La Paz County, Arizona

Basic Financial Statements

Year ended June 30, 2016

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❖ Snyder & Butler, CPAs, PLLC

Independent Auditors' Report

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of and for the year ended June 30, 2016, 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.

3933 South McClintock Drive, Suite 505| Tempe, Arizona 85282| Tel (480)688-9769

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2016, the County adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 14, Budgetary Comparison Schedules on pages 75 through 81, Schedule of the County's Proportionate Share of the Net Pension Liability—Cost-Sharing Pension Plans on page 82, Schedule of Changes in the County's Net Pension Liability and Related Ratios—Agent Pension Plans on pages 83 through 84, Schedule of County Pension Contributions on pages 85 through 88, and Schedule of Agent OPEB Plan's Funding Progress on page 89 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 received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes, 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 Auditor General of the State of Arizona, 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 January 11, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Tempe, Arizona
January 11, 2018

Management's Discussion and Analysis

This discussion and analysis, prepared by La Paz County's (the "County") management, is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2016. This analysis focuses on current year activities and should be read in conjunction with the County's basic financial statements following this section.

Financial Highlights

- The County's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,153,453 (net position). Of this amount, $48,519,674 is a deficit in unrestricted net position, $7,076,928 is restricted for specific purposes (restricted net position), and $62,596,199 is the County's net investment in capital assets.
- The County's total net position as reported in the Statement of Activities decreased by $2,104,715 in comparison to the prior year's decrease in total net position of $2,162,895.
- At June 30, 2016, the governmental funds reported combined fund balances of $5,138,546, a decrease of $1,333,249 in comparison with the prior year. The components of fund balances consist of $9,367 that is nonspendable, $7,493,867 that is restricted or committed for specific purposes, and $2,364,688 that is an accumulated deficit.
- At June 30, 2016 the unassigned fund balance for the General Fund was ($592,822).

Overview of the Financial Statements

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

Government-wide Financial Statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

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

The *Statement of Activities* presents information showing how net position changed during the 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 future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements - Continued

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education. The County has two business-type activities consisting of the Emerald Canyon Golf Course and the La Paz County Parks.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The County has one major component unit, the La Paz County Jail District and several street lighting districts that are also component units. Refer to Note 1 A, Reporting Entity, on pages 27 and 28 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 15-16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County reports five major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail District, Business 95 Road Improvement, and Debt Service funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.

Overview of the Financial Statements - Continued

The governmental fund financial statements can be found on pages 17-20 of this report.

Proprietary funds, or enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. La Paz County uses enterprise funds to account for the Emerald Canyon Golf Course and the County Parks fund. Fund financial statements for the enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

The enterprise fund financial statements can be found on pages 21-24 of this report.

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

The fiduciary funds financial statements can be found on pages 25-26 of this report.

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 27-74 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Road, and Jail District funds of the County. It also includes required pension schedules and a schedule of agent OPEB plan's funding progress for the County's Public Safety Personnel Retirement System.

Required supplementary information can be found on pages 75-89 of this report.

Government-Wide Financial Analysis

Net Position

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

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to the citizens and creditors.

Government-Wide Financial Analysis - Continued

The following table summarizes the Statement of Net Position at June 30, 2016 and 2015:

	2016 Governmental Activities	2015 Governmental Activities	2016 Business-Type Activities	2015 Business-Type Activities	2016 Total	2015 Total
Current and other assets	$ 7,668,315	$ 9,239,299	$ 76,573	$ (7,904)	$ 7,744,888	$ 9,231,395
Capital assets	64,808,008	65,095,669	1,056,872	1,141,436	65,864,880	66,237,105
Total assets	72,476,323	74,334,968	1,133,445	1,133,532	73,609,768	75,468,500
Deferred outflows of resources	5,507,839	6,167,925	146,983	168,763	5,654,822	6,336,688
Other liabilities	2,683,308	2,837,691	93,806	126,032	2,777,114	2,963,723
Long-term liabilities	51,772,389	51,055,613	1,497,891	1,466,741	53,270,280	52,522,354
Total liabilities	54,455,697	53,893,304	1,591,697	1,592,773	56,047,394	55,486,077
Deferred inflows of resources	1,931,687	2,797,566	132,056	263,377	2,063,743	3,060,943
Net position:						
Net investment in capital assets	61,539,327	61,663,073	1,056,872	1,140,112	62,596,199	62,803,185
Restricted	7,076,928	7,624,058	-	-	7,076,928	7,624,058
Unrestricted (deficit)	(47,019,477)	(45,475,108)	(1,500,197)	(1,693,967)	(48,519,674)	(47,169,075)
Total net position	$ 21,596,778	$ 23,812,023	$ (443,325)	$ (553,855)	$ 21,153,453	$ 23,258,168

As noted earlier, net position may serve over time as a useful indicator of whether the financial position of the County is improving or deteriorating. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,153,453 at June 30, 2016, which is primarily the result of the County's investment in long-lived assets.

In addition, similar to FY 2015, the County's financial position decreased due to the continued loss of federal inmate revenues and a reduction of court fees and fines. This decrease was partially offset by increased tax revenues and federal payments in lieu of taxes. The County also incurred an increase in expenses during FY 2016, which were primarily related to public safety and highways and streets. The net result was a decrease in net position of $2,215,245 in FY 2016 compared to a decrease of $2,475,993 in the prior year.

Governmental activities capital assets decreased by $287,661, which is attributable to capital asset additions which were less than depreciation expense during 2016. Governmental activities long-term liabilities increased by $716,776 primarily due to new borrowings and increases in net pension liabilities. Business-type activities long-term liabilities increased by $31,150, primarily due to an increase in the net pension liability. Additional information on the County's long-term debt activity can be found in Note 7 of the notes to the financial statements on pages 46-50 of this report.

Government-Wide Financial Analysis - Continued

The decreases in deferred outflows of resources and deferred inflows of resources of $681,866 and $997,200, respectively, consist of the contributions to the pension plans after the measurement date and the changes in estimates and assumptions used to calculate the net pension liabilities.

Business-type activities experienced an increase in current and other assets which is primarily related to continued focus on increasing revenues while containing costs.

Changes in Net Position

The following table indicates the changes in net position for governmental and business-type activities:

	2016 Governmental Activities	2015 Governmental Activities	2016 Business-Type Activities	2015 Business-Type Activities	2016 Total	2015 Total
Revenues						
Program revenues:						
Charges for services	$ 4,443,188	$ 4,318,445	$ 2,693,130	$ 2,511,815	$ 7,136,318	$ 6,830,260
Operating grants & contributions	4,372,671	4,683,471	-	-	4,372,671	4,683,471
Capital grants & contributions	3,906,603	3,701,971	-	-	3,906,603	3,701,971
General revenues:						
Property taxes	4,954,862	4,989,084	-	-	4,954,862	4,989,084
Share of state sales taxes	2,235,955	2,209,336	-	-	2,235,955	2,209,336
Excise tax	4,820,221	4,776,220	-	-	4,820,221	4,776,220
Payments in lieu of taxes	2,090,571	1,756,669	-	-	2,090,571	1,756,669
Vehicle license tax	600,746	552,603	-	-	600,746	552,603
State lottery	550,390	550,038	-	-	550,390	550,038
Indirect cost recovery	500,000	-	-	-	500,000	-
Contributions not restricted to specific programs	613,659	638,455	-	-	613,659	638,455
Investment earnings	29,437	21,511	-	-	29,437	21,511
Miscellaneous	797,981	293,054	15,592	9,980	813,573	303,034
Total revenues	29,916,284	28,490,857	2,708,722	2,521,795	32,625,006	31,012,652
Expenses						
General government	10,408,946	10,641,112	-	-	10,408,946	10,641,112
Public safety	10,417,753	9,777,843	-	-	10,417,753	9,777,843
Highways and streets	4,557,440	3,760,016	-	-	4,557,440	3,760,016
Sanitation	2,079,127	1,972,039	-	-	2,079,127	1,972,039
Health	2,632,181	2,491,114	-	-	2,632,181	2,491,114
Welfare	579,791	632,971	-	-	579,791	632,971
Culture and recreation	174,721	143,396	2,598,192	2,455,549	2,772,913	2,598,945
Education	384,065	433,629	-	-	384,065	433,629
Interest on long-term debt	897,505	867,878	-	-	897,505	867,878
Total expenses	32,131,529	30,719,998	2,598,192	2,455,549	34,729,721	33,175,547
Transfers	-	(246,852)	-	246,852	-	-
Change in net position	(2,215,245)	(2,475,993)	110,530	313,098	(2,104,715)	(2,162,895)
Beginning net position	23,812,023	26,288,016	(553,855)	(866,953)	23,258,168	25,421,063
Ending net position	$ 21,596,778	$ 23,812,023	$ (443,325)	$ (553,855)	$ 21,153,453	$ 23,258,168

Government-Wide Financial Analysis - Continued

Net position of the governmental activities decreased during the year by $2,215,245, compared to a prior year decrease of $2,475,993. Expenses exceeded revenues by 7.4%, compared to a prior year excess of 8.7%. The primary reason for the excess of expenditures over revenues is the Jail District Fund, which incurred a deficit (before transfers in) of $1,838,740 during the year. As discussed below, the fund's revenues have incurred continuing decreases while expenditures have remained steady. A secondary reason for the excess is the Debt Service Fund, which incurred a deficit (before transfers in) of $555,424 during the year. Debt service principal and interest costs exceeded the related tax revenues during the 2016 fiscal year.

Total revenues increased by $1,612,354 which is primarily related to an increase in charges for services of $306,058, a decrease in operating grants and contributions of $310,800, an increase in capital grants and contributions of $204,632, an increase in payments in lieu of taxes of $333,902, indirect cost recovery of $500,000 and an increase in miscellaneous revenues of $504,927. The increase in miscellaneous revenues relates primarily to sale of water totaling $450,000. The sale was from water rights owned by the County.

Governmental activities expenses increased from 2015 by a total of $1,411,531. The expense increase was primarily from an increase in public safety expenses of $639,910, an increase in highways and streets expenses of $797,424, an increase in sanitation expenses of $107,088, an increase in health expenses of $141,067, and offset by a decrease in general government expenses of $232,166.

Business-type activities reported an increase in net position of $110,530. The increase in revenues resulted from increased golf fees and a slight increase in expenses resulted from efforts to keep spending within the confines of revenue constraints.

Financial Analysis of the County's Funds

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

Governmental funds – The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2016, the County's governmental funds reported combined fund balances of $5,138,546, a decrease of $1,333,249 in comparison with the prior year.

Financial Analysis of the County's Funds - Continued

The General Fund is the County's primary operating fund. At the end of the current fiscal year, the General Fund had a deficit fund balance of $586,599. Total General Fund revenues increased $2,377,927 from 2015 which is primarily the result of an increase in property tax of $229,370, fees, fines and forfeits of $471,270, intergovernmental revenue of $514,944, charge for services of $213,521, and miscellaneous revenues of $509,874. General Fund expenditures decreased by $181,127, resulting primarily from an increase in general government expenditures of $412,832 and public safety expenditures of $348,025, offset by a decrease in sanitation expenditures of $203,941 and capital outlay expenditures of $742,861.

The Road Fund, a major County Fund, is used for various road projects within the County. During 2016, the fund incurred an overall increase of $289,776 in revenues, which is comprised of an increase in taxes of $90,400 and an increase in intergovernmental revenue of $220,013 from the Highway User Revenue Fund. The fund also incurred an increase of $8,766 in expenditures due to more repair and rehabilitation projects for various County roads.

The Jail District Fund, also a major County fund, is used to report the activity of the County's jail facility. During 2016, the Fund's revenues decreased by $540,653 due to a decrease in revenues related to inmate housing activity. Expenditures for the Jail District Fund increased by $82,357.

The Business 95 Road Improvement Fund had a transfer to the General Fund totaling $489,477 which eliminates the fund's fund balance to zero.

The Debt Service Fund was established during the 2012 fiscal year and accounts for unexpended bond proceeds and for a transaction privilege tax levy collected for the purpose of principal and interest repayment on County issued excise tax revenue judgment bonds. The fund had a decrease in excise taxes earned during 2016 of $2,798 while total debt service increased $1,502,313.

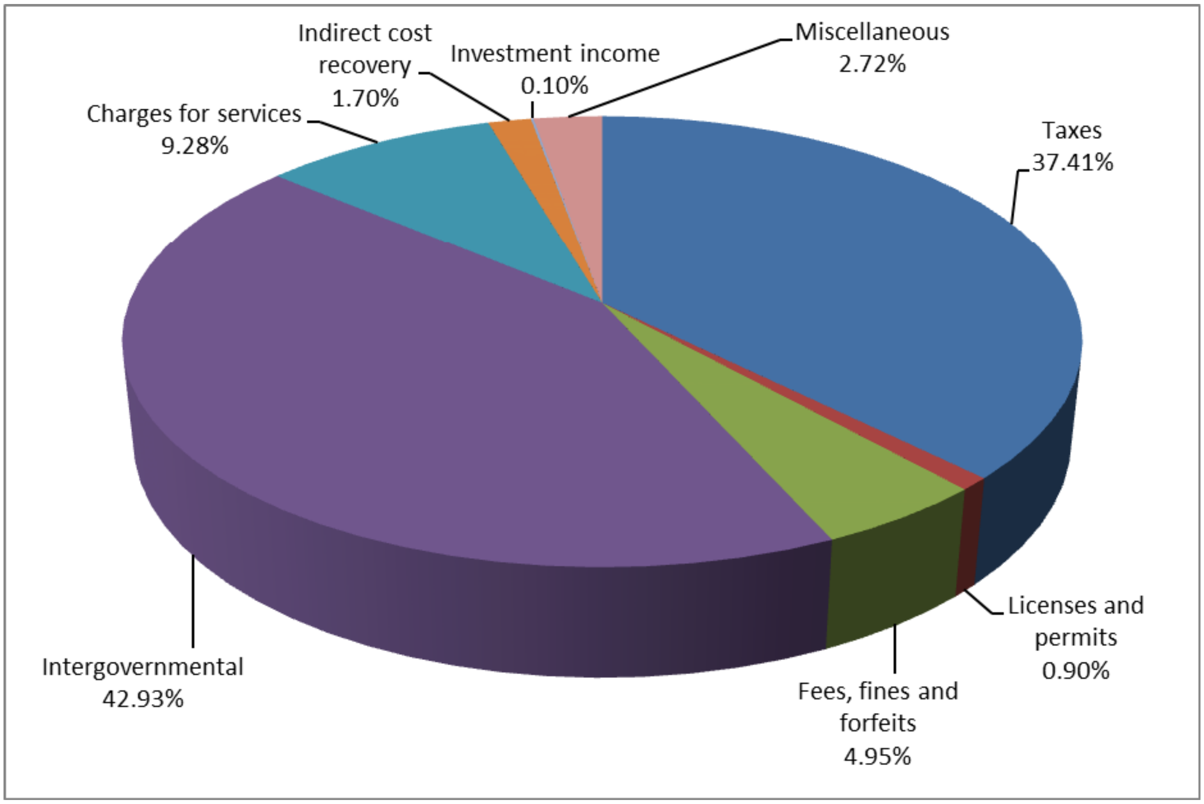
Other Governmental funds had a decrease in revenues totaling $506,183 which was primarily the result of decrease in grant monies of $570,652.

The Golf Course Fund, a County enterprise fund, had an increase in revenues totaling $135,250 due to an increase in golf fees earned. This resulted from an increase in the number of golf players during 2016 and revenues from the Parker Open golf tournament. Meanwhile, expenses increased by $193,719 due to an increase in various operating costs during the year.

The Parks Fund, also a County enterprise fund, had an increase in revenues totaling $51,677 while expenses decreased by $51,076. The decrease in expenses is primarily from a decrease in various operating costs.

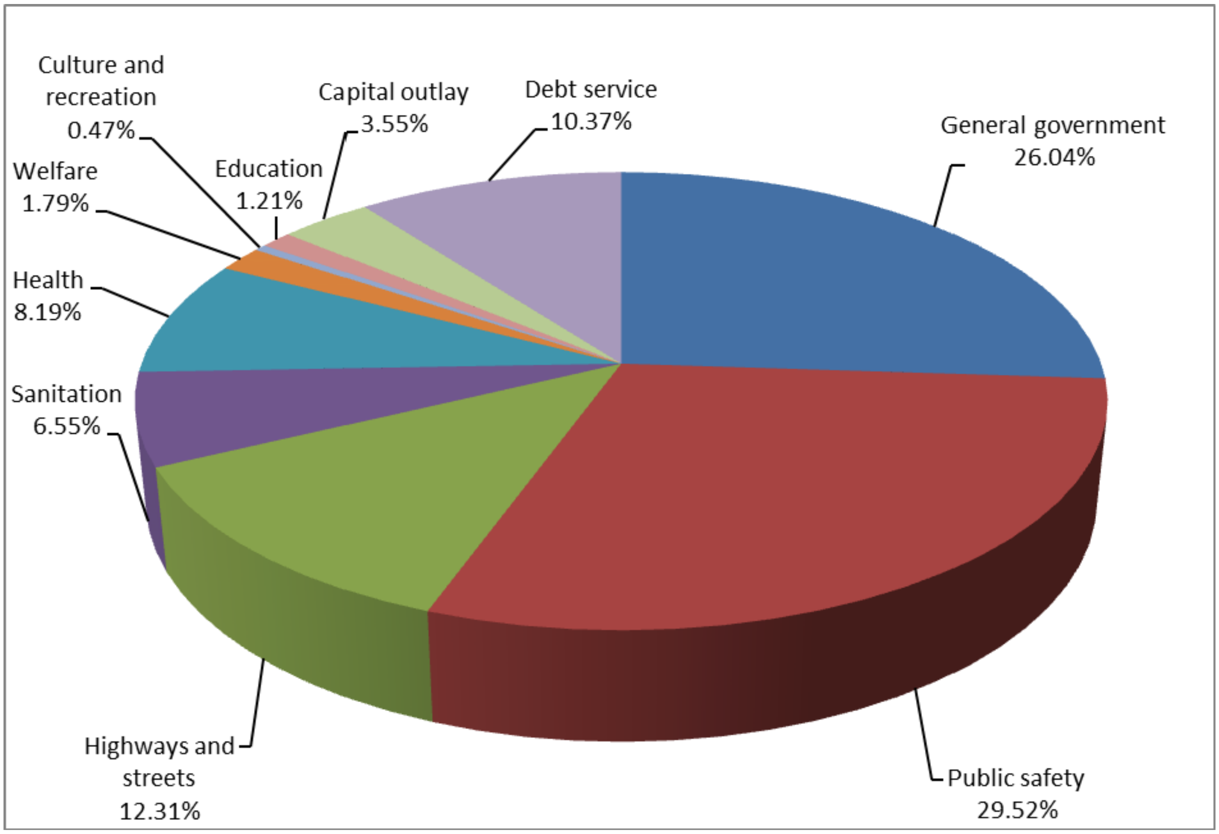
Financial Analysis of the County's Funds – Continued

The following graphs present the amount of governmental revenues from various sources and expenditures by function:



The composition of revenues saw a decrease in taxes and charges for services, along with increases for indirect cost recovery and miscellaneous revenues.

Financial Analysis of the County's Funds – Continued



The composition of 2016 County expenditures did not change significantly, with the exception of debt service, which increased to 10.37% of total expenditures. General government functions decreased to 26.04% and public safety expenditures decreased to 29.52% of total expenditures.

General Fund Budgetary Highlights

General Fund revenues were $229,061 greater than estimated. Licenses and permits decreased primarily from lower than anticipated building safety permits and fees, fines, and forfeits were greater than the budget because of court related activities. In addition, the County recovered indirect costs of $500,000 in 2016 versus none in 2015. Charges for services were $525,462 less than the budget due to indirect cost recovery being budgeted in this line item but separately reported.

General Fund expenditures were $1,616,480 less than the adopted budget and actual.

The following General Fund departments had variances from their original (and final) budget by more than ten percent and $50,000:

General Fund Budgetary Highlights - Continued

Budget versus actual variances

- The County Assessor was $61,486 below budget as personnel costs were less than anticipated because of an open position that was not filled.
- Justice of the Peace in District 6 was $59,867 less than the budget due to lower than anticipated personnel and other operating costs.
- Court administration was $94,294 greater than budget due to greater than anticipated court appointed counsel.
- Contingency was $924,909 less than anticipated, due to the County utilizing only a small portion of this line item during the year.
- General administration was $134,249 greater than budget due to greater than anticipated insurance and professional costs.
- During 2016, the Indigent Health Department incurred costs that were $94,608 greater than the budget due to greater than anticipated County portion of its payments to the State of Arizona health system.
- The County long term care ALTCS was $187,851 less than budgeted due to less than anticipated contributions to the Arizona Long-Term Care System.
- Transfers out was greater than budgeted due to unbudgeted transfers made to cover the deficit fund balances in various funds.
- Facilities Management was less than budget due to overall cost containment measures for this department.

Budget Modifications

There were no budget modifications in 2016.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2016 totaled $62.6 million (net of accumulated depreciation and related debt). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets remained consistent with the prior period. Major capital asset events during the current fiscal year included vehicle purchases for the Sheriff's Office and various road improvement projects.

Capital Assets and Debt Administration - Continued

Additional information on the County's capital assets activity and balances can be found in Note 6 of the notes to the financial statements on pages 44-45 of this report.

Long-Term Liabilities

At June 30, 2016 the County had total long-term liabilities outstanding of $53,270,280. This amount consists primarily of obligations under capital leases of $2.1 million, $16.3 million in bonds payable and $32.6 million in a net pension liability.

Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 46-50 of this report.

Economic Factors

- Due to the improving economic environment, it is anticipated that future shared revenues received from the State of Arizona and property and sales tax revenues will increase.

- As discussed in Note 11 on pages 73-74, in April 2017, the County's Board of Supervisors took action to implement several cost containment measures necessary to reduce its deficit and improve liquidity.

Requests for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the La Paz County Finance Department, 1108 Joshua Avenue, Parker, Arizona 85344.

Basic Financial Statements

La Paz County
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,439,865	$ 74,498	$ 1,514,363
Property taxes receivable	316,886	-	316,886
Due from:			
Other governments	2,143,881	-	2,143,881
Cash and investments held by trustees	3,758,316	-	3,758,316
Prepaid items	9,367	2,075	11,442
Capital assets, not being depreciated	43,243,843	-	43,243,843
Capital assets, being depreciated, net	21,564,165	1,056,872	22,621,037
Total assets	72,476,323	1,133,445	73,609,768
Deferred Outflows			
Deferred outflows related to pensions	5,507,839	146,983	5,654,822
Liabilities			
Accounts payable	914,431	57,140	971,571
Accrued liabilities	272,099	19,102	291,201
Interest payable	446,630	-	446,630
Unearned revenue	562,500	-	562,500
Due to:			
Others	141,065	17,564	158,629
Other governments	346,583	-	346,583
Noncurrent liabilities:			
Due within one year	1,308,947	12,310	1,321,257
Due in more than one year	50,463,442	1,485,581	51,949,023
Total liabilities	54,455,697	1,591,697	56,047,394
Deferred Inflows			
Deferred inflows related to pensions	1,931,687	132,056	2,063,743
Net Position			
Net investment in capital assets	61,539,327	1,056,872	62,596,199
Restricted for:			
Highways and streets	484,146	-	484,146
Judicial	1,405,031	-	1,405,031
Public safety	963,735	-	963,735
Health and welfare	524,905	-	524,905
Debt service	3,461,646	-	3,461,646
Other purposes	237,465	-	237,465
Unrestricted (deficit)	(47,019,477)	(1,500,197)	(48,519,674)
Total net position	$ 21,596,778	$ (443,325)	$ 21,153,453

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Position: Total
Primary government:							
Governmental activities:							
General government	$ 10,408,946	$ 1,873,673	$ 621,628	$ 6,931	$ (7,906,714)	$ -	$ (7,906,714)
Public safety	10,417,753	734,607	1,632,499	-	(8,050,647)	-	(8,050,647)
Highways and streets	4,557,440	-	1,070,778	3,899,672	413,010	-	413,010
Sanitation	2,079,127	1,587,886	47,042	-	(444,199)	-	(444,199)
Health	2,632,181	139,120	742,951	-	(1,750,110)	-	(1,750,110)
Welfare	579,791	107,902	257,773	-	(214,116)	-	(214,116)
Culture and recreation	174,721	-	-	-	(174,721)	-	(174,721)
Education	384,065	-	-	-	(384,065)	-	(384,065)
Interest on long-term debt	897,505	-	-	-	(897,505)	-	(897,505)
Total governmental activities	32,131,529	4,443,188	4,372,671	3,906,603	(19,409,067)	-	(19,409,067)
Business-type activities							
Golf course	1,695,327	1,782,924	-	-	-	87,597	87,597
Parks	902,865	910,206	-	-	-	7,341	7,341
Total business-type activities	2,598,192	2,693,130	-	-	-	94,938	94,938
Total primary government	$ 34,729,721	$ 7,136,318	$ 4,372,671	$ 3,906,603	(19,409,067)	94,938	(19,314,129)
General revenues:							
Taxes:							
Property taxes levied for general purposes					4,914,166	-	4,914,166
Property taxes levied for special districts					40,696	-	40,696
Excise tax					4,820,221	-	4,820,221
Payments in lieu of taxes					2,090,571	-	2,090,571
Share of state sales taxes					2,235,955	-	2,235,955
Share of state vehicle license tax					600,746	-	600,746
State lottery					550,390	-	550,390
Contributions not restricted to specific programs					613,659	-	613,659
Indirect cost recovery					500,000	-	500,000
Investment earnings					29,437	-	29,437
Miscellaneous					797,981	15,592	813,573
Total general revenues					17,193,822	15,592	17,209,414
Changes in net position					(2,215,245)	110,530	(2,104,715)
Net position - July 1, 2015					23,812,023	(553,855)	23,258,168
Net position - June 30, 2016					$ 21,596,778	$ (443,325)	$ 21,153,453

See the accompanying notes to the financial statements.

La Paz County
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds						
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 532,056	$ 277,769	$ 40,956	$ -	$ -	$ 589,084	$ 1,439,865
Cash and investments held by trustees	-	-	-	-	3,278,860	479,456	3,758,316
Property tax receivable	314,753	-	-	-	-	2,133	316,886
Due from:							
Other governments	272,029	391,958	91,943	-	182,786	1,205,165	2,143,881
Prepaid items	6,223	500	-	-	200	2,444	9,367
Total assets	$ 1,125,061	$ 670,227	$ 132,899	$ -	$ 3,461,846	$ 2,278,282	$ 7,668,315
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable	$ 487,951	$ 160,254	$ 78,163	$ -	$ -	$ 188,063	$ 914,431
Accrued liabilities	121,325	15,591	28,180	-	-	107,003	272,099
Unearned revenue	562,500	-	-	-	-	-	562,500
Due to:							
Others	27,326	1,133	52,029	-	-	60,577	141,065
Other governments	221,495	-	-	-	-	125,088	346,583
Total liabilities	1,420,597	176,978	158,372	-	-	480,731	2,236,678
Deferred inflows of resources:							
Unavailable revenues:							
Property taxes	291,063	-	-	-	-	2,028	293,091
Total deferred inflows of resources	291,063	-	-	-	-	2,028	293,091
Fund balances:							
Nonspendable:							
Prepaid items	6,223	500	-	-	200	2,444	9,367
Restricted	-	492,749	-	-	3,461,646	3,064,010	7,018,405
Committed	-	-	-	-	-	475,462	475,462
Unassigned	(592,822)	-	(25,473)	-	-	(1,746,393)	(2,364,688)
Total fund balances	(586,599)	493,249	(25,473)	-	3,461,846	1,795,523	5,138,546
Total liabilities, deferred inflows of resources, and fund balances	$ 1,125,061	$ 670,227	$ 132,899	$ -	$ 3,461,846	$ 2,278,282	$ 7,668,315

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

Fund balances—total governmental funds		$ 5,138,546
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $122,581,629 and the accumulated depreciation is $57,773,621.		64,808,008
Some of the County's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.		293,091
Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.		(446,630)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Notes payable	$ (1,195,000)	
Obligations under capital leases	(2,073,681)	
Compensated absences payable	(965,925)	
Net pension liability	(31,203,289)	
Bonds payable	(16,334,494)	(51,772,389)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore, are not reported in the funds.		3,576,152
Net position of governmental activities		$ 21,596,778

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	Major Funds						
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	$ 6,790,502	$ 548,745	$ 1,214,081	$ -	$ 2,392,058	$ 40,694	$ 10,986,080
Licenses and permits	265,417	-	-	-	-	-	265,417
Fees, fines and forfeits	1,441,425	-	-	-	-	11,711	1,453,136
Intergovernmental	5,044,663	3,899,672	-	-	-	3,663,110	12,607,445
Charges for services	1,733,535	-	302,542	-	-	688,558	2,724,635
Indirect cost recovery	500,000	-	-	-	-	-	500,000
Investment income	10,503	3,665	-	-	-	15,269	29,437
Miscellaneous	651,693	5,425	3,402	-	-	137,461	797,981
Total revenues	16,437,738	4,457,507	1,520,025	-	2,392,058	4,556,803	29,364,131
Expenditures:							
Current:							
General government	7,245,807	-	-	-	20,500	993,189	8,259,496
Public safety	4,237,167	-	3,276,313	-	-	1,848,786	9,362,266
Highways and streets	-	3,351,410	-	-	-	551,777	3,903,187
Sanitation	1,625,994	-	-	-	-	450,606	2,076,600
Health	1,261,983	-	-	-	-	1,336,262	2,598,245
Welfare	151,944	-	-	-	-	416,618	568,562
Culture and recreation	-	-	-	-	-	147,889	147,889
Education	224,211	-	-	-	-	159,857	384,068
Capital outlay	52,729	435,077	2,366	-	-	636,754	1,126,926
Debt service:							
Principal	123,925	-	40,000	-	2,150,000	-	2,313,925
Interest	80,437	-	40,086	-	776,982	-	897,505
Bond issuance costs	-	-	-	-	-	78,205	78,205
Total expenditures	15,004,197	3,786,487	3,358,765	-	2,947,482	6,619,943	31,716,874
Excess (deficiency) of revenues over expenditures	1,433,541	671,020	(1,838,740)	-	(555,424)	(2,063,140)	(2,352,743)
Other financing sources (uses):							
Transfers in	-	-	3,115,672	-	20,700	1,523,420	4,659,792
Transfers out	(4,170,315)	-	-	(489,477)	-	-	(4,659,792)
Proceeds from bonds	-	-	-	-	-	1,019,494	1,019,494
Total other financing sources (uses)	(4,170,315)	-	3,115,672	(489,477)	20,700	2,542,914	1,019,494
Net change in fund balances	(2,736,774)	671,020	1,276,932	(489,477)	(534,724)	479,774	(1,333,249)
Fund balances, July 1, 2015	2,150,175	(177,771)	(1,302,405)	489,477	3,996,570	1,315,749	6,471,795
Fund balances (deficit), June 30, 2016	$ (586,599)	$ 493,249	$ (25,473)	$ -	$ 3,461,846	$ 1,795,523	$ 5,138,546

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances - total governmental funds		$ (1,333,249)
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.		
Expenditures for general capital assets	$ 1,126,926	
Depreciation expense	(1,414,587)	(287,661)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		552,150
Repayment of debt principal is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Notes payable	60,000	
Bonds payable	2,150,000	
Obligations under capital leases	103,915	2,313,915
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	1,948,625	
Pension expense	(4,295,925)	(2,347,300)
The issuance of long-term debt obligations provides current financial resources to governmental funds, however, issuances do not affect net position balances.		(1,019,494)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net increase in compensated absences	(71,762)	
Net decrease in interest accrued on debt obligations	(21,844)	(93,606)
Change in net position of governmental activities		$ (2,215,245)

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	$ 73,998	$ 500	$ 74,498
Prepaid items	2,075	-	2,075
Due from others	-	-	-
Due from Parks Fund	399,090	-	399,090
Noncurrent assets:			
Capital assets, net of accumulated depreciation	601,605	455,267	1,056,872
Total assets	1,076,768	455,767	1,532,535
Deferred Outflows			
Deferred outflows related to pensions	90,872	56,111	146,983
Liabilities			
Current liabilities:			
Accounts payable	36,222	20,918	57,140
Accrued payroll and employee benefits	14,026	5,076	19,102
Due to others	41	17,523	17,564
Due to Golf Course Fund	-	399,090	399,090
Compensated absences payable, current portion	12,310	-	12,310
Total current liabilities	62,599	442,607	505,206
Noncurrent liabilities:			
Compensated absences payable, net of current portion	64,413	11,206	75,619
Net pension liability	871,703	538,259	1,409,962
Total liabilities	998,715	992,072	1,990,787
Deferred Inflows			
Deferred inflows related to pensions	81,643	50,413	132,056
Net Position			
Net investment in capital assets	601,605	455,267	1,056,872
Unrestricted (deficit)	(514,323)	(985,874)	(1,500,197)
Total net position	$ 87,282	$ (530,607)	$ (443,325)

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Operating revenues:			
Fees	$ 1,782,924	$ 910,206	$ 2,693,130
Miscellaneous	3	15,589	15,592
Total operating revenues	1,782,927	925,795	2,708,722
Operating expenses:			
Personnel services	806,021	476,565	1,282,586
Professional services	249,904	7,315	257,219
Supplies	165,507	107,609	273,116
Communications	7,344	8,070	15,414
Utilities	73,208	178,705	251,913
Repairs and maintenance	217,975	55,910	273,885
Depreciation	125,214	53,026	178,240
Other	50,154	15,665	65,819
Total operating expenses	1,695,327	902,865	2,598,192
Increase in net position	87,600	22,930	110,530
Net position, July 1, 2015	(318)	(553,537)	(553,855)
Net position, June 30, 2016	$ 87,282	$ (530,607)	$ (443,325)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	**Parks Fund**	**Total Enterprise Funds**
Cash flows from operating activities:			
Receipts from customers	$ 1,782,927	$ 993,203	$ 2,776,130
Payments to suppliers and providers of goods and services	(774,167)	(377,816)	(1,151,983)
Payments for employee wages and benefits	(842,970)	(533,699)	(1,376,669)
Net cash provided by operating activites	165,790	81,688	247,478
Cash flows from noncapital financing activities:			
Negative cash balance implicitly repaid	(384,882)	(81,688)	(466,570)
Net cash used for noncapital financing activities	(384,882)	(81,688)	(466,570)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(93,676)	-	(93,676)
Principal and interest payments on capital lease obligation	(7,383)	-	(7,383)
Net cash used for capital and related financing activities	(101,059)	-	(101,059)
Net decrease in cash and cash equivalents	(320,151)	-	(320,151)
Cash and cash equivalents, July 1, 2015	394,149	500	394,649
Cash and cash equivalents, June 30, 2016	$ 73,998	$ 500	$ 74,498

(continued)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	**Parks Fund**	**Total Enterprise Funds**
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 87,600	$ 22,930	$ 110,530
Adjustments to reconcile operating income (loss) to net cash provided by operating activites:			
Depreciation	125,214	53,026	178,240
Changes in assets, deferred outflows and inflows of resources and liabilities:			
Increase in prepaid items	(2,075)	-	(2,075)
Decrease in due from others	-	64,021	64,021
Increase (decrease) in accounts payable	12,914	(4,542)	8,372
Increase in accrued payroll and employee benefits	(20,914)	(17,016)	(37,930)
Increase in due to others	-	3,387	3,387
Increase in net pension liability	11,424	28,353	39,777
Increase in deferred outflows of resources	15,087	6,693	21,780
Decrease in deferred inflows of resources	(83,720)	(47,601)	(131,321)
Increase (decrease) in compensated absences payable	20,260	(27,563)	(7,303)
Net cash provided by operating activities	$ 165,790	$ 81,688	$ 247,478

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

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

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

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

See the accompanying notes to the financial statements.

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

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

For the year ended June 30, 2016, the County implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No.73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No.72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles.

A. Reporting Entity

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

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

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

The following table describes the County's component units:

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

Related Organization:

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

B. *Basis of Presentation*

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

In May 2017, the County's Board of Supervisors approved transferring the Business 95 Fund's remaining committed fund balance as of June 30, 2016 to the Jail District Fund to supplement its operating deficit.

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

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

The County reports the following major enterprise funds:

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

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

The County reports the following fiduciary fund types:

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

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

C. *Basis of Accounting*

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available.

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

The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, sales taxes, licenses and permits, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

D. *Cash and Investments*

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

All investments are stated at fair value.

E. *Inventories*

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

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

F. *Property Tax Calendar*

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

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

G. *Capital Assets*

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

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

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

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

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

H. *Investment Income*

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

I. *Deferred Outflows/Inflows of Resources*

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

J. *Compensated Absences*

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

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

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

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

K. *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.

Note 2 - Stewardship, Compliance, and Accountability

Ten General Fund departments had an excess of actual expenditures over appropriations. General Fund departments with expenditures in excess of appropriations were caused mainly by excess expenditures for which budget modifications were not made. The County's Road Fund also had expenditures in excess of appropriations. The County continues to work closely with these departments to minimize future similar overruns.

Deficit fund balances—At June 30, 2016, the following governmental funds reported deficit fund balances exceeding $25,000:

Fund	Deficit
Governmental funds:	
General Fund	$ 592,822
Workforce Investment Act - Adult	143,892
Emergency Services	116,306
Bio Terrorism	115,127
Highway Safety Grant	98,791
Statewide Fiscal Stabilization Fund	98,122
High Intensity Drug Trafficking Area Grant	96,684
Stone Garden Grant	92,969
Hazard Mitigation Grant Program	72,135
AZ Game & Fish Boating Grant	70,606
Boating Patrol Grant	64,496
Drug, Gang, Violent Crime Grant	61,579
Anti-Meth Initiative Grant	55,096
Hippie Hole Parks Grant	48,809
Adult Education	45,610

Note 2 - Stewardship, Compliance, and Accountability - Continued

County Antiracketeering	39,944
Career Center – Mohave County	36,372
Drug, Gang, Violent Crime Grant	35,334
JCEF Collection Enhancement	35,326
AORCC Boat Patrol Grant	33,989
Local JCEF Grant	32,235
Food Bank Donations	28,710
ACJC Record Improvement Grant	25,733

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

In addition the Parks Fund, which is a major proprietary fund, also reported a deficit of $530,607, which is expected to be recovered by future earnings or transfers from the Golf Course Fund.

Note 3 - Fund Balance Classifications of the Governmental Funds

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

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

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

Note 3 - Fund Balance Classifications of the Governmental Funds

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

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

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

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

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

	Major Funds						
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	Total
Fund balances:							
Nonspendable	$ 6,223	$ 500	$ -	$ -	$ 200	$ 2,444	$ 9,367
Restricted for:							
Education	-	-	-	-	-	35,536	35,536
Health	-	-	-	-	-	208,893	208,893
Highways and streets	-	492,749	-	-	-	2,456	495,205
Judicial	-	-	-	-	-	1,335,449	1,335,449
Public safety	-	-	-	-	-	963,735	963,735
Transit	-	-	-	-	-	113,431	113,431
Water and sanitation	-	-	-	-	-	45,237	45,237
Welfare	-	-	-	-	-	316,012	316,012
Debt service	-	-	-	-	3,461,646	-	3,461,646
Other purposes	-	-	-	-	-	43,261	43,261
Total restricted	-	492,749	-	-	3,461,646	3,064,010	7,018,405
Committed to:							
Judicial	-	-	-	-	-	471,920	471,920
Other	-	-	-	-	-	3,542	3,542
Total committed	-	-	-	-	-	475,462	475,462
Unassigned	(592,822)	-	(25,473)	-	-	(1,746,393)	(2,364,688)
Total fund balances	$ (586,599)	$ 493,249	$ (25,473)	$ -	$3,461,846	$ 1,795,523	$5,138,546

Note 4 - Deposits and Investments

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

Credit risk

Statutes have the following requirements for credit risk:

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

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

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

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

Foreign currency risk - Statutes do not allow foreign investments.

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

Note 4 - Deposits and Investments – Continued

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

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

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

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

The investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

Investment Type	Rating	Rating Agency	Amount
U.S. Agency securities	Aaa	Moody's	$ 9,537,396
U.S. Government money market funds	Aaa	Moody's	3,758,316
			$ 13,295,712

Note 4 - Deposits and Investments - Continued

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

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

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

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

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

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

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

A.R.S. requires community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

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

Details of each major asset classification follow:

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

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

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

Statement of Net Position	
Assets	$ 17,594,762
Net position	$ 17,594,762
Net position held in trust for:	
Internal participants	$ 1,346,562
External participants	16,248,200
Total net position held in trust	$ 17,594,762
Statement of Changes in Net Position	
Total additions	$ 94,499,937
Total deductions	(95,713,923)
Net decrease	(1,213,986)
Net position held in trust:	
July 1, 2015	18,808,748
June 30, 2016	$ 17,594,762

Note 6 - Capital Assets

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

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

Note 6 - Capital Assets – Continued

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

Depreciation expense was charged to functions as follows:

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

Note 7 - Long-Term Liabilities

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due within 1 year
Governmental activities					
Notes payable	$ 1,255,000	$ -	$ 60,000	$ 1,195,000	$ 195,000
Bonds payable	17,465,000	1,019,494	2,150,000	16,334,494	789,000
Obligations under capital leases	2,177,596	-	103,915	2,073,681	228,356
Compensated absences payable	894,163	965,925	894,163	965,925	96,591
Net pension liability	29,263,854	1,939,435	-	31,203,289	-
Governmental activities long-term liabilities	$ 51,055,613	$ 3,924,854	$ 3,208,078	$ 51,772,389	$ 1,308,947
Business-type activities					
Obligations under capital leases	$ 1,324	$ -	$ 1,324	$ -	$ -
Compensated absences payable	95,228	87,929	95,228	87,929	12,310
Net pension liability	1,370,185	39,777	-	1,409,962	-
Business-type activities long-term liabilities	$ 1,466,737	$ 127,706	$ 96,552	$ 1,497,891	$ 12,310

Capital leases

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

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

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

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

Note 7 - Long-Term Liabilities- Continued

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

Year Ending June 30,	Governmental Activities
2017	$ 284,043
2018	289,065
2019	293,825
2020	287,022
2021	274,891
2022 - 2036	985,022
Total minimum lease payments	2,413,868
Less amount representing interest	340,187
Present value of net minimum lease payments	$ 2,073,681

The assets acquired through capital leases are as follows:

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

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

Note 7 - Long-Term Liabilities – Continued

Notes Payable

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

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

Pursuant to these agreements, the County has pledged General Fund transaction privilege taxes. For the current year, principal and interest paid on the notes was $105,010 and the total pledged transaction privilege tax revenues was $1,214,081. Annual principal and interest payments on the notes are expected to require 21% of total pledged transaction privilege tax revenue.

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

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

Bonds payable – On September 12, 2011, the County issued excise tax revenue judgment bonds to finance the cost of settling obligations of a judgment, and related to cost incurred by the County. On July 1, 2015, County issued tax-exempt bonds to finance the cost of Sheriff Patrol Vehicles. On September 4, 2015, County issued excise tax revenue bond to finance the cost for Buckskin Sanitary District Utility Project. The bonds issued by the County are described as follows:

Note 7 - Long-Term Liabilities – Continued

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

On September 12, 2011, the County's Board of Supervisors authorized a levy of excise tax to be collected until all debt service costs have been paid relating to the County's judgment bonds and other bonds. For the current year, the County incurred $747,944 in interest expense and $2,150,000 in principal payments. Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2016, $2,392,059 was levied and collected. On July 12, 2016, the County refunded the bonds in the amount of $13,760,000 with interest rates ranging from 1.20% to 2.25% and maturing between 2017 and 2025. The refunding resulted in an additional $889,000 being paid on principal in July 2016.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2017	$789,000	$728,455
2018	861,426	719,394
2019	899,443	687,817
2020	928,550	654,937
2021	962,750	620,120
2022-2026	3,743,325	2,630,312
2027-2031	3,780,000	1,851,488
2032-2036	4,370,000	844,431
Total	$16,334,494	$8,736,953

Note 7 - Long-Term Liabilities – Continued

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

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

Compensated absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2016, the County paid for compensated absences as follows: 92 percent from the Governmental Activities and 8 percent from the Business-Type Activities.

Note 8 - Risk Management

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

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

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.

Note 8 - Risk Management – Continued

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

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

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 9 – Pensions and Other Postemployment Benefits

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

The County's accrued payroll and employee benefits includes $30,580 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the County reported $1,948,625 of pension contributions as expenditures in the governmental funds.

A. Arizona State Retirement System

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

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

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

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment 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 survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contribution and employer's contributions, plus interest earned.

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

During fiscal year 2016, the County paid for ASRS pension and OPEB contributions as follows: 44.7 percent from the General Fund, 25.7 percent from major funds, and 29.6 percent from other funds.

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

Year ending June 30	
2017	$(361,031)
2018	(504,049)
2019	(329,279)
2020	339,919

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

PSPRS	**Initial membership date:** **Before January 1, 2012**	**On or after January 1, 2012**
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired members pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

CORP AOC

Year ended June 30	Health Insurance Fund
2016	$ 5,272
2015	4,645
2014	4,118

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

Pension Liability – At June 30, 2015, the County reported the following net pension liabilities:

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

PSPRS and CORP AOC

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

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

Changes in the Net Pension Liability

PSPRS - Sheriff	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2015	$ 14,448,715	$ 5,565,098	$ 8,883,616
Changes for the current year:			
Service Cost	271,882	-	271,882
Interest on the total pension liability	1,105,013	-	1,105,013
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the pension liability	237,456	-	237,456
Change of assumptions or other inputs			
Contributions – Employer	-	537,234	(537,234)
Contributions – Employee	-	166,848	(166,848)
Net investment income	-	197,454	(197,454)
Benefit payments, including refunds of employee contributions	(1,016,114)	(1,016,114)	-
Pension Plan Administrative Expense		(5,190)	5,190
Other	-	(9,829)	9,829
Net Changes	598,237	(129,597)	727,834
Balances at June 30, 2016	$ 15,046,951	$ 5,435,501	$ 9,611,450

Note 9 - Pensions and Other Postemployment Benefits – Continued

Changes in the Net Pension Liability

PSPRS - Attorney Investigators	**Increase (Decrease)**		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2015	$ 320,790	$ 214,449	$ 106,341
Changes for the current year:			
Interest on the total pension liability	23,957	-	23,957
Differences between expected and actual experience in the measurement of the pension liability	10,341	-	10,341
Change of assumptions or other inputs	107,233	-	107,233
Net investment income	-	7,335	(7,335)
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	-
Pension Plan Administrative Expense	-	(558)	558
Other	-	(220)	220
Net Changes	110,321	(24,653)	134,974
Balances at June 30, 2016	$ 431,111	$ 189,796	$ 241,315

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

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

PSPRS - Sheriff	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 524,104	$ -
Changes of assumptions or other inputs	984,186	-
Net difference between projected and actual earnings on pension plan investments	181,255	168,981
County contributions subsequent to the measurement date	786,666	-
Total	$ 2,476,211	$ 168,981

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

PSPRS and CORP - OPEB Contribution Requirements

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

	PSPRS Sheriff
Actuarial value of assets (a)	$ 458,213
Actuarial accrued liability (b)	269,202
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(189,011)
Funded ratio (a)/(b)	170.2%
Covered payroll (c)	1,937,727
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) – (a)] / (c))	(9.8%)

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

PSPRS and CORP - OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4% - 7.25% for CORP
Wage growth	4% for PSPRS and CORP

C. Elected Officials Retirement Plan

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

EORP	**Initial membership date:**	
	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 20 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of retired member's benefit	50% of retired member's benefit

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

EORP

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

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015 was .93617 percent, which was a decrease 0.1118 from its proportion measured as of June 30, 2014.

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

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

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

Year ended June 30	
2017	$ 790,990
2018	34,146
2019	3,654
2020	33,407

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

EORP

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

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

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

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

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

Note 10 - Interfund Activity and Balances

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

	Transfer To			
	Jail District Fund	Nonmajor - Governmental Funds	Debt Service Fund	Total
Transfer From:				
General Fund	$ 3,115,672	$ 1,033,943	$ 20,700	$ 4,170,315
Business 95 Road Improvement Fund	-	489,477	-	489,477
	$ 3,115,672	$ 1,523,420	$ 20,700	$ 4,659,792

Interfund receivables and payables—Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The interfund balance between the Parks Fund and the Golf Course Fund totaling $399,090 is expected to be settled in future years.

Note 11 – Liquidity Matters

The County has incurred several years of deficit spending, which has resulted in a continued decline in the County's available resources. Since June 30, 2012, the County's total cash and cash equivalent balance decreased from $4,981,380 to $1,514,363 as of June 30, 2016. $2,489,281 (72%) of this decrease is attributable to annual deficits incurred by the County's Jail District Fund since 2012. The Jail District Fund's deficit spending continued into 2017. During 2016, the General Fund transferred $3,115,672 to the Jail District Fund. Of this amount, $720,000 was the statutorily required annual maintenance of effort. An additional amount of $2,395,672 was transferred to eliminate the majority of the Jail District's remaining deficit fund balance.

Note 11 – Liquidity Matters - Continued

To alleviate the liquidity concerns, in March 2017, the Board of Supervisors approved a plan to freeze all hiring and procurement other than those necessary to provide essential services and pursue short-term financing. In April 2017, the Board of Supervisors also approved a plan to reduce expenditures through a reduction in force and other cost saving measures. Management believes that these actions will result in annual cost savings exceeding $1.8 million.

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

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

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

Required Supplementary Information

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 6,841,118	$ 6,841,118	$ 6,790,502	$ (50,616)
Licenses and permits	441,833	441,833	265,417	(176,416)
Fees, fines, and forfeits	1,184,398	1,184,398	1,441,425	257,027
Intergovernmental	4,983,331	4,983,331	5,044,663	61,332
Charges for services	2,258,997	2,258,997	1,733,535	(525,462)
Indirect cost recovery	-	-	500,000	500,000
Investment income (loss)	8,000	8,000	10,503	2,503
Miscellaneous	491,000	491,000	651,693	160,693
Total revenues	16,208,677	16,208,677	16,437,738	229,061
Expenditures:				
Current:				
General government:				
Assessor	562,711	562,711	501,225	61,486
County attorney	713,077	713,077	732,151	(19,074)
Board of supervisors	656,381	656,381	599,256	57,125
Clerk of the superior court	499,819	499,819	455,669	44,150
Constable	700	700	253	447
Elections	168,127	168,127	186,323	(18,196)
Justice of the Peace #4	535,534	535,534	540,395	(4,861)
Justice of the Peace #5	344,824	344,824	309,140	35,684
Justice of the Peace #6	370,282	370,282	310,415	59,867
Planning and zoning	401,555	401,555	357,891	43,664
Recorder	268,648	268,648	286,380	(17,732)
Superior court	162,291	162,291	160,249	2,042
Court administration	456,133	456,133	550,427	(94,294)
Treasurer	362,970	362,970	318,949	44,021
Contingency	1,092,110	1,092,110	167,201	924,909
Management information services	186,140	186,140	197,466	(11,326)
Human Resources	93,666	93,666	76,001	17,665
Public defender	587,346	587,346	563,709	23,637
General administration	350,000	350,000	484,249	(134,249)
Community resources	69,808	69,808	76,748	(6,940)
Finance personnel	250,725	250,725	223,527	27,198
Facilities management	525,373	525,373	384,455	140,918
Total general government	8,658,220	8,658,220	7,482,079	1,176,141

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety:				
Emergancy services				
Regional dispatch	$ 923,931	$ 923,931	$ 851,989	$ 71,942
Sheriff	3,312,852	3,312,852	3,160,494	152,358
Probation Adult	122,600	122,600	124,846	(2,246)
Juvenile probation	129,461	129,461	120,657	8,804
Total public safety	4,488,844	4,488,844	4,257,986	230,858
Sanitation:				
Sanitary landfill	1,700,000	1,700,000	1,625,994	74,006
Total sanitation	1,700,000	1,700,000	1,625,994	74,006
Health:				
Indigent health	457,741	457,741	552,349	(94,608)
County long term care ALTCS	830,350	830,350	642,499	187,851
C.M.I (chronically mentally ill)	96,000	96,000	67,135	28,865
Total health	1,384,091	1,384,091	1,261,983	122,108
Welfare:				
Public fiduciary	154,074	154,074	151,944	2,130
Total welfare	154,074	154,074	151,944	2,130
Education:				
School superintendent	235,448	235,448	224,211	11,237
Total education	235,448	235,448	224,211	11,237
Total expenditures	16,620,677	16,620,677	15,004,197	1,616,480
Excess (deficiency) of revenues over expenditures	$ (412,000)	$ (412,000)	$ 1,433,541	$ 1,845,541

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):				
Proceeds from debt	$ 1,132,000	$ 1,132,000	$ -	$ (1,132,000)
Transfers in	992,477	992,477	-	(992,477)
Transfers out	(1,788,130)	(1,788,130)	(4,170,315)	(2,382,185)
Total other financing uses	336,347	336,347	(4,170,315)	(4,506,662)
Net change in fund balances	(75,653)	(75,653)	(2,736,774)	(2,661,121)
Fund balances, July 1, 2015	-	-	2,150,175	2,150,175
Fund balances, June 30, 2016	$ (75,653)	$ (75,653)	$ (586,599)	$ (510,946)

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2016

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ -	$ -	$ 548,745	$ 548,745
Intergovernmental	3,708,505	3,708,505	3,899,672	191,167
Investment income	6,427	6,427	3,665	(2,762)
Miscellaneous	20,000	20,000	5,425	(14,575)
Total revenues	3,734,932	3,734,932	4,457,507	722,575
Expenditures:				
Current:				
Highways and streets	3,469,745	3,469,745	3,786,487	(316,742)
Total expenditures	3,469,745	3,469,745	3,786,487	(316,742)
Excess of revenues over expenditures	265,187	265,187	671,020	405,833
Other financing sources (uses):				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net change in fund balances	265,187	265,187	671,020	405,833
Fund balances, July 1, 2015	-	-	(177,771)	(177,771)
Fund balances, June 30, 2016	$ 265,187	$ 265,187	$ 493,249	$ 228,062

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	$ 1,250,000	$ 1,214,081	$ (35,919)
Charges for services	1,516,000	302,542	(1,213,458)
Miscellaneous	500	3,402	2,902
Total revenues	2,766,500	1,520,025	(1,246,475)
Expenditures:			
Current:			
Public safety	3,284,639	3,276,313	8,326
Capital outlay	-	2,366	(2,366)
Debt Service:			
Principal retirement	40,000	40,000	-
Interest and fiscal charges	40,086	40,086	-
Total expenditures	3,364,725	3,358,765	5,960
Excess (deficiency) of revenues over expenditures	(598,225)	(1,838,740)	(1,240,515)
Other financing sources (uses):			
Transfers in	720,000	3,115,672	2,395,672
Transfers out	-	-	-
	720,000	3,115,672	2,395,672
Net change in fund balances	121,775	1,276,932	1,155,157
Fund balances, July 1, 2015	135,091	(1,302,405)	(1,437,496)
Fund balances, June 30, 2016	$ 256,866	$ (25,473)	$ (282,339)

See accompanying notes to budgetary comparison schedule.

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.

For the General Fund, capital outlay and debt service expenditures are budgeted by department and accumulated by function on the Budgetary Comparison Schedule.

Note 2 - Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles.

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2016, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

Fund/Department	Excess
General Fund:	
County Attorney	$ 19,074
Elections	18,196
Justice of the Peace #4	4,861
Recorder	17,732
Court Administration	94,294
Management Information Service	11,326
General Administration	134,249
Community Resources	6,940
Probation	2,246
Indigent Health	94,608
Road Fund:	
Highway and street expenditures	$ 316,742
Jail District:	
Capital Outlay	$ 2,366

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both.

La Paz County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
Year Ended June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	**2015 (2014)**	**2014 through 2007**
County's proportion of the net pension liability	0.94330%	0.09326%	Information
County's proportionate share of the net pension liability	$ 14,692,914	$ 13,799,620	not available
County's covered payroll	9,159,101	8,406,925	
County's proportionate share of the net pension liability as a percentage of its covered payroll	160.42%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

Correction Office Retirement Plan - Administrative Office of the Courts

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	**2015 (2014)**	**2014 through 2007**
County's proportion of the net pension liability	0.30928%	0.36516%	Information
County's proportionate share of the net pension liability	$ 751,897	$ 819,403	not available
County's covered payroll	374,128	391,648	
County's proportionate share of the net pension liability as a percentage of its covered payroll	200.97%	209.22%	
Plan fiduciary net position as a percentage of the total pension liability	57.90%	58.59%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	**2015 (2014)**	**2014 through 2007**
County's proportion of the net pension liability	0.93617%	1.04762%	Information
County's proportionate share of the net pension liability	$ 7,315,675	$ 7,025,059	not available
State's proportionate share of the net pension liability associated with the County	2,280,723	2,153,948	
Total County's net pension liability	$ 9,596,398	$ 9,179,007	
County's covered payroll	849,419	953,936	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1129.76%	962.22%	
Plan fiduciary net position as a percentage of the total pension liability	28.32%	31.91%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios - Agent Plans
Year Ended June 30, 2016

	Reporting Fiscal Year (Measurement Date)		
Public Safety Personnel Retirement System - Sheriff	**2016 (2015)**	**2015 (2014)**	**2014 through 2007**
Total pension liability			
Service cost	$ 271,882	$ 258,299	Information not available
Interest on total pension liability	1,105,013	904,564	
Changes of benefit terms	-	325,930	
Difference between expected and actual experience in the measurement of the pension liability	237,456	538,156	
Changes of assumptions or other inputs	-	1,592,778	
Benefit payments, including refunds of employee contributions	(1,016,114)	(1,129,939)	
Net change in pension liability	598,237	2,489,788	
Total pension liability - beginning	14,448,714	11,958,926	
Total pension liability - ending (a)	$ 15,046,951	$ 14,448,714	
Plan fiduciary net position			
Contributions - employer	$ 537,234	$ 538,163	
Contributions - employee	166,848	156,266	
Net investment income	197,454	683,282	
Benefit payments, including refunds of employee contributions	(1,016,114)	(1,129,939)	
Administrative expense	(5,190)		
Other changes	(9,829)	300,315	
Net change in plan fiduciary net position	(129,597)	548,087	
Plan fiduciary net position - beginning	5,565,098	5,017,011	
Plan fiduciary net position - ending (b)	$ 5,435,501	$ 5,565,098	
County's net pension liability - ending (a) - (b)	$ 9,611,450	$ 8,883,616	
Plan fiduciary net position as a percentage of the total pension liability	36.1%	38.5%	
Covered payroll	$ 1,510,785	$ 1,499,021	
County's net pension liability as a percentage of covered-employee payroll	636%	593%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios - Agent Plans
Year Ended June 30, 2016

Public Safety Personnel Retirement System - Attorney Investigators	**Reporting Fiscal Year (Measurement Date)** 2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			
Interest on total pension liability	$ 23,957	$ 23,458	Information not available
Difference between expected and actual experience in the measurement of the pension liability	10,341	2,025	
Changes of assumptions or other inputs	107,233	12,082	
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	
Net change in pension liability	110,321	6,355	
Total pension liability - beginning	320,790	314,435	
Total pension liability - ending (a)	$ 431,111	$ 320,790	
Plan fiduciary net position			
Net investment income	$ 7,335	$ 27,730	
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	
Administrative expense	(558)	-	
Other changes	(220)	-	
Net change in plan fiduciary net position	(24,653)	(3,480)	
Plan fiduciary net position - beginning	214,449	217,929	
Plan fiduciary net position - ending (b)	$ 189,796	$ 214,449	
County's net pension liability - ending (a) - (b)	$ 241,315	$ 106,341	
Plan fiduciary net position as a percentage of the total pension liability	44%	67%	
Covered-employee payroll	$ -	$ -	
County's net pension liability as a percentage of covered-employee payroll	0%	0%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension Contributions
Year Ended June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily determined contribution	$ 1,009,993	$ 998,342	$ 899,541	Information not available
County's contributions in relation to the statutorily determined contribution	1,009,993	998,342	899,541	
County's contribution deficiency (excess)	$ -	$ -	$ -	
County's covered-employee payroll	$ 9,308,691	$ 9,159,101	$ 8,406,925	
County's contributions as a percentage of covered payroll	10.85%	10.90%	10.70%	

Corrections Officer Retirement Plan - Administrative Office of the Courts

	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily determined contribution	$ 62,165	$ 55,745	$ 56,789	Information not available
County's contributions in relation to the statutorily determined contribution	62,165	55,745	56,789	
County's contribution deficiency (excess)	$ -	$ -	$ -	
County's covered payroll	$ 325,471	$ 374,128	$ 391,648	
County's contributions as a percentage of covered payroll	19.10%	14.90%	14.50%	

Elected Officials Retirement Plan

	Reporting Fiscal Year			
	2016	2015	2014	2013 through 2007
Statutorily determined contribution	$ 186,722	$ 198,764	$ 223,221	Information not available
County's contributions in relation to the statutorily determined contribution	186,722	198,764	223,221	
County's contribution deficiency (excess)	$ -	$ -	$ -	
County's covered payroll	$ 794,562	$ 849,419	$ 953,936	
County's contributions as a percentage of covered payroll	23.50%	23.40%	23.40%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension Contributions
Year Ended June 30, 2016

Public Safety Personnel Retirement System - Sheriff	**Reporting Fiscal Year**			
	2016	**2015**	**2014**	**2013 through 2007**
Actuarially determined contribution	$ 786,666	$ 567,384	$ 538,163	Information not available
County's contributions in relation to the actuarially determined contribution	786,666	567,384	538,163	
County's contribution deficiency (excess)	$ -	$ -	$ -	
County's covered payroll	$ 1,630,734	$ 1,574,754	$ 1,510,785	
County's contributions as a percentage of covered payroll	48.24%	36.03%	35.62%	

See accompanying notes to pension plan schedules.

Note 1 – Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS 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 valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent of pay closed
Remaining amortization period	20 years for underfunded 20 years for overfunded
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2015 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.50%. 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% to 7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience- based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 1 – Actuarially Determined Contribution Rates - Continued

Beginning in fiscal year 2014, PSPRS and CORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

La Paz County
Required Supplementary Information
Schedule of Agent OPEB Plan's Funding Progress
June 30, 2016

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded actuarial acrued 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						
6/30/2016	$ 458,213	$ 269,202	(189,011)	170.2%	$1,937,727	0.0%
6/30/2015	433,459	203,824	(229,635)	212.7%	1,510,785	0.0%
6/30/2014	405,269	229,301	(175,968)	176.7%	1,499,023	0.0%

Note 1 - Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan’s Pension Fund to the new Health Insurance Fund.