Graham County

Annual Financial Report

Year Ended June 30, 2017

A Report to the Arizona Legislature

ARIZONA Auditor General

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Members of the Arizona State Legislature

The Board of Supervisors of
Graham County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Graham 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, each major fund, and aggregate remaining fund information of Graham County as of June 30, 2017, and the respective changes in financial position 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-10, budgetary comparison schedules on pages 50 through 55, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 56, schedule of changes in the County's net pension liability (asset) and related ratios—agent pension plans on pages 57 through 59, schedule of county pension contributions on pages 60 through 61, and schedule of agent OPEB plans' funding progress on page 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 use highway user revenue fund monies the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing* Standards, we have also issued our report dated March 30, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Jay Zsorey, CPA
Director, Financial Audit Division

March 30, 2018

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

Financial highlights for fiscal year 2017

- 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 $18,857,589 (net position). Of this amount, $51,865,457 is the net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure, and construction in progress); $10,152,226 is restricted for specific purposes (restricted net position); and $(22,587,974) is the unrestricted net position deficit balance that is primarily a result of $29,308,176 in net pension liability.
- The decrease in the County's net position was $1,655,631 in fiscal year 2017.
- As of the close of the current fiscal year, Graham County's governmental funds reported combined ending fund balances of $20,636,289, a decrease of $15,413,506 in comparison with the prior year. The decrease was primarily due to a decrease in investments held by trustee as bond proceeds were used to make significant progress toward the completion of the adult detention facility.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,424,361, or 9.0 percent, of total general fund expenditures.
- Graham County's capital assets increased by $16,451,938 during the current fiscal year. The key factor in this increase was construction in progress on the adult detention facility. The largest capital asset purchases were roads and paths including the Golf Course Road shared-use path, High Mesa Road and the Parks Walking Trail. Other large capital assets were a motor grader, three communication towers, a tire compactor, laptops for deputy vehicles, two trucks for deputies, and one truck for emergency services. A parks tractor, a courthouse basement remodel, assessor parcel software, and a new fuel management system round out the majority of capital asset additions.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to Graham County's basic financial statements. The County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the MD&A.

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

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

The *statement of activities* presents information showing how net position changed during the most recent 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. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in only future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of these government-wide financial statements distinguish county functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Graham County did not have any business-type activities during the fiscal year.

Graham County's governmental activities include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education.

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

Fund financial statements are groupings of related accounts 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 compliance with finance-related legal requirements. The County's funds can be divided into two categories: *governmental and fiduciary*.

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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financial requirements.

Because the governmental funds' focus is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide 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 the general fund, highway road fund, jail district operations fund, jail district debt service fund, and the jail district construction fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The basic governmental fund financial statements can be found on pages 4 through 10 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Graham County's own programs.

The fiduciary funds financial statements can be found on pages 11 and 12 of this report.

Notes to the financial statements provide additional information that is essential to the 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 13 through 47 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 Graham County's progress in funding its obligation to provide pension benefits and OPEB to its employees.

Required supplementary information can be found on pages 50 through 63 of this report.

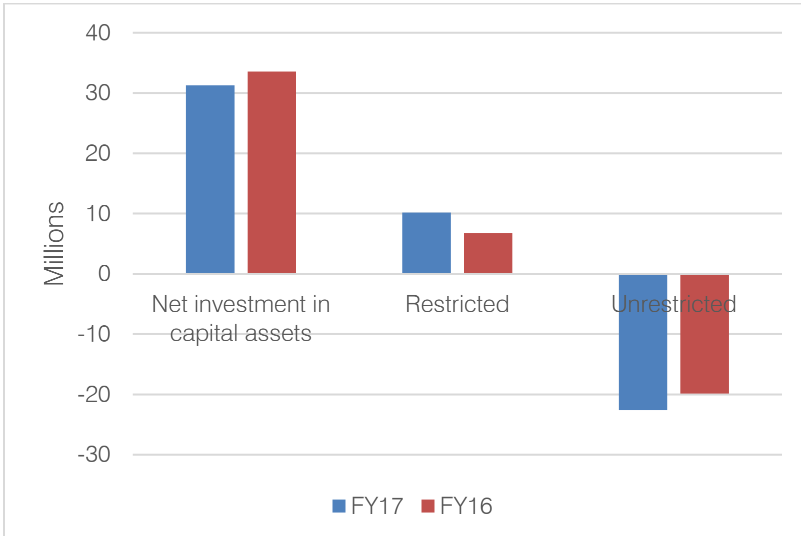
Government-wide financial analysis

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, Graham County's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $18,857,589.

Condensed Statement of Net Position
As of June 30, 2017 and 2016

	Governmental Activities	
	2017	2016
Current and other assets	$ 22,448,725	$ 37,479,397
Capital assets	52,688,372	36,236,434
Total assets	75,137,097	73,715,831
Deferred outflows of resources		
Total outflows of resources	7,099,638	4,863,390
Long-term liabilities outstanding	59,251,975	55,325,221
Other liabilities	1,536,934	1,140,667
Total liabilities	60,788,909	56,465,888
Deferred inflows of resources		
Total inflows of resources	2,590,237	1,600,113
Net position:		
Net investment in capital assets	31,293,337	33,561,090
Restricted	10,152,226	6,792,909
Unrestricted	(22,587,974)	(19,840,779)
Total net position	$ 18,857,589	$ 20,513,220

Net Position
June 30, 2017 and 2016



The County's net position includes its net investment in capital assets (e.g., land, construction in progress, buildings, machinery and equipment, and infrastructure). This amount is presented less accumulated depreciation and any related debt still outstanding that was used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Graham 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.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from $(19,840,799) at June 30, 2016, to $(22,587,974) at June 30, 2017. Again, this is primarily a result of net pension liability.

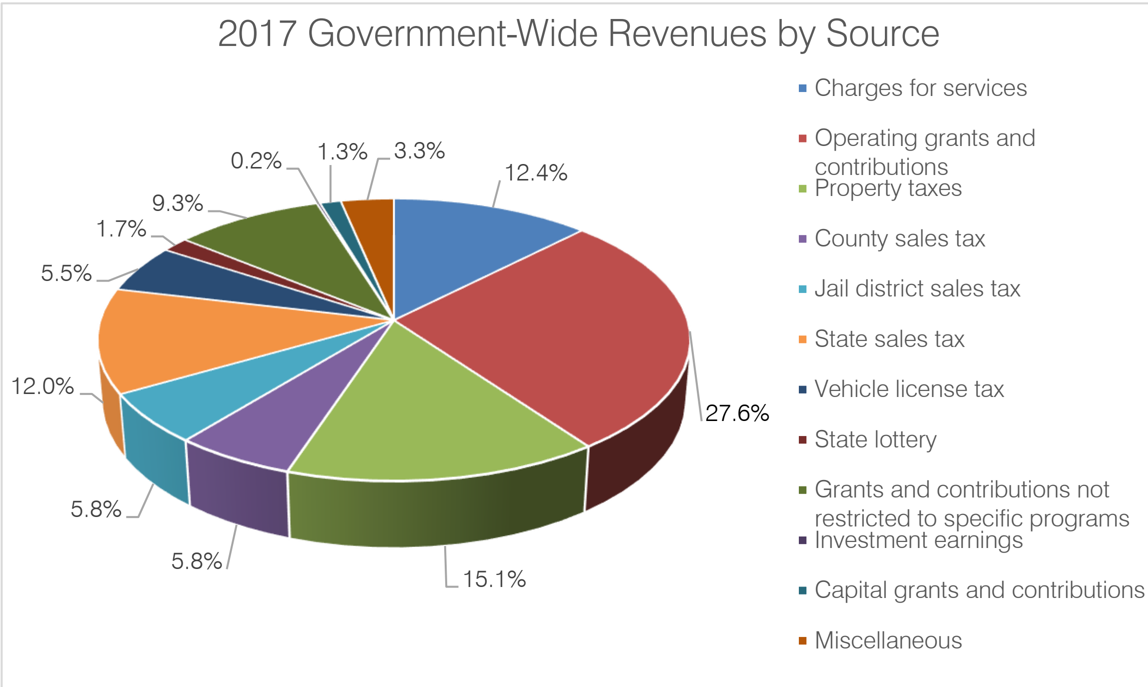
Current and other assets, related to governmental activities, decreased $15,030,672 as compared to the previous fiscal year, primarily because in 2017 amounts previously held in investments from the issuance of the Jail District bonds were used for construction of the new adult detention facility. Capital assets increased by $16,451,938 this fiscal year as construction in progress, including the new adult detention facility, and assets placed in service exceeded the write-off of obsolete assets and depreciation of all assets.

Long-term liabilities increased $3,926,754 with an increase of $3,810,731 in net pension liability to $29,308,176 for its employees at year-end and also $440,547 due to EORP and PSPRS employees for the return of contributions and related interest from the Hall and Parker lawsuits. Compensated absences decreased $28,855, reflecting employees' decreased carryover of vacation and sick leave hours. Capital leases payable decreased $226,952 as the $312,704 increase for one new lease was incurred for a motor grader which was less than the $539,656 decrease for lease payments made. Other liabilities increased $396,267, or 34.7 percent, mainly because of an increase in accounts payable.

Statement of activities—Already noted was the statement of activities' purpose in presenting information in how the County's net position changed during the most recent fiscal year. All sources of revenue on the statement of activities increased with the exception of property taxes which decreased $110,932, or 2.2 percent and grants and contributions not restricted to specific programs which decreased $149,749, or 4.8 percent. The net result was an increase in revenue of $1,385,823 for the fiscal year. The basis of accounting used in the government-wide statement of activities excludes capital expenditures, while its revenues include taxes whose primary purpose is for the County's operation.

Condensed Statement of Activities
Years Ended June 30, 2017 and 2016

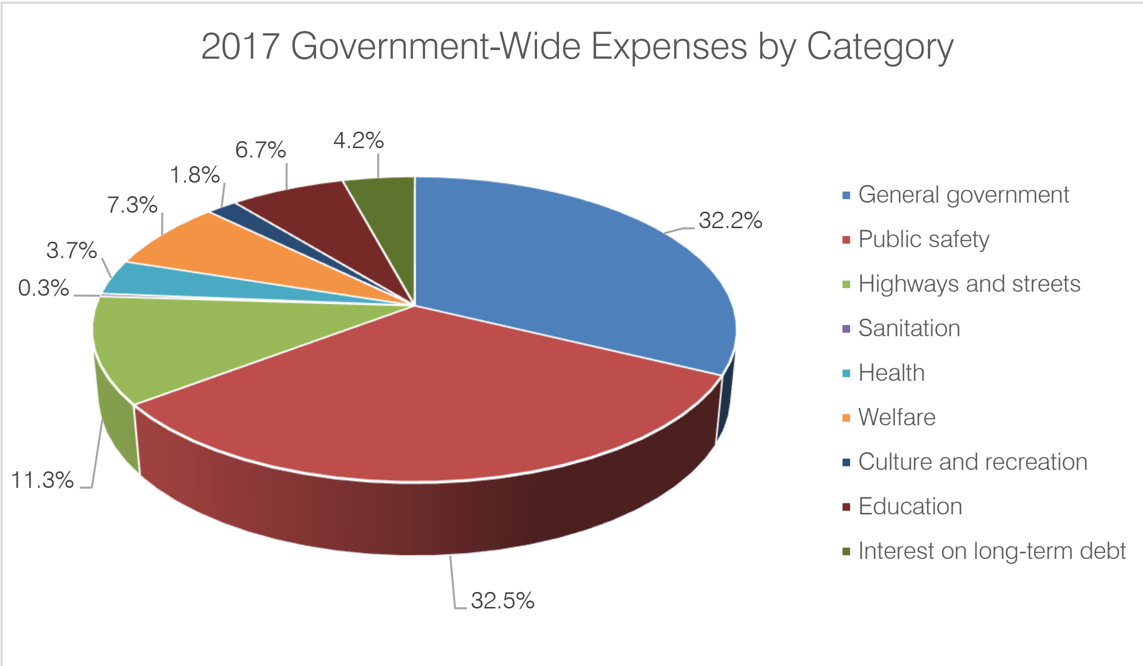
	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 3,998,923	$ 3,687,129
Operating grants and contributions	8,858,355	8,818,899
Capital grants and contributions	435,195	-
General revenues:		
Property taxes, levied for general purposes	4,840,874	4,951,806
County sales taxes, levied for general purposes	1,872,506	1,772,719
Jail District sales taxes, levied for debt service	1,857,169	1,712,505
Shared revenue—state sales taxes	3,857,823	3,658,216
Shared revenue—state vehicle license taxes	1,764,752	1,670,966
Shared revenue—state lottery	550,050	550,050
Grants and contributions not restricted to specific programs	2,980,227	3,129,976
Investment earnings	50,093	34,154
Miscellaneous	1,050,799	744,523
Total revenues	32,116,766	30,730,943
Expenses		
General government	$ 10,872,778	$ 9,825,988
Public safety	10,961,441	11,117,442
Highways and streets	3,818,992	4,360,403
Sanitation	92,401	88,843
Health	1,258,329	1,345,633
Welfare	2,456,260	2,478,947
Culture and recreation	628,323	902,541
Education	2,264,726	2,177,603
Interest on long-term debt	1,419,147	-
Total expenses	33,772,397	32,297,400
Change in net position	(1,655,631)	(1,566,457)
Net position—beginning	20,513,220	22,079,677
Net position—ending	$18,857,589	$20,513,220



Governmental activities

Governmental activities revenues totaled $32,116,766 for fiscal year 2017. The following are highlights of county revenues:

- Charges for services increased by $311,794, or 8.5 percent. The main sources of the increases were an increase in dispatch fees and juvenile detention fees, an increase in bond forfeiture receipts as well as new charges for inmate meals.
- Graham County began to see a recovery in the economy, years behind the state's recovery as a whole, which was evidenced by an increase in County sales taxes of $99,787 or 5.6 percent; an increase in Jail District sales tax of $144,664, or 8.4 percent; an increase in shared state sales tax of $199,607, or 5.5 percent and an increase in vehicle license tax of $93,786, or 5.6 percent.
- Investment earnings increased by $15,939, or 46.7 percent, as interest rates continued to rise.
- Miscellaneous revenues increased by $306,276, or 41.1 percent, as the County received insurance proceeds to reimburse costs related to hail storm repairs.



Expenses:

Overall expenses in governmental activities increased $1,474,997, or 4.6 percent. Spending for several of the functions increased during the fiscal year. The majority of the increase was within the general government function and interest on long-term debt. Highways and streets and culture and recreation functions showed large decreases in expenses.

- General government expenses and interest on long-term debt had the largest increases of $1.1 and $1.4 million, respectively. Increased costs were largely from $339,767 in hail storm repairs, a $457,439 increase in pension expenses, a $62,602 increase in depreciation expense, and interest payments due on bonds.
- Culture and recreation expenses had the largest percentage decrease of 30.4 percent, which was a decrease of $274,218 due mainly to the elimination of costs associated with the El Moro horse races and a decrease in capital projects during the current year.
- Highways and streets expenses also had a large percentage decrease of 12.4 percent, which was a decrease of $541,411. The decrease was mainly related to a $351,157 decrease in shared forest fees.

Financial analysis of the County's funds

As noted earlier, Graham County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of Graham County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Graham County. At June 30, 2017, the general fund's unassigned fund balance was $1,424,361 which was a decrease of $164,004 from the prior fiscal year. Revenues were more than expenses by $2,620,691 in the general fund (prior to any other financing sources or uses). Revenues were $471,903 more than the previous fiscal year with increases in County sales taxes, miscellaneous, charges for services, and donations offsetting decreases in property taxes, intergovernmental revenues and investment income.

The highway road fund receives the County's share of the highway users revenue funds collected and distributed by the State of Arizona for the purposes of maintaining and improving the roads under the County's care. The fund balance for the highway road fund increased $597,344 this fiscal year. Intergovernmental revenues saw a slight decrease while expenditures were reduced. The county highway department works diligently to keep a close eye on expenditures and to keep costs down whenever possible.

The jail district operations fund is comprised of two main functions—adult detention and detention health services. The jail district operations fund's main source of revenues is the maintenance of effort transfer from the general fund. For fiscal year 2017 this transfer totaled $2,872,677, a $28,538 increase over the previous year. The transfers will vary each year based on calculations tied to changes in the U.S. gross domestic product. The jail district operations fund ended its second year with a fund balance of $204,833.

The jail district debt service fund receives the new jail district sales tax which went into effect on July 1, 2015. The district uses these taxes to service the principal and interest payments on the bonds issued to build the new adult detention facility. The debt service is scheduled to be paid off in 25 years, by the year 2040. The county sales tax for the jail district debt service fund totaled $1,857,169.

The jail district construction fund had a fund balance of $6,663,378 as of June 30, 2017. The largest expense was capital outlay of $16,850,559 for the construction of an adult detention facility. The facility was substantially completed and placed into service in November 2017.

The other governmental funds' balance increased by $274,103. This is a combination of many nonmajor funds of the County, most funded by various grants. While funding for many programs have faced multiple years of cuts, the intergovernmental revenues increased in fiscal year 2017 by $267,687. Grants are typically only awarded for one fiscal year at a time.

General fund budgetary highlights

There were no amendments to the original revenue budget for the general fund. General fund revenues received were under the adopted budget by $1,377,648, or 6.9 percent. The largest percent variances from budgeted amounts were in miscellaneous income, which was $292,520, or 182.7 percent, above budget; investment income, which was $2,734, or 78.1, percent below budget; donations, which were $29,970, or 59.9 percent above budget; and charges for services, which were $548,623, or 21.6 percent below budget. The general fund expenditure budget of $17,932,119 was also not amended this fiscal year. General fund expenditures were less than the final budget by $2,091,031, or 11.7 percent. Significant favorable expenditure variances, as compared to the budget, were incurred in the general government function of $1,121,202. These savings were a result of conservative budgeting practices and reduced spending due to tight economic conditions that resulted in spending less than anticipated mainly by the victim witness, electrical maintenance, miscellaneous, treasurer, attorney, information technology, and contingency funds.

Capital asset and debt administration

Capital assets—The County's capital assets for its governmental activities as of June 30, 2017, amount to $52,688,372 (net of accumulated depreciation). The increase of $16,451,938 is due primarily to construction in progress on the adult detention facility.

Graham County's Capital Assets
(Net of depreciation)

	Governmental Activities	
	2017	2016
Land	$ 3,170,807	$ 3,170,807
Buildings	7,388,548	7,722,858
Machinery and equipment	2,483,639	2,561,910
Infrastructure	20,623,595	20,848,965
Construction in progress	19,021,783	1,931,894
Total	$52,688,372	$36,236,434

Additional information on Graham County's capital assets can be found in Note 4 on page 22 of this report.

Long-term debt—At the end of the current fiscal year, the County had total long-term liabilities outstanding of $59,251,975. The largest portion of the long-term liabilities includes $26,340,000 in revenue bonds payable and $29,308,176 for net pension liability. Also included in long-term liabilities is $1,369,416 for the future payment of compensated absences for unused employee vacation and sick leave, capital leases of $822,915, unamortized bond premium of $895,498, claims and judgements payable of $440,547, and post-closure care costs of $75,423.

Additional information on the County's long-term debt can be found in Note 7 to the financial statements on pages 23 through 25.

Economic factors and next year's budget and rates

- The unemployment rate as of June 2017 for Graham County was 6.2 percent (exclusive of the San Carlos Apache Reservation). This is a decrease from 7.8 percent a year ago. Comparatively, the State rate is 5.1 percent. This rate is reflective of our reliance on the local copper mining industry. As copper prices have begun to increase, our local employment has increased along with prices.
- Inflationary trends in the region compare favorably to national indices.
- State shared revenues have increased for the past few years but Graham County is only beginning to see slightly higher County sales taxes as rural areas traditionally lag behind urban areas of the state in financial recoveries.
- Graham County, as all rural counties, continues to feel the negative effects of unfunded mandates being passed down by the legislature.
- Due to a requirement for federal year-by-year authorization, there is uncertainty in federal PILT (payment in lieu of taxes) funding which has a significant impact on Graham County.

These factors were considered in preparing Graham County's budget for the 2018 fiscal year. The unassigned ending fund balance in the general fund of $1,424,361 was appropriated for spending in the 2017/18 fiscal year budget. Graham County balances the use of available fund balances with realistic revenue projections while implementing a conservative plan for the expenditure of limited resources to meet its citizens' current and future needs. Due to a decrease in assessed property valuations, the County raised the general fund property tax rate from 2.4597 to 2.6439, which was above to the Truth in Taxation Rate of 2.5088 for the fiscal year 2018.

Requests for information

This financial report is designed to provide a greater overview of Graham 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 to the Board of Supervisors, 921 W. Thatcher Blvd., Safford, AZ 85546.

Graham County
Statement of net position
June 30, 2017

	Governmental activities
Assets	
Cash, cash equivalents, and investments	$ 8,350,660
Receivables:	
Property taxes	262,104
Accounts	50,361
Due from other governments	2,131,319
Investments held by trustee	11,322,160
Inventories	278,833
Net pension assets	53,288
Capital assets, not being depreciated	22,192,590
Capital assets, being depreciated, net	30,495,782
Total assets	75,137,097
Deferred outflows of resources	
Deferred outflows related to pensions	7,099,638
Total deferred outflows of resources	7,099,638
Liabilities	
Accounts payable	1,214,840
Accrued payroll and employee benefits	273,426
Due to other governments	48,668
Noncurrent liabilities	
Due within 1 year	2,043,753
Due in more than 1 year	57,208,222
Total liabilities	60,788,909
Deferred inflows of resources	
Deferred inflows related to pensions	2,590,237
Total deferred inflows of resources	2,590,237
Net position	
Net investment in capital assets	31,293,337
Restricted for:	
Highways and streets	4,490,939
Debt service	4,013,527
Other purposes	1,647,760
Unrestricted (deficit)	(22,587,974)
Total net position	$ 18,857,589

See accompanying notes to financial statements.

Graham County
Statement of activities
Year ended June 30, 2017

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and changes in net position: Governmental activities
Governmental activities:					
General government	$10,872,778	$2,613,471	$ 1,884,873		$ (6,374,434)
Public safety	10,961,441	380,551	2,017,970		(8,562,920)
Highways and streets	3,818,992	3,941	2,863,050	$ 435,195	(516,806)
Sanitation	92,401		50,469		(41,932)
Health	1,258,329	59,923	1,121,974		(76,432)
Welfare	2,456,260				(2,456,260)
Culture and recreation	628,323	71,611			(556,712)
Education	2,264,726	869,426	920,019		(475,281)
Interest on long-term debt	1,419,147				(1,419,147)
Total governmental activities	$33,772,397	$3,998,923	$ 8,858,355	$ 435,195	(20,479,924)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	4,840,874
County sales taxes, levied for general purposes	1,872,506
Jail District sales tax, levied for debt service	1,857,169
Shared revenue—state sales tax	3,857,823
Shared revenue—state vehicle license tax	1,764,752
Shared revenue—state lottery	550,050
Grants and contributions not restricted to specific programs	2,980,227
Investment earnings	50,093
Miscellaneous	1,050,799
Total general revenues	18,824,293
Change in net position	(1,655,631)
Net position, July 1, 2016	20,513,220
Net position, June 30, 2017	$ 18,857,589

See accompanying notes to financial statements.

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Graham County
Balance sheet
Governmental funds
June 30, 2017

	General fund	Highway road fund	Jail district operations fund
Assets			
Cash and cash equivalents	$ 494,088	$ 4,030,415	$ 260,790
Investments held by trustee			
Receivables:			
Property taxes	254,916		
Accounts	35,281		
Due from other governments	1,044,953	266,319	
Inventories		278,833	
Total assets	$ 1,829,238	$ 4,575,567	$ 260,790
Liabilities			
Accounts payable		$ 63,926	$ 14,316
Accrued payroll and employee benefits	$ 163,442	20,702	35,142
Due to other governments	24,817		6,499
Total liabilities	188,259	84,628	55,957
Deferred inflows of resources			
Unavailable revenue—property taxes	216,618		
Total deferred inflows of resources	216,618		
Fund balances			
Nonspendable		278,833	
Restricted		4,212,106	204,833
Committed			
Assigned			
Unassigned	1,424,361		
Total fund balances	1,424,361	4,490,939	204,833
Total liabilities, deferred inflows of resources, and fund balances	$ 1,829,238	$ 4,575,567	$ 260,790

See accompanying notes to financial statements.

Jail district debt service fund	Jail district construction fund	Other governmental funds	Total governmental funds
	$ 127,555	$ 3,437,812	$ 8,350,660
$ 3,676,489	7,645,671		11,322,160
		7,188	262,104
		15,080	50,361
337,038		483,009	2,131,319
			278,833
$ 4,013,527	$ 7,773,226	$ 3,943,089	$ 22,395,437
	$ 1,109,848	$ 26,750	$ 1,214,840
		54,140	273,426
		17,352	48,668
	1,109,848	98,242	1,536,934
		5,596	222,214
		5,596	222,214
			278,833
4,013,527	6,663,378	1,442,927	16,536,771
		427,335	427,335
		1,968,989	1,968,989
			1,424,361
4,013,527	6,663,378	3,839,251	20,636,289
$ 4,013,527	$ 7,773,226	$ 3,943,089	$ 22,395,437

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

Fund balances—total governmental funds		$ 20,636,289
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.		
Capital assets	$ 85,365,532	
Accumulated depreciation	(32,677,160)	52,688,372
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		222,214
Net pension assets held in trust for future benefits are not available for county operations and, therefore, are not reported in the funds.		53,288
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Bonds payable	(26,340,000)	
Bond premium	(895,498)	
Net pension liability	(29,308,176)	
Judgments and claims	(440,547)	
Compensated absences	(1,369,416)	
Leases payable	(822,915)	
Landfill liability	(75,423)	(59,251,975)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		4,509,401
Net position of governmental activities		$ 18,857,589

See accompanying notes to financial statements.

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

	General fund	Highway road fund	Jail district operations fund
Revenues:			
Property taxes	$ 4,705,524		
County sales taxes	1,872,506		
Licenses and permits	55,619		
Intergovernmental	9,022,668	$ 3,504,529	$ 7,465
Charges for services	1,994,469	3,941	38,004
Fines and forfeits	256,224		
Investment earnings	766	19,485	208
Rents	21,389		
Miscellaneous	452,644	12,622	
Donations	79,970		
Total revenues	18,461,779	3,540,577	45,677
Expenditures:			
Current:			
General government	7,812,580		
Public safety	4,634,999		2,607,372
Highways and streets		2,674,584	
Sanitation	42,490		
Health	217,547		
Welfare	2,456,260		
Culture and recreation	304,443		
Education	200,827		
Debt service:			
Interest and other charges			
Capital outlay	171,942	410,118	
Total expenditures	15,841,088	3,084,702	2,607,372
Excess (deficiency) of revenues over expenditures	2,620,691	455,875	(2,561,695)
Other financing sources (uses):			
Capital lease agreements		312,704	
Sale of capital assets	108	7,384	
Transfers in	909,134	113,489	2,878,441
Transfers out	(3,785,712)	(43,039)	(1,929)
Total other financing sources (uses)	(2,876,470)	390,538	2,876,512
Net change in fund balances	(255,779)	846,413	314,817
Fund balances, July 1, 2016	1,680,140	3,893,595	(109,984)
Decrease in inventories		(249,069)	
Fund balances, June 30, 2017	$ 1,424,361	$ 4,490,939	$ 204,833

See accompanying notes to financial statements.

Jail district debt service fund	Jail district construction fund	Other governmental funds	Total governmental funds
		$ 129,388	$ 4,834,912
$ 1,857,169			3,729,675
			55,619
		4,926,813	17,461,475
	$ 125,000	1,329,293	3,490,707
		63,349	319,573
3,347	10,361	15,926	50,093
		111,635	133,024
		501,919	967,185
		3,644	83,614
1,860,516	135,361	7,081,967	31,125,877
		726,079	8,538,659
		2,387,714	9,630,085
		113,539	2,788,123
		50,492	92,982
		983,886	1,201,433
			2,456,260
		191,284	495,727
		1,746,819	1,947,646
1,487,284			1,487,284
	16,850,559	541,762	17,974,381
1,487,284	16,850,559	6,741,575	46,612,580
373,232	(16,715,198)	340,392	(15,486,703)
			312,704
		2,070	9,562
		894,316	4,795,380
	(2,025)	(962,675)	(4,795,380)
	(2,025)	(66,289)	322,266
373,232	(16,717,223)	274,103	(15,164,437)
3,640,295	23,380,601	3,565,148	36,049,795
			(249,069)
$ 4,013,527	$ 6,663,378	$ 3,839,251	$ 20,636,289

Graham 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		$ (15,164,437)
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	$18,146,296	
Depreciation expense	(2,115,892)	16,030,404
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		(13,661)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	5,962	
Capital contributions	435,195	441,157
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	1,751,746	
Pension expense	(4,885,480)	
State's nonemployer pension contributions	549,732	(2,584,002)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debit is issued, whereas these amounts are amortized in the statement of activities.		
Amortization of bond premium	68,136	
Capital lease incurred	(312,704)	
Principal payments on long-term debt	539,656	295,088
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Decrease in compensated absences	28,855	
Decrease in landfill and postclosure care costs	581	
Increase in claims and judgments	(440,547)	(411,111)
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		(249,069)
Change in net position of governmental activities		$ (1,655,631)

See accompanying notes to financial statements.

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

	Investment trust funds	Agency funds
Assets		
Cash, cash equivalents, and investments	$ 22,107,876	$ 529,899
Accrued interest receivable	54,852	
Total assets	$ 22,162,728	$ 529,899
Liabilities		
Due to other governments		$ 529,899
Total liabilities		$ 529,899
Net position		
Held in trust for investment trust participants	$ 22,162,728	

See accompanying notes to financial statements.

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

	Investment trust funds
Additions:	
Contributions from participants	$ 71,008,707
Investment earnings	232,763
Total additions	71,241,470
Deductions:	
Distributions to participants	70,788,611
Total deductions	70,788,611
Change in net position	452,859
Net position, July 1, 2016	21,709,869
Net position, June 30, 2017	$ 22,162,728

See accompanying notes to financial statements.

Note 1 - Summary of significant accounting policies

Graham 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, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. The blended component units discussed below have a June 30 year-end. The County has no discretely presented component units.

The Graham County Flood Control District is a legally separate tax-levying entity pursuant to Arizona Revised Statutes (A.R.S.) §48-3602 that provides flood control facilities and regulates floodplains and drainage to prevent flooding of property within Graham County. The Graham County Jail District is a legally separate tax-levying entity pursuant to A.R.S. §48-4002 that acquires, constructs, operates, maintains, and finances the county adult detention facility. As the Graham County Board of Supervisors serves as the Board of Directors of the Flood Control and Jail Districts, it is able to significantly influence the programs, projects, activities, and level of services provided by the districts; the Board also establishes policy, appoints management, exercises budgetary control and determines the Flood Control District's tax rate. Further, the districts provide services almost entirely for the benefit of the County; therefore, the Flood Control and the Jail Districts are considered blended component units of the County. Separate financial statements for the districts are 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. Governmental activities generally are financed through taxes and intergovernmental revenues.

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

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

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 and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

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 *highway road fund* accounts for road construction and maintenance of major regional roads, and is funded by highway user revenue fund (HURF) and state-shared vehicle license taxes.

The *jail district operations fund* accounts for all financial resources of the jail district and is funded mainly by maintenance-of-effort payments from the County's general fund.

The *jail district debt service fund* accounts for the accumulation of resources for, and the payment of, principal and interest on bonds issued to finance the construction of a new adult detention facility. Revenues are from the voter-approved jail district sales tax.

The *jail district construction fund* accounts for the financial resources to be used for the acquisition and construction of the new adult detention facility.

The County also reports the following fund types:

The *investment trust funds* account for pooled and nonpooled 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, cities, towns, and other parties.

C. Basis of accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting 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, 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

All 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 valuation 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 valuation method.

F. Property tax calendar

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

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

G. Capital assets

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

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

	Capitalization threshold	Depreciation method	Estimated useful life
Land (including right of ways)	$10,000		
Land improvements	10,000		
Construction in progress	10,000		
Buildings	10,000	Straight-line	40 years
Machinery and equipment	2,500	Straight-line	5-10 years
Vehicles	5,000	Straight-line	5 years
Infrastructure	10,000	Straight-line	40 years

H. Deferred outflows and inflows of resources

The statement of net position and balance sheet include separate section 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 asset and 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. The County will use committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

K. Investment earnings

Investment earnings is 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 320 hours of vacation depending on years of service, but they forfeit any unused vacation hours in excess of the maximum amount at calendar year-end. Upon terminating employment, the County pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate an unlimited amount of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative, but employees forfeit them upon terminating 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 500 hours of sick leave receive some benefit payments. Benefit payments vary based on the number of hours accumulated but cannot exceed 1,500 hours or $30,000. A liability is calculated for all employees whose accumulated sick leave exceeds 500 hours at the end of the fiscal year and accrued as a liability in the government-wide financial statements. Vested sick leave is accrued in the government-wide financial statements at the lesser of $30,000 or the number of accrued hours multiplied by the employee's current hourly rate at the rate of reimbursement presented below. Vested sick leave hours are accrued in the government funds' financial statements only if they have matured, for example, as a result of employee retirements by fiscal year-end.

Sick leave balance	Rate of reimbursement
500–749 hours	25% of accrued leave hours
750–999 hours	33% of accrued leave hours
1,000–1,500 hours	50% of accrued leave hours

Note 2 - 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 investment is denominated in United States dollars.

Deposits—At June 30, 2017, the carrying amount of the County's deposits was $2,888,504, and the bank balance was $5,213,185. The County does not have a formal policy with respect to custodial credit risk.

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. agency securities	$11,963,210	$ 998,580	$10,964,630
Negotiable certificates of deposit	8,177,247	8,177,247	
Money market funds	11,322,160	11,322,160	
Total investments by fair value level	31,462,617	$20,497,987	$10,964,630
External investment pools measured at fair value			
State Treasurer's investment pools	7,922,659		
Total investments measured at fair value	7,922,659		
Total investments	$39,385,276		

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using an automated-IDC institutional bond pricing model. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

The money market fund investments are attributable solely to the jail district debt service fund and jail district construction fund. Monies from the jail district's tax levy reported in the jail district debt service fund and revenue bond proceeds for the construction of a new jail facility reported in the jail district construction fund were invested in these money market funds through a trustee. The following investment risk disclosures will separately disclose the investment risks of the jail district debt service and jail district construction funds' investments.

Credit risk—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal 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
Primary government:			
State Treasurer's investment pool 7	Unrated	Not applicable	$ 5,976,637
State Treasurer's investment pool 5	AAAf/S1+	Standard & Poor's	1,946,022
Negotiable certificates of deposit	Unrated	Not applicable	8,177,247
U.S. agency securities	AA+	Moody's	11,963,210
Total primary government			28,063,116
Jail district debt service and construction funds:			
Money market funds	AAAm	Standard & Poor's	11,322,160
Total			$39,385,276

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

Concentration of credit risk—Concentration of credit risk is the risk of loss associated with the significance of investments in a single issuer. The County does not have a formal policy with respect to concentration of credit risk.

Interest rate risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment's fair value. The County does not have a formal 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 (in years)
Primary government:		
State Treasurer's investment pool 7	$ 5,976,637	0.22
State Treasurer's investment pool 5	1,946,022	0.10
Negotiable certificates of deposit	8,177,247	1.74
U.S. agency securities	11,963,210	1.70
Total primary government	28,063,116	
Jail district debt service and construction funds:		
Money market funds	11,322,160	0.33
Total	$39,385,276	

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

Cash, deposits, and investments:

Cash on hand	$ 36,815
Amount of deposits	2,888,504
Amount of investments	39,385,276
Total	$42,310,595

	Governmental activities	Investment trust funds	Agency funds	Total
Statement of net position:				
Cash, cash equivalents, and investments	$ 8,350,660	$22,107,876	$529,899	$30,988,435
Investments held by trustee—restricted	11,322,160			11,322,160
Total	$19,672,820	$22,107,876	$529,899	$42,310,595

Note 3 - Due from other governments

Amounts due from other governments at June 30, 2017, totaled $2,131,319 and include $648,418 in state-shared revenue from sales tax; $339,161 in county sales tax distributions from the State Treasurer; $42,473 in state motor vehicle license taxes from the Arizona Department of Transportation; $9,295 in justice of the peace salary reimbursements from the State Treasurer and $5,606 in criminal justice enhancement fees from the Arizona Office of the Attorney General recorded in the general fund; $234,752 in state-shared revenue from highway user taxes and $31,567 in state motor vehicle license taxes from the Arizona Department of Transportation recorded in the highway road fund; $337,038 in jail district sales tax distributions from the State Treasurer recorded in the jail district debt service fund; $28,313 in the community development block grant fund from the Arizona Department of Housing; $218,588 in health grants from the Arizona Department of Health Services; $120,630 in parents' commission grant funds; $34,937 in DUI grant funds from the Governor's Office; $21,750 for Frye Fire Response from the Department of the Interior; $16,396 in fill-the-gap grant funds from the Arizona Supreme Court; $14,567 in jail enhancement funding from the State Treasurer; $12,246 in waste tire funds from the State Treasurer; $6,571 in bulletproof vest program funds from the U.S. Department of Justice; and $9,011 in victim assistance grant from the Arizona Criminal Justice Commission recorded in the other governmental funds.

Note 4 - 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	$ 3,170,807			$ 3,170,807
Construction in progress	1,931,894	$17,372,086	$282,197	19,021,783
Total capital assets not being depreciated	5,102,701	17,372,086	282,197	22,192,590
Capital assets being depreciated:				
Buildings	15,062,458	27,621		15,090,079
Machinery and equipment	14,433,589	851,183	826,932	14,457,840
Infrastructure	33,012,225	612,798		33,625,023
Total of assets being depreciated	62,508,272	1,491,602	826,932	63,172,942
Less accumulated depreciation for:				
Buildings	7,339,600	361,931		7,701,531
Machinery and equipment	11,871,679	915,793	813,271	11,974,201
Infrastructure	12,163,260	838,168		13,001,428
Total	31,374,539	2,115,892	813,271	32,677,160
Total capital assets being depreciated, net	31,133,733	(624,290)	13,661	30,495,782
Governmental activities capital assets, net	$36,236,434	$16,747,796	$295,858	$52,688,372

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 428,930
Public safety	407,965
Highways and streets	993,848
Health	49,399
Culture and recreation	122,646
Education	113,104
Total governmental activities depreciation expense	$2,115,892

As of June 30, 2017, the County had incurred $18,441,414 in costs toward the design and construction of the new adult detention facility, which was 97-percent of total construction-in-progress. Total facility costs are estimated to be $24 million paid for with revenue bonds issued on September 23, 2015. The construction is on schedule with an estimated completion date of November 2017.

Note 5 - Construction and other commitments

The County, through its Jail District, had major contractual commitments at June 30, 2017, related to the construction of the adult detention facility. At June 30, 2017, the County had spent $18,441,414 on this project and had remaining contractual commitments with contractors of $6,316,050. This project is being financed from proceeds from the sale of revenue bonds issued on September 23, 2015. Bond interest payments started on July 1, 2016, and bond principal payments will be made starting on July 1, 2017. Payments go through July 1, 2040.

Note 6 - Short-term loans

The County maintains a line of credit with Wells Fargo Bank to cover timing differences in the receipt of revenue and the payment of obligations during the year. At June 30, 2017, the County had an outstanding balance of $0. The activity for the year ended June 30, 2017, was as follows:

	Fiscal year 2017
Beginning balance	$ 0
Total borrowings	8,489,071
Total payments	8,489,071
Ending balance	$ 0

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					
Bonds payable:					
Revenue bonds	$26,340,000			$26,340,000	$ 230,000
Premiums	963,634		$ 68,136	895,498	38,935
Total bonds payable	27,303,634		68,136	27,235,498	268,935
Compensated absences payable	1,398,271	$ 775,746	804,601	1,369,416	958,591
Capital leases payable	1,049,867	312,704	539,656	822,915	373,530
Net pension liability	25,497,445	3,810,731		29,308,176	
Claims and judgements payable		440,547		440,547	440,547
Landfill closure and post-closure care costs payable	76,004	1,469	2,050	75,423	2,150
Total governmental activities long-term liabilities	$55,325,221	$5,341,197	$1,414,443	$59,251,975	$2,043,753

Bonds—The County's bonded debt consists of one issuance of $26,340,000 of revenue bonds that are generally noncallable with interest payable semiannually. Bond proceeds pay for the construction of an adult detention facility as part of the newly-formed County jail district. The County has pledged, as security for bonds issued, the proceeds from a half-cent sales tax to be used for debt repayment of the bonds. The projected amount of the revenue pledged was estimated to be $2 million for fiscal year 2017 and each year thereafter. The sales tax, which was voter approved for the purpose of building the adult detention facility, began on July 1, 2015, and continues for 25 years. One hundred percent of this special sales tax collected is pledged to be used for required debt repayment of the bonds. The revenue bonds were issued on September 23, 2015. For fiscal year 2017, $1,857,169 of pledged revenues were recognized. Interest payments of $1,487,284 were due in fiscal year 2017. No principal payments were due in fiscal year 2017;

the first principal payment is due on July 1, 2017. The final bond principal and interest payments will be made on July 1, 2040.

The following bond was outstanding at June 30, 2017:

Description	Amount issued	Maturity ranges	Interest rates	Outstanding principal
Revenue bonds	$26,340,000	7/1/2017-7/1/2040	3.000%-5.000%	$26,340,000

The following schedule details debt service requirements to maturity for the County's bond payable at June 30, 2017:

	Governmental activities Revenue bonds	
Year ending June 30	**Principal**	**Interest**
2018	$ 230,000	$ 1,165,594
2019	235,000	1,158,619
2020	240,000	1,150,294
2021	250,000	1,140,494
2022	790,000	1,115,744
2023-2027	4,585,000	4,929,344
2028-2032	5,815,000	3,673,631
2033-2037	7,230,000	2,232,762
2038-2041	6,965,000	589,359
Total	$26,340,000	$17,155,841

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

The following assets were acquired through capital leases:

	Governmental activities
Assets:	
Equipment	$1,086,434
Building	417,288
Less: accumulated depreciation	502,176
Carrying value	$1,001,546

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2017:

Year ending June 30	Governmental activities
2018	$390,545
2019	247,454
2020	41,490
2021	40,627
2022	39,737
2023-24	115,598
Total minimum lease payments	875,451
Less amount representing interest	52,536
Present value of net minimum lease payments	$822,915

Landfill closure and postclosure care costs—State and federal laws and regulations required the County to place a final cover on its Central landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

The County closed the landfill in 2003. The $75,423 reported as landfill postclosure care costs payable at June 30, 2017, is based on what it would cost to perform all remaining postclosure care in fiscal year 2017. These costs will be paid from the general fund. The actual cost may be higher because of inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements to ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Compensated Absences—Compensated absences are paid from various funds in nearly the same proportion that those funds pay payroll costs. During fiscal year 2017, the County paid for compensated absences as follows: 59 percent from general fund, 8 percent from the highway road fund, 13 percent from the jail district operations fund, and 20 percent from other governmental funds.

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	Highway road fund	Jail district operations fund	Jail district debt service fund	Jail district construction fund	Other governmental funds	Total governmental funds
Fund balances:							
Nonspendable:							
Inventories		$ 278,833					$ 278,833
Total nonspendable		278,833					278,833
Restricted for:							
Social services						$ 382,132	382,132
Law enforcement			$204,833			252,084	456,917
Highways and streets		4,212,106					4,212,106
Sanitation						1	1
Health						342,356	342,356
Education						344,877	344,877
Debt service				$4,013,527			4,013,527
Capital outlay					$6,663,378	121,477	6,784,855
Total restricted		4,212,106	204,833	4,013,527	6,663,378	1,442,927	16,536,771

	General fund	Highway road fund	Jail district operations fund	Jail district debt service fund	Jail district construction fund	Other governmental funds	Total governmental funds
Committed to:							
General government						$ 198,876	$ 198,876
Highways and streets						226,366	226,366
Education						2,093	2,093
Total committed						427,335	427,335
Assigned to:							
Social services						498,573	498,573
Law enforcement						181,264	181,264
Health						98,838	98,838
Culture and recreation						248,651	248,651
Education						913,235	913,235
Capital outlay						28,428	28,428
Total assigned						1,968,989	1,968,989
Unassigned:	$1,424,361						1,424,361
Total fund balances	$1,424,361	$4,490,939	$204,833	$4,013,527	$6,663,378	$3,839,251	$20,636,289

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 that are described below.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk-management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium based on its exposure in relation to the exposure of the other participants, and a deductible of $5,000 per occurrence for property claims and $5,000 per occurrence for liability claims. 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 Benefit Trust (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 Trust provides the benefits through a self-funding agreement with its participants and administers the program, and the County is responsible for paying a premium based on enrolled employees and dependents and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any trust deficit.

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 - Pensions 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 pension for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities
Net pension assets	$ 53,288
Net pension liabilities	29,308,176
Deferred outflows of resources	7,099,638
Deferred inflows of resources	2,590,237
Pension expense	4,889,863

The County's accrued payroll and employee benefits includes $34,253 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the County reported $1,756,129 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

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, the County was required by statute 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 $760,067. 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	$38,890	$ 9,773
2016	34,033	8,159
2015	39,722	8,071

During fiscal year 2017, the County paid for ASRS pension and OPEB contributions as follows: 59.1 percent from the general fund, 13.6 percent from the highway fund, 1.1 percent from the jail district operations fund, and 26.2 percent from other funds.

Pension liability—At June 30, 2017, the County reported a liability of $11,818,443 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 total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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 0.07322 percent, which was a decrease of 0.00087 percent from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for ASRS of $706,883. 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	$ 71,820	$ 813,022
Changes of assumptions or other inputs		625,290
Net difference between projected and actual earnings on pension plan investments	1,280,726	
Changes in proportion and differences between county contributions and proportionate share of contributions	165,785	104,122
County contributions subsequent to the measurement date	760,067	
Total	$2,278,398	$1,542,434

The $760,067 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	$(465,539)
2019	(430,561)
2020	512,884
2021	359,112

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 contributors 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	$15,069,413	$11,818,443	$9,211,877

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:	
Retirement and disability	Before January 1, 2012	On or after January 1, 2012
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%

PSPRS	Initial membership date:	
Retirement and disability	**Before January 1, 2012**	**On or after January 1, 2012**
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:	
Retirement and disability	**Before January 1, 2012**	**On or after January 1, 2012**
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	
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	6	5	0
Inactive employees entitled to but not yet receiving benefits	8	18	4
Active employees	15	31	4
Total	29	54	8

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 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 March 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%	7.96%	8.41%
County				
Pension	32.77%	8.06%	6.25%	20.08%
Health insurance premium benefit	0.24%	0.29%	0.22%	0.80%

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	PSPRS Sheriff	CORP Detention	CORP Dispatchers	CORP AOC
Pension	21.15%	6.00%	6.00%	13.68%
Health insurance premium benefit	0.00%	0.00%	0.00%	0.53%

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	$399,787	$107,785	$10,127
Health insurance premium benefit			
Annual OPEB cost	2,430	3,772	359
Contributions made	2,430	3,772	359

Contributions to the CORP AOC pension plan for the year ended June 30, 2017, were $273,560. 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	$10,931
2016	11,311
2015	18,076

During fiscal year 2017, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 60.7 percent from the general fund, 14.2 percent from the jail district operations fund, and 25.1 percent from other funds.

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

	Net pension liability (asset)
PSPRS Sheriff	$3,563,525
CORP Detention	552,725
CORP Dispatchers	(53,288)
CORP AOC (County's proportionate share)	3,396,055

The net pension liabilities and asset were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) 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 (assets) 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 (assets) 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 expense 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—The June 30, 2016, 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 rate 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 (asset).

Changes in the net pension liability (asset)

PSPRS

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) – (b)**
Balances at June 30, 2016	$6,225,847	$3,539,414	$2,686,433
Changes for the year:			
Service cost	161,447		161,447
Interest on the total pension liability	486,999		486,999
Changes of benefit terms	262,914		262,914
Differences between expected and actual experience in the measurement of the pension liability	212,998		212,998
Changes of assumptions or other inputs	285,576		285,576
Contributions—employer		350,828	(350,828)
Contributions—employee		120,677	(120,677)
Net investment income		21,393	(21,393)
Benefit payments, including refunds of employee contributions	(205,520)	(205,520)	
Administrative expense		(3,478)	3,478
Other changes		43,422	(43,422)
Net changes	1,204,414	327,322	877,092
Balances at June 30, 2017	$7,430,261	$3,866,736	$3,563,525

CORP—Detention

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (asset) (a) – (b)**
Balances at June 30, 2016	$2,401,147	$1,905,874	$495,273
Changes for the year:			
Service cost	167,701		167,701
Interest on the total pension liability	186,579		186,579
Changes of benefit terms	(39,923)		(39,923)
Differences between expected and actual experience in the measurement of the pension liability	(131,219)		(131,219)
Changes of assumptions or other inputs	94,493		94,493
Contributions—employer		107,149	(107,149)
Contributions—employee		104,762	(104,762)
Net investment income		11,695	(11,695)
Benefit payments, including refunds of employee contributions	(216,397)	(216,397)	
Administrative expense		(2,054)	2,054
Other changes		(1,373)	1,373
Net changes	61,234	3,782	57,452
Balances at June 30, 2017	$2,462,381	$1,909,656	$552,725

CORP—Dispatchers	Increase (decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) – (b)
Balances at June 30, 2016	$448,910	$521,593	$(72,683)
Changes for the year:			
Service cost	22,530		22,530
Interest on the total pension liability	34,979		34,979
Changes of benefit terms	1,892		1,892
Differences between expected and actual experience in the measurement of the pension liability	(16,635)		(16,635)
Changes of assumptions or other inputs	4,101		4,101
Contributions—employer		10,904	(10,904)
Contributions—employee		14,206	(14,206)
Net investment income		3,221	(3,221)
Benefit payments, including refunds of employee contributions	(29,158)	(29,158)	
Administrative expense		(856)	856
Other changes		(3)	3
Net changes	17,709	(1,686)	19,395
Balances at June 30, 2017	$466,619	$519,907	$(53,288)

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 1.2036200 percent, which was a decrease of 0.118045 from its proportion measured as of June 30, 2015.

Sensitivity of the County's net pension liability (asset) to changes in the discount rate—The following table presents the County's net pension liabilities (assets) calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability (asset) 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	$4,587,417	$3,563,525	$2,730,812
CORP Detention			
Net pension liability	$ 896,109	$ 552,725	$ 273,319
CORP Dispatchers			
Net pension asset	$ 35,503	$ (53,288)	$ (123,824)
CORP AOC			
County's proportionate share of the net pension liability	$4,364,657	$3,396,055	$2,596,030

Pension plan fiduciary net position—Detailed information about the pension plan's 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	$650,389
CORP Detention	63,913
CORP Dispatchers	3,446
CORP AOC (County's proportionate share)	502,619

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	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 165,955	$187,173
Changes of assumptions or other inputs	482,609	
Net difference between projected and actual earnings on pension plan investments	231,539	
County contributions subsequent to the measurement date	399,787	
Total	$1,279,890	$187,173

CORP—Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$256,246
Changes of assumptions or other inputs	$182,907	
Net difference between projected and actual earnings on pension plan investments	118,500	
County contributions subsequent to the measurement date	107,785	
Total	$409,192	$256,246

CORP—Dispatchers	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		$46,682
Changes of assumptions or other inputs	$ 4,454	
Net difference between projected and actual earnings on pension plan investments	32,914	
County contributions subsequent to the measurement date	10,127	
Total	$47,495	$46,682

CORP—AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 72,213	$171,008
Changes of assumptions or other inputs	460,948	
Net difference between projected and actual earnings on pension plan investments	256,461	
Changes in proportion and differences between county contributions and proportionate share of contributions	108,442	199,065
County contributions subsequent to the measurement date	273,560	
Total	$1,171,624	$370,073

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 (or an increase of the net pension asset) 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	$191,961	$ 6,116	$(1,905)	$167,734
2019	191,961	6,114	(1,905)	167,734
2020	197,208	25,207	2,796	156,920
2021	111,801	9,750	(1,300)	40,554
2022		(2,026)	(6,754)	(4,951)
Thereafter			(246)	

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	$ 2,430	100%	$0
2016	2,532	100	0
2015	12,655	100	0
CORP Detention			
2017	$ 3,772	100%	$0
2016	3,921	100	0
2015	6,357	100	0
CORP Dispatchers			
2017	$ 359	100%	$0
2016	493	100	0
2015	1,154	100	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)	$247,635	$ 80,276	$ 20,330
Actuarial accrued liability (b)	218,077	66,528	14,556
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(29,558)	(13,748)	(5,774)
Funded ratio (a)/(b)	113.55%	120.67%	139.67%
Annual covered payroll (c)	$999,666	$1,264,421	$156,234
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	(3.0%)	(1.1%)	(3.7%)

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 of pay closed
Remaining amortization period	29 years for underfunded actuarial accrued liability, 20 years for overfunded for PSPRS; 19 years for underfunded actuarial accrued liability, 20 years for excess for CORP
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.40%
Projected salary increases	3.50%-7.50% for PSPRS and 3.50%-6.50% for CORP
Wage growth	3.50% for PSPRS and CORP

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. 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 the 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 of 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 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 March 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 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 EODCRS for these elected officials and judges. The County's contribution to the pension plan for the year ended June 30, 2017, were $200,420. 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	$ 9,977,428
State's proportionate share of the EORP net pension liability associated with the County	2,060,080
Total	$12,037,508

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 1.0560888 percent, which was an increase of 0.0884046 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 is 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 $2,958,230 and revenue of $549,732 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		$187,629
Changes of assumptions or other inputs	$1,120,218	
Net difference between projected and actual earnings on pension plan investments	231,127	
Changes in proportion and differences between county contributions and proportionate share of contributions	361,274	
County contributions subsequent to the measurement date	200,420	
Total	$1,913,039	$187,629

The $200,420 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	$1,049,709
2019	344,993
2020	83,987
2021	46,299

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 contributors 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	$11,614,219	$9,977,428	$8,611,124

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

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

For the year ended June 30, 2017, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the County was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County's contributions to the individual employee account and the earnings on those contributions. In addition, statute required active EODCRS members and the County to each contribute at the actuarially determined rate of 0.125 percent of the members' annual covered payroll to the EODCDP plan. For the year ended June 30, 2017, the County recognized pension expense of $4,383. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EODCDP Year ended June 30	Disability fund
2017	$91
2016	64
2015	0

Note 11 - Interfund activity

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

	Transfer to				
Transfer from	General fund	Highway road fund	Jail district operations fund	Other governmental funds	Total
General fund		$ 92,765	$2,872,677	$820,270	$3,785,712
Highway road fund				43,039	43,039
Jail district operations fund		307		1,622	1,929
Jail district construction fund		2,025			2,025
Other governmental funds	$909,134	18,392	5,764	29,385	962,675
Total	$909,134	$113,489	$2,878,441	$894,316	$4,795,380

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them. $2,872,677, which represents the majority of the $3,785,712 transfers from the general fund was to fund statutorily required maintenance of effort payments to the jail district operations fund.

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. However, for the County's monies in the pool, $2,272 of interest earned in certain other funds was transferred to the general fund.

The deposits and investments the County holds are included in the County Treasurer's investment pool, except for $635,567 of deposits and $62,552 of investments in the State Treasurer's investment pools, and $11,322,160 of investments held by trustee. See Note 2 for disclosure of the County's deposit and investment risks.

Details of each major investment classification follow:

Investment type	Principal	Interest rates	Maturities	Amount
State Treasurer's investment pool 5	$ 1,883,470	None stated	None stated	$ 1,883,470
State Treasurer's investment pool 7	5,976,637	None stated	None stated	5,976,637
Negotiable certificates of deposit	8,192,000	1.05-1.90%	09/17 – 06/20	8,177,247
U.S. agency securities	11,991,848	0.60-1.75%	07/17 – 06/20	11,963,210
	$28,043,955			$28,000,564

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

Statement of net position	
Assets	$ 30,345,168
Net position	$ 30,345,168
Net position held in trust for:	
Internal participants	$ 8,216,868
External participants	22,128,300
Total net position held in trust	$ 30,345,168
Statement of changes in net position	
Total additions	$127,798,047
Total deductions	126,799,854
Net increase (decrease)	998,193
Net position held in trust:	
July 1, 2016	29,346,975
June 30, 2017	$ 30,345,168

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Other required supplementary information

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

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Property taxes	$ 4,899,641	$ 4,899,641	$ 4,705,524	$ (194,117)
County sales taxes	2,000,000	2,000,000	1,872,506	(127,494)
Licenses and permits	60,000	60,000	55,619	(4,381)
Intergovernmental	9,833,070	9,833,070	9,022,668	(810,402)
Charges for services	2,543,092	2,543,092	1,994,469	(548,623)
Fines and forfeits	240,000	240,000	256,224	16,224
Investment income	3,500	3,500	766	(2,734)
Rents	50,000	50,000	21,389	(28,611)
Miscellaneous	160,124	160,124	452,644	292,520
Donations	50,000	50,000	79,970	29,970
Total revenues	19,839,427	19,839,427	18,461,779	(1,377,648)
Expenditures:				
Current				
General government				
Board of supervisors	835,114	835,114	779,085	56,029
Treasurer	392,863	392,863	321,815	71,048
Assessor	655,520	655,520	625,017	30,503
Recorder	279,351	279,351	241,047	38,304
Elections	222,336	222,336	217,379	4,957
Attorney	1,063,808	1,063,808	879,400	184,408
Employment and training	85,870	85,870	80,415	5,455
Clerk of the court	554,105	554,105	508,393	45,712
Superior court	979,013	979,013	855,668	123,345
Justice of the peace No.1	376,111	376,111	378,450	(2,339)
Justice of the peace No.2	237,598	237,598	228,043	9,555
Victim witness	16,263	16,263	4,565	11,698
Public fiduciary	88,841	88,841	89,038	(197)
Planning and zoning	268,764	268,764	257,358	11,406
Building maintenance	182,224	182,224	514,452	(332,228)
Electrical maintenance	9,271	9,271	5,097	4,174
Overtime	1,855	1,855		1,855
General services	253,000	253,000	192,533	60,467
Contingency	377,745	377,745		377,745
Miscellaneous	480,754	480,754	317,374	163,380
Medical examiner	61,100	61,100	53,118	7,982
Information technology	1,512,276	1,512,276	1,264,333	247,943
Total general government	8,933,782	8,933,782	7,812,580	1,121,202

(Continued)

See accompanying notes to budgetary comparison schedules.

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

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Public safety				
Probation	$ 162,381	$ 162,381	$ 158,056	$ 4,325
Sheriff	3,383,341	3,383,341	3,220,635	162,706
Search and rescue	16,566	16,566	13,477	3,089
Juvenile detention center	1,452,141	1,452,141	1,114,081	338,060
Animal shelter	252,694	252,694	128,750	123,944
Total public safety	5,267,123	5,267,123	4,634,999	632,124
Sanitation				
Sanitary landfill	33,000	33,000	42,490	(9,490)
Health				
Health services	281,013	281,013	217,547	63,466
Welfare				
Attorney for the indigent	513,000	513,000	495,479	17,521
Indigent medical	1,961,606	1,961,606	1,960,781	825
Total welfare	2,474,606	2,474,606	2,456,260	18,346
Cultural and recreation				
Parks and recreation	435,268	435,268	304,443	130,825
Education				
School superintendent	207,327	207,327	200,827	6,500
Capital outlay	300,000	300,000	171,942	128,058
Total expenditures	17,932,119	17,932,119	15,841,088	2,091,031
Excess (deficiency) of revenues over expenditures	1,907,308	1,907,308	2,620,691	713,383

(Continued)

See accompanying notes to budgetary comparison schedules.

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

	Budgeted amounts		Actual amounts	Variance with final budget
	Original	Final		
Other financing sources (uses):				
Proceeds from sale of capital assets			$ 108	$ 108
Transfers in	89,584	89,584	909,134	819,550
Transfers out	(3,051,597)	(3,051,597)	(3,785,712)	(734,115)
Total other financing sources and (uses)	(2,962,013)	(2,962,013)	(2,876,470)	85,543
Net change in fund balances	(1,054,705)	(1,054,705)	(255,779)	798,926
Fund balances, July 1, 2016	1,054,705	1,054,705	1,680,140	625,435
Fund balances, June 30, 2017	$ -	$ -	$ 1,424,361	$ 1,424,361

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
Highway road fund
Year ended June 30, 2017

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 3,810,847	$ 3,810,847	$ 3,504,529	$ (306,318)
Charges for services	20,000	20,000	3,941	(16,059)
Investment earnings	10,000	10,000	19,485	9,485
Rents	1,500	1,500		(1,500)
Miscellaneous	47,500	47,500	12,622	(34,878)
Total revenues	3,889,847	3,889,847	3,540,577	(349,270)
Expenditures:				
Current:				
Highways and streets				
General road	5,833,378	5,833,378	2,468,745	3,364,633
Engineering	472,575	472,575	183,588	288,987
Safety department	24,965	24,965	22,251	2,714
Total highways and streets	6,330,918	6,330,918	2,674,584	3,656,334
Capital outlay	948,632	948,632	410,118	538,514
Total expenditures	7,279,550	7,279,550	3,084,702	4,194,848
Excess (deficiency) of revenues over expenditures	(3,389,703)	(3,389,703)	455,875	3,845,578
Other financing sources (uses):				
Capital lease agreement			312,704	312,704
Proceeds from sale of capital assets			7,384	7,384
Transfers in			113,489	113,489
Transfers out			(43,039)	(43,039)
Total other financing sources			390,538	390,538
Net change in fund balances	(3,389,703)	(3,389,703)	846,413	4,236,116
Fund balances, July 1, 2016	3,389,703	3,389,703	3,893,595	503,892
Changes in nonspendable resources:				
Decrease in inventories			(249,069)	(249,069)
Fund balances, June 30, 2017	$ -	$ -	$ 4,490,939	$ 4,490,939

See accompanying notes to budgetary comparison schedules.

Graham County
Required supplementary information
Budgetary comparison schedule
Jail district operations fund
Year ended June 30, 2017

	Budgeted amounts		Actual	Variance with
	Original	Final	amounts	final budget
Revenues:				
Intergovernmental	$ 10,000	$ 10,000	$ 7,465	$ (2,535)
Charges for services	107,000	107,000	38,004	(68,996)
Investment earnings	50	50	208	158
Miscellaneous	4,000	4,000		(4,000)
Total revenues	121,050	121,050	45,677	(75,373)
Expenditures:				
Current:				
Public safety	3,019,795	3,019,795	2,607,372	412,423
Capital outlay	10,000	10,000		10,000
Total expenditures	3,029,795	3,029,795	2,607,372	422,423
Excess (deficiency) of revenues over expenditures	(2,908,745)	(2,908,745)	(2,561,695)	(347,050)
Other financing sources:				
Transfers in	2,872,677	2,872,677	2,878,441	5,764
Transfers out			(1,929)	(1,929)
Total other financing sources	2,872,677	2,872,677	2,876,512	3,835
Net change in fund balances	(36,068)	(36,068)	314,817	350,885
Fund balances, July 1, 2016	36,068	36,068	(109,984)	(146,052)
Fund balances, June 30, 2017	$ -	$ -	$ 204,833	$ 204,833

See accompanying notes to budgetary comparison schedules.

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

Note 1 - Budgeting and budgetary control

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. With the exception of the general fund, each fund includes only one department.

Note 2 – 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:

Department/fund	Excess
Justice of the peace no. 1	$ 2,339
Public fiduciary	197
Building maintenance	332,228
Sanitary landfill	9,490

The $332,228 excess of the building maintenance department was a direct result of the October 2016 hail storm that hit Graham County, resulting in $339,767 in repair/replacement costs charged to building maintenance. Graham County received over $337,767 in reimbursement from insurance providers to cover losses.

Graham 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	0.073220%	0.074090%	0.071692%	Information
County's proportionate share of the net pension liability	$11,818,443	$11,540,653	$10,607,990	not available
County's covered payroll	$ 6,869,957	$ 6,847,161	$ 6,476,618	
County's proportionate share of the net pension liability as a percentage of its covered payroll	172.03%	168.55%	163.79%	
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	1.203620%	1.321665%	1.232231%	Information
County's proportionate share of the net pension liability	$ 3,396,055	$ 3,213,105	$ 2,765,040	not available
County's covered payroll	$ 1,391,108	$ 1,394,172	$ 1,372,002	
County's proportionate share of the net pension liability as a percentage of its covered payroll	244.13%	230.47%	201.53%	
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	1.0560888%	0.9676842%	0.9420437%	Information
County's proportionate share of the net pension liability	$ 9,977,428	$ 7,561,981	$ 6,317,081	not available
State's proportionate share of the net pension liability associated with the County	$ 2,060,080	$ 2,357,511	1,935,486	
Total	$12,037,508	$ 9,919,492	$ 8,252,567	
County's covered payroll	$ 861,210	$ 866,869	$ 865,822	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1158.54%	872.33%	729.61%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%	

Graham County

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

PSPRS

	Reporting fiscal year (Measurement date)			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
Total pension liability				Information not available
Service cost	$ 161,447	$ 160,546	$ 192,299	
Interest on the total pension liability	486,999	459,771	407,274	
Changes of benefit terms	262,914		108,018	
Differences between expected and actual experience in the measurement of pension liability	212,998	(29,096)	(396,687)	
Changes of assumptions or other inputs	285,576		606,963	
Benefit payments, including refunds of employee contributions	(205,520)	(284,120)	(182,340)	
Net changes in total pension liability	1,202,414	307,101	735,527	
Total pension liability—beginning	6,225,847	5,918,746	5,183,219	
Total pension liability—ending (a)	$ 7,430,261	$ 6,225,847	$ 5,918,746	
Plan fiduciary net position				
Contributions—employer	350,828	193,270	$ 195,845	
Contributions—employee	120,677	101,878	98,297	
Net investment income	21,393	125,056	414,968	
Benefit payments, including refunds of employee contributions	(205,520)	(284,120)	(182,340)	
Administrative expense	(3,478)	(3,429)	(3,342)	
Other changes	43,422	(15,746)	(89,584)	
Net changes in plan fiduciary net position	327,322	116,909	433,844	
Plan fiduciary net position—beginning	3,539,414	3,422,505	2,988,661	
Plan fiduciary net position—ending (b)	$ 3,866,736	$ 3,539,414	$ 3,422,505	
County's net pension liability—ending (a) – (b)	$ 3,563,525	$ 2,686,433	$ 2,496,241	
Plan fiduciary net position as a percentage of the total pension liability	52.04%	56.85%	57.82%	
Covered payroll	$ 1,034,588	$ 935,210	$ 1,006,178	
County's net pension liability as a percentage of covered payroll	344.44%	287.25%	248.09%	

Graham County
Required supplementary information
Schedule of changes in the County's net pension liability (asset) 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 not available
Service cost	$ 167,701	$ 179,080	$ 159,853	
Interest on the total pension liability	186,579	181,379	169,277	
Changes of benefit terms			37,587	
Differences between expected and actual experience in	(39,923)			
the measurement of pension liability	(131,219)	(86,107)	(171,643)	
Changes of assumptions or other inputs	94,493		196,121	
Benefit payments, including refunds of employee contributions	(216,397)	(188,456)	(304,826)	
Net changes in total pension liability	61,234	85,896	86,369	
Total pension liability—beginning	2,401,147	2,315,251	2,228,882	
Total pension liability—ending (a)	$ 2,462,381	$ 2,401,147	$ 2,315,251	
Plan fiduciary net position				
Contributions—employer	$ 107,149	$ 74,587	$ 104,148	
Contributions—employee	104,762	122,500	93,360	
Net investment income	11,695	67,673	230,025	
Benefit payments, including refunds of employee contributions	(216,397)	(188,456)	(304,826)	
Administrative expense	(2,054)	(2,059)	(1,809)	
Other changes	(1,373)	(33,057)		
Net changes in plan fiduciary net position	3,782	41,188	120,898	
Plan fiduciary net position—beginning	1,905,874	1,864,686	1,743,788	
Plan fiduciary net position—ending (b)	$ 1,909,656	$ 1,905,874	$ 1,864,686	
County's net pension liability—ending (a) – (b)	$ 552,725	$ 495,273	$ 450,565	
Plan fiduciary net position as a percentage of the total pension liability	77.55%	79.37%	80.54%	
Covered payroll	$ 1,244,657	$ 1,202,220	$ 1,107,018	
County's net pension liability as a percentage of covered payroll	44.41%	41.20%	40.70%	

Graham County

Required supplementary information
Schedule of changes in the County's net pension liability (asset) 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	$ 22,530	$ 29,562	$ 34,365	
Interest on the total pension liability	34,979	33,166	31,045	
Changes of benefit terms	1,892			
Differences between expected and actual experience in the measurement of pension liability	(16,635)	(21,537)	(29,030)	
Changes of assumptions or other inputs	4,101		1,695	
Benefit payments, including refunds of employee contributions	(29,158)		(17,295)	
Net changes in total pension liability	17,709	41,191	20,780	
Total pension liability—beginning	448,910	407,719	386,939	
Total pension liability—ending (a)	$ 466,619	$ 448,910	$ 407,719	
Plan fiduciary net position				
Contributions—employer	$ 10,904	$ 10,664	$ 14,898	
Contributions—employee	14,206	14,585	16,679	
Net investment income	3,221	18,096	56,641	
Benefit payments, including refunds of employee contributions	(29,158)		(17,295)	
Administrative expense	(856)	(835)	(444)	
Other changes	(3)	(380)		
Net changes in plan fiduciary net position	(1,686)	42,130	70,479	
Plan fiduciary net position—beginning	521,593	479,463	408,984	
Plan fiduciary net position—ending (b)	$ 519,907	$ 521,593	$ 479,463	
County's net pension asset—ending (a) – (b)	$ (53,288)	$ (72,683)	$ (71,744)	
Plan fiduciary net position as a percentage of the total pension liability	111.42%	116.19%	117.60%	
Covered payroll	$ 179,580	$ 183,226	$ 209,895	
County's net pension asset as a percentage of covered payroll	(29.67)%	(39.67)%	(34.18)%	

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

Arizona State Retirement System

	Reporting fiscal year				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Statutorily required contribution	$ 760,067	$ 743,113	$ 743,150	$ 691,491	Information
County's contributions in relation to statutorily required contribution	760,067	743,113	743,150	691,491	not available
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 7,074,003	$ 6,869,957	$ 6,847,161	$ 6,476,618	
County's contributions as a percentage of covered payroll	10.74%	10.82%	10.85%	10.68%	

Corrections Officer Retirement Plan—Administrative Office of the Courts

	Reporting fiscal year				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Statutorily required contribution	$ 273,560	$ 256,909	$ 218,876	$ 191,632	Information
County's contributions in relation to statutorily required contribution	273,560	256,909	218,876	191,632	not available
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,376,650	$ 1,391,108	$ 1,394,172	$ 1,372,002	
County's contributions as a percentage of covered payroll	19.87%	18.47%	15.70%	13.97%	

Elected Officials Retirement Plan

	Reporting fiscal year				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Statutorily required contribution	$ 200,420	$ 199,399	$ 203,451	$ 200,725	Information
County's contributions in relation to statutorily required contribution	200,420	199,399	203,451	200,725	not available
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 871,498	$ 861,210	$ 866,869	$ 865,822	
County's contributions as a percentage of covered payroll	23.00%	23.15%	23.47%	23.18%	

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

PSPRS

	Reporting fiscal year 2017	2016	2015	2014	2013 through 2008
Actuarially determined contribution	$ 344,554	$ 302,705	$ 193,270	$ 195,845	Information
County's contributions in relation to statutorily required contribution	399,787	348,370	193,270	195,845	not available
County's contribution deficiency (excess)	$ (55,233)	$ (45,665)	$ -	$ -	
County's covered payroll	$ 1,075,201	$ 1,034,588	$ 935,210	$ 1,006,178	
County's contributions as a percentage of covered payroll	37.18%	33.67%	20.67%	19.46%	

CORP—Detention

	Reporting fiscal year 2017	2016	2015	2014	2013 through 2008
Actuarially determined contribution	$ 107,785	$ 101,224	$ 74,587	$ 104,148	Information
County's contributions in relation to statutorily required contribution	107,785	101,224	74,587	104,148	not available
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,347,959	$ 1,244,657	$ 1,202,220	$ 1,107,018	
County's contributions as a percentage of covered payroll	8.00%	8.13%	6.20%	9.41%	

CORP—Dispatchers

	Reporting fiscal year 2017	2016	2015	2014	2013 through 2008
Actuarially determined contribution	$ 10,127	$ 10,952	$ 10,664	$ 14,898	Information
County's contributions in relation to statutorily required contribution	10,127	10,952	10,664	14,898	not available
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 162,159	$ 179,580	$ 183,226	$ 209,895	
County's contributions as a percentage of covered payroll	6.25%	6.10%	5.82%	7.10%	

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 grown 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.

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

Health insurance premium benefit

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 (funding excess) as percentage of covered payroll ([b-a]/c)
PSPRS Sheriff						
6/30/2017	$247,635	$218,077	$ (29,558)	113.6%	$999,666	(3.0)%
6/30/2016	232,686	211,208	(21,478)	110.2%	848,381	(2.5)%
6/30/2015	219,330	189,883	(29,447)	115.5%	810,650	(3.6)%
CORP Detention						
6/30/2017	80,276	66,528	(13,748)	120.7%	1,264,421	(1.1)%
6/30/2016	73,800	64,507	(9,293)	114.4%	1,185,164	(0.8)%
6/30/2015	68,249	64,395	(3,854)	106.0%	1,257,699	(0.3)%
CORP Dispatchers						
6/30/2017	20,330	14,556	(5,774)	139.7%	156,234	(3.7)%
6/30/2016	18,687	16,359	(2,328)	114.2%	153,684	(1.5)%
6/30/2015	17,053	15,793	(1,260)	108.0%	183,228	(0.7)%

ARIZONA
Auditor General
Making a Positive Difference