	4,282,663	8,937,497	4,654,834
Fund balances, June 30, 2017	$ -	$10,232,578	$10,232,578

See accompanying notes to budgetary comparison schedule.

Gila County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2017

Note 1 - Budgeting and budgetary control

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

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

The County has adopted budgets in accordance with A.R.S. requirements for the general fund, special revenue funds, capital project funds, and debt service funds, with the exception of the superintendent of schools special revenue fund. In accordance with A.R.S. §15-301(C), the Office of County School Superintendent is designated as a local education agency (LEA). Revenues and expenditures for the LEA for Gila County Regional School District #49 and Gila County special education services are not included in the adopted budget of the County's Board of Supervisors.

Note 2 – Budgetary basis of accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted items:

	General fund
Deficiency of revenues over expenditures from the statement of revenues, expenditures, and changes in fund balances	$(1,327,010)
Indirect cost expenditures allocated to other county funds	(609,539)
Deficiency of revenues over expenditures from the budgetary comparison schedule	$(1,936,549)

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2017, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/department	Excess
General fund:	
Board of supervisors	$133,290
General administration	269,548
Professional services	168,987
Constable – Globe	10,407
Constable – Payson	2,968
Indigent legal defense	37,243

Fund/department	Excess
Emergency services	$ 14,756
Public fiduciary	23,734
School superintendent	201,799
Fairgrounds	4

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the county finance department closely monitors departmental spending and discusses the overage with the departments to improve the accuracy of the budget and improve budget control. Material unbudgeted expenditures will be referred to the Board of Supervisors for approval of a budget transfer from contingency or other appropriate funds.

During fiscal year 2017, the County School Superintendent's Office received national forest monies of $238,549 and passed them through to the school districts, which was not budgeted and accounted for the entire excess amount.

Gila County
Required supplementary information
Schedule of the County's proportionate share of the net pension liability
Cost-sharing pension plans
June 30, 2017

Arizona State Retirement System

	Reporting fiscal year (Measurement date)			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
County's proportion of the net pension liability	0.17%	0.18%	0.19%	Information
County's proportionate share of the net pension liability	$ 28,096,646	$ 28,452,591	$ 28,415,012	not available
County's covered payroll	$ 16,464,044	$ 16,959,971	$ 17,866,484	
County's proportionate share of the net pension liability as a percentage of its covered payroll	170.65%	167.76%	159.04%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year (Measurement date)			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
County's proportion of the net pension liability	1.31%	1.38%	1.55%	Information
County's proportionate share of the net pension liability	$ 3,704,368	$ 3,344,124	$ 3,475,563	not available
County's covered payroll	$ 1,452,609	$ 1,539,683	$ 1,667,965	
County's proportionate share of the net pension liability as a percentage of its covered payroll	255.01%	217.20%	208.37%	
Plan fiduciary net position as a percentage of the total pension liability	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan

	Reporting fiscal year (Measurement date)			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
County's proportion of the net pension liability	1.21%	1.26%	1.29%	Information
County's proportionate share of the net pension liability	$ 11,445,909	$ 9,861,197	$ 8,628,523	not available
State's proportionate share of the net pension liability associated with the County	2,363,282	3,074,311	2,645,585	
Total	$ 13,809,191	$ 12,935,508	$ 11,274,108	
County's covered payroll	$ 977,941	$ 1,134,316	$ 1,182,686	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1170.41%	869.35%	729.57%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

Gila County

Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2017

PSPRS Sheriff

	Reporting fiscal year (Measurement date)			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
Total pension liability				Information
Service cost	$ 403,538	$ 299,129	$ 367,275	not available
Interest on the total pension liability	1,325,851	1,290,430	1,044,461	
Changes of benefit terms	134,564		451,808	
Differences between expected and actual experience in the measurement of the pension liability	(416,800)	(29,030)	94,471	
Changes of assumptions or other inputs	632,607		2,180,190	
Benefit payments, including refunds of employee contributions	(1,282,671)	(1,040,337)	(901,225)	
Net change in total pension liability	797,089	520,192	3,236,980	
Total pension liability—beginning	17,329,389	16,809,197	13,572,217	
Total pension liability—ending (a)	$ 18,126,478	$ 17,329,389	$ 16,809,197	
Plan fiduciary net position				
Contributions—employer	$ 867,460	$ 641,694	$ 520,920	
Contributions—employee	243,186	211,706	175,906	
Net investment income	37,079	230,228	792,461	
Benefit payments, including refunds of employee contributions	(1,282,671)	(1,040,337)	(901,225)	
Administrative expense	(5,735)	(5,984)	(6,383)	
Other changes	10,578	(47,732)	87,607	
Net change in plan fiduciary net position	(130,103)	(10,425)	669,286	
Plan fiduciary net position—beginning	6,361,360	6,371,785	5,702,499	
Plan fiduciary net position—ending (b)	$ 6,231,257	$ 6,361,360	$ 6,371,785	
County's net pension liability—ending (a) – (b)	$ 11,895,221	$ 10,968,029	$ 10,437,412	
Plan fiduciary net position as a percentage of the total pension liability	34.38%	36.71%	37.91%	
Covered payroll	$ 2,167,935	$ 2,001,288	$ 1,895,363	
County's net pension liability as a percentage of covered payroll	548.69%	548.05%	550.68%	

See accompanying notes to pension plan schedules.

Gila County

Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2017

CORP Detention

	Reporting fiscal year (Measurement date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Total pension liability				Information
Service cost	$ 341,734	$ 322,777	$ 349,379	not available
Interest on the total pension liability	368,315	353,739	322,522	
Changes of benefit terms	10,391		24,688	
Differences between expected and actual experience in the measurement of the pension liability	238,078	(184,916)	(181,113)	
Changes of assumptions or other inputs	218,760		155,825	
Benefit payments, including refunds of employee contributions	(258,317)	(372,466)	(148,202)	
Net change in total pension liability	918,961	119,134	523,099	
Total pension liability—beginning	4,650,206	4,531,072	4,007,973	
Total pension liability—ending (a)	$ 5,569,167	$ 4,650,206	$ 4,531,072	
Plan fiduciary net position				
Contributions—employer	$ 191,008	$ 181,989	$ 191,319	
Contributions—employee	187,968	188,093	186,454	
Net investment income	25,007	144,624	461,443	
Benefit payments, including refunds of employee contributions	(258,317)	(372,466)	(148,202)	
Administrative expense	(3,936)	(3,947)	(3,628)	
Other changes	8,800	(3,075)	(544)	
Net change in plan fiduciary net position	150,530	135,218	686,842	
Plan fiduciary net position—beginning	4,035,816	3,900,598	3,213,756	
Plan fiduciary net position—ending (b)	$ 4,186,346	$ 4,035,816	$ 3,900,598	
County’s net pension liability—ending (a) – (b)	$ 1,382,821	$ 614,390	$ 630,474	
Plan fiduciary net position as a percentage of the total pension liability	75.17%	86.79%	86.09%	
Covered payroll	$ 2,226,105	$ 2,058,827	$ 2,074,538	
County’s net pension liability as a percentage of covered payroll	62.12%	29.84%	30.39%	

See accompanying notes to pension plan schedules.

Gila County
Required supplementary information
Schedule of changes in the County's net pension liability and related ratios
Agent pension plans
June 30, 2017

CORP Dispatchers

	Reporting fiscal year (Measurement date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Total pension liability				Information not available
Service cost	$ 35,574	$ 30,280	$ 39,102	
Interest on the total pension liability	140,477	130,939	127,496	
Changes of benefit terms	6,381		12,908	
Differences between expected and actual experience in the measurement of the pension liability	47,078	59,963	(103,659)	
Changes of assumptions or other inputs	56,724		80,874	
Benefit payments, including refunds of employee contributions	(124,520)	(80,128)	(136,774)	
Net change in total pension liability	161,714	141,054	19,947	
Total pension liability—beginning	1,833,989	1,692,935	1,672,988	
Total pension liability—ending (a)	$ 1,995,703	$ 1,833,989	$ 1,692,935	
Plan fiduciary net position				
Contributions—employer	$ 35,930	$ 30,530	$ 26,396	
Contributions—employee	20,184	20,252	20,281	
Net investment income	7,545	45,656	158,620	
Benefit payments, including refunds of employee contributions	(124,520)	(80,128)	(136,774)	
Administrative expense	(1,467)	(1,505)	(1,247)	
Other changes	(9)	(1,172)	(19,995)	
Net change in plan fiduciary net position	(62,337)	13,633	47,281	
Plan fiduciary net position—beginning	1,266,213	1,252,580	1,205,299	
Plan fiduciary net position—ending (b)	$ 1,203,876	$ 1,266,213	$ 1,252,580	
County's net pension liability—ending (a) – (b)	$ 791,827	$ 567,776	$ 440,355	
Plan fiduciary net position as a percentage of the total pension liability	60.32%	69.04%	73.99%	
Covered payroll	$ 254,265	$ 254,000	$ 254,265	
County's net pension liability as a percentage of covered payroll	311.42%	223.53%	173.19%	

See accompanying notes to pension plan schedules.

Gila County
Required supplementary information
Schedule of county pension contributions
June 30, 2017

Arizona State Retirement System

	Reporting fiscal year				
	2017	2016	2015	2014	2013-2008
Statutorily required contribution	$ 1,746,245	$ 1,768,338	$ 1,832,179	$ 1,852,259	Information not available
County's contributions in relation to the statutorily required contribution	1,746,245	1,768,338	1,832,179	1,852,259	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 16,996,911	$ 16,464,044	$ 16,959,971	$ 17,866,484	
County's contributions as a percentage of covered payroll	10.27%	10.74%	10.80%	10.37%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year				
	2017	2016	2015	2014	2013-2008
Statutorily required contribution	$ 218,961	$ 276,212	$ 227,801	$ 240,875	Information not available
County's contributions in relation to the statutorily required contribution	218,961	276,212	227,801	240,875	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,143,874	$ 1,452,609	$ 1,539,683	$ 1,667,965	
County's contributions as a percentage of covered payroll	19.14%	19.01%	14.80%	14.44%	

Elected Officials Retirement Plan

	Reporting fiscal year				
	2017	2016	2015	2014	2013-2008
Statutorily required contribution	$ 208,566	$ 250,016	$ 265,481	$ 274,171	Information not available
County's contributions in relation to the statutorily required contribution	208,566	250,016	265,481	274,171	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 959,940	$ 977,941	$ 1,134,316	$ 1,182,686	
County's contributions as a percentage of covered payroll	21.73%	25.57%	23.40%	23.18%	

See accompanying notes to pension plan schedules.

PSPRS Sheriff

	Reporting fiscal year				
	2017	2016	2015	2014	2013-2008
Actuarially determined contribution	$ 1,102,871	$ 1,210,141	$ 641,694	$ 520,920	Information not available
County's contributions in relation to the actuarially determined contribution	951,182	867,460	641,694	520,920	
County's contribution deficiency (excess)	$ 151,689	$ 342,681	$ -	$ -	
County's covered payroll	$ 2,362,113	$ 2,167,935	$ 2,001,288	$ 1,895,363	
County's contributions as a percentage of covered payroll	40.27%	40.01%	32.06%	27.48%	

CORP Detention

	Reporting fiscal year				
	2017	2016	2015	2014	2013-2008
Actuarially determined contribution	$ 221,827	$ 208,141	$ 181,989	$ 191,319	Information not available
County's contributions in relation to the actuarially determined contribution	204,740	191,008	181,989	191,319	
County's contribution deficiency (excess)	$ 17,087	$ 17,133	$ -	$ -	
County's covered payroll	$ 2,552,674	$ 2,226,105	$ 2,058,827	$ 2,074,538	
County's contributions as a percentage of covered payroll	8.02%	8.58%	8.84%	9.22%	

CORP Dispatchers

	Reporting fiscal year				
	2017	2016	2015	2014	2013-2008
Actuarially determined contribution	$ 44,926	$ 47,090	$ 30,530	$ 26,396	Information not available
County's contributions in relation to the actuarially determined contribution	37,583	35,930	30,530	26,396	
County's contribution deficiency (excess)	$ 7,343	$ 11,160	$ -	$ -	
County's covered payroll	$ 226,100	$ 254,265	$ 254,000	$ 254,265	
County's contributions as a percentage of covered payroll	16.62%	14.13%	12.02%	10.38%	

See accompanying notes to pension plan schedules.

Note 1 – Actuarially determined contribution rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	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	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%– 7.75% for CORP
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006-June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors that affect trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS, CORP, and CORP-AOC changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' and CORP's changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the County's net pension liability and related ratios. These changes also increased the PSPRS, CORP, and CORP-AOC's required contributions beginning in fiscal year 2016 in the schedule of county pension contributions. PSPRS and CORP allowed the County to phase in the increased contributions over 3 years. As a result, the County's contributions were less than the actuarially determined contributions for 2016 and 2017.

Gila County
Required supplementary information
Schedule of agent OPEB plans' funding progress
June 30, 2017

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b-a)	Funded ratio (a/b)	Annual covered payroll (c)	UAAL as a percentage of covered payroll ([b-a]/c)
PSPRS sheriff						
6/30/2017	$656,455	$447,162	$(209,293)	146.8%	$2,202,807	(9.5%)
6/30/2016	637,565	430,381	(207,184)	148.1%	2,080,191	(10.0%)
6/30/2015	615,835	429,239	(186,596)	143.5%	1,970,217	(9.5%)
CORP detention						
6/30/2017	355,038	200,469	(154,569)	177.1%	2,327,273	(6.6%)
6/30/2016	332,957	220,622	(112,335)	150.9%	2,206,156	(5.1%)
6/30/2015	306,989	220,543	(86,446)	139.2%	2,081,145	(4.2%)
CORP dispatchers						
6/30/2017	92,630	31,995	(60,635)	289.5%	216,597	(28.0%)
6/30/2016	86,805	40,624	(46,181)	213.7%	242,660	(19.0%)
6/30/2015	81,404	38,213	(43,191)	213.0%	254,418	(17.0%)

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