La Paz County, Arizona

Basic Financial Statements

Year ended June 30, 2017

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Independent Auditors' Report

Members of the Arizona State Legislature
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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in note 2 to the financial statements, the County restated beginning net position/fund balance of its financial statements for the year ended June 30, 2017, to correct a misstatement in its previously issued financial statements. 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 74 through 79, Schedule of the County's Proportionate Share of the Net Pension Liability—Cost-Sharing Pension Plans on page 80, Schedule of Changes in the County's Net Pension Liability and Related Ratios—Agent Pension Plans on pages 81 through 82, Schedule of County Pension Contributions on pages 83 through 84, the notes to Pensions Schedules on pages 85 through 86 and the schedule of agent OPEB plan's funding progress on page 87. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

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

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the 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 December 19, 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Smith + Butler, CPAs, PLLC

Tempe, Arizona
December 19, 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, 2017. 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 $20,427,730 (net position). Of this amount, $51,291,457 is a deficit in unrestricted net position, $8,772,026 is restricted for specific purposes (restricted net position), and $62,947,161 is the County's net investment in capital assets.
- The County's total net position as reported in the Statement of Activities decreased by $368,739 in comparison to the prior year's decrease in total net position of $2,104,715.
- At June 30, 2017, the governmental funds reported combined fund balances of $3,866,305, a decrease of $915,257 in comparison with the prior year. The components of fund balances consist of $22,320 that is nonspendable, $9,322,587 that is restricted or committed for specific purposes, and $5,478,602 that is an accumulated deficit.
- At June 30, 2017 the unassigned fund balance for the General Fund was ($1,735,377).

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 Park.

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 page 27 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 four 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 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, the County Parks fund and the Landfill 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 27-73 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 74-87 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, 2017 and 2016:

	2017 Governmental Activities	2016 Governmental Activities	2017 Business-Type Activities	2016 Business-Type Activities	2017 Total	2016 Total
Current and other assets	$ 5,945,153	$ 7,668,315	$ 465,059	$ 76,573	$ 6,410,212	$ 7,744,888
Capital assets	64,523,261	64,808,008	874,218	1,056,872	65,397,479	65,864,880
Total assets	70,468,414	72,476,323	1,339,277	1,133,445	71,807,691	73,609,768
Deferred outflows of resources	7,945,447	5,507,839	290,534	146,983	8,235,981	5,654,822
Other liabilities	2,269,381	2,683,308	29,507	93,806	2,298,888	2,777,114
Long-term liabilities	53,276,038	51,772,389	1,671,330	1,497,891	54,947,368	53,270,280
Total liabilities	55,545,419	54,455,697	1,700,837	1,591,697	57,246,256	56,047,394
Deferred inflows of resources	2,179,813	1,931,687	189,873	132,056	2,369,686	2,063,743
Net position:						
Net investment in capital assets	62,072,943	61,539,327	874,218	1,056,872	62,947,161	62,596,199
Restricted	8,772,026	7,076,928	-	-	8,772,026	7,076,928
Unrestricted (deficit)	(50,156,340)	(47,019,477)	(1,135,117)	(1,500,197)	(51,291,457)	(48,519,674)
Total net position	$ 20,688,629	$ 21,596,778	$ (260,899)	$ (443,325)	$ 20,427,730	$ 21,153,453

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 $20,427,730 at June 30, 2017, which is primarily the result of the County's investment in long-lived assets.

Also, the County's financial position decreased due to a reduction in charges for services revenues pertaining to a decrease in sanitation fees, reduced revenues from the Golf Course and Parks enterprises, lower federal inmate revenues and other services rendered and a reduction of County Attorney fees.

Governmental activities capital assets had decreases of $284,747 that are attributable to capital asset additions being less than depreciation expense during fiscal year 2017. Governmental activities long-term liabilities increased by $1,503,649 and business-type activities long-term liabilities increased by $173,439. Both increases were primarily due to increases in the net pension liability. Additional information on the County's long-term liabilities can be found in Note 9 of the notes to the financial statements on pages 44-48 of this report.

The increases in deferred outflows of resources and deferred inflows of resources of $2,437,608 and $248,126, respectively, consist of the changes in estimates and assumptions used to calculate the net pension liability, net of the contributions to the pension plans after the measurement date. Additional information on the County's pension plan activity can be found in Note 11 of the notes to the financial statements on pages 50-72 of this report.

Business-type activities experienced an increase in total assets which is primarily related to the earnings of the golf course during the year.

Government-Wide Financial Analysis - Continued

Changes in Net Position

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

`	2017 Governmental Activities	2016 Governmental Activities	2017 Business-Type Activities	2016 Business-Type Activities	2017 Total	2016 Total
Revenues						
Program revenues:						
Charges for services	$ 2,558,873	$ 4,443,188	$ 2,848,786	$ 2,693,130	$ 5,407,659	$ 7,136,318
Operating grants & contributions	4,112,054	4,372,671	-	-	4,112,054	4,372,671
Capital grants & contributions	4,232,087	3,906,603	-	-	4,232,087	3,906,603
General revenues:						
Property taxes	4,923,453	4,954,862	-	-	4,923,453	4,954,862
Share of state sales taxes	2,279,479	2,235,955	-	-	2,279,479	2,235,955
Excise tax	5,121,831	4,820,221	-	-	5,121,831	4,820,221
Payments in lieu of taxes	1,982,313	2,090,571	-	-	1,982,313	2,090,571
Vehicle license tax	629,245	600,746	-	-	629,245	600,746
State lottery	575,750	550,390	-	-	575,750	550,390
Indirect cost recovery	-	500,000	-	-	-	500,000
Contributions not restricted to specific programs	520,218	613,659	-	-	520,218	613,659
Investment earnings	28,244	29,437	-	-	28,244	29,437
Miscellaneous	895,159	797,981	140,277	15,592	1,035,436	813,573
Total revenues	27,858,706	29,916,284	2,989,063	2,708,722	30,847,769	32,625,006
Expenses						
General government	11,008,340	10,408,946	-	-	11,008,340	10,408,946
Public safety	10,376,259	10,417,753	-	-	10,376,259	10,417,753
Highways and streets	2,856,508	4,557,440	-	-	2,856,508	4,557,440
Sanitation	24,795	2,079,127	377,397	-	402,192	2,079,127
Health	2,453,678	2,632,181	-	-	2,453,678	2,632,181
Welfare	504,530	579,791	-	-	504,530	579,791
Culture and recreation	161,783	174,721	2,429,240	2,598,192	2,591,023	2,772,913
Education	247,124	384,065	-	-	247,124	384,065
Interest on long-term debt	776,854	897,505	-	-	776,854	897,505
Total expenses	28,409,871	32,131,529	2,806,637	2,598,192	31,216,508	34,729,721
Change in net position	(551,165)	(2,215,245)	182,426	110,530	(368,739)	(2,104,715)
Beginning net position, as restated	21,239,794	23,812,023	(443,325)	(553,855)	20,796,469	23,258,168
Ending net position	$ 20,688,629	$ 21,596,778	$ (260,899)	$ (443,325)	$ 20,427,730	$ 21,153,453

The beginning net position balance was restated by $356,984 for the correction of an error further disclosed in Note 2.

Government-Wide Financial Analysis - Continued

Net position of the governmental activities decreased during the year by $551,165. Total revenues decreased by $2,057,573 which is primarily related to a decrease in charges for services of $1,884,310, a decrease in operating grants and contributions of $260,617, an increase in capital grants and contributions of $325,484, an increase in excise tax of $301,610, and a decrease in payments in lieu of taxes of $108,258. The decrease in charges for services is primarily related to transferring the responsibility of collecting landfill fees to the landfill operator and having the landfill operator recognize revenue and expenses for waste transported from California.

Governmental activities expenses decreased from 2016 by a total of $3,721,658. The expense decrease was primarily from a decrease in public safety expenses of $41,494, a decrease in highways and streets expenses of $1,700,932, a decrease in sanitation expenses of $2,054,332, a decrease in health expenses of $178,503, a decrease in education expenses of $136,941, a decrease in interest on long-term debt of $120,651, all offset by an increase in general government expenses of $599,394.

Business-type activities reported an increase in net position of $182,426. Revenues increased by $280,341, resulting from the addition of charges for services due to the creation of the Landfill Fund, offset by decreased golf course charges for services. Expenses increased by $208,445, resulting from the addition of landfill expenses, offset by efforts to keep spending in the other enterprises 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, 2017, the County's governmental funds reported combined fund balances of $3,866,305, a decrease of $915,257 in comparison with the prior year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, the General Fund carried a deficit fund balance of $1,715,655. Total General Fund revenue decreased $1,865,377 from 2016 and is primarily the result of decrease in charges for services of $1,547,531 (again due to transferring collection responsibility to the landfill operator), indirect cost recovery of $500,000 which was not charged during 2017, fines and forfeits of $307,797 and intergovernmental revenue of $107,573. General Fund expenditures decreased by $976,238, resulting primarily from a decrease in sanitation expenditures of $1,623,161 (again from transferring responsibility to the landfill operator) and a decrease in public safety expenditures of $182,714, offset by an increase in debt service principal of $484,431 and an increase in general government expenditures of $538,901.

The Road Fund, a major County fund, is used for various road projects within the County. During 2017, the fund experienced an overall decrease of $629,454 in expenditures due to fewer repair and rehabilitation projects for various County roads and streets.

Financial Analysis of the County's Funds - Continued

The Jail District Fund, also a major County fund, is used to report the activity of the County's jail facility. During 2017, the Fund's overall revenues and expenditures both increased slightly.

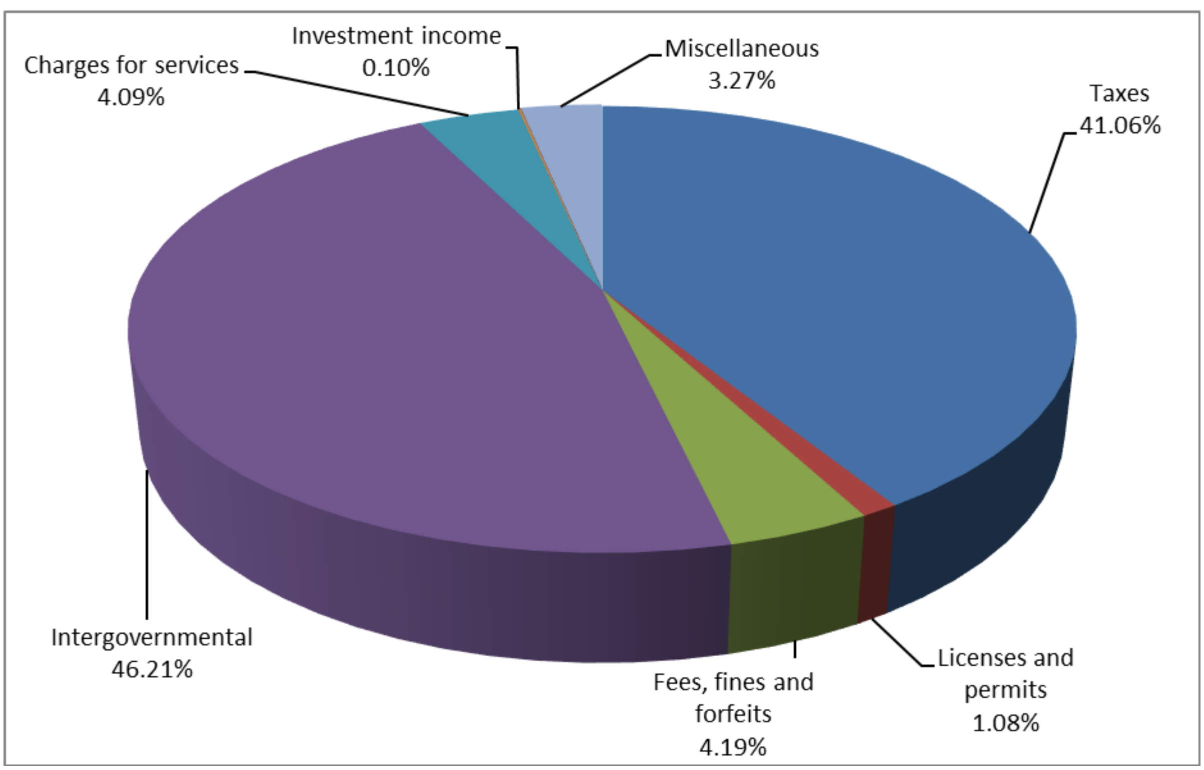
The Debt Service Fund was established during the 2012 fiscal year and accounts for unexpended bond proceeds and for a transaction privilege tax levy collected for the purpose of principal and interest repayment on County issued excise tax revenue judgment bonds. During 2017, the County issued Excise Tax Revenue Judgement Refunding Bonds to advance refund $14,825,000 of outstanding Excise Tax Revenue Judgment Bonds. As a result of the refunding, the County has reduced its total debt service payments by $7,900,813 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $5,179,947. The fund had an increase in total excise taxes collected during 2017 of $154,820 while total interest expense incurred was $943,997.

Other Governmental funds had a decrease in revenues totaling $429,588, which was primarily the result of a decrease in grant monies.

The Golf Course Fund, a County enterprise fund, had a decrease in revenues totaling $180,843 due to a decrease in golf fees earned. This resulted from a decrease in the number of golf players during 2017. Meanwhile, expenses decreased by $3,043 due to a decrease in various operating costs during the year.

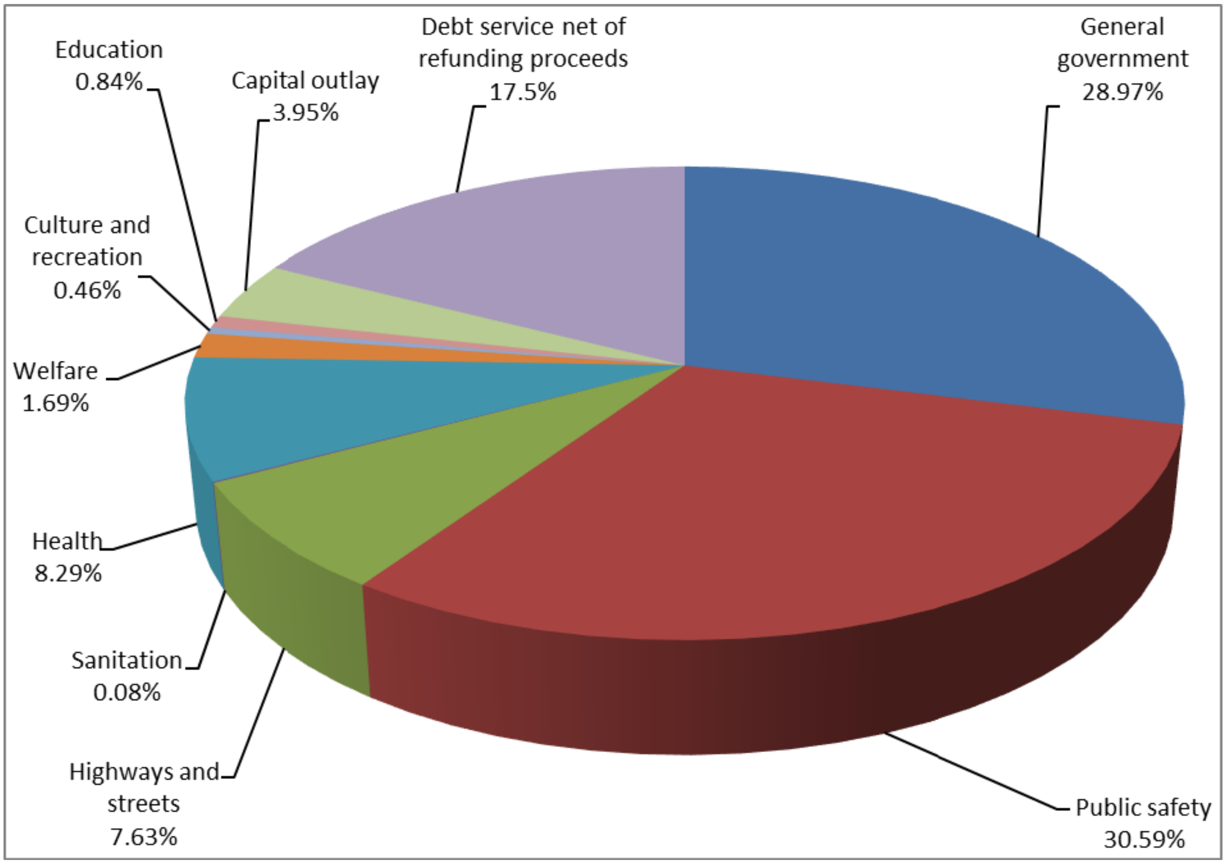
The Parks Fund, also a County enterprise fund, had an increase in revenues totaling $60,251 while expenses decreased by $171,955. The decrease in expenses is primarily from a decrease in personnel costs and various operating costs during the year.

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



Financial Analysis of the County's Funds – Continued

The composition of revenues saw a decrease in charges for services, indirect cost recovery and fees, fines and forfeits, along with an increase in taxes.



The composition of 2017 County expenditures changed for debt service, which increased to 17.5% of total expenditures, sanitation, which decreased to 0.08% of total expenditures and highways and streets, which decreased to 7.63% of total expenditures. General government functions increased to 28.97% of total expenditures and public safety expenditures increased to 30.59% of total expenditures.

General Fund Budgetary Highlights

General Fund actual expenditures were approximately $1.4 million less than the adopted budget and actual revenues were less than estimated revenues by approximately $1.3 million.

Tax revenues were less than the budgeted amount by $732,866 predominantly due to less than anticipated auto lieu tax. Charges for services were less than budget by $435,418, primarily because landfill tipping fees were budgeted in the General Fund but actual tipping fees were recorded in the new Landfill Fund.

General Fund Budgetary Highlights - Continued

The following General Fund departments had variances from their original (and final) budget by more than ten percent and $20,000:

Budget versus actual variances

- The County Assessor was $104,925 below budget due to lower than anticipated personnel costs and reduced operating costs.
- The Board of Supervisors was $114,079 less than budget due to lower than anticipated personnel costs and reduced operating costs.
- The Clerk of the Superior Court was $74,246 below budget due to lower than anticipated personnel costs and reduced jury fees and expenses.
- Elections was $30,072 less than budget due to planned capital outlays that did not occur.
- Justice of the Peace #4 and $5 were $70,819 and $91,387 below budget, respectively, due to lower than anticipated personnel costs and reduced operating costs.
- Planning and Zoning (Community Development) was $42,200 less than budget due to lower than anticipated personnel costs and reduced operating costs.
- Court Administration exceeded budget by $225,706 due to greater than anticipated court appointed conflict counsel and dependency counsel costs.
- The County Treasurer was $33,620 less than budget, primarily due to less than anticipated employee health insurance and equipment lease costs.
- Contingency was $464,430 less than anticipated, due to the County not utilizing this line item as much as originally anticipated during the year.
- The Public Defender was $66,764 below budget due to lower than anticipated personnel costs and reduced operating costs.
- Community Resources was $22,756 less than budget, primarily due to lower than anticipated personnel costs
- Facilities management was $40,439 below budget due to lower than anticipated personnel costs and reduced operating costs.
- Regional Dispatch was $119,214 less than budget, primarily due to planned capital outlays and equipment repair that did not occur.
- The County long term care ALTCS was $234,191 less than budgeted due to less than anticipated contributions to the Arizona Long-Term Care System.
- The Chronically Mentally Ill expenses were $60,326 greater than budgeted due to higher than anticipated mental health services.

General Fund Budgetary Highlights - Continued

- The School Superintendent was $27,556 below budget due to lower than anticipated personnel costs and reduced operating costs.
- Transfers in were less than budgeted due to lower than anticipated transfers of surpluses from various funds.
- Transfers out were less than budgeted due to lower than anticipated transfers made to cover the deficit fund balance in various funds.

Budget Modifications

There were no budget modifications during 2017.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2017 totaled $62.9 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 increased 0.6% from the prior period. Major capital asset events during the current fiscal year included various road improvement projects.

Additional information on the County's capital assets activity and balances can be found in Note 7 of the notes to the financial statements on pages 42-43 of this report.

Long-Term Liabilities

At June 30, 2017 the County had total long-term liabilities outstanding of $54.9 million. This amount consists primarily of obligations under capital leases of $1.7 million, $14.6 million in bonds payable and $36.9 million in net pension liability.

Additional information on the County's long-term debt can be found in Note 9 of the notes to the financial statements on pages 44-48 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.
- 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.
- The County has taken into consideration the above economic factors in preparing future years' budgets.

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, 2017

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets			
Cash and cash equivalents	$ 1,420,280	$ 433,980	$ 1,854,260
Property taxes receivable	317,955	-	317,955
Internal balances	(23,536)	23,536	-
Due from other governments	1,350,487	-	1,350,487
Cash and investments held by trustees	2,857,647	-	2,857,647
Prepaid items	22,320	7,543	29,863
Capital assets, not being depreciated	44,314,322	-	44,314,322
Capital assets, being depreciated, net	20,208,939	874,218	21,083,157
Total assets	70,468,414	1,339,277	71,807,691
Deferred Outflows of Resources			
Deferred outflows related to pensions	7,476,607	290,534	7,767,141
Deferred charge on debt refunding	468,840	-	468,840
Total deferred outflows of resources	7,945,447	290,534	8,235,981
Liabilities			
Accounts payable	490,716	2,680	493,396
Accrued liabilities	343,349	26,231	369,580
Interest payable	133,817	-	133,817
Unearned revenue	487,500	-	487,500
Accrued PSPRS and EORP refunds (see note 13)	344,491	-	344,491
Due to:			
Others	122,925	596	123,521
Other governments	346,583	-	346,583
Noncurrent liabilities:			
Due within one year	1,696,732	19,119	1,715,851
Due in more than one year	51,579,306	1,652,211	53,231,517
Total liabilities	55,545,419	1,700,837	57,246,256
Deferred Inflows of Resources			
Deferred inflows related to pensions	2,179,813	189,873	2,369,686
Net Position			
Net investment in capital assets	62,072,943	874,218	62,947,161
Restricted for:			
Highways and streets	2,354,984	-	2,354,984
Judicial	1,323,709	-	1,323,709
Public safety	1,112,938	-	1,112,938
Health and welfare	621,695	-	621,695
Debt service	3,059,806	-	3,059,806
Other purposes	298,894	-	298,894
Unrestricted (deficit)	(50,156,340)	(1,135,117)	(51,291,457)
Total net position	$ 20,688,629	$ (260,899)	$ 20,427,730

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary government:							
Governmental activities							
General government	$ 11,008,340	$ 2,032,579	$ 560,238	$ 16,149	$ (8,399,374)	$ -	$ (8,399,374)
Public safety	10,376,259	284,505	1,202,232	-	(8,889,522)	-	(8,889,522)
Highways and streets	2,856,508	-	903,747	4,215,938	2,263,177	-	2,263,177
Sanitation	24,795	-	63,341	-	38,546	-	38,546
Health	2,453,678	136,647	996,684	-	(1,320,347)	-	(1,320,347)
Welfare	504,530	105,142	300,964	-	(98,424)	-	(98,424)
Culture and recreation	161,783	-	84,848	-	(76,935)	-	(76,935)
Education	247,124	-	-	-	(247,124)	-	(247,124)
Interest on long-term debt	776,854	-	-	-	(776,854)	-	(776,854)
Total governmental activities	28,409,871	2,558,873	4,112,054	4,232,087	(17,506,857)	-	(17,506,857)
Business-type activities							
Golf course	1,698,370	1,602,075	-	-	-	(96,295)	(96,295)
Parks	730,870	845,778	-	-	-	114,908	114,908
Landfill	377,397	400,933	-	-	-	23,536	23,536
Total business-type activities	2,806,637	2,848,786	-	-	-	42,149	42,149
Total primary government	$ 31,216,508	$ 5,407,659	$ 4,112,054	$ 4,232,087	(17,506,857)	42,149	(17,464,708)
		General revenues:					
		Taxes:					
		Property taxes levied for general purposes			4,893,551	-	4,893,551
		Property taxes levied for special districts			29,902	-	29,902
		Excise tax			5,121,831	-	5,121,831
		Payments in lieu of taxes			1,982,313	-	1,982,313
		Share of state sales taxes			2,279,479	-	2,279,479
		Vehicle license tax			629,245	-	629,245
		State lottery			575,750	-	575,750
		Contributions not restricted to specific programs			520,218	-	520,218
		Investment earnings			28,244	-	28,244
		Miscellaneous			895,159	140,277	1,035,436
		Total general revenues			16,955,692	140,277	17,095,969
		Changes in net position			(551,165)	182,426	(368,739)
		Net position - June 30, 2016, as restated			21,239,794	(443,325)	20,796,469
		Net position - June 30, 2017			$ 20,688,629	$ (260,899)	$ 20,427,730

See the accompanying notes to the financial statements.

La Paz County
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds					
	General Fund	**Road Fund**	**Jail District Fund**	**Debt Service Fund**	**Other Governmental Funds**	**Total Governmental Funds**
Assets						
Cash and cash equivalents	$ 631,894	$ 788,386	$ -	$ -	$ -	$ 1,420,280
Cash and investments held by trustees	-	-	-	2,857,647	-	2,857,647
Property tax receivable	316,061	-	-	-	1,894	317,955
Due from:						
Other governments	320,069	429,901	101,979	202,159	296,379	1,350,487
Other funds	-	1,189,267	720,000	-	1,404,344	3,313,611
Prepaid items	19,722	500	-	-	2,098	22,320
Total assets	$ 1,287,746	$ 2,408,054	$ 821,979	$ 3,059,806	$ 1,704,715	$ 9,282,300
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	$ 341,870	$ 11,539	$ 6,521	$ -	$ 130,786	$ 490,716
Accrued liabilities	171,192	40,625	57,484	-	74,048	343,349
Unearned revenue	487,500	-	-	-	-	487,500
Due to:						
Others	-	1,137	61,212	-	60,576	122,925
Other governments	221,495	-	-	-	125,088	346,583
Other funds	1,495,048	-	1,842,099	-	-	3,337,147
Total liabilities	2,717,105	53,301	1,967,316	-	390,498	5,128,220
Deferred inflows of resources:						
Unavailable revenues:						
Property taxes	286,296	-	-	-	1,479	287,775
Total deferred inflows of resources	286,296	-	-	-	1,479	287,775
Fund balances:						
Nonspendable:						
Prepaid items	19,722	500	-	-	2,098	22,320
Restricted	-	2,354,253	-	3,059,806	3,357,967	8,772,026
Committed	-	-	-	-	550,561	550,561
Unassigned (deficit)	(1,735,377)	-	(1,145,337)	-	(2,597,888)	(5,478,602)
Total fund balances	(1,715,655)	2,354,753	(1,145,337)	3,059,806	1,312,738	3,866,305
Total liabilities, deferred inflows of resources, and fund balances	$ 1,287,746	$ 2,408,054	$ 821,979	$ 3,059,806	$ 1,704,715	$ 9,282,300

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, 2017

Fund balances—total governmental funds		$ 3,866,305
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 $123,735,092 and the accumulated depreciation is $59,211,831.		64,523,261
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.		287,775
Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.		(133,817)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Notes payable	$ (800,000)	
Obligations under capital leases	(1,650,318)	
Compensated absences payable	(864,788)	
Net pension liability	(35,396,864)	
Bonds payable	(14,564,068)	(53,276,038)
PSPRS and EORP refund amounts are not due and payable in the current period and therefore, are not reported in the funds.		(344,491)
Deferred outflows and inflows of resources related to pensions and deferred charges related to bond refunding are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	7,476,607	
Deferred inflows of resources related to pensions	(2,179,813)	
Deferred outflows for bond refunding	468,840	5,765,634
Net position of governmental activities		$ 20,688,629

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, 2017

	Major Funds					
	General Fund	Road Fund	Jail District Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 6,815,593	$ 547,446	$ 1,287,476	$ 2,546,878	$ 29,902	$ 11,227,295
Licenses and permits	295,229	-	-	-	-	295,229
Fees, fines and forfeits	1,133,628	-	-	-	10,728	1,144,356
Intergovernmental	4,937,090	4,463,400	-	-	3,233,747	12,634,237
Charges for services	186,004	-	291,341	-	641,943	1,119,288
Investment income	12,269	6,951	-	-	9,024	28,244
Miscellaneous	692,548	740	-	-	201,871	895,159
Total revenues	14,072,361	5,018,537	1,578,817	2,546,878	4,127,215	27,343,808
Expenditures:						
Current:						
General government	7,784,708	-	-	-	682,310	8,467,018
Public safety	4,054,453	-	2,970,336	-	1,915,350	8,940,139
Highways and streets	-	2,127,402	-	-	102,252	2,229,654
Sanitation	2,833	-	-	-	19,435	22,268
Health	1,173,280	-	-	-	1,250,991	2,424,271
Welfare	140,148	-	-	-	353,153	493,301
Culture and recreation	-	-	-	-	134,538	134,538
Education	193,450	-	-	-	53,674	247,124
Capital outlay	-	1,029,631	13,849	-	109,983	1,153,463
Debt service:						
Principal	608,356	-	380,000	2,522,145	45,426	3,555,927
Interest and other fiscal charges	70,731	-	54,496	943,997	39,362	1,108,586
Bond issuance costs	-	-	-	449,921	-	449,921
Total expenditures	14,027,959	3,157,033	3,418,681	3,916,063	4,706,474	29,226,210
Excess (deficiency) of revenues over expenditures	44,402	1,861,504	(1,839,864)	(1,369,185)	(579,259)	(1,882,402)
Other financing sources (uses):						
Transfers in	-	-	720,000	-	96,474	816,474
Transfers out	(816,474)	-	-	-	-	(816,474)
Payments to refunding bond escrow agent	-	-	-	(12,792,855)	-	(12,792,855)
Proceeds from bonds	-	-	-	13,760,000	-	13,760,000
Total other financing sources (uses)	(816,474)	-	720,000	967,145	96,474	967,145
Net change in fund balances	(772,072)	1,861,504	(1,119,864)	(402,040)	(482,785)	(915,257)
Fund balances (deficit), July 1, 2016, as restated	(943,583)	493,249	(25,473)	3,461,846	1,795,523	4,781,562
Fund balances (deficit), June 30, 2017	$ (1,715,655)	$ 2,354,753	$ (1,145,337)	$ 3,059,806	$ 1,312,738	$ 3,866,305

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, 2017

Net change in fund balances - total governmental funds		$ (915,257)
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	$ 1,153,463	
Depreciation expense	(1,438,210)	(284,747)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		514,898
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	395,000	
Bonds payable	2,737,564	
Obligations under capital leases	423,363	3,555,927
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	2,005,847	
Pension expense	(4,998,987)	(2,993,140)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of the debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Issuance of long-term debt obligations	(13,760,000)	
Advance refunding and other repayment of long-term debt obligations	12,792,855	
Deferred charge on debt refunding, net of amortization	468,840	(498,305)
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 decrease in compensated absences	101,137	
Increase in claims and judgements (PSPRS and EORP refunds)	(344,491)	
Net decrease in interest accrued on debt obligations	312,813	69,459
Change in net position of governmental activities		$ (551,165)

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Golf Course Fund	**Parks Fund**	**Landfill Fund**	**Total Enterprise Funds**
Assets				
Current assets:				
Cash and cash equivalents	$ 433,980	$ -	$ -	$ 433,980
Prepaid items	7,543	-	-	7,543
Due from other funds	178,422	-	23,536	201,958
Noncurrent assets:				
Capital assets, net of accumulated depreciation	470,026	404,192	-	874,218
Total assets	1,089,971	404,192	23,536	1,517,699
Deferred Outflows				
Deferred outflows related to pensions	194,123	96,411	-	290,534
Liabilities				
Current liabilities:				
Accounts payable	184	2,496	-	2,680
Accrued payroll and employee benefits	17,236	8,995	-	26,231
Due to others	46	550	-	596
Due to Golf Course Fund	-	178,422	-	178,422
Compensated absences payable, current portion	17,262	1,857	-	19,119
Total current liabilities	34,728	192,320	-	227,048
Noncurrent liabilities:				
Compensated absences payable, net of current portion	106,039	11,409	-	117,448
Net pension liability	1,025,466	509,297	-	1,534,763
Total liabilities	1,166,233	713,026	-	1,879,259
Deferred Inflows				
Deferred inflows related to pensions	126,865	63,008	-	189,873
Net Position				
Net investment in capital assets	470,026	404,192	-	874,218
Unrestricted (deficit)	(479,030)	(679,623)	23,536	(1,135,117)
Total net position	$ (9,004)	$ (275,431)	$ 23,536	$ (260,899)

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, 2017

	Business-Type Activities - Enterprise Funds			
	Golf Course Fund	Parks Fund	Landfill Fund	Total Enterprise Funds
Operating revenues:				
Fees	$ 1,602,075	$ 845,778	$ 400,933	$ 2,848,786
Miscellaneous	9	140,268	-	140,277
Total operating revenues	1,602,084	986,046	400,933	2,989,063
Operating expenses:				
Personnel services	935,624	368,408	-	1,304,032
Professional services	168,864	3,941	-	172,805
Transport	-	-	377,397	377,397
Supplies	135,559	77,381	-	212,940
Communications	4,702	5,397	-	10,099
Utilities	68,086	189,309	-	257,395
Repairs and maintenance	205,011	25,355	-	230,366
Depreciation	131,579	51,075	-	182,654
Other	48,945	10,004	-	58,949
Total operating expenses	1,698,370	730,870	377,397	2,806,637
(Decrease) increase in net position	(96,286)	255,176	23,536	182,426
Net position, July 1, 2016	87,282	(530,607)	-	(443,325)
Net position, June 30, 2017	$ (9,004)	$ (275,431)	$ 23,536	$ (260,899)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Golf Course Fund	**Parks Fund**	**Landfill Fund**	**Total Enterprise Funds**
Cash flows from operating activities:				
Receipts from customers	$ 1,822,752	$ 969,073	$ 400,933	$ 3,192,758
Payments to suppliers and providers of goods and services	(672,673)	(329,809)	(377,397)	(1,379,879)
Payments for employee wages and benefits	(790,102)	(419,096)	-	(1,209,198)
Net cash provided by operating activites	359,977	220,168	23,536	603,681
Cash flows from noncapital financing activities:				
Negative cash balance implicitly financed	5	-	-	5
Negative cash balance implicitly repaid	-	(220,668)	(23,536)	(244,204)
Net cash provided by (used for) noncapital financing activities	5	(220,668)	(23,536)	(244,199)
Net increase in cash and cash equivalents	359,982	(500)	-	359,482
Cash and cash equivalents, July 1, 2016	73,998	500	-	74,498
Cash and cash equivalents, June 30, 2017	$ 433,980	$ -	$ -	$ 433,980

(continued)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Golf Course Fund	**Parks Fund**	**Landfill Fund**	**Total Enterprise Funds**
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (96,286)	$ 255,176	$ 23,536	$ 182,426
Adjustments to reconcile operating income (loss) to net cash provided by operating activites:				
Depreciation	131,579	51,075	-	182,654
Changes in assets, deferred outflows and inflows of resources and liabilities:				
Decrease (increase) in:				
Prepaid items	(5,468)	-	-	(5,468)
Due from others	220,668	-	-	220,668
Increase (decrease) in:				
Accounts payable	(36,043)	(18,422)	-	(54,465)
Accrued payroll and employee benefits	3,210	3,919	-	7,129
Due to others	5	(16,973)	-	(16,968)
Net pension liability	153,763	(28,962)	-	124,801
Deferred outflows of resources	(103,251)	(40,300)	-	(143,551)
Deferred inflows of resources	45,222	12,595	-	57,817
Compensated absences payable	46,578	2,060	-	48,638
Net cash provided by operating activities	$ 359,977	$ 220,168	$ 23,536	$ 603,681

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	$ 15,467,620	$ 1,522,779
Total assets	$ 15,467,620	$ 1,522,779
Liabilities		
Due to other governments	-	$ 1,522,779
Total liabilities	-	$ 1,522,779
Net Position		
Held in trust for investment trust participants	$ 15,467,620	

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	Investment Trust Fund
Additions:	
Contributions from participants	$ 50,161,549
Total additions	50,161,549
Deductions:	
Distributions to participants	50,942,129
Total deductions	50,942,129
Change in net position	(780,580)
Net position, July 1, 2016	16,248,200
Net position, June 30, 2017	$ 15,467,620

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). The County's significant accounting policies are described below:

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.

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

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

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. During FY 2017, the Authority loaned the County $500,000 to assist with the County's cash flow needs. This loan was subsequently converted to a grant in FY 2017.

B. *Basis of Presentation*

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

Government-wide statements — provide information about the primary government (the County) and its component units. The statements include a Statement of Net 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.

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

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.

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.

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 judgement 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 Landfill Fund accounts for the County's share of for the activities and related operations and maintenance of the County landfill and eight transfer stations.

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, 2017, were immaterial, they are not included in the Statements of Net Position or the Balance Sheet.

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.

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

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.

H. *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.

I. *Pensions*

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

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

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 2 – Correction of an Error

For the year ended June 30, 2016, the County overstated cash and investments in the amount of $356,984.

	Governmental Activities Net Position	General Fund Fund Balance
Beginning balances, as originally reported	$ 21,596,778	$(586,599)
Overstatement of cash	(356,984)	(356,984)
Beginning balances, as restated	$ 21,239,794	$(943,583)

The effect of the restatement on the prior year's change in net position/fund balance was a decrease of $356,984.

Note 3 - Stewardship, Compliance, and Accountability

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

Deficit fund balances—At June 30, 2017, the following governmental funds reported deficit fund balances exceeding $50,000:

Fund	Deficit
Governmental funds:	
General Fund	$ 1,715,655
Jail District Fund	1,145,337
Health Department	232,575
Animal Control	168,226
WIA 2012 Adult	156,364
Boat Patrol – AZ GFD	131,023
Stone Garden Grant	121,835
County Racketeering	117,204
ADEM HMGP	108,573
Emergency Service	106,807
Highway Safety Grant	100,566
Drug, Gang, Violent Crime Grant – TF	99,321
Statewide Fiscal Stabilization Funds	97,597
HIDTA Grant	95,668
Buckskin Sanitary District Debt Service	84,788
AZ Game & Fish Boating Grant	70,606
Juvenile Crime Reduction Fund	60,978
Adult Education – Ella/Civics	56,603
Anti-Meth Initiative	55,096
Drug, Gang, Violent Crime Grant – CA	52,264

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 governmental funds, the Parks Fund and the Golf Course Fund had deficit net position totaling $275,431 and $9,004, respectively. The Parks Fund deficit will be eliminated by future transfers from the Golf Course Fund.

Note 4 - Fund Balance Classifications of the Governmental Funds

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

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

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

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

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

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

Note 4 - Fund Balance Classifications of the Governmental Funds – Continued

The fund balance categories and classifications for governmental funds as of June 30, 2017, were as follows:

	Major Funds					
	General Fund	Road Fund	Jail District Fund	Debt Service Fund	Other Governmental Funds	Total
Fund balances:						
Nonspendable	$ 19,722	$ 500	$ -	$ -	$ 2,098	$ 22,320
Restricted for:						
Education	-	-	-	-	20,132	20,132
Health	-	-	-	-	278,678	278,678
Highways and streets	-	2,354,253	-	-	731	2,354,984
Judicial	-	-	-	-	1,323,709	1,323,709
Public safety	-	-	-	-	1,112,938	1,112,938
Transit	-	-	-	-	126,870	126,870
Water and sanitation	-	-	-	-	100,145	100,145
Welfare	-	-	-	-	343,017	343,017
Debt service	-	-	-	3,059,806	-	3,059,806
Other purposes	-	-	-	-	51,747	51,747
Total restricted	-	2,354,253	-	3,059,806	3,357,967	8,772,026
Committed to:						
Judicial	-	-	-	-	547,019	547,019
Other	-	-	-	-	3,542	3,542
Total committed	-	-	-	-	550,561	550,561
Unassigned	(1,735,377)	-	(1,145,337)	-	(2,597,888)	(5,478,602)
Total fund balances	$(1,715,655)	$2,354,753	$ (1,145,337)	$3,059,806	$ 1,312,738	$3,866,305

Note 5 - 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 5 - Deposits and Investments - Continued

At June 30, 2017, the carrying amount of the County's total cash in the bank was $9,405,070 and the bank balance was $10,107,425. All County deposits are collateralized by the amount not covered by depository insurance.

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

		Fair value measurement using		
	Amount	**Quoted Prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
U.S. Agency securities	$ 9,432,984	$ -	$ 9,432,984	$ -
U.S. Government money market funds	2,857,647	-	2,857,647	-
Total investments	$ 12,290,631	$ -	$ 12,290,631	$ -

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The investments categorized as Level 3 of the fair value hierarchy are valued based on inputs other than quoted market prices that reflect assumptions about the asset or liability that market participants would use when performing the valuation based on the best information available in the circumstances.

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	Moodys	$ 9,432,984
U.S. Government money market funds	Aaa	Moodys	2,857,647
			$ 12,290,631

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

Note 5 - Deposits and Investments - Continued

At June 30, 2017, the County had $9,432,984 of U.S. agency securities, and $2,857,647 of U.S. Government money market funds that were uninsured and held by the counterparty's trust department, which holds the securities in the County's name.

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2017, 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	$ 9,432,984	$ 4,766,689	$ 4,666,295
U.S. Government money market	2,857,647	2,857,647	-
	$ 12,290,631	$ 7,624,336	$ 4,666,295

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	8,526,027	879,043	9,405,070
Reported amount of investments	9,432,984	2,857,647	12,290,631
Total	$ 17,959,011	$ 3,743,295	$ 21,702,306

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	$ 1,420,280	$ 433,980	$15,467,620	$ 1,522,779	$18,844,659
Cash and investments held by trustee	2,857,647	-	-	-	2,857,647
	$ 4,277,927	$ 433,980	$15,467,620	$ 1,522,779	$21,702,306

Note 6 - 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, $879,043 of deposits held in bank and $2,857,647 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	.60% to 1.60%	1 - 5 years	$ 9,432,984
Deposits	N/A	N/A	8,526,027
			$ 17,959,011

Note 6 - 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	$ 17,959,011
Net position	$ 17,959,011
Net position held in trust for:	
Internal participants	$ 2,491,391
External participants	15,467,620
Total net position held in trust	$ 17,959,011
Statement of Changes in Net Position	
Total additions	$ 87,379,558
Total deductions	(87,015,309)
Net increase	364,249
Net position held in trust:	
July 1, 2016	17,594,762
June 30, 2017	$ 17,959,011

Note 7 - Capital Assets

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

	Primary Government			
	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
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
Construction in progress	-	1,070,479	-	1,070,479
Total capital assets, not being depreciated	43,243,843	1,070,479	-	44,314,322
Capital assets being depreciated:				
Land improvements	25,271	-	-	25,271
Building and improvements	16,254,713	-	-	16,254,713
Machinery and equipment	14,391,929	42,144		14,434,073
Improvements other than buildings	198,548	-	-	198,548
Infrastructure	48,467,325	40,840	-	48,508,165
Total capital assets being depreciated	79,337,786	82,984	-	79,420,770
Total	122,581,629	1,153,463	-	123,735,092
Less accumulated depreciation for:				
Land improvements	20,470	575	-	21,045
Buildings and improvements	6,745,460	459,700	-	7,205,160
Improvements other than buildings	160,492	3,489	-	163,981
Machinery and equipment	12,572,894	554,474	-	13,127,368
Infrastructure	38,274,305	419,972	-	38,694,277
Total	57,773,621	1,438,210	-	59,211,831
Total capital assets being depreciated, net	21,564,165	(1,355,226)	-	20,208,939
Governmental activities capital assets, net	$ 64,808,008	$ (284,747)	$ -	$ 64,523,261

Note 7 - Capital Assets – Continued

	Primary Government			
	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
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	1,286,296	-	-	1,286,296
Total	5,455,605	-	-	5,455,605
Less accumulated depreciation for:				
Golf course and improvements	2,510,967	95,636	-	2,606,603
Land improvements	14,186	638	-	14,824
Buildings and improvements	387,128	22,588	-	409,716
Improvements other than buildings	332,082	26,847	-	358,929
Machinery and equipment	1,154,370	36,945	-	1,191,315
Total	4,398,733	182,654	-	4,581,387
Business-type activities capital assets, net	$ 1,056,872	$ (182,654)	$ -	$ 874,218

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 268,590
Public safety	472,358
Highways and streets	626,854
Welfare	11,229
Health	29,407
Culture and recreation	27,245
Sanitation	2,527
Total governmental activities depreciation expense	$ 1,438,210
Business-type activities:	
Culture and recreation – Golf Course	$ 131,579
Culture and recreation – Parks	51,075
Total business-type activities depreciation expense	$ 182,654

Note 8 – Construction and Other Commitments

The County had major contractual commitments related to various capital projects at June 30, 2017, for the construction of various roadway projects and flood control construction projects. At June 30, 2017, the County had spent $1,070,479 on these projects and had related estimated cost of remaining contractual commitments with contractors of $100,615. Funding for these expenditures will be provided from federal and state grants and contracts.

Note 9 - Long-Term Liabilities

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental activities					
Notes payable	$ 1,195,000	$ -	$ 395,000	$ 800,000	$ -
Bonds payable	16,334,494	13,760,000	15,530,426	14,564,068	1,565,000
Obligations under capital leases	2,073,681	-	423,363	1,650,318	45,254
Compensated absences payable	965,925	864,788	965,925	864,788	86,478
Net pension liability	31,203,289	4,193,575	-	35,396,864	-
Governmental activities long-term liabilities	$ 51,772,389	$ 18,818,363	$ 17,314,714	$ 53,276,038	$ 1,696,732
Business-type activities					
Compensated absences payable	$ 87,929	$ 136,567	$ 87,929	$ 136,567	$ 19,119
Net pension liability	1,409,962	124,801	-	1,534,763	-
Business-type activities long-term liabilities	$ 1,497,891	$ 261,368	$ 87,929	$ 1,671,330	$ 19,119

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 4.6% 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%.

Note 9 - Long-Term Liabilities- Continued

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%.

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

Year Ending June 30,	Governmental Activities
2018	$ 76,708
2019	293,826
2020	287,022
2021	274,891
2022	273,800
2023-2027	630,309
2028-2032	147,165
2033-2034	155,518
Total minimum lease payments	2,139,239
Less amount representing interest	488,921
Present value of net minimum lease payments	$ 1,650,318

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	829,081
Carrying value	$ 1,975,960

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 2017 totaled $434,496 while voter approved excise taxes and maintenance of effort revenues were $1,287,476 and $720,000, respectively. Annual principal and interest payments on the lease are expected to require 21% of total pledged revenue.

Note 9 - 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% 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 2.6% 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 $453,790 and the total pledged transaction privilege tax revenues was $1,287,477. 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**
2018	$ -	$ 14,810
2019	205,000	25,905
2020	210,000	18,375
2021	220,000	10,580
2022	165,000	3,300
Total	$ 800,000	$ 72,970

Note 9 - Long-Term Liabilities – Continued

Bonds payable – The bonds issued by the County are described as follows:

Description	Original Amount	Maturity Range	Interest Rates	Outstanding Principal
Excise Tax Revenue Judgement Bonds, Series 2016 A (Tax Exempt)	$13,760,000	2016-2025	1.2% to 2.25%	$ 13,760,000
Excise Tax Revenue Sheriff Patrol Vehicles Financing (Tax Exempt)	$ 530,000	2016-2021	2.20%	360,000
Excise Tax Revenue Buckskin Sanitary District Utility Project (Taxable)	$ 489,494	2017-2025	4.44%	444,068
				$ 14,564,068

On July 12, 2016, the County issued Excise Tax Revenue Judgement Refunding Bonds, Series 2016, in the amount of $13,760,000 with interest rates ranging from 1.2% to 2.25% and maturing between 2017 and 2025 to advance refund $14,825,000 of outstanding Excise Tax Revenue Judgment Bonds, Series 2011 A and Series 2011 B with interest rates ranging from 3.72% to 5.25% and maturing between 2017 and 2036.

The net proceeds of $13,310,079 (after underwriting and issuance costs of $449,921) plus an additional cash contribution of $2,032,145 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments of the refunded bonds. As a result, these bonds are considered legally defeased and the liability has been removed from the statement of net position. As a result of the refunding, the County has reduced its total future debt service payments by $7,900,813 and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of $5,179,947.

Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2017, $2,546,878 was levied and collected for these bonds.

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 bonds to finance the cost for the Buckskin Sanitary District Utility Project.

Note 9 - Long-Term Liabilities – Continued

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

	Governmental Activities	
Year Ending June 30	Principal	Interest
2018	$ 1,565,000	$ 238,148
2019	1,724,443	224,766
2020	1,748,550	200,270
2021	1,772,750	172,948
2022	1,802,048	142,283
2023-2024	5,951,277	226,459
Total	$ 14,564,068	$ 1,204,874

Line of credit – The County entered into a revolving line of credit agreement on August 4, 2010 that was subsequently amended several times. The revolving line of credit is renewed annually and the total commitment amount for the County during 2017 was $1,000,000. During 2017, the County Treasurer had draws and repayments of $11,334,885 and there was no outstanding balance at June 30, 2017. The line is used to meet short-term cash flow needs of the County. Subsequent to year-end, a new line of credit agreement was entered into with the total commitment amount of $1,500,000.

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 2017, the County paid for compensated absences as follows: 86 percent from the Governmental Activities and 14 percent from the Business-Type Activities.

Note 10 - 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.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as 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 life, health, and disability 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 11 – 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, 2017, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	$ 35,396,864	$ 1,534,763	$ 36,931,627
Deferred outflows of resources	7,476,607	290,534	7,767,141
Deferred inflows of resources	2,179,813	189,873	2,369,686
Pension expense	4,998,987	128,025	5,127,012

The County's accrued payroll and employee benefits includes $35,044 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the County reported $2,005,847 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

Note 11 - Pensions and Other Postemployment Benefits – Continued

	Retirement initial membership date	
	Before July 1, 2011	*On or after July 1, 2011*
Years of service and age required to 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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the 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.

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent retirement, .56 percent for health insurance premiums and .14 percent for long-term disability) of the active members' annual covered payroll. The County's contributions to ASRS for the year ended June 30, 2017 was $898,777. 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:		
2017	$ 43,843	$ 10,961
2016	$ 44,493	$ 10,652
2015	$ 50,778	$ 10,328

Note 11 - Pensions and Other Postemployment Benefits – Continued

During fiscal year 2017, the County paid for ASRS pension and OPEB contributions as follows: 49.7 percent from the General Fund, 29.6 percent from major funds, and 20.7 percent from other funds.

Pension Liability – At June 30, 2017, the County reported a liability of $15,505,049 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all employers' contributions for the year ended June 30, 2016. The County's proportion measure as of June 30, 2016, was 0.096 percent, which was consistent from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows / Inflows of Resources **–** For the year ended June 30, 2017, the County recognized pension expense for ASRS of $849,520.

At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 94,223	$ 1,066,634
Changes of assumptions or other inputs		820,341
Net difference between projected and actual earnings on pension plan investments	1,680,231	-
Changes in proportion and differences between contributions and proportionate share of contributions	261,914	31,230
County contributions subsequent to the measurement date	898,777	-
Total	$ 2,935,145	$ 1,918,205

Note 11 - Pensions and Other Postemployment Benefits – Continued

The $898,777 reported as deferred outflows of resources relates to ASRS pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	$(616,812)
2019	(438,601)
2020	702,444
2021	471,132

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best-estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Note 11 - Pensions and Other Postemployment Benefits – Continued

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pensions liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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	$ 19,770,115	$ 15,505,049	$ 12,085,398

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

Note 11 - Pensions and Other Postemployment Benefits – Continued

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 nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S Title 38, Chapter 5, Article 4.

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 11 - Pensions and Other Postemployment Benefits – Continued

PSPRS	Initial membership date: Before January 1, 2012	Initial membership date: 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 11 - 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, 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, 2017, the following employees were covered by the agent pension plan's benefit terms:

Note 11 - 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	5	-
Active employees	31	-
Total	59	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, 2017 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP AOC
Active members – Pension			
PSPRS members with an initial membership date on or before July 19, 2011			
July 2016 through April 1, 2017	11.65%	7.85%	n/a
April 1, 2017 through June 2017	7.65%	7.65%	n/a
PRPRS members with an initial membership date after July 19, 2011, and all CORP members	11.65%	11.65%	8.41%
County			
Pension	51.43%	-	20.08%
Health insurance premium benefit	0.00%	-	0.80%

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	PSPRS Sheriff
Pension Contributions made	$ 858,380
Health Insurance Premium Benefit	
Annual OPEB Cost	3,856
Contributions made	3,856

Note 11 - Pensions and Other Postemployment Benefits – Continued

Contributions to the CORP AOC pension plan for the year ended June 30, 2017, were $159,049. 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
2017	$ 6,094
2016	5,272
2015	4,645

During fiscal year 2017, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 62.1 percent from the General Fund, 17.3 percent from major funds, and 20.6 percent from other funds.

Pension Liability – At June 30, 2017, the County reported the following net pension liabilities:

	Net Pension Liability
PSPRS Sheriff	$ 10,878,409
PSPRS Attorney Investigators	310,144
CORP AOC (County's proportionate share)	796,270

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

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

- In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments 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.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

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

Note 11 - Pensions and Other Postemployment Benefits – Continued

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

PSPRS and CORP AOC

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
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, 2016 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Note 11 - 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	7.50%	3.72%	7.50%
Change from prior year	(.35)	(.77)	(.35)

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 PSPRS Sheriff and CORP AOC 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 for these plans to determine the total pension liability. However, based on the above assumptions, the PSPRS Attorney Investigators 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 this plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2025. A municipal bond rate of 2.85 percent obtained from the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2025.

Note 11 - Pensions and Other Postemployment Benefits – Continued

Changes in the Net Pension Liability

PSPRS - Sheriff

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at June 30, 2016	$ 15,046,951	$ 5,435,501	$ 9,611,450
Changes for the current year:			
Service Cost	356,348	-	356,348
Interest on the total pension liability	1,156,186	-	1,156,186
Changes of benefit terms	316,334	-	316,334
Differences between expected and actual experience in the measurement of the pension liability	76,314	-	76,314
Change of assumptions or other inputs	572,944	-	572,944
Contributions – Employer	-	791,496	(791,496)
Contributions – Employee	-	343,870	(343,870)
Net investment income	-	31,841	(31,841)
Benefit payments, including refunds of employee contributions	(993,292)	(993,292)	-
Pension plan administrative expense		(4,982)	4,982
Other	-	48,942	(48,942)
Net Changes	1,484,834	217,875	1,266,959
Balances at June 30, 2017	$ 16,531,785	$ 5,653,376	$ 10,878,409

Note 11 - 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, 2016	$ 431,111	$ 189,796	$ 241,315
Changes for the current year:			
Interest on the total pension liability	18,656	-	18,656
Differences between expected and actual experience in the measurement of the pension liability	9,524	-	9,524
Change of assumptions or other inputs	34,797	-	34,797
Contributions – employer	-	10,527	(10,527)
Net investment income	-	1,047	(1,047)
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	-
Pension Plan Administrative Expense		(551)	551
Other	16,878	3	16,875
Net Changes	48,645	(20,184)	68,829
Balances at June 30, 2017	$ 479,756	$ 169,612	$ 310,144

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016 was 0.282 percent, which was a decrease of 0.027 from its proportion measured as of June 30, 2015.

Sensitivity of the County's net pension liability to changes in the discount rate – The following table presents the County's net pension 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 6.50%	**Current Discount Rate 7.50%**	**1% Increase 8.50%**
PSPRS Sheriff	$ 12,845,779	$ 10,878,409	$ 9,240,034
CORP AOC (County's proportionate share)	1,023,378	796,270	608,689

Note 11 - Pensions and Other Postemployment Benefits – Continued

	1% Decrease 2.72%	Current Discount Rate 3.72%	1% Increase 4.72%
PSPRS Attorney Investigators	$ 362,184	$ 310,144	$ 265,857

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

Pension expense - For the year ended June 30, 2017, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	$ 1,651,495
PSPRS Attorney Investigators	57,777
CORP AOC (County's proportionate share)	92,375

Pension deferred outflows/inflows of resources - At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Sheriff	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 436,811	$ -
Changes of assumptions or other inputs	1,140,878	-
Net difference between projected and actual earnings on pension plan investments	345,004	-
County contributions subsequent to the measurement date	858,379	-
Total	$ 2,781,072	$ -

PSPRS – Attorney Investigators	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 10,789	$ -

Note 11 - Pensions and Other Postemployment Benefits – Continued

CORP AOC	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 16,932	$ 40,096
Changes of assumptions or other inputs	60,132	-
Net difference between projected and actual earnings on pension plan investments	108,078	-
Changes in proportion and differences between county Contribution and proportionate share of contributions	-	113,408
County contributions subsequent to the measurement date	159,048	-
Total	$ 344,190	$ 153,504

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

Year ending June 30	**PSPRS Sheriff**	**PSPRS Attorney Investigators**	**CORP AOC**
2018	$ 649,276	$ 1,967	$ 11,929
2019	649,275	1,967	11,929
2020	393,882	4,252	9,394
2021	215,342	2,603	(496)
2022	14,918	-	(1,119)

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017 were established by the June 30, 2015 actuarial valuations, and those 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 11 - 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 plans and related benefits, and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

PSPRS - OPEB Contribution Requirements

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

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			
2017	$ 3,856	100%	$ -
2016	-	100%	-
2015	19,595	100%	-
PSPRS ATTY			
2017	$ 81	100%	$ -
2016	129	100%	-
2015	-	100%	-

Note 11 - 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	PSPRS Attorney Investigator
Actuarial value of assets (a)	$ 480,298	$ 12,341
Actuarial accrued liability (b)	287,650	12,175
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(192,648)	(166)
Funded ratio (a)/(b)	167%	101%
Covered payroll (c)	1,646,820	0
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) – (a)] / (c))	(11.7%)	0%

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

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	19 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.40%
Projected salary increases	3.5%–7.5%
Wage growth	3.5%

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 11 - 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, 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 11 - 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, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through April 1, 2017 and 7 percent of the members' annual covered payroll for April 1, 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll, and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. The County's contributions to the pension plan for the year ended June 30, 2017, were $178,594. No OPEB contributions were required or made for the years ended June 30, 2015, 2016 and 2017.

During fiscal year 2017, the County paid for EORP pension contributions 100 percent from the General Fund.

Pension liability - At June 30, 2017, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	$ 9,441,755
State's proportionate share of the EORP net pension liability associated with the County	1,949,481
Total	$ 11,391,236

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

Note 11 - 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, 2016. The County's proportion measured as of June 30, 2016 was 1.0 percent, which was a decrease of 0.23 percent from its proportion measured as of June 30, 2015.

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

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2017, the County recognized pension expense for EORP of $2,475,845 and revenue of $520,218 for the County's proportionate share of the State's appropriation to EORP. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 177,556
Changes of assumptions or other inputs	1,060,075	-
Net difference between projected and actual earnings on pension plan investments	218,718	-
Changes in proportion and differences between county contributions and proportionate share of contributions	238,557	120,421
County contributions subsequent to the measurement date	178,594	-
Total	$ 1,695,944	$ 297,977

The $178,594 reported as deferred outflows of resources related to EORP pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ended June 30	
2018	$ 790,336
2019	305,746
2020	79,478
2021	43,813

Note 11 - 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, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Note 11 - Pensions and Other Postemployment Benefits – Continued

Discount rate - At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate - The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

EORP	1% Decrease 2.68%	Current Discount Rate 3.68%	1% Increase 4.68%
County's proportionate share of the net pension liability	$ 10,990,668	$ 9,441,755	$ 8,148,805

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 12 - Interfund Activity and Balances

Interfund transfers—Interfund transfers between funds were to cover over-expenditures in certain special revenue funds. The County transferred $96,474 from the General Fund to the Nonmajor Governmental Funds for the year ended June 30, 2017. Also during 2017, the General Fund owed the Jail District Fund $720,000 for the required annual maintenance of effort payment. This amount is reported as a transfer and will be settled in future years.

Note 12 - Interfund Activity and Balances - Continued

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 balances are expected to be repaid within 1 year from the date of the financial statements.

Interfund balances at June 30, 2017, were as follows:

	Payable To					
	Road Fund	Jail District Fund	Nonmajor - Governmental Funds	Golf Course Fund	Landfill Fund	Total
Payable From:						
General Fund	$ 548,771	$ 720,000	$ 202,741	$ -	$ 23,536	$1,495,048
Jail District Fund	640,496	-	1,201,603	-	-	1,842,099
Parks Fund	-	-	-	178,422	-	178,422
	$ 1,189,267	$ 720,000	$ 1,404,344	$ 178,422	$ 23,536	$ 3,515,569

Note 13 – Contingent Liabilities

PSPRS and EORP estimate that the County owes excess contributions and prejudgment interest refunds totaling $344,491 to its current and former employees covered by the plans. The prejudgment interest rate is 5% per annum. However, Maricopa County Superior Court (the "Court") recently awarded the prejudgment interest rate of 4.25% per annum and post-judgment interest rate of 5.25% per annum for impacted EORP employees in a related case. Subsequent to year-end, the Court ruled on the interest rates that must be applied to prejudgment and post-judgment interest for impacted PSPRS covered employees.

The County has included the estimated payment of $344,491 in the current year's claims and judgments expenses, which were paid subsequent to year-end. PSPRS and EORP will issue credit memos to the County that will allow the County to reduce future required contributions to the Plans' trusts by the amount of excess employee contributions and prejudgment interest refunded to employees. Post-judgment interest obligations are the County's responsibility and will not be offset against future retirement contributions. The actual amount of prejudgment and post-judgment interest cannot be calculated until the Court rules on interest rates for impacted PSPRS employees. Returning previously remitted employee contributions and retroactively increasing retiree benefits may have an adverse impact on the employer funded status and future employer contribution rates.

Required Supplementary Information

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 7,548,459	$ 7,548,459	$ 6,815,593	$ (732,866)
Licenses and permits	349,050	349,050	295,229	(53,821)
Fees, fines, and forfeits	1,097,635	1,097,635	1,133,628	35,993
Intergovernmental	5,020,341	5,020,341	4,937,090	(83,251)
Charges for services	621,422	621,422	186,004	(435,418)
Investment income (loss)	8,650	8,650	12,269	3,619
Miscellaneous	720,131	720,131	692,548	(27,583)
Total revenues	15,365,688	15,365,688	14,072,361	(1,293,327)
Expenditures:				
Current:				
General government:				
Assessor	581,313	581,313	476,388	104,925
County attorney	735,705	735,705	764,017	(28,312)
Board of supervisors	667,898	667,898	553,819	114,079
Clerk of the superior court	510,186	510,186	435,940	74,246
Constable	700	700	328	372
Elections	232,268	232,268	202,196	30,072
Justice of the Peace #4	506,959	506,959	436,140	70,819
Justice of the Peace #5	355,987	355,987	264,600	91,387
Justice of the Peace #6	322,051	322,051	310,667	11,384
Planning and zoning	363,459	363,459	321,259	42,200
Recorder	277,751	277,751	252,234	25,517
Superior court	168,221	168,221	162,699	5,522
Court administration	516,133	516,133	741,839	(225,706)
Treasurer	331,627	331,627	298,007	33,620
Contingency	1,400,000	1,400,000	935,570	464,430
Management information services	226,614	226,614	211,478	15,136
Human Resources	119,247	119,247	104,246	15,001
Public defender	607,310	607,310	540,546	66,764
General administration	520,125	520,125	512,024	8,101
Community resources	104,443	104,443	81,687	22,756
Finance personnel	279,525	279,525	303,940	(24,415)
Facilities management	408,968	408,968	368,529	40,439
Total general government	9,236,490	9,236,490	8,278,153	958,337

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety:				
Emergancy services				
Regional dispatch	$ 948,006	$ 948,006	$ 828,792	$ 119,214
Sheriff	3,263,493	3,263,493	3,192,920	70,573
Probation	141,157	141,157	126,098	15,059
Juvenile probation	106,025	106,025	92,285	13,740
Total public safety	4,458,681	4,458,681	4,240,095	218,586
Sanitation:				
Sanitary landfill	-	-	2,833	(2,833)
Total sanitation	-	-	2,833	(2,833)
Health:				
Indigent health	463,841	463,841	449,795	14,046
County long term care ALTCS	830,350	830,350	596,159	234,191
C.M.I (chronically mentally ill)	67,000	67,000	127,326	(60,326)
Total health	1,361,191	1,361,191	1,173,280	187,911
Welfare:				
Public fiduciary	153,444	153,444	140,148	13,296
Total welfare	153,444	153,444	140,148	13,296
Education:				
School superintendent	221,006	221,006	193,450	27,556
Total education	221,006	221,006	193,450	27,556
Total expenditures	15,430,812	15,430,812	14,027,959	1,402,853
Excess (deficiency) of revenues over expenditures	$ (65,124)	$ (65,124)	$ 44,402	$ 109,526

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):				
Transfers in	$ 1,736,323	$ 1,736,323	$ -	$ (1,736,323)
Transfers out	(1,678,302)	(1,678,302)	(816,474)	861,828
Total other financing uses	58,021	58,021	(816,474)	(874,495)
Net change in fund balances	(7,103)	(7,103)	(772,072)	(764,969)
Fund balances, July 1, 2016	7,103	7,103	(943,583)	(950,686)
Fund balances, June 30, 2017	$ -	$ -	$ (1,715,655)	$ (1,715,655)

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2017

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ -	$ -	$ 547,446	$ 547,446
Intergovernmental	4,107,175	4,107,175	4,463,400	356,225
Investment income	5,763	5,763	6,951	1,188
Miscellaneous	25,000	25,000	740	(24,260)
Total revenues	4,137,938	4,137,938	5,018,537	880,599
Expenditures:				
Current:				
Highways and streets	3,861,675	3,861,675	3,157,033	704,642
Total expenditures	3,861,675	3,861,675	3,157,033	704,642
Excess of revenues over expenditures	276,263	276,263	1,861,504	1,585,241
Other financing sources (uses):				
Transfers out	(243,105)	(243,105)	-	243,105
Total other financing uses	(243,105)	(243,105)	-	243,105
Net change in fund balances	33,158	33,158	1,861,504	1,828,346
Fund balances, July 1, 2016	-	-	493,249	493,249
Fund balances, June 30, 2017	$ 33,158	$ 33,158	$ 2,354,753	$ 2,321,595

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2017

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	$ 1,245,000	$ 1,287,476	$ 42,476
Charges for services	1,525,499	291,341	(1,234,158)
Investment (loss) income	20,000	-	(20,000)
Miscellaneous	-	-	-
Total revenues	2,790,499	1,578,817	(1,211,682)
Expenditures:			
Current:			
Public safety	3,299,911	2,970,336	329,575
Capital outlay	-	13,849	(13,849)
Debt Service:			
Principal retirement	185,000	380,000	(195,000)
Interest and fiscal charges	25,588	54,496	(28,908)
Total expenditures	3,510,499	3,418,681	91,818
Excess (deficiency) of revenues over expenditures	(720,000)	(1,839,864)	(1,119,864)
Other financing sources (uses):			
Transfers in	720,000	720,000	-
Transfers out	-	-	-
	720,000	720,000	-
Net change in fund balances	-	(1,119,864)	(1,119,864)
Fund balances, July 1, 2016	-	(25,473)	(25,473)
Fund balances, June 30, 2017	$ -	$ (1,145,337)	$ (1,145,337)

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, 2017, 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	$ 28,312
Court Administration	225,706
Finance	24,415
Sanitary landfill	2,833
C.M.I. (chronically mentally ill)	60,326
Jail District:	
Capital Outlay	$ 13,849
Debt service	223,908

The excesses were primarily the result of unexpected expenditures and 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, 2017

Arizona State Retirement System	**Reporting Fiscal Year (Measurement Date)**			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
County's proportion of the net pension liability	0.09606%	0.94330%	0.09326%	Information
County's proportionate share of the net pension liability	$ 15,505,049	$ 14,692,914	$ 13,799,620	not available
County's covered payroll	9,308,691	9,159,101	8,406,925	
County's proportionate share of the net pension liability as a percentage of its covered payroll	166.57%	160.42%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Correction Office Retirement Plan - Administrative Office of the Courts	**Reporting Fiscal Year (Measurement Date)**			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
County's proportion of the net pension liability	0.28221%	0.30928%	0.36516%	Information
County's proportionate share of the net pension liability	$ 796,270	$ 751,897	$ 819,403	not available
County's covered payroll	325,471	374,128	391,648	
County's proportionate share of the net pension liability as a percentage of its covered payroll	244.65%	200.97%	209.22%	
Plan fiduciary net position as a percentage of the total pension liability	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan	**Reporting Fiscal Year (Measurement Date)**			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
County's proportion of the net pension liability	0.99939%	0.93617%	1.04762%	Information
County's proportionate share of the net pension liability	$ 9,441,755	$ 7,315,675	$ 7,025,059	not available
State's proportionate share of the net pension liability associated with the County	$ 1,949,481	$ 2,280,723	$ 2,153,948	
Total County's net pension liability	$ 11,391,236	$ 9,596,398	$ 9,179,007	
County's covered payroll	794,562	849,419	953,936	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1433.65%	1129.76%	962.22%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%	

See accompanying notes to pension plan schedules.

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, 2017

Public Safety Personnel Retirement System - Sheriff	**Reporting Fiscal Year (Measurement Date)**			
	2017 (2016)	**2016 (2015)**	**2015 (2014)**	**2014 through 2008**
Total pension liability				
Service cost	$ 356,348	$ 271,882	$ 258,299	Information not available
Interest on total pension liability	1,156,186	1,105,013	904,564	
Changes of benefit terms	316,334	-	325,930	
Difference between expected and actual experience in the measurement of the pension liability	76,314	237,456	538,156	
Changes of assumptions or other inputs	572,944	-	1,592,778	
Benefit payments, including refunds of employee contributions	(993,292)	(1,016,114)	(1,129,939)	
Net change in pension liability	1,484,834	598,237	2,489,788	
Total pension liability - beginning	15,046,951	14,448,714	11,958,926	
Total pension liability - ending (a)	$ 16,531,785	$ 15,046,951	$ 14,448,714	
Plan fiduciary net position				
Contributions - employer	$ 791,496	$ 537,234	$ 538,163	
Contributions - employee	343,870	166,848	156,266	
Net investment income	31,841	197,454	683,282	
Benefit payments, including refunds of employee contributions	(993,292)	(1,016,114)	(1,129,939)	
Administrative expense	(4,982)	(5,190)		
Other changes	48,942	(9,829)	300,315	
Net change in plan fiduciary net position	217,875	(129,597)	548,087	
Plan fiduciary net position - beginning	5,435,501	5,565,098	5,017,011	
Plan fiduciary net position - ending (b)	$ 5,653,376	$ 5,435,501	$ 5,565,098	
County's net pension liability - ending (a) - (b)	$ 10,878,409	$ 9,611,450	$ 8,883,616	
Plan fiduciary net position as a percentage of the total pension liability	34.2%	36.1%	38.5%	
Covered payroll	$ 1,630,734	$ 1,574,754	$ 1,510,785	
County's net pension liability as a percentage of covered-employee payroll	667%	610%	588%	

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, 2017

Public Safety Personnel Retirement System - Attorney Investigators	**Reporting Fiscal Year (Measurement Date)** 2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Total pension liability				
Interest on total pension liability	$ 18,656	$ 23,957	$ 23,458	Information not available
Difference between expected and actual experience in the measurement of the pension liability	9,524	10,341	2,025	
Changes of assumptions or other inputs	34,797	107,233	12,082	
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	(31,210)	
Other	16,878	-	-	
Net change in pension liability	48,645	110,321	6,355	
Total pension liability - beginning	431,111	320,790	314,435	
Total pension liability - ending (a)	$ 479,756	$ 431,111	$ 320,790	
Plan fiduciary net position				
Contributions - employer	$ 10,527	$ -	$ -	
Net investment income	1,047	7,335	27,730	
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	(31,210)	
Administrative expense	(551)	(558)	-	
Other changes	3	(220)	-	
Net change in plan fiduciary net position	(20,184)	(24,653)	(3,480)	
Plan fiduciary net position - beginning	189,796	214,449	217,929	
Plan fiduciary net position - ending (b)	$ 169,612	$ 189,796	$ 214,449	
County's net pension liability - ending (a) - (b)	$ 310,144	$ 241,315	$ 106,341	
Plan fiduciary net position as a percentage of the total pension liability	35%	44%	67%	
Covered-employee payroll	$ -	$ -	$ -	
County's net pension liability as a percentage of covered-employee payroll	0%	0%	0%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension Contributions
Year Ended June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Statutorily determined contribution	$ 898,777	$ 1,009,993	$ 998,342	$ 899,541	Information not available
County's contributions in relation to the statutorily determined contribution	898,777	1,009,993	998,342	899,541	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered-employee payroll	$ 8,337,449	$ 9,308,691	$ 9,159,101	$ 8,406,925	
County's contributions as a percentage of covered payroll	10.78%	10.85%	10.90%	10.70%	

Corrections Officer Retirement Plan - Administrative Office of the Courts

	Reporting Fiscal Year				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Statutorily determined contribution	$ 159,049	$ 62,165	$ 55,745	$ 56,789	Information not available
County's contributions in relation to the statutorily determined contribution	159,049	62,165	55,745	56,789	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 792,077	$ 325,471	$ 374,128	$ 391,648	
County's contributions as a percentage of covered payroll	20.08%	19.10%	14.90%	14.50%	

Elected Officials Retirement Plan

	Reporting Fiscal Year				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Statutorily determined contribution	$ 178,594	$ 186,722	$ 198,764	$ 223,221	Information not available
County's contributions in relation to the statutorily determined contribution	178,594	186,722	198,764	223,221	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 759,974	$ 794,562	$ 849,419	$ 953,936	
County's contributions as a percentage of covered payroll	23.50%	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, 2017

Public Safety Personnel Retirement System - Sheriff	**Reporting Fiscal Year**				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Actuarially determined contribution	$ 993,292	$ 786,666	$ 567,384	$ 538,163	Information not available
County's contributions in relation to the actuarially determined contribution	993,292	786,666	567,384	538,163	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ 1,931,347	$ 1,630,734	$ 1,574,754	$ 1,510,785	
County's contributions as a percentage of covered payroll	51.43%	48.24%	36.03%	35.62%	

Public Safety Personnel Retirement System - Attorney Investigators	**Reporting Fiscal Year**				
	2017	**2016**	**2015**	**2014**	**2013 through 2008**
Actuarially determined contribution	$ 8,827	$ 10,527	$ -	$ -	Information not available
County's contributions in relation to the actuarially determined contribution	8,827	10,527	-	-	
County's contribution deficiency (excess)	$ -	$ -	$ -	$ -	
County's covered payroll	$ -	$ -	$ -	$ -	
County's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

See accompanying notes to pension plan schedules.

Note 1 – Actuarially Determined Contribution Rates

Actuarially 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 cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience- based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors That Affect Trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS and CORP-AOC changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS changes in total pension liability and related ratios. These changes increased the PSPRS and CORP-AOC required contributions beginning in fiscal year 2016 on the schedule of county pension contributions.

La Paz County
Required Supplementary Information
Schedule of Agent OPEB Plan's Funding Progress
June 30, 2017

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						
6/30/2017	$ 480,298	$ 287,650	(192,648)	167.0%	$1,646,820	-11.7%
6/30/2016	458,213	269,202	(189,011)	170.2%	1,937,727	-9.8%
6/30/2015	433,459	203,824	(229,635)	212.7%	1,510,785	-15.2%
PSPRS - Attorney Invest.						
6/30/2017	$ 12,341	$ 12,175	(166)	101.4%	$ -	0.0%
6/30/2016	11,988	12,386	398	96.8%	-	0.0%
6/30/2015	11,665	12,848	1,183	90.8%	-	0.0%