

La Paz County, Arizona
Annual Financial and Single Audit Reports

Year ended June 30, 2020

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HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

The Arizona Auditor General
The Board of Supervisors
La Paz County, Arizona
Parker, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, as of and for the year ended June 30, 2020, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2020 reflect certain prior period adjustments as described in note 2 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules related to pensions and OPEB and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Arizona Auditor General, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise La Paz County, Arizona's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 *U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021, on our consideration of the La Paz County, Arizona'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 La Paz County, Arizona's internal control over financial reporting and compliance.

HintonBurdick, PLLC

HintonBurdick, PLLC
Gilbert, Arizona
June 23, 2021

Management's Discussion and Analysis

La Paz County
Management's Discussion and Analysis
Year ended June 30, 2020

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, 2020. 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 \$38,219,443 (net position). Of this amount, \$40,597,816 is a deficit in unrestricted net position, \$15,006,194 is restricted for specific purposes (restricted net position), and \$63,811,065 is the County's net investment in capital assets.
- The County's total net position as reported in the Statement of Activities increased by \$6,141,231 in comparison to the prior year's increase in total net position of \$7,007,225.
- At June 30, 2020, the governmental funds reported combined fund balances of \$8,527,329, a decrease of \$801,035 in comparison with the prior year. The components of fund balances consist of \$113,754 that is nonspendable, \$16,081,285 that is restricted or committed for specific purposes, and \$7,667,710 that is an accumulated deficit.
- At June 30, 2020, the unassigned fund balance for the General Fund was a deficit of \$4,136,288.

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).

Management's Discussion and Analysis - Continued

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 four business-type activities consisting of the Emerald Canyon Golf Course, the La Paz County Park, the La Paz County Landfill and the La Paz County Solar Field.

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.

Management's Discussion and Analysis - Continued

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, the Landfill fund and the Solar Field 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 27-75 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 and other postemployment benefits schedules.

Required supplementary information can be found on pages 76-97 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, water rights, gravel and dirt roads, construction in progress, golf course, 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.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The following table summarizes the Statement of Net Position at June 30, 2020 and 2019:

	2020	2019	2020	2019	2020	2019
	Governmental	Governmental	Business-	Business-	2020	2019
	Activities	Activities	Type	Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
Current and other assets	\$ 11,809,709	\$ 12,347,335	\$ 2,599,987	\$ 1,661,308	\$ 14,409,696	\$ 14,008,643
Capital assets	63,543,497	63,998,407	5,431,284	773,539	68,974,781	64,771,946
Total assets	<u>75,353,206</u>	<u>76,345,742</u>	8,031,271	2,434,847	83,384,477	78,780,589
Deferred outflows of resources	7,787,895	7,251,406	127,653	175,879	7,915,548	7,427,285
Other liabilities	2,461,669	2,824,680	715,991	116,649	3,177,660	2,941,329
Long-term liabilities	41,992,174	43,366,723	5,843,167	1,120,286	47,835,341	44,487,009
Total liabilities	<u>44,453,843</u>	<u>46,191,403</u>	6,559,158	1,236,935	51,013,001	47,428,338
Deferred inflows of resources	1,900,672	6,255,174	166,909	358,372	2,067,581	6,613,546
Net position:						
Net investment in capital assets	62,529,781	60,398,434	1,281,284	773,539	63,811,065	61,171,973
Restricted	15,006,194	13,741,104	-	-	15,006,194	13,741,104
Unrestricted (deficit)	(40,749,389)	(42,988,967)	151,573	241,880	(40,597,816)	(42,747,087)
Total net position	<u>\$ 36,786,586</u>	<u>\$ 31,150,571</u>	<u>\$ 1,432,857</u>	<u>\$ 1,015,419</u>	<u>\$ 38,219,443</u>	<u>\$ 32,165,990</u>

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 \$38,219,443 at June 30, 2020, which is primarily the result of the County's investment in long-lived assets.

Also, the County's financial position increased due to increases in property tax receipts and government grant revenues and approximately \$2.4 million decrease in general government expenses.

Governmental activities capital assets had decreases of \$454,910 and business-type activities capital assets had increases of \$4,657,745. The governmental activities decrease was attributable to capital asset additions being less than depreciation expense during fiscal year 2020. The business-type activities increase was primarily due to the land purchase for the solar field and a major renovation of the landfill. Governmental activities long-term liabilities decreased by \$1,252,620 and business-type activities long-term liabilities increased by \$4,722,881. The governmental activities decrease was primarily due to decreases in bonds and notes payable, net of an increase in the net pension liability. The business-type activities increase was primarily due to issuance of a revenue bond to finance the land purchase for the solar field. Additional information on the County's long-term liabilities can be found in Note 8 of the notes to the financial statements on pages 44-49 of this report.

The increase in deferred outflows of resources and decrease in deferred inflows of resources of \$488,263 and \$4,545,965, 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 10 of the notes to the financial statements on pages 50-74 of this report.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

Changes in Net Position

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

	2020 Governmental Activities	2019 Governmental Activities	2020 Business-Type Activities	2019 Business-Type Activities	2020 Total	2019 Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,515,767	\$ 5,224,376	\$ 3,142,368	\$ 3,036,803	\$ 7,658,135	\$ 8,261,179
Operating grants & contributions	5,070,734	4,501,438	-	-	5,070,734	4,501,438
Capital grants & contributions	5,059,760	4,819,304	-	-	5,059,760	4,819,304
General revenues:						
Property taxes	5,849,687	4,960,945	-	-	5,849,687	4,960,945
Share of state sales taxes	2,491,452	2,596,355	-	-	2,491,452	2,596,355
Excise tax	5,930,566	5,777,779	-	-	5,930,566	5,777,779
Payments in lieu of taxes	2,231,254	2,135,328	-	-	2,231,254	2,135,328
Vehicle license tax	771,384	714,706	-	-	771,384	714,706
State appropriation	800,066	586,250	-	-	800,066	586,250
Contributions not restricted to specific programs	281,362	145,866	-	-	281,362	145,866
Investment earnings	94,222	110,864	-	-	94,222	110,864
Miscellaneous	166,054	272,103	130,318	5,072	296,372	277,175
Transfers	92,685	230,139	(92,685)	(230,139)	-	-
Total revenues	<u>33,354,993</u>	<u>32,075,453</u>	<u>3,180,001</u>	<u>2,811,736</u>	<u>36,534,994</u>	<u>34,887,189</u>
<u>Expenses</u>						
General government	7,914,396	5,501,578	-	-	7,914,396	5,501,578
Public safety	11,722,910	12,276,074	-	-	11,722,910	12,276,074
Highways and streets	4,303,865	4,140,426	-	-	4,303,865	4,140,426
Sanitation	51,551	152,527	72,371	34,830	123,922	187,357
Health	2,724,493	2,326,456	-	-	2,724,493	2,326,456
Welfare	223,609	295,565	-	-	223,609	295,565
Culture and recreation	227,406	246,730	2,522,489	2,199,779	2,749,895	2,446,509
Education	339,309	350,527	-	-	339,309	350,527
Interest on long-term debt	291,364	355,472	-	-	291,364	355,472
Total expenses	<u>27,798,903</u>	<u>25,645,355</u>	<u>2,594,860</u>	<u>2,234,609</u>	<u>30,393,763</u>	<u>27,879,964</u>
Change in net position	<u>5,556,090</u>	<u>6,430,098</u>	<u>585,141</u>	<u>577,127</u>	<u>6,141,231</u>	<u>7,007,225</u>
Beginning net position, as restated	<u>31,230,496</u>	<u>24,720,473</u>	<u>847,716</u>	<u>438,292</u>	<u>32,078,212</u>	<u>25,158,765</u>
Ending net position	<u>\$ 36,786,586</u>	<u>\$ 31,150,571</u>	<u>\$ 1,432,857</u>	<u>\$ 1,015,419</u>	<u>\$ 38,219,443</u>	<u>\$ 32,165,990</u>

The Parks Fund transferred \$92,685 to the General Fund in 2020.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

Net position of the governmental activities increased during the year by \$5,556,090. Total revenues increased by \$1,279,540, which is primarily related to an increase in operating grants and contributions of \$569,296, an increase in capital grants and contributions of \$240,456, an increase in property taxes of \$888,742 and an increase in state appropriation of \$213,816, net of a decrease in charges for services of \$708,609.

Governmental activities expenses increased from 2019 by a total of \$2,153,548. The expense increase was primarily from an increase in general government expenses of \$2,412,818, primarily due to higher EORP and ASRS pension expense.

The above increase was offset by a decrease in public safety expenses of \$553,164 and a decrease in sanitation expenses of \$100,976, net of an increase in highways and streets expenses of \$163,439 and an increase in health expenses of \$398,037.

Business-type activities reported an increase in net position of \$585,141. Revenues increased by \$368,265, primarily resulting from an increase in charges for services from the Landfill Fund, the inception of lease revenues in the Solar Field Fund and decreased transfers from the Parks Fund to the General Fund. Expenses increased by \$360,251, primarily due to increased personnel costs in the Golf Course Fund and the Parks Fund.

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, 2020, the County's governmental funds reported combined fund balances of \$8,527,329, a decrease of \$801,035 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 \$4,036,111. Total General Fund revenue increased \$1,236,140 from 2019 and is primarily the result of an increase in tax revenue of \$984,300 and an increase in licenses and permits of \$153,191. General Fund expenditures increased by \$1,800,281, resulting primarily from increases in general government expenditures of \$1,038,608, public safety expenditures of \$522,301 and health expenditures of \$384,396.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued

The Road Fund, a major County fund, is used for various road projects within the County. During 2020, the fund experienced an increase in revenues of \$181,537 and an overall increase of \$332,708 in expenditures due to more repair and rehabilitation projects for various County roads and streets.

The Jail District Fund, also a major County fund, is used to report the activity of the County's jail facility. During 2020, the Fund's overall revenues decreased by \$947,387, primarily due to a decreased population of federal inmates, while expenditures decreased by \$114,196.

The Debt Service Fund was established during the 2012 fiscal year and accounts for unexpended bond proceeds and for a transaction privilege tax levy collected for the purpose of principal and interest repayment on County issued excise tax revenue judgment bonds. The fund had an increase in total excise taxes collected during 2020 of \$70,614 while total interest expense incurred was \$158,370.

Other Governmental funds had an increase in revenues totaling \$875,862, which was primarily due to increases in grant monies, while expenditures decreased by \$70,450.

The Golf Course Fund, a County enterprise fund, had a decrease in revenues totaling \$88,882 due to a decrease in golf fees earned. This resulted from a decrease in the number of golf players during 2020. Meanwhile, expenses decreased by \$84,855 due to a decrease in depreciation expense and various operating costs during the year.

The Parks Fund, also a County enterprise fund, had a decrease in revenues totaling \$30,891 while expenses increased by \$284,690. The increase in expenses is primarily from increased personnel costs during the year.

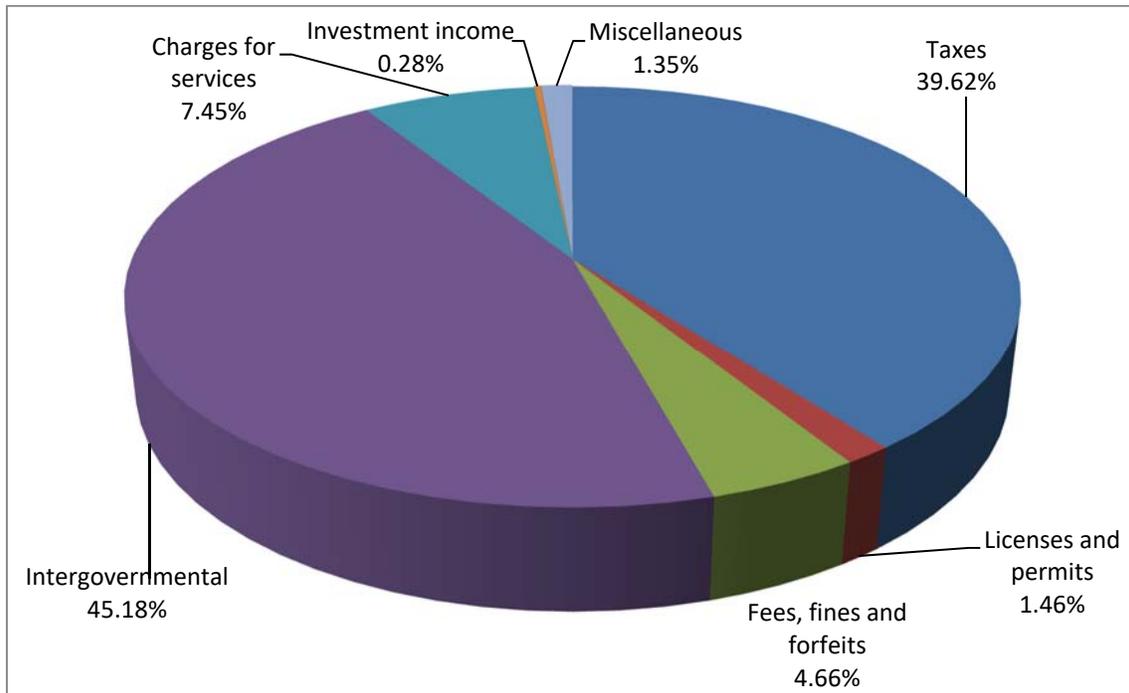
The Landfill Fund, also a County enterprise fund, had an increase of revenues of \$221,908 due to increased tipping fees while expenses increased by \$37,541.

The Solar Field Fund, a County enterprise fund as of May 13, 2020, had lease revenues of \$130,318 and incurred no operating expenses, but had bond issuance costs of \$122,875.

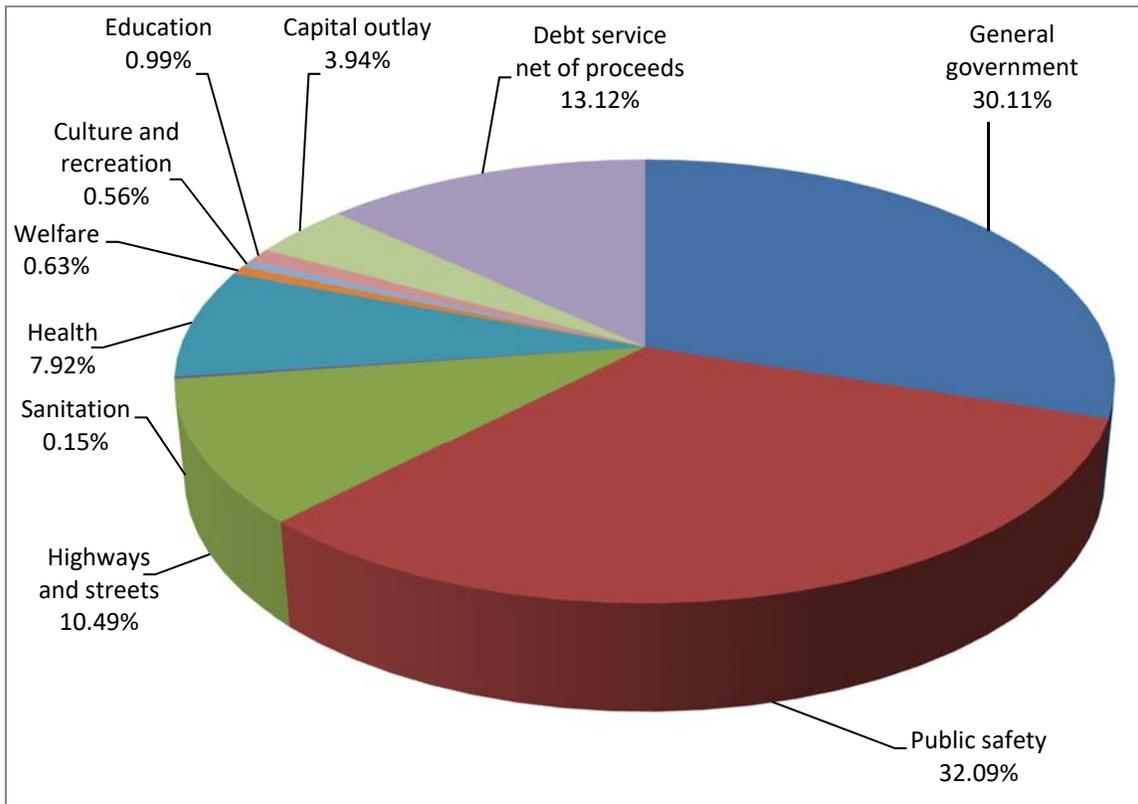
The following graphs present the amount of governmental revenues from various sources and expenditures by function:

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds – Continued



The composition of revenues saw an increase in taxes, intergovernmental revenue and licenses and permits along with a decrease in charges for services.



Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds – Continued

The composition of 2020 County expenditures changed for general government, which decreased to 30.11% of total expenditures, public safety, which decreased to 32.09% of total expenditures and highways and streets, which decreased to 10.49% of total expenditures. Debt service net of proceeds increased to 13.12% of total expenditures.

General Fund Budgetary Highlights

General Fund actual revenues were approximately \$0.5 million greater than the adopted budget and actual expenditures were greater than estimated expenditures by approximately \$0.5 million.

Tax revenues were greater than the budgeted amount by \$118,923 predominantly due to higher than anticipated real estate taxes and collection of delinquent tax interest. Intergovernmental revenues were greater than the budgeted amount by \$780,200, primarily due to greater than anticipated operating grants. Fees, fines and forfeits were greater than budget by \$105,415 due to greater than anticipated Justice Court fees and fines.

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

Budget versus actual variances

- Justice of the Peace #5 was \$353,338 less than anticipated due to a year-to-year increase in the budget while actual expenditures were reduced from prior year.
- Planning and Zoning was \$55,066 below budget due to a year-to-year increase in the budget while actual expenditures were slightly below prior year.
- Contingency was not budgeted but incurred \$234,560 in expenditures for debt service costs.
- Court Administration exceeded budget by \$204,877 due to greater than anticipated outside counsel costs.
- Management Information Services was \$86,931 greater than budget, primarily due to a year-to-year decrease in the budget while actual expenditures were slightly above prior year.
- General Administration exceeded budget by \$533,966, primarily due to legal and consulting costs related to land acquisition that were greater than planned and were partially budgeted in BLM Conveyance Land.
- Facilities Management was \$75,855 below budget due to a year-to-year increase in the budget while actual expenditures were slightly greater than the prior year.
- BLM Conveyance Land was below budget by \$230,555 due to a mismatch between budgeted and actual expenditures. Many actual expenditures in 2020 were recorded in General Administration.
- The County budgeted expenditures of \$114,330 in the General Fund related to Emergency Services but incurred no actual expenditures in 2020.

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights - Continued

- Juvenile Probation was below budget by \$40,034 due to a year-to-year increase in the budget while actual expenditures were only slightly greater than prior year.
- The County long term care ALTCS exceeded budget by \$821,519 due to greater than anticipated contributions to the Arizona Long-Term Care System.
- Chronically Mentally Ill was \$153,910 greater than budget due to greater than anticipated assisted living costs.
- The Health Department was below budget by \$235,097 primarily due to certain salaries and related expenditures being recorded in other funds.
- Library Services was below budget by \$110,755 because actual expenditures were incurred in other funds.
- 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 2020.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2020 totaled \$63.8 million (net of accumulated depreciation and related debt). This investment in capital assets includes land and land improvements, water rights, gravel and dirt roads, golf course, 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 4.3% from the prior period. Major capital asset events during the current fiscal year included acquisition of land for the planned solar field, rehabilitation of the landfill and other infrastructure 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 42-44 of this report.

Long-Term Liabilities

At June 30, 2020, the County had total long-term liabilities outstanding of \$47.8 million. This amount consists primarily of obligations under capital leases of \$1.0 million, \$11.1 million in bonds payable, \$1.4 million of compensated absences payable and \$34.2 million in net pension and other postemployment benefits liabilities.

Management's Discussion and Analysis - Continued

Capital Assets and Debt Administration - Continued

Additional information on the County's long-term debt can be found in Note 8 of the notes to the financial statements on pages 44-49 of this report.

Economic Factors

- Due to the current economic environment, Jail District revenue has declined and shared revenues received from the State of Arizona have declined, whereas sales tax revenues have increased.
- The County's General Fund had a net decrease in fund balance during Fiscal Year 2020 that increased the cumulative deficit. See Note 12 on page 75 for further discussion of this and other deficits and management's plans.
- The County completed a land purchase in Fiscal Year 2020 that is a platform for several projects that have begun to generate revenue.
- The County is pursuing an additional land conveyance that is intended to generate additional economic activity.
- The County prepared its Fiscal Year 2020/2021 budget before the shutdown of governmental and business-types activities due to the COVID-19 coronavirus. The County received funding from the CARES Act and has begun to receive funding from the American Rescue Plan that are assisting with COVID response and recovery efforts. The medium to long-term economic impacts cannot be reasonably estimated at this time.
- 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, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,952,770	\$ 48,622	\$ 8,001,392
Property taxes receivable	229,824	-	229,824
Internal balances	(2,071,997)	2,071,997	-
Due from others	2,276	125,890	128,166
Due from other governments	1,809,157	-	1,809,157
Cash and cash equivalents restricted for debt service	-	352,125	352,125
Cash and investments held by trustees	3,076,958	-	3,076,958
Prepaid items	113,754	-	113,754
Net other postemployment benefits asset	696,967	1,353	698,320
Capital assets, not being depreciated	43,972,927	4,237,211	48,210,138
Capital assets, being depreciated, net	19,570,570	1,194,073	20,764,643
Total assets	<u>75,353,206</u>	<u>8,031,271</u>	<u>83,384,477</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions and other postemployment benefits	7,577,690	127,653	7,705,343
Deferred charge on debt refunding	210,205	-	210,205
Total deferred outflows of resources	<u>7,787,895</u>	<u>127,653</u>	<u>7,915,548</u>
Liabilities			
Accounts payable	859,757	45,098	904,855
Accrued liabilities	824,333	97,224	921,557
Interest payable	73,750	-	73,750
Unearned revenue	262,500	559,682	822,182
Due to:			
Others	202,862	13,987	216,849
Other governments	238,467	-	238,467
Noncurrent liabilities:			
Due within one year	1,844,646	19,886	1,864,532
Due in more than one year	40,147,528	5,823,281	45,970,809
Total liabilities	<u>44,453,843</u>	<u>6,559,158</u>	<u>51,013,001</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions and other postemployment benefits	1,900,672	166,909	2,067,581
Net Position			
Net investment in capital assets	62,529,781	1,281,284	63,811,065
Restricted for:			
Highways and streets	6,210,653	-	6,210,653
Judicial	1,149,504	-	1,149,504
Public safety	873,387	-	873,387
Health and welfare	2,547,912	-	2,547,912
Debt service	3,336,324	-	3,336,324
Other purposes	888,414	-	888,414
Unrestricted (deficit)	(40,749,389)	151,573	(40,597,816)
Total net position	<u>\$ 36,786,586</u>	<u>\$ 1,432,857</u>	<u>\$ 38,219,443</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 7,914,396	\$ 2,684,949	\$ 1,446,695	\$ -	\$ (3,782,752)	\$ -	\$ (3,782,752)
Public safety	11,722,910	1,576,380	2,105,313	-	(8,041,217)	-	(8,041,217)
Highways and streets	4,303,865	-	623,947	5,059,760	1,379,842	-	1,379,842
Sanitation	51,551	-	51,967	-	416	-	416
Health	2,724,493	155,186	612,272	-	(1,957,035)	-	(1,957,035)
Welfare	223,609	-	32,097	-	(191,512)	-	(191,512)
Culture and recreation	227,406	79,904	110,290	-	(37,212)	-	(37,212)
Education	339,309	19,348	88,153	-	(231,808)	-	(231,808)
Interest on long-term debt	291,364	-	-	-	(291,364)	-	(291,364)
Total governmental activities	27,798,903	4,515,767	5,070,734	5,059,760	(13,152,642)	-	(13,152,642)
Business-type activities							
Golf course	1,448,124	1,438,568	-	-	-	(9,556)	(9,556)
Parks	951,490	1,036,019	-	-	-	84,529	84,529
Landfill	72,371	667,781	-	-	-	595,410	595,410
Solar Field	122,875	-	-	-	-	(122,875)	(122,875)
Total business-type activities	2,594,860	3,142,368	-	-	-	547,508	547,508
Total primary government	\$ 30,393,763	\$ 7,658,135	\$ 5,070,734	\$ 5,059,760	(13,152,642)	547,508	(12,605,134)
General revenues:							
					5,829,483	-	5,829,483
					20,204	-	20,204
					5,930,566	-	5,930,566
					2,231,254	-	2,231,254
					2,491,452	-	2,491,452
					771,384	-	771,384
					800,066	-	800,066
					281,362	-	281,362
					94,222	-	94,222
					166,054	130,318	296,372
Transfers					92,685	(92,685)	-
Total general revenues and transfers					18,708,732	37,633	18,746,365
Changes in net position					5,556,090	585,141	6,141,231
Net position - June 30, 2019, as restated					31,230,496	847,716	32,078,212
Net position - June 30, 2020					\$ 36,786,586	\$ 1,432,857	\$ 38,219,443

See the accompanying notes to the financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2020**

	Major Funds					
	General Fund	Road Fund	Jail District Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 689,701	\$ 5,865,663	\$ 28,762	\$ -	\$ 1,368,644	\$ 7,952,770
Cash and investments held by trustees	-	-	-	3,076,958	-	3,076,958
Property tax receivable	228,027	-	-	-	1,797	229,824
Due from:						
Others	-	-	-	-	2,276	2,276
Other governments	428,339	451,198	143,994	259,366	526,260	1,809,157
Other funds	632,552	110,782	190,639	-	1,925,812	2,859,785
Prepaid items	100,177	500	6,050	-	7,027	113,754
Total assets	<u>\$ 2,078,796</u>	<u>\$ 6,428,143</u>	<u>\$ 369,445</u>	<u>\$ 3,336,324</u>	<u>\$ 3,831,816</u>	<u>\$ 16,044,524</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts payable	\$ 656,098	\$ 24,800	\$ 33,991	\$ -	\$ 144,868	\$ 859,757
Accrued liabilities	305,054	79,556	126,356	-	313,367	824,333
Unearned revenue	262,500	-	-	-	-	262,500
Due to:						
Others	174,693	1,133	18,001	-	9,035	202,862
Other governments	221,495	-	-	-	16,972	238,467
Other funds	4,299,230	111,501	51,714	-	469,337	4,931,782
Total liabilities	<u>5,919,070</u>	<u>216,990</u>	<u>230,062</u>	<u>-</u>	<u>953,579</u>	<u>7,319,701</u>
Deferred inflows of resources:						
Unavailable revenues:						
Property taxes	195,837	-	-	-	1,657	197,494
Total deferred inflows of resources	<u>195,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,657</u>	<u>197,494</u>
Fund balances:						
Nonspendable:						
Prepaid items	100,177	500	6,050	-	7,027	113,754
Restricted	-	6,210,653	-	3,336,324	5,459,217	15,006,194
Committed	-	-	133,333	-	941,758	1,075,091
Unassigned (deficit)	<u>(4,136,288)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,531,422)</u>	<u>(7,667,710)</u>
Total fund balances	<u>(4,036,111)</u>	<u>6,211,153</u>	<u>139,383</u>	<u>3,336,324</u>	<u>2,876,580</u>	<u>8,527,329</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,078,796</u>	<u>\$ 6,428,143</u>	<u>\$ 369,445</u>	<u>\$ 3,336,324</u>	<u>\$ 3,831,816</u>	<u>\$ 16,044,524</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2020

Fund balances—total governmental funds	\$	8,527,329
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$127,315,815 and the accumulated depreciation is \$63,372,380.</p>		63,543,497
Net other postemployment benefits asset is not reported in the governmental funds		696,967
<p>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.</p>		197,494
<p>Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.</p>		(73,750)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
Notes payable	\$ (165,000)	
Obligations under capital leases	(1,013,716)	
Compensated absences payable	(1,147,540)	
Net pension/OPEB liability	(33,162,593)	
Bonds payable	(6,503,325)	(41,992,174)
<p>Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges related to bond refunding are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions/OPEB	7,577,690	
Deferred inflows of resources related to pensions/OPEB	(1,900,672)	
Deferred outflows for bond refunding	210,205	5,887,223
Net position of governmental activities	\$	36,786,586

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, 2020

	Major Funds					
	General Fund	Road Fund	Jail District Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 8,079,110	\$ 623,947	\$ 1,476,038	\$ 2,978,490	\$ 20,204	\$ 13,177,789
Licenses and permits	485,615	-	-	-	-	485,615
Fees, fines and forfeits	1,541,915	-	-	-	8,630	1,550,545
Intergovernmental	5,646,818	5,059,760	-	-	4,322,740	15,029,318
Charges for services	483,978	-	1,398,248	-	597,383	2,479,609
Investment income	5,419	50,291	-	-	38,511	94,221
Miscellaneous	286,706	21,804	-	-	138,907	447,417
Total revenues	<u>16,529,561</u>	<u>5,755,802</u>	<u>2,874,286</u>	<u>2,978,490</u>	<u>5,126,375</u>	<u>33,264,514</u>
Expenditures:						
Current:						
General government	9,357,997	-	-	-	928,563	10,286,560
Public safety	5,464,827	-	3,258,590	-	2,239,558	10,962,975
Highways and streets	-	3,581,455	-	-	-	3,581,455
Sanitation	-	-	-	-	50,000	50,000
Health	1,983,837	-	-	-	720,023	2,703,860
Welfare	182,566	-	-	-	33,299	215,865
Culture and recreation	590	-	-	-	191,709	192,299
Education	267,612	-	-	-	69,241	336,853
Capital outlay	212,779	583,187	11,515	-	539,292	1,346,773
Debt service:						
Principal	399,192	-	230,000	3,565,000	51,750	4,245,942
Interest and other fiscal charges	43,401	-	18,471	158,370	15,410	235,652
Total expenditures	<u>17,912,801</u>	<u>4,164,642</u>	<u>3,518,576</u>	<u>3,723,370</u>	<u>4,838,845</u>	<u>34,158,234</u>
Excess (deficiency) of revenues over expenditures	(1,383,240)	1,591,160	(644,290)	(744,880)	287,530	(893,720)
Other financing sources (uses):						
Transfers in	564,312	-	720,000	-	133,535	1,417,847
Transfers out	(853,535)	(471,627)	-	-	-	(1,325,162)
Total other financing sources (uses)	<u>(289,223)</u>	<u>(471,627)</u>	<u>720,000</u>	<u>-</u>	<u>133,535</u>	<u>92,685</u>
Net change in fund balances	(1,672,463)	1,119,533	75,710	(744,880)	421,065	(801,035)
Fund balances (deficit), July 1, 2019, as restated	<u>(2,363,648)</u>	<u>5,091,620</u>	<u>63,673</u>	<u>4,081,204</u>	<u>2,455,515</u>	<u>9,328,364</u>
Fund balances (deficit), June 30, 2020	<u>\$ (4,036,111)</u>	<u>\$ 6,211,153</u>	<u>\$ 139,383</u>	<u>\$ 3,336,324</u>	<u>\$ 2,876,580</u>	<u>\$ 8,527,329</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Net change in fund balances - total governmental funds		\$ (801,035)
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	\$ 1,346,773	
Depreciation expense	<u>(1,675,516)</u>	(328,743)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(2,206)
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	220,000	
Bonds payable	3,707,750	
Obligations under capital leases	<u>318,192</u>	4,245,942
County pension/OPEB 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/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.		
County pension/OPEB contributions	3,155,430	
Pension/OPEB expense	<u>(609,173)</u>	2,546,257
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases 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.		
Amortization of deferred charge on debt refunding	<u>(76,763)</u>	(76,763)
Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Net increase in compensated absences	(48,413)	
Net decrease in interest accrued on debt obligations	<u>21,051</u>	<u>(27,362)</u>
Change in net position of governmental activities		<u>\$ 5,556,090</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Golf Course Fund	Parks Fund	Landfill Fund	Solar Field Fund	
Assets					
Current assets:					
Cash and cash equivalents	\$ 48,122	\$ 500	\$ -	\$ -	\$ 48,622
Due from others	-	125,890	-	-	125,890
Due from other funds	414,107	64,499	903,391	690,000	2,071,997
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	-	-	-	352,125	352,125
Net other postemployment benefits asset	1,316	37	-	-	1,353
Capital assets, not being depreciated	-	87,211	-	4,150,000	4,237,211
Capital assets, being depreciated, net	244,675	467,532	481,866	-	1,194,073
Total assets	<u>708,220</u>	<u>745,669</u>	<u>1,385,257</u>	<u>5,192,125</u>	<u>8,031,271</u>
Deferred Outflows					
Deferred outflows related to pensions and other postemployment benefits	82,962	44,691	-	-	127,653
Total deferred outflows	<u>82,962</u>	<u>44,691</u>	<u>-</u>	<u>-</u>	<u>127,653</u>
Liabilities					
Current liabilities:					
Accounts payable	17,930	27,168	-	-	45,098
Accrued payroll and employee benefits	70,383	26,841	-	-	97,224
Unearned revenue	-	-	-	559,682	559,682
Due to others	37	13,950	-	-	13,987
Compensated absences payable, current portion	15,524	4,362	-	-	19,886
Total current liabilities	<u>103,874</u>	<u>72,321</u>	<u>-</u>	<u>559,682</u>	<u>735,877</u>
Noncurrent liabilities:					
Compensated absences payable, net of current portion	95,359	26,792	-	-	122,151
Net pension and other postemployment benefits liability	684,218	391,912	-	-	1,076,130
Revenue bonds payable	-	-	-	4,625,000	4,625,000
Total liabilities	<u>883,451</u>	<u>491,025</u>	<u>-</u>	<u>5,184,682</u>	<u>6,559,158</u>
Deferred Inflows					
Deferred inflows related to pensions and other postemployment benefits	107,277	59,632	-	-	166,909
Total deferred outflows	<u>107,277</u>	<u>59,632</u>	<u>-</u>	<u>-</u>	<u>166,909</u>
Net Position					
Net investment in capital assets	244,675	554,743	481,866	-	1,281,284
Unrestricted (deficit)	(444,221)	(315,040)	903,391	7,443	151,573
Total net position	<u>\$ (199,546)</u>	<u>\$ 239,703</u>	<u>\$ 1,385,257</u>	<u>\$ 7,443</u>	<u>\$ 1,432,857</u>

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, 2020

	Business-Type Activities - Enterprise Funds				Total Enterprise Funds
	Golf Course Fund	Parks Fund	Landfill Fund	Solar Field Fund	
Operating revenues:					
Fees	\$ 1,438,568	\$ 1,036,019	\$ 667,781	\$ -	\$ 3,142,368
Miscellaneous	-	-	-	130,318	130,318
Total operating revenues	<u>1,438,568</u>	<u>1,036,019</u>	<u>667,781</u>	<u>130,318</u>	<u>3,272,686</u>
Operating expenses:					
Personnel services	752,759	479,389	-	-	1,232,148
Professional services	35,071	19,939	53,597	-	108,607
Supplies	388,601	133,651	-	-	522,252
Communications	10,492	37,279	-	-	47,771
Utilities	46,604	178,784	-	-	225,388
Repairs and maintenance	139,917	52,611	-	-	192,528
Depreciation	74,680	49,837	18,774	-	143,291
Total operating expenses	<u>1,448,124</u>	<u>951,490</u>	<u>72,371</u>	<u>-</u>	<u>2,471,985</u>
Operating income (loss)	<u>(9,556)</u>	<u>84,529</u>	<u>595,410</u>	<u>130,318</u>	<u>800,701</u>
Nonoperating revenues (expenses):					
Bond issuance costs	-	-	-	(122,875)	(122,875)
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,875)</u>	<u>(122,875)</u>
Increase (decrease) in net position before transfers	(9,556)	84,529	595,410	7,443	677,826
Transfers out	-	(92,685)	-	-	(92,685)
Increase (decrease) in net position	(9,556)	(8,156)	595,410	7,443	585,141
Net position, July 1, 2019, as restated	<u>(189,990)</u>	<u>247,859</u>	<u>789,847</u>	<u>-</u>	<u>847,716</u>
Net position, June 30, 2020	<u>\$ (199,546)</u>	<u>\$ 239,703</u>	<u>\$ 1,385,257</u>	<u>\$ 7,443</u>	<u>\$ 1,432,857</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2020

**Business-Type Activities -
Enterprise Funds**

	Golf Course Fund	Parks Fund	Landfill Fund	Solar Field Fund	Total Enterprise Funds
Cash flows from operating activities:					
Receipts from customers	\$ 1,452,676	\$ 1,037,730	\$ 926,081	\$ 690,000	\$ 4,106,487
Payments to suppliers and providers of goods and services	(578,362)	(413,938)	(75,612)	-	(1,067,912)
Payments for employee wages and benefits	(945,600)	(484,201)	-	-	(1,429,801)
Net cash provided by (used for) operating activities	<u>(71,286)</u>	<u>139,591</u>	<u>850,469</u>	<u>690,000</u>	<u>1,608,774</u>
Cash flows from noncapital financing activities:					
Cash loaned to other funds	-	-	(349,829)	(690,000)	(1,039,829)
Cash repaid from other funds	113,938	38,349	-	-	152,287
Cash transfers to other funds	-	(92,685)	-	-	(92,685)
Net cash provided by (used for) noncapital financing activities	<u>113,938</u>	<u>(54,336)</u>	<u>(349,829)</u>	<u>(690,000)</u>	<u>(980,227)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of revenue bonds	-	-	-	4,625,000	4,625,000
Bond issuance costs	-	-	-	(122,875)	(122,875)
Purchases of capital assets	(63,184)	(87,211)	(500,640)	(4,150,000)	(4,801,035)
Net cash provided by (used for) capital and related financing activities	<u>(63,184)</u>	<u>(87,211)</u>	<u>(500,640)</u>	<u>352,125</u>	<u>(298,910)</u>
Net change in cash and cash equivalents	(20,532)	(1,956)	-	352,125	329,637
Cash and cash equivalents, July 1, 2019	<u>68,654</u>	<u>2,456</u>	<u>-</u>	<u>-</u>	<u>71,110</u>
Cash and cash equivalents, June 30, 2020	<u>\$ 48,122</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ 352,125</u>	<u>\$ 400,747</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Funds
Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds				
	Golf Course Fund	Parks Fund	Landfill Fund	Solar Field Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (9,556)	\$ 84,529	\$ 595,410	\$ 130,318	\$ 800,701
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>					
Depreciation	74,680	49,837	18,774	-	143,291
Changes in assets, deferred outflows and inflows of resources and liabilities:					
Decrease (increase) in:					
Due from others	14,108	4,902	258,300	-	277,310
Net pension and other postemployment benefits asset	707	483	-	-	1,190
Deferred outflows of resources related to pensions and other postemployment benefits	29,384	7,000	-	-	36,384
Increase (decrease) in:					
Accounts payable	3,826	8,326	(22,015)	-	(9,863)
Accrued payroll and employee benefits	38,497	14,217	-	-	52,714
Unearned revenue	-	-	-	559,682	559,682
Due to others	-	(3,191)	-	-	(3,191)
Net pension and other postemployment benefits liability	(54,517)	41,291	-	-	(13,226)
Deferred inflows of resources related to pensions and other postemployment benefits	(164,635)	(68,124)	-	-	(232,759)
Compensated absences payable	(3,780)	321	-	-	(3,459)
Net cash provided by (used for) operating activities	<u>\$ (71,286)</u>	<u>\$ 139,591</u>	<u>\$ 850,469</u>	<u>\$ 690,000</u>	<u>\$ 1,608,774</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 18,133,901	\$ 1,133,527
Total assets	\$ 18,133,901	\$ 1,133,527
Liabilities		
Due to other governments	-	\$ 1,133,527
Total liabilities	-	\$ 1,133,527
Net Position		
Held in trust for investment trust participants	\$ 18,133,901	

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2020

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 58,067,320
Total additions	58,067,320
Deductions:	
Distributions to participants	56,640,436
Total deductions	56,640,436
Change in net position	1,426,884
Net position, July 1, 2019	16,707,017
Net position, June 30, 2020	\$ 18,133,901

See the accompanying notes to the financial statements.

La Paz County
Notes to the Financial Statements
Year Ended June 30, 2020

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

Notes to the Financial Statements - Continued

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.

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.

Notes to the Financial Statements – Continued

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.

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

Notes to the Financial Statements – Continued

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

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 Solar Field Fund accounts for the activities and related operations and maintenance of the County land that is leased to a solar energy field developer.

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.

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

Notes to the Financial Statements – Continued

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's cash equivalents are considered cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State treasurer's local government investment pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

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, 2020, 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.

Notes to the Financial Statements – Continued

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 acquisition value.

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

Notes to the Financial Statements – Continued

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

I. Postemployment benefits

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

J. Fund balance classifications

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

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

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

Notes to the Financial Statements – Continued

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

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

K. Investment earnings

Investment earnings is composed of interest and net changes in the fair value of applicable investments.

L. Compensated Absences

Compensated absences payable 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, the County pays all unused and unforfeited vacation benefits 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 Misstatements – Prior Period Adjustments

Subsequent to issuance of the audited financial statements for the year ended June 30, 2019, it was determined that the County made an error in calculating capital asset balances for the year. The effect was that the County understated capital assets in the amount of \$85,120 in Governmental Activities, overstated capital assets in the amount of \$125,693 in the Golf Course Fund and understated capital assets in the amount of \$125,693 in the Parks Fund.

Notes to the Financial Statements – Continued

Note 2 – Correction of Misstatements – Prior Period Adjustments – Continued

Subsequent to the issuance of the audited financial statements for the year ended June 30, 2019, it was determined that the County made an error in calculating RICO fund expenditures for the year. The effect was that the County overstated due to other governments liabilities in the amount of \$100,000 in Governmental Activities, overstated due to other governments liabilities in the amount of \$100,000 in Other Governmental Funds and overstated due to other governments liabilities totaling \$100,000 in Total Governmental Funds.

Subsequent to the issuance of the audited financial statements for the year ended June 30, 2019, it was determined that the County made an error in calculating ASRS contributions for the year. The effect was that the County understated long-term liabilities in the amount of \$105,195 in Governmental Activities, understated long-term liabilities in the amount of \$167,703 in Business-Type Activities, overstated long-term liabilities in the amount of \$21,996 in the Golf Course Fund and understated long-term liabilities in the amount of \$189,699 in the Parks Fund.

	Governmental Activities Net Position	Business-Type Activities Net Position	Other Governmental Funds Fund Balance	Total Governmental Funds Fund Balance	Golf Course Fund Net Position	Parks Fund Net Position
Beginning net position	\$ 31,150,571	\$ 1,015,419	\$ 2,355,515	\$ 9,228,364	\$ (86,293)	\$ 311,865
(Overstatement) understatement of capital assets	85,120	-	-	-	(125,693)	125,693
Overstatement of due to other governments	100,000	-	100,000	100,000	-	-
Overstatement (understatement) of pension liability	(105,195)	(167,703)	-	-	21,996	(189,699)
Beginning net position, as restated	<u>\$ 31,230,496</u>	<u>\$ 847,716</u>	<u>\$ 2,455,515</u>	<u>\$ 9,328,364</u>	<u>\$ (189,990)</u>	<u>\$ 247,859</u>

The effect of these misstatements on the fiscal year 2019 government-wide change in net position would be to decrease the change in net position in the governmental activities column by \$79,925 and decrease the change in net position in the Business-Type Activities column by \$167,703. The effect of these corrections on the Other Governmental Fund’s change in net position would have been an increase by \$100,000 while the Total Governmental Fund’s change in net position would have increased by \$100,000. The effect of these corrections on the Golf Course fund’s change in net position would have been a decrease by \$103,697 while the Parks Fund’s change in net position would have decreased by \$64,006.

Note 3 - Stewardship, Compliance, and Accountability

Nineteen (19) 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. To resolve future excesses, the County has retained outside consultants to assist in fiscal year 2022 and 2023 budget preparation, as well as a grants management program, and the County intends to implement additional procedures to monitor the budget versus actual results.

Notes to the Financial Statements – Continued

Note 3 - Stewardship, Compliance, and Accountability – Continued

Deficit fund balances—At June 30, 2020, the following governmental funds reported deficit fund balances exceeding \$50,000:

Fund	Deficit
Governmental funds:	
General Fund	\$ 4,036,111
Emergency Services	235,701
FY20 ACJC TF DC-21-008	192,417
Workforce Investment	159,783
Boat Patrol - AZ GFD	157,257
Bio Terrorism	148,931
Centennial Library	148,836
Drug, Gang, Violent Crime Grant – Task Force	142,469
Buckskin Sanitary District Debt Service	134,320
ADEM HMGP	120,319
HIDTA Grant	110,597
County Anti-Racketeering	97,773
Statewide Fiscal Stabilization Funds	97,597
Drug, Gang, Violent Crime Grant – County Attorney	90,812
EMPG FFY19 Emergency Services	83,426
Highway Safety Grant	79,932
Arizona Antitheft Vehicle Authority	71,459
AZ Game & Fish Boating Grant	70,606
Criminal Justice Enhancement Fund	69,334
GIITEM Grant	61,813
Animal Control	60,543
Deferred Prosecution Fees	58,780
Adult Education - Ella/Civics - Federal	56,659
Anti-Meth Initiative Grant	55,096
Juvenile Division Fund Intake	53,149

The above fund deficits resulted from operations during the year or carryovers from prior years and are expected to be settled by future transfers between funds including, if necessary, the General Fund.

In addition to the governmental funds, the Golf Course Fund had a deficit fund net position totaling \$199,547. This deficit will be eliminated by future transfers from the General Fund or the Parks Fund.

Notes to the Financial Statements - Continued

Note 4 - Fund Balance Classifications of the Governmental Funds

The fund balance categories and classifications for governmental funds as of June 30, 2020, were as follows:

	Major Funds				Other Governmental Funds	Total
	General Fund	Road Fund	Jail District Fund	Debt Service Fund		
Fund balances:						
Nonspendable	\$ 100,177	\$ 500	\$ 6,050	\$ -	\$ 7,027	\$ 113,754
Restricted for:						
Education	-	-	-	-	555,727	555,727
Health	-	-	-	-	2,165,050	2,165,050
Highways and streets	-	6,210,653	-	-	-	6,210,653
Judicial	-	-	-	-	1,149,504	1,149,504
Public safety	-	-	-	-	873,387	873,387
Transit	-	-	-	-	205,795	205,795
Water and sanitation	-	-	-	-	59,638	59,638
Welfare	-	-	-	-	382,862	382,862
Debt service	-	-	-	3,336,324	-	3,336,324
Other purposes	-	-	-	-	67,254	67,254
Total restricted	-	6,210,653	-	3,336,324	5,459,217	15,006,194
Committed to:						
Judicial	-	-	133,333	-	887,565	1,020,898
Welfare	-	-	-	-	5,171	5,171
Other	-	-	-	-	49,022	49,022
Total committed	-	-	133,333	-	941,758	1,075,091
Unassigned (deficit)	(4,136,288)	-	-	-	(3,531,422)	(7,667,710)
Total fund balances	<u>\$ (4,036,111)</u>	<u>\$ 6,211,153</u>	<u>\$ 139,383</u>	<u>\$ 3,336,324</u>	<u>\$ 2,876,580</u>	<u>\$ 8,527,329</u>

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; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes and other evidence of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other 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.

Notes to the Financial Statements - Continued

Note 5 - Deposits and Investments - Continued

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. Specified 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 unless the investment is denominated in United States dollars.

Deposits - At June 30, 2020, the carrying amount of the County's total cash in the bank was \$17,116,922 and the bank balance was \$17,955,241. All County deposits are collateralized by the amount not covered by depository insurance.

Notes to the Financial Statements - Continued

Note 5 - Deposits and Investments - Continued

Investments - The County had total investments of \$13,424,592 at June 30, 2020. The County categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

	<u>Amount</u>	<u>Fair value measurement using</u>		
		<u>Quoted Prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
U.S. Agency securities	\$ 10,217,270	\$ 10,217,270	\$ -	\$ -
U.S. Government money market funds	3,207,322	3,207,322	-	-
Total investments	<u>\$ 13,424,592</u>	<u>\$ 13,424,592</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. Agency securities	Aaa	Moody's	\$ 10,217,270
U.S. Government money market funds	Aaa	Moody's	3,207,322
			<u>\$ 13,424,592</u>

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2020, the County had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Agency securities	\$ 10,217,270	\$ 6,538,567	\$ 3,678,703
U.S. Government money market	3,207,322	3,207,322	-
	<u>\$ 13,424,592</u>	<u>\$ 9,745,889</u>	<u>\$ 3,678,703</u>

Notes to the Financial Statements - Continued

Note 5 - Deposits and Investments - Continued

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

	County Treasurer's Investment Pool	Other	Total
Cash on hand	\$ 149,784	\$ 6,605	\$ 156,389
Carrying amount of deposits	16,064,553	1,052,369	17,116,922
Reported amount of investments	<u>10,347,634</u>	<u>3,076,958</u>	<u>13,424,592</u>
Total	<u>\$ 26,561,971</u>	<u>\$ 4,135,932</u>	<u>\$ 30,697,903</u>

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	\$ 7,952,770	\$ 48,622	\$ 18,133,901	\$ 1,133,527	\$ 27,268,820
Cash restricted for debt service	-	352,125	-	-	352,125
Cash and investments held by trustee	<u>3,076,958</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,076,958</u>
	<u>\$ 11,029,728</u>	<u>\$ 400,747</u>	<u>\$ 18,133,901</u>	<u>\$ 1,133,527</u>	<u>\$ 30,697,903</u>

Note 6 - County Treasurer's Investment Pool

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

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

Notes to the Financial Statements - Continued

Note 6 - County Treasurer's Investment Pool - Continued

The County's deposits and investments are included in the County Treasurer's investment pool, except for \$6,605 of cash on hand, \$1,052,369 of deposits held in bank and \$3,076,958 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 5 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency securities	\$ 10,040,000	1.38% to 2.88%	1 - 5 years	\$ 10,347,634
Cash on Hand				149,784
Deposits	N/A	N/A	N/A	<u>16,064,553</u>
				<u>\$ 26,561,971</u>

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

Statement of Fiduciary Net Position

Assets	<u>\$ 26,561,971</u>
Net position	<u>\$ 26,561,971</u>
Net position held for:	
Internal participants	\$ 8,428,070
External participants	<u>18,133,901</u>
Total net position	<u>\$ 26,561,971</u>

Statement of Changes in Fiduciary Net Position

Total additions	\$ 103,364,075
Total deductions	<u>(100,442,814)</u>
Net increase	2,921,261
Net position:	
July 1, 2019	<u>23,640,710</u>
June 30, 2020	<u>\$ 26,561,971</u>

Notes to the Financial Statements - Continued

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Primary Government			Balance June 30, 2020
	Balance July 1, 2019 (as restated)	Increases	Decreases	
Governmental activities:				
<i>Capital assets</i>				
<i>not being depreciated:</i>				
Land	\$ 687,166	\$ -	\$ -	\$ 687,166
Water rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	550,288	428,365	(249,569)	729,084
Total capital assets, not being depreciated	43,794,131	428,365	(249,569)	43,972,927
<i>Capital assets being depreciated:</i>				
Land improvements	25,271	38,283	-	63,554
Building and improvements	16,475,625	264,416	-	16,740,041
Machinery and equipment	15,515,647	653,992	-	16,169,639
Improvements other than buildings	435,325	-	-	435,325
Infrastructure	49,518,808	-	-	49,518,808
Total capital assets being depreciated	81,970,676	956,691	-	82,927,367
Total	125,764,807	1,385,056	(249,569)	126,900,294
<i>Less accumulated depreciation for:</i>				
Land improvements	22,198	8,232	-	30,430
Buildings and improvements	8,123,914	499,381	-	8,623,295
Improvements other than buildings	189,626	26,463	-	216,089
Machinery and equipment	13,746,891	669,329	-	14,416,220
Infrastructure	39,598,652	472,111	-	40,070,763
Total	61,681,281	1,675,516	-	63,356,797
Total capital assets being depreciated, net	20,289,395	(718,825)	-	19,570,570
Governmental activities capital assets, net	<u>\$ 64,083,526</u>	<u>\$ (290,460)</u>	<u>\$ (249,569)</u>	<u>\$ 63,543,497</u>

Notes to the Financial Statements - Continued

Note 7 - Capital Assets – Continued

	Primary Government			Balance June 30, 2020
	Balance July 1, 2019 (as restated)	Increases	Decreases	
Business-type activities:				
<i>Capital assets</i>				
<i>not being depreciated:</i>				
Land	\$ -	\$ 4,150,000	\$ -	\$ 4,150,000
Construction in progress	-	87,211	-	87,211
Total capital assets, not being depreciated	-	4,237,211	-	4,237,211
<i>Capital assets being depreciated:</i>				
Golf course and improvements	2,848,510	-	-	2,848,510
Land improvements	19,131	500,640	-	519,771
Building and improvements Improvements	765,665	-	-	765,665
other than buildings	533,682	-	-	533,682
Machinery and equipment	1,504,521	63,184	-	1,567,705
Total capital assets being depreciated	5,671,509	563,824	-	6,235,333
<i>Less accumulated depreciation for:</i>				
Golf course and improvements	2,797,877	6,866	-	2,804,743
Land improvements	16,098	19,412	-	35,510
Buildings and improvements Improvements	453,503	20,734	-	474,237
other than buildings	378,235	14,758	-	392,993
Machinery and equipment	1,252,256	81,521	-	1,333,777
Total	4,897,969	143,291	-	5,041,260
Total capital assets being depreciated, net	773,540	420,533	-	1,194,073
Business-type activities capital assets, net	\$ 773,540	\$ 4,657,744	\$ -	\$ 5,431,284

Notes to the Financial Statements - Continued

Note 7 - Capital Assets – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 322,139
Public safety	563,474
Highways and streets	722,410
Health	20,635
Welfare	7,744
Sanitation	1,551
Culture and recreation	35,107
Education	2,456
Total governmental activities depreciation expense	\$ 1,675,516
Business-type activities:	
Culture and recreation – Golf Course	\$ 74,680
Culture and recreation – Parks	49,837
Sanitation – Landfill	18,774
Total business-type activities depreciation expense	\$ 143,291

Note 8 - Long-Term Liabilities

The following schedule details the County’s long-term liability and obligation activity for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due within 1 year
Governmental activities					
Notes payable	\$ 385,000	\$ -	\$ 220,000	\$ 165,000	\$ -
Bonds payable	10,211,075	-	3,707,750	6,503,325	1,630,000
Obligations under capital leases	1,331,908	-	318,192	1,013,716	99,893
Compensated absences payable	1,099,127	1,147,540	1,099,127	1,147,540	114,753
Net pension and other postemployment benefits liability	30,339,613	33,162,593	30,339,613	33,162,593	-
Governmental activities long-term liabilities	\$ 43,366,723	\$ 34,310,133	\$ 35,684,682	\$ 41,992,174	\$ 1,844,646
Business-type activities					
Bonds payable	\$ -	\$ 4,625,000	\$ -	\$ 4,625,000	\$ -
Compensated absences payable	145,496	142,037	145,496	142,037	19,886
Net pension and other postemployment benefits liability	974,790	1,076,130	974,790	1,076,130	-
Business-type activities long-term liabilities	\$ 1,120,286	\$ 5,843,167	\$ 1,120,286	\$ 5,843,167	\$ 19,886

Notes to the Financial Statements - Continued

Note 8 - Long-Term Liabilities – Continued

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. The outstanding balance on this obligation was \$475,000 at June 30, 2020.

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%. The outstanding balance on this obligation was \$394,917 at June 30, 2020.

During 2015, the County entered into a lease purchase agreement to finance telephone equipment in the amount of \$143,393. The lease term ended in fiscal year 2020 with principal and interest paid monthly. Interest on the obligation accrued at 5%.

During 2018, the County entered into a lease purchase agreement to finance election equipment in the amount of \$146,762. The lease term extends through fiscal year 2021 with principal and interest paid annually. Interest on the obligation accrues at 9.98%. The outstanding balance on this obligation was \$40,335 at June 30, 2020.

During 2018, the County entered into a lease purchase agreement to finance radios for police communications in the amount of \$140,054. The lease term extends through fiscal year 2025 with principal and interest paid annually. Interest on the obligation accrues at 3.5%. The outstanding balance on this obligation was \$103,464 at June 30, 2020.

Notes to the Financial Statements - Continued

Note 8 - Long-Term Liabilities – Continued

The following schedule details debt service requirements to maturity for the County’s capital leases payable at June 30, 2020:

Year Ending June 30,	Governmental Activities
2021	\$ 99,893
2022	290,525
2023	295,525
2024	52,381
2025	52,381
2026-2030	147,165
2031-2035	214,383
Total minimum lease payments	1,152,253
Less amount representing interest	138,537
Present value of net minimum lease payments	\$ 1,013,716

The assets acquired through capital leases are as follows:

	Governmental Activities
Jail facility	\$ 2,051,038
Infrastructure	489,121
Machinery and equipment	551,698
Less: accumulated depreciation	1,389,495
Carrying value	\$ 1,702,362

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 2020 totaled \$248,471 while voter approved excise taxes and maintenance of effort revenues were \$1,476,038 and \$720,000, respectively. Annual principal and interest payments on the lease are expected to require 17% of total pledged revenue.

Notes to the Financial Statements - Continued

Note 8 - 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 was extended from July 2018 to July 2021.

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.

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 \$234,560 and the total pledged transaction privilege tax revenues was \$1,476,038. Annual principal and interest payments on the notes are expected to require 11% of total pledged transaction privilege tax revenue.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2021	\$ -	\$ 10,580
2022	165,000	3,300
Total	<u>\$ 165,000</u>	<u>\$ 13,880</u>

Notes to the Financial Statements - Continued

Note 8 - Long-Term Liabilities – Continued

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

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Range</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Excise Tax Revenue Judgement Bonds, Series 2016 A (Tax Exempt)	\$13,760,000	2016- 2025	1.2% to 2.25%	\$ 6,115,000
Excise Tax Revenue Sheriff Patrol Vehicles Financing (Tax Exempt)	\$ 530,000	2016- 2021	2.20%	93,000
Excise Tax Revenue Buckskin Sanitary District Utility Project (Taxable)	\$ 489,494	2017- 2025	4.44%	<u>295,325</u>
Total bonds payable – governmental activities				<u>\$ 6,503,325</u>
Excise Tax Revenue Solar Field Fund (Taxable) – Direct Placement	\$ 4,625,000	2022- 2041	4.17%	<u>\$ 4,625,000</u>
Total bonds payable – business-type activities				<u>\$ 4,625,000</u>

On September 12, 2011, the County’s Board of Supervisors authorized a levy of excise tax to be collected until all debt service costs have been paid relating to the County's judgement bonds. On July 12, 2016, the County refunded the bonds in the amount of \$13,760,000 with interest rates ranging from 1.2% to 2.25% and maturing between 2017 and 2025. The 2011 Series bonds were then redeemed as part of the refunding. Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2020, \$2,978,490 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.

On May 13, 2020, County made a direct placement of excise tax revenue bonds to finance the cost of the land purchase for the Solar Field Project. Total bonds payable – business-type activities in the above table relates to this direct placement.

Notes to the Financial Statements - Continued

Note 8 - Long-Term Liabilities – Continued

The following schedule details debt service requirements to maturity for the County’s bonds payable at June 30, 2020:

Year Ending June 30	Governmental Activities		Business-type Activities (Direct Placement)	
	Principal	Interest	Principal	Interest
2021	\$ 1,630,000	\$ 172,948	\$ -	\$ -
2022	1,802,048	142,283	130,000	218,578
2023	1,736,447	109,200	160,000	187,441
2024	1,208,954	73,948	165,000	180,770
2025	61,571	10,578	175,000	173,889
2026-2030	64,305	1,428	985,000	754,353
2031-2035	-	-	1,200,000	531,675
2036-2040	-	-	1,475,000	259,374
2041	-	-	335,000	13,969
Total	\$ 6,503,325	\$ 510,385	\$ 4,625,000	\$ 2,320,049

Line of credit – The County entered into a revolving line of credit agreement on July 1, 2017. The revolving line of credit is renewed annually and the total commitment amount for the County during 2020 was \$2,000,000. During 2020, the County Treasurer had no draws or repayments and there was no outstanding balance at June 30, 2020.

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 2020, the County paid for compensated absences as follows: 57 percent from the general fund, 28 percent from major funds, and 15 percent from other funds.

Note 9 - Risk Management

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

Notes to the Financial Statements - Continued

Note 9 - Risk Management – Continued

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 13 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; cyber security; 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 Arizona Local Government Employee Benefit Trust is a public entity risk pool currently composed of nine member entities. The pool provides member entities with health, prescription, dental, vision, life, short-term disability, and accidental death benefits for the entities' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and dependents.

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

Note 10 – Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan, consisting of La Paz County Detention Officers and 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.

Notes to the Financial Statements - Continued

Note 10 – Pensions and Other Postemployment Benefits – Continued

At June 30, 2020, the County reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension and OPEB asset	\$ 696,967	\$ 1,353	\$ 698,320
Net pension and OPEB liability	33,162,593	1,076,130	34,238,723
Deferred outflows of resources related to pensions and OPEB	7,577,690	127,653	7,705,343
Deferred inflows of resources related to pensions and OPEB	1,900,672	166,909	2,067,581
Pension and OPEB expense	609,173	(108,620)	500,553

The County’s accrued payroll and employee benefits includes \$133,267 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020. Also, the County reported \$3,155,430 of pension and OPEB 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:

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

	Retirement initial membership date	
	<i>Before July 1, 2011</i>	<i>On or after July 1, 2011</i>
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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long- term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 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 12.11 percent (11.45 percent retirement, .49 percent for health insurance premiums and .17 percent for long-term disability) of the active members’ annual covered payroll. The County’s contributions to pension, health insurance premium benefit, and long-term disability plan for the year ended June 30, 2020 were \$880,226, \$37,669, and \$13,002, respectively.

During fiscal year 2020, the County paid for ASRS pension and OPEB contributions as follows: 57.9 percent from the General Fund, 28.3 percent from major funds, and 13.8 percent from other funds.

Liability – At June 30, 2020, the County reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

ASRS	Net pension/OPEB (asset) liability
Pension	\$ 9,854,047
Health insurance premium benefit	(19,046)
Long-term disability	44,631

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The County’s proportion of the net asset or net 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, 2019. The County’s proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

ASRS	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.06772%	-0.00031
Health insurance premium benefit	0.06892%	-0.00011
Long-term disability	0.06851%	-0.00033

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Expense – For the year ended June 30, 2020, the County recognized the following pension and OPEB expense.

<u>Expense</u>	<u>Pension/OPEB expenses</u>
Pension	\$ (440,249)
Health insurance premium benefit	35,265
Long-term disability	13,767

Deferred Outflows / Inflows of Resources – At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

ASRS	Pension		Health Insurance premium		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,016	\$ 1,853	\$ -	\$ 22,768	\$ 5,273	\$ -
Changes of assumptions or other inputs	41,653	392,408	37,456	-	6,677	-
Net difference between projected and actual earnings on plan investments	-	221,485	-	24,769	-	952
Changes in proportion and differences between contributions and proportionate share of contributions	-	882,822	-	668	120	4,280
County contributions subsequent to the measurement date	880,226	-	37,669	-	13,002	-
Total	<u>\$ 1,099,895</u>	<u>\$ 1,498,568</u>	<u>\$ 75,125</u>	<u>\$ 48,205</u>	<u>\$ 25,072</u>	<u>\$ 5,232</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from the County’s contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

<u>Year ending June 30</u>	<u>Pension</u>	<u>Health insurance premium benefit</u>	<u>Long-term disability</u>
2021	\$ (1,018,496)	\$ (8,432)	\$ 408
2022	(277,188)	(8,432)	408
2023	(42,535)	2,138	1,337
2024	59,320	4,517	1,508
2025	-	(540)	1,154
Thereafter	-	-	2,023

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

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

ASRS	
Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bond	10%	1.62%
Real estate	20%	5.85%
Total	<u>100%</u>	

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Discount Rate – At June 30, 2019, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the County’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the County’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the County’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The County’s proportionate share of the net pension liability	\$ 14,024,593	\$ 9,854,047	\$ 6,368,546
Net insurance premium benefit liability (asset)	96,479	(19,046)	(117,479)
Net long-term disability liability	49,394	44,631	40,012

Plan Fiduciary Net Position – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

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

Plan Descriptions – County sheriff employees and County attorney investigators who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the County's financial statements.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers (agent plans), which were closed to new members as of July 1, 2018, and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit (OPEB) plan for AOC officers (cost sharing plans). Employees who were CORP members before July 1, 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP or PSPDCRP. Detention officers and juvenile detention officers who became members on or after July 1, 2018, participate in PSPDCRP. 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 financial statements and required supplementary information for the PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

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

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

PSPRS

Initial membership date:

<u>Retirement and Disability</u>	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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%	1.5 % to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<u>Survivor Benefit</u>		
Retired Members	80% to 100% of retired members pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

CORP

	Initial membership date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018	AOC Probation and Surveillance Officers: on or after July 1, 2018
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	10 or more years, age 55 10 years, age 52.5* (early retirement)
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%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.25% 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.		

* With actuarially reduced benefits

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents

Employees covered by benefit terms - At June 30, 2020, the following employees were covered by the agent pension plan's benefit terms:

	PSPRS Sheriff		PSPRS Attorney Investigators		CORP Detention	
	Pension	Health	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	27	27	-	-	1	1
Inactive employees entitled to but not yet receiving benefits	8	4	-	-	7	-
Active employees	20	20	-	-	20	20
Total	55	51	-	-	28	21

Contributions - State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2020 are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member Pension	County - Pension	County-health insurance premium benefit
PSPRS Sheriff	7.65% - 11.65%	52.31%	0.16%
PSPRS Attorney Investigators	7.65% - 11.65%	0.00%	0.00%
CORP Detention	8.41%	30.92%	0.12%
CORP AOC	8.41 or 10.18%	30.71 or 27.91%	0.53 or .46%

The County's contributions to the plan for the year ended June 30, 2020, were:

	<u>Pension</u>	<u>Health insurance premium benefit</u>
PSPRS Sheriff	\$ 1,359,732	\$ 4,287
PSPRS Attorney Investigators	-	-
CORP Detention	152,766	593
CORP AOC	104,976	1,780

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

During fiscal year 2020, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 74.5 percent from the General Fund, 2.7 percent from major funds, and 22.8 percent from other funds.

Liability – At June 30, 2020, the County reported the following assets and liabilities:

	Net pension liability (asset)	Net OPEB (asset) liability
PSPRS Sheriff	\$ 13,653,274	\$ (323,804)
PSPRS Attorney Investigators	(155,148)	(12,950)
CORP Detention	1,248,910	46,206
CORP AOC (County’s proportionate share)	1,174,239	10,296

The net asset and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total CORP pension liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4% to 7.3% percent and update the mortality rates.

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

PSPRS and CORP	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class.

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

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

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	100%	

Discount Rates – The following discount rates were used to measure the total pension/OPEB liabilities:

	PSPRS Sheriff	PSPRS Attorney Investigator	CORP Detention	CORP AOC
Pension				
Discount rates	7.3%	7.3%	7.3%	7.3%
Change from prior year	(0.1%)	2.22%	(0.1%)	(0.1%)
Health insurance premium benefit				
Discount rates	7.3%	7.3%	7.3%	7.3%
Change from prior year	(0.1%)	(0.01%)	(0.1%)	(0.1%)

The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments for these plans to determine the total pension/OPEB liability.

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Changes in the Net Pension/OPEB Liability

	Pension Increase (Decrease)			Health insurance premium benefit Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset) Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 19,069,778	\$ 6,197,355	\$ 12,872,423	\$ 281,978	\$ 484,926	\$ (202,948)
Changes for the current year:						
Service Cost	283,040	-	283,040	5,336	-	5,336
Interest on the total liability	1,385,767	-	1,385,767	20,971	-	20,971
Differences between expected and actual experience in the measurement of the pension liability	143,573	-	143,573	(123,208)	-	(123,208)
Changes of assumptions or other inputs	339,251	-	339,251	1,637	-	1,637
Contribution - Employer	-	950,338	(950,338)	-	-	-
Contribution - Employee	-	112,999	(112,999)	-	-	-
Net investment income	-	313,914	(313,914)	-	26,025	(26,025)
Benefit payments, including refunds of employee contribution	(1,252,475)	(1,252,475)	-	(7,836)	(7,836)	-
Administrative Expense	-	(6,471)	6,471	-	(433)	433
Net Changes	899,156	118,305	780,851	(103,100)	17,756	(120,856)
Balances at June 30, 2020	\$ 19,968,934	\$ 6,315,660	\$ 13,653,274	\$ 178,878	\$ 502,682	\$ (323,804)

Changes in the Net Pension/OPEB Liability

	Pension Increase (Decrease)			Health insurance premium benefit Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB (Asset) Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 452,583	\$ 148,245	\$ 304,338	\$ -	\$ 12,294	\$ (12,294)
Changes for the current year:						
Interest on the total liability	22,991	-	22,991	-	-	-
Differences between expected and actual experience	(475,574)	-	(475,574)	-	-	-
Net investment income	-	8,043	(8,043)	-	668	(668)
Administrative Expense	-	(1,140)	1,140	-	(12)	12
Net Changes	(452,583)	6,903	(459,486)	-	656	(656)
Balances at June 30, 2020	\$ -	\$ 155,148	\$ (155,148)	\$ -	\$ 12,950	\$ (12,950)

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Changes in the Net Pension/OPEB Liability

CORP - Detention	Pension Increase (Decrease)			Health insurance premium benefit Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2019	\$ 2,182,224	\$ 1,092,981	\$ 1,089,243	\$ 59,843	\$ -	\$ 59,843
Changes for the current year:						
Service Cost	138,009	-	138,009	2,050	-	2,050
Interest on the total liability	167,357	-	167,357	4,580	-	4,580
Differences between expected and actual experience in the measurement of the pension liability	12,727	-	12,727	(13,085)	-	(13,085)
Changes of assumptions or other inputs	58,575	-	58,575	632	-	632
Contribution - Employer	-	88,965	(88,965)	-	7,710	(7,710)
Contribution - Employee	-	75,076	(75,076)	-	-	-
Net investment income	-	54,635	(54,635)	-	106	(106)
Benefit payments, including refunds of employee contribution	(117,298)	(117,298)	-	-	-	-
Administrative Expense	-	(1,675)	1,675	-	(2)	2
Net Changes	259,370	99,703	159,667	(5,823)	7,814	(13,637)
Balances at June 30, 2020	\$ 2,441,594	\$ 1,192,684	\$ 1,248,910	\$ 54,020	\$ 7,814	\$ 46,206

The County's proportion of the CORP AOC net pension and OPEB liabilities was based on the County's actual contributions to the plans relative to the total of all participating counties' actual contributions for the year ended June 30, 2019. The County's proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were

CORP AOC	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.278%	0.023%
Health insurance premium benefit	0.278%	0.022%

Sensitivity of the County's net pension/OPEB (asset) liability to changes in the discount rate
 – The following table presents the County's net pension/OPEB (assets) liabilities calculated using the discount noted above, as well as what the County's net position/OPEB (asset) 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:

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Sheriff			
Net pension liability	\$ 16,112,824	\$ 13,653,274	\$ 11,630,210
Net OPEB (asset) liability	(300,609)	(323,804)	(343,090)
PSPRS Attorney Investigators			
Net pension liability	(155,148)	(155,148)	(155,148)
Net OPEB (asset) liability	(12,950)	(12,950)	(12,950)
CORP Detention			
Net pension liability	1,666,808	1,248,910	913,419
Net OPEB liability	53,906	46,206	39,829
CORP AOC			
County's proportionate share of the net pension liability	1,508,585	1,174,239	901,727
County's proportionate share of the OPEB liability	15,170	10,296	6,192

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

Expense - For the year ended June 30, 2020, the County recognized the following pension and OPEB expense:

	Pension expense	OPEB Expense
PSPRS Sheriff	\$ 1,748,344	\$ (36,453)
PSPRS Attorney Investigators	(458,992)	(932)
CORP Detention	430,306	2,206
CORP AOC (County's proportionate share)	130,702	1,078

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

Deferred outflows/inflows of resources - At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS – Sheriff

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 531,597	\$ -	\$ 2,658	\$ 112,023
Changes of assumptions or other inputs	695,558		1,308	3,833
Net difference between projected and actual earnings on plan investments	114,862	-	1,544	-
County contributions subsequent to the measurement date	1,359,732	-	4,287	-
Total	\$ 2,701,749	\$ -	\$ 9,797	\$ 115,856

PSPRS – Attorney Investigators

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on plan investments	\$ 2,073	\$ -	\$ 32	\$ -
County contributions subsequent to the measurement date	-	-	-	-
Total	\$ 2,073	\$ -	\$ 32	\$ -

CORP – Detention

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 1,184,246	\$ -	\$ 56,298	\$ 24,674
Changes of assumptions or other inputs	64,535	-	553	9,245
Net difference between projected and actual earnings on plan investments	33,051	-	144	-
County contributions subsequent to the measurement date	152,766	-	593	-
Total	\$ 1,434,598	\$ -	\$ 57,588	\$ 33,919

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

CORP – AOC

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 83,902	\$ 33,395	\$ -	\$ 6,067
Changes of assumptions or other inputs	75,276	-	406	3,740
Net difference between projected and actual earnings on plan investments	22,077	-	201	-
Changes in proportion and differences between county contributions and proportionate share of contributions	95,651	58,301	2,310	-
County contributions subsequent to the measurement date	104,976	-	1,780	-
Total	<u>\$ 381,882</u>	<u>\$ 91,696</u>	<u>\$ 4,694</u>	<u>\$ 9,807</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expense as follows:

Year ending June 30	PSPRS Sheriff		PSPRS Attorney Investigators	
	Pension	Health	Pension	Health
2021	\$ 597,012	\$ (30,375)	\$ 1,730	\$ (36)
2022	396,587	(30,375)	(873)	(38)
2023	320,927	(26,766)	639	58
2024	27,491	(22,830)	577	48

Year ending June 30	CORP Detention		CORP AOC	
	Pension	Health	Pension	Health
2021	\$ 234,804	\$ 3,567	\$ 37,175	\$ (2,259)
2022	234,804	3,567	36,882	(2,259)
2023	230,163	3,567	58,465	(1,558)
2024	229,684	3,567	52,688	(364)
2025	224,101	3,531	-	(450)
thereafter	128,276	5,277	-	-

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

PSPDCRP plan - County sheriff employees, County attorney investigators, County detention officers and AOC probation, surveillance, and juvenile detention officers who are not members of PSPRS or CORP participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute. The PSPDCRP is not further disclosed because of its relative insignificance to the County's financial statements.

C. Elected Officials Retirement Plan

Plan description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Official Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014.

The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's 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:

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Notes to the Financial Statements - Continued

Note 10 - 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, 2020, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members’ annual covered payroll. Also, statute required the County to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County’s required contributions to ASRS and EODCRS for these elected officials and judges. In addition, statute required the County to contribute 39.72 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County’s contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2020, were \$700,191 and \$0, respectively.

During fiscal year 2020, the County paid for EORP pension contributions 100 percent from the General Fund.

Liability - At June 30, 2020, 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	\$ 8,207,120
State’s proportionate share of the EORP net pension liability associated with the County	<u>651,821</u>
Total	<u>\$ 8,858,941</u>

The County also reported an asset of \$187,372 for its proportionate share of EORP’s net OPEB asset.

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

The net asset and net liability were measured as of June 30, 2019, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

The County’s proportion of the net pension liability was based on the County’s required contributions to the pension plan relative to the total of all participating employers’ required contributions for the year ended June 30, 2019. The County’s proportion of the net OPEB asset was based on the County’s present value of benefits relative to the total of all participating employers’ present value of benefits for the year ended June 30, 2019. The County’s proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

EORP

	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	1.238%	0.201
Health insurance premium benefit	1.913%	0.335

Expense - For the year ended June 30, 2020, the County recognized pension and OPEB expenses for EORP of \$(951,856) and \$(23,261), respectively, and negative revenue of \$53,628 for the County’s proportionate share of the State’s appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources - At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

EORP

	Pension		Health insurance premium benefit	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 182,980	\$ 7,783	\$ 6,002	\$ 1,933
Changes of assumptions or other inputs	25,801	233,225	421	-
Net difference between projected and actual earnings on plan investments	55,836	-	625	-
Changes in proportion and differences between county contributions and proportionate share of contributions	940,979	-	-	21,356
County contributions subsequent to the measurement date	700,191	-	-	-
Total	\$ 1,905,787	\$ 241,008	\$ 7,048	\$ 23,289

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ended June 30	Pension	Health insurance premium benefit
2021	\$ 948,766	\$ (11,204)
2022	(14,239)	(8,995)
2023	15,592	2,026
2024	14,469	1,932

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

EORP

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.75% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	1.75% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

EORP	Target	Long-Term Expected Geometric Real
Asset Class	Allocation	Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

Discount rate - At June 30, 2019, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.3 percent which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the County's proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate - The following table presents the County's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent, as well as what the County's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

EORP	<u>1% Decrease (6.3%)</u>	<u>Current discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
County's proportionate share of the net pension liability	\$ 9,398,387	\$ 8,207,120	\$ 7,192,482
County's proportionate share of the net OPEB (asset)	(165,224)	(187,372)	(206,638)

Notes to the Financial Statements - Continued

Note 10 - Pensions and Other Postemployment Benefits – Continued

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

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

Note 11 - Interfund Activity and Balances

Interfund receivables and payables—Interfund balances at June 30, 2020 were as follows:

	Payable To								Total
	General Fund	Road Fund	Jail District Fund	Nonmajor - Governmental Funds	Golf Course Fund	Parks Fund	Landfill Fund	Solar Field Fund	
Payable From:									
General Fund	\$ -	\$ 110,782	\$ 190,639	\$ 1,925,812	\$ 414,107	\$ 64,499	\$ 903,391	\$ 690,000	\$ 4,299,230
Road Fund	111,501	-	-	-	-	-	-	-	111,501
Jail District Fund	51,714	-	-	-	-	-	-	-	51,714
Nonmajor - Governmental Funds	<u>469,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,337</u>
Total	<u>\$ 632,552</u>	<u>\$ 110,782</u>	<u>\$ 190,639</u>	<u>\$ 1,925,812</u>	<u>\$ 414,107</u>	<u>\$ 64,499</u>	<u>\$ 903,391</u>	<u>\$ 690,000</u>	<u>\$ 4,931,782</u>

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 not expected to be repaid within 1 year from the date of the financial statements. There is no scheduled repayment plan but the balances will be repaid as funds become available for the various funds.

Notes to the Financial Statements - Continued

Note 11 - Interfund Activity and Balances – Continued

Interfund transfers—Interfund transfers for the year ended June 30, 2020 were as follows:

	Transfer To			
General Fund	Jail District Fund	Nonmajor - Governmental Funds	Total	
Transfer From:				
General Fund	\$ -	\$ 720,000	\$ 133,535	\$ 853,535
Road Fund	471,627	-	-	471,627
Parks Fund	92,685	-	-	92,685
Total	\$ 564,312	\$ 720,000	\$ 133,535	\$ 1,417,847

Interfund transfers between funds were to cover over-expenditures in certain special revenue funds. The County transferred \$133,535 to the Nonmajor Governmental Funds and \$720,000 to the Jail District Fund for the required annual maintenance of effort payment for the year ended June 30, 2020. Also during 2020, the County transferred \$471,627 of Vehicle License Tax from the Road Fund to the General Fund and \$92,685 from the Parks Fund to the General Fund.

Note 12 – Liquidity Matters

During 2020, the County’s General Fund had a net decrease in fund balance totaling \$1,672,463. The current year deficit spending increased the General Fund’s cumulative deficit to \$4,036,111 as of June 30, 2020. Furthermore, because of this cumulative deficit, the General Fund is heavily reliant on borrowings from other County funds, both unrestricted and restricted, to finance its operations.

Because of the General Fund’s deficit and the other deficit fund balances reported in Note 3 – Stewardship, Compliance and Accountability, many of which will have to be eliminated through future transfers from the General Fund or other unrestricted funds with available cash or external borrowings, the County, as a whole, has minimal unrestricted cash available to meet its current and future obligations.

The County recognizes the importance of addressing the cumulative deficit and it is currently working on a financial restructuring plan that involves cost containment measures, organizational consolidations, possible short-term financing and continued seeking of additional revenue sources. The County believes that with the anticipated remedial action, that it will be able to continue to meet its financial obligations.

Required Supplementary Information

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 7,960,187	\$ 7,960,187	\$ 8,079,110	\$ 118,923
Licenses and permits	578,690	578,690	485,615	(93,075)
Fees, fines, and forfeits	1,436,500	1,436,500	1,541,915	105,415
Intergovernmental	4,866,618	4,866,618	5,646,818	780,200
Charges for services	837,876	837,876	1,151,759	313,883
Investment income	41,232	41,232	5,419	(35,813)
Miscellaneous	1,091,261	1,091,261	417,024	(674,237)
Total revenues	<u>16,812,364</u>	<u>16,812,364</u>	<u>17,327,660</u>	<u>515,296</u>
Expenditures:				
Current:				
General government:				
Assessor	539,059	539,059	526,226	12,833
County attorney	1,054,813	1,054,813	979,752	75,061
Board of supervisors	703,750	703,750	749,429	(45,679)
Clerk of the superior court	539,647	539,647	543,793	(4,146)
Elections	287,146	287,146	271,975	15,171
Justice of the Peace #4	564,386	564,386	574,696	(10,310)
Justice of the Peace #5	631,144	631,144	277,806	353,338
Justice of the Peace #6	369,759	369,759	397,423	(27,664)
Planning and zoning	427,339	427,339	372,273	55,066
Recorder	294,220	294,220	291,188	3,032
Human resources	179,963	179,963	176,519	3,444
Superior court	209,139	209,139	226,562	(17,423)
Treasurer	301,211	301,211	298,843	2,368
Contingency	-	-	234,560	(234,560)
Court administration	800,000	800,000	1,004,877	(204,877)
Management information services	347,439	347,439	434,370	(86,931)
Public defender	597,427	597,427	555,225	42,202
General administration	533,307	533,307	1,067,273	(533,966)
Community resources	-	-	(49)	49
Finance	427,697	427,697	391,437	36,260
Facilities management	419,221	419,221	343,366	75,855
BLM conveyance land	330,000	330,000	99,445	230,555
Total general government	<u>9,556,667</u>	<u>9,556,667</u>	<u>9,816,989</u>	<u>(260,322)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety:				
Emergency services	\$ 114,330	\$ 114,330	\$ -	\$ 114,330
Regional dispatch	840,889	840,889	770,510	70,379
Sheriff	4,393,708	4,393,708	4,617,154	(223,446)
Probation	131,282	131,282	122,061	9,221
Juvenile probation	150,694	150,694	110,660	40,034
Boat patrol grant	-	-	14,171	(14,171)
Victim witness program	-	-	16,614	(16,614)
Emergency management	-	-	83	(83)
Drug enforcement probation	6,038	6,038	-	6,038
Family counseling	1,485	1,485	-	1,485
OHV law enforcement overtime	3,028	3,028	-	3,028
Total public safety	<u>5,641,454</u>	<u>5,641,454</u>	<u>5,651,253</u>	<u>(9,799)</u>
Sanitation:				
Sanitary landfill	<u>550,000</u>	<u>550,000</u>	<u>72,371</u>	<u>477,629</u>
Total sanitation	<u>550,000</u>	<u>550,000</u>	<u>72,371</u>	<u>477,629</u>
Health:				
Indigent health	369,374	369,374	400,747	(31,373)
County long term care ALTCS	600	600	822,119	(821,519)
C.M.I (chronically mentally ill)	100,000	100,000	253,910	(153,910)
Animal control	173,979	173,979	175,592	(1,613)
Health	<u>576,520</u>	<u>576,520</u>	<u>341,423</u>	<u>235,097</u>
Total health	<u>1,220,473</u>	<u>1,220,473</u>	<u>1,993,791</u>	<u>(773,318)</u>
Welfare:				
Public fiduciary	182,620	182,620	175,180	7,440
Parker food bank	2,650	2,650	2,260	390
Quartzsite food bank	2,052	2,052	3,793	(1,741)
McMullen Valley food bank	<u>3,396</u>	<u>3,396</u>	<u>1,333</u>	<u>2,063</u>
Total welfare	<u>190,718</u>	<u>190,718</u>	<u>182,566</u>	<u>8,152</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Culture and recreation:				
Library Services	111,345	111,345	590	110,755
Total culture and recreation	<u>111,345</u>	<u>111,345</u>	<u>590</u>	<u>110,755</u>
Education:				
School superintendent	262,185	262,185	267,612	(5,427)
Total education	<u>262,185</u>	<u>262,185</u>	<u>267,612</u>	<u>(5,427)</u>
Total expenditures	<u>17,532,842</u>	<u>17,532,842</u>	<u>17,985,172</u>	<u>(452,330)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (720,478)</u>	<u>\$ (720,478)</u>	<u>\$ (657,512)</u>	<u>\$ 62,966</u>
Other financing sources (uses):				
Transfers in	1,355,000	1,355,000	564,312	(790,688)
Transfers out	(901,981)	(901,981)	(853,535)	48,446
Total other financing sources (uses)	<u>453,019</u>	<u>453,019</u>	<u>(289,223)</u>	<u>(742,242)</u>
Net change in fund balances	(267,459)	(267,459)	(946,735)	(679,276)
Fund balances (deficit), July 1, 2019	<u>267,459</u>	<u>267,459</u>	<u>(2,363,648)</u>	<u>(2,631,107)</u>
Fund balances (deficit), June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,310,383)</u>	<u>\$ (3,310,383)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2020

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Reconciliation of General Fund Budgetary Basis Revenues and Expenditures to Statement of Revenues, Expenditures and Changes in Fund Balances				
Revenues				
Budgetary Basis Revenues	\$ 16,812,364	\$ 16,812,364	\$ 17,327,660	\$ 515,296
Less enterprise fund revenues:				
Landfill fees	-	-	(667,781)	(667,781)
Solar field lease revenues	-	-	(130,318)	(130,318)
Total general fund revenues	16,812,364	16,812,364	16,529,561	(282,803)
Expenditures				
Budgetary Basis Expenditures	17,532,842	17,532,842	17,985,172	(452,330)
Less enterprise fund expenditures:				
Landfill operating expenses	-	-	(72,371)	(72,371)
Total general fund expenditures	17,532,842	17,532,842	17,912,801	379,959
Excess (deficiency) of revenues over expenditures	(720,478)	(720,478)	(1,383,240)	(662,762)
Other financing sources (uses):				
Transfers in	1,355,000	1,355,000	564,312	(790,688)
Transfers out	(901,981)	(901,981)	(853,535)	48,446
Total other financing sources (uses)	453,019	453,019	(289,223)	(742,242)
Net change in fund balances	\$ (267,459)	\$ (267,459)	\$ (1,672,463)	\$ (1,405,004)

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2020

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 600,000	\$ 600,000	\$ 623,947	\$ 23,947
Intergovernmental	4,800,000	4,800,000	5,059,760	259,760
Investment income	-	-	50,291	50,291
Miscellaneous	-	-	21,804	21,804
Total revenues	<u>5,400,000</u>	<u>5,400,000</u>	<u>5,755,802</u>	<u>355,802</u>
Expenditures:				
Current:				
Highways and streets	<u>5,655,095</u>	<u>5,655,095</u>	<u>4,164,642</u>	<u>1,490,453</u>
Total expenditures	<u>5,655,095</u>	<u>5,655,095</u>	<u>4,164,642</u>	<u>1,490,453</u>
Excess of revenues over expenditures	(255,095)	(255,095)	1,591,160	1,846,255
Other financing sources (uses):				
Transfers out	<u>(423,000)</u>	<u>(423,000)</u>	<u>(471,627)</u>	<u>(48,627)</u>
Total other financing uses	<u>(423,000)</u>	<u>(423,000)</u>	<u>(471,627)</u>	<u>(48,627)</u>
Net change in fund balances	(678,095)	(678,095)	1,119,533	1,797,628
Fund balances (deficit), July 1, 2019	<u>678,095</u>	<u>678,095</u>	<u>5,091,620</u>	<u>4,413,525</u>
Fund balances (deficit), June 30, 2020	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,211,153</u>	<u>\$ 6,211,153</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2020

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,450,000	\$ 1,476,038	\$ 26,038
Charges for services	2,318,700	1,398,248	(920,452)
Investment income	-	-	-
Total revenues	<u>3,768,700</u>	<u>2,874,286</u>	<u>(894,414)</u>
Expenditures:			
Current:			
Public safety	3,429,897	3,270,105	159,792
Debt Service:			
Principal retirement	230,000	230,000	-
Interest and fiscal charges	18,471	18,471	-
Total expenditures	<u>3,678,368</u>	<u>3,518,576</u>	<u>159,792</u>
Excess (deficiency) of revenues over expenditures	<u>90,332</u>	<u>(644,290)</u>	<u>(734,622)</u>
Other financing sources:			
Transfers in	720,000	720,000	-
Transfers out	(700,000)	-	700,000
Total other financing sources	<u>20,000</u>	<u>720,000</u>	<u>700,000</u>
Net change in fund balances	110,332	75,710	(34,622)
Fund balances (deficit), July 1, 2019	<u>(13,755)</u>	<u>63,673</u>	<u>77,428</u>
Fund balances (deficit), June 30, 2020	<u>\$ 96,577</u>	<u>\$ 139,383</u>	<u>\$ 42,806</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Notes to Budgetary Comparison Schedule
June 30, 2020

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 that is not consistent with generally accepted accounting principles because the General Fund budget includes revenues and expenditures of the Landfill Fund and the Solar Field Fund. The actual revenues and expenditures of the Landfill Fund and the Solar Field Fund are reported on the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position but are also reported on the General Fund Budgetary Comparison Schedule to be consistent with the budget. The County has prepared a reconciliation between budgetary basis revenues and expenditures and the Statement of Revenues, Expenditures and Changes in Fund Balance on page 79.

La Paz County
Required Supplementary Information
Notes to Budgetary Comparison Schedule - Continued
June 30, 2020

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2020, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

Fund/Department	Excess
General Fund:	
Board of Supervisors	\$ 45,679
Clerk of the Superior Court	4,146
Justice of the Peace #4	10,310
Justice of the Peace #6	27,664
Superior Court	17,423
Contingency	234,560
Court Administration	204,877
Management Information Services	86,931
General Administration	533,966
Sheriff	223,446
Boat Patrol Grant	14,171
Victim Witness Program	16,614
Emergency Management	83
Indigent Health	31,373
County Long-term Care ALTCS	821,519
C.M.I. (Chronically Mentally Ill)	153,910
Animal Control	1,613
Quartzsite Food Bank	1,741
School Superintendent	5,427

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both. To resolve future excesses, the County has retained outside consultants to assist in fiscal year 2022 and 2023 budget preparation, as well as a grants management program, and the County intends to implement procedures to monitor the budget versus actual results.

La Paz County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2020

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.06772%	0.06803%	0.08144%	0.09606%	0.94330%	0.09326%	Information not available
County's proportionate share of the net pension liability	\$ 9,854,047	\$ 9,487,791	\$ 12,686,765	\$ 15,505,049	\$ 14,692,914	\$ 13,799,620	
County's covered payroll	9,607,815	6,764,073	8,337,449	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	102.56%	140.27%	152.17%	166.57%	160.42%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
County's proportion of the net OPEB (asset)	0.06892%	0.06903%	0.82450%	Information not available
County's proportionate share of the net OPEB (asset)	\$ (19,046)	\$ (24,857)	\$ (44,886)	
County's covered payroll	9,607,815	6,764,073	8,337,449	
County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.20%	-0.37%	-0.54%	
Plan fiduciary net position as a percentage of the total pension liability	101.62%	102.20%	103.57%	

ASRS - Long-term Disability

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
County's proportion of the net OPEB Liability	0.06851%	0.06818%	0.08170%	Information not available
County's proportionate share of the net OPEB Liability	\$ 44,631	\$ 35,624	\$ 29,614	
County's covered payroll	9,607,815	6,764,073	8,337,449	
County's proportionate share of the net OPEB Liability as a percentage of its covered payroll	0.46%	0.53%	0.36%	
Plan fiduciary net position as a percentage of the total pension liability	72.85%	77.83%	84.44%	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2020

CORP AOC - Pension	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.27830%	0.25459%	0.24088%	0.28221%	0.30928%	0.36516%	Information not available
County's proportionate share of the net pension liability	\$ 1,174,239	\$ 916,472	\$ 966,450	\$ 796,270	\$ 751,897	\$ 819,403	
County's covered payroll	412,014	325,745	792,077	325,471	374,128	391,648	
County's proportionate share of the net pension liability as a percentage of its covered payroll	285.00%	281.35%	122.01%	244.65%	200.97%	209.22%	
Plan fiduciary net position as a percentage of the total pension liability	51.99%	53.72%	49.21%	54.81%	57.89%	58.59%	
CORP AOC - Health Insurance Premium Benefit							
	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011			
County's proportion of the net OPEB liability	0.27805%	0.25572%	0.24184%	Information not available			
County's proportionate share of the net OPEB liability	\$ 10,296	\$ 13,149	\$ 14,231	Information not available			
County's covered payroll	412,014	325,745	792,077				
County's proportionate share of the net OPEB liability as a percentage of its covered payroll	2.50%	4.04%	1.80%				
Plan fiduciary net position as a percentage of the total OPEB liability	75.64%	67.75%	62.21%				
EORP - Pension							
	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.23755%	1.03716%	0.93122%	0.99939%	0.93617%	1.04762%	Information not available
County's proportionate share of the net pension liability	\$ 8,207,120	\$ 6,535,520	\$ 11,347,472	\$ 9,441,755	\$ 7,315,675	\$ 7,025,059	
State's proportionate share of the net pension liability associated with the County	\$ 651,821	\$ 1,658,855	\$ 2,112,527	\$ 1,949,481	\$ 2,280,723	\$ 2,153,948	
Total County's net pension liability	<u>\$ 8,858,941</u>	<u>\$ 8,194,375</u>	<u>\$ 13,459,999</u>	<u>\$ 11,391,236</u>	<u>\$ 9,596,398</u>	<u>\$ 9,179,007</u>	
County's covered payroll	\$ 854,892	\$ 1,034,035	\$ 759,974	794,562	849,419	953,936	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1036.26%	792.47%	1771.11%	1433.65%	1129.76%	962.22%	
Plan fiduciary net position as a percentage of the total pension liability	30.14%	30.36%	19.66%	23.42%	28.32%	31.91%	
EORP - Health Insurance Premium Benefit							
	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011			
County's proportion of the net OPEB (asset)	1.91305%	1.57850%	1.55196%	Information not available			
County's proportionate share of the net OPEB (asset)	\$ (187,372)	\$ (163,121)	\$ (141,324)	Information not available			
County's covered payroll	854,892	1,034,035	759,974				
County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-21.92%	-15.78%	-18.60%				
Plan fiduciary net position as a percentage of the total pension liability	169.72%	177.16%	164.84%				

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension/OPEB Liability and Related Ratios - Agent Plans
June 30, 2020

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
PSPRS - Sheriff - Pension							
Total pension liability							
Service cost	\$ 283,040	\$ 279,940	\$ 351,267	\$ 356,348	\$ 271,882	\$ 258,299	Information not available
Interest on total pension liability	1,385,767	1,314,548	1,208,951	1,156,186	1,105,013	904,564	
Changes of benefit terms	-	-	243,566	316,334	-	325,930	
Difference between expected and actual experience in the measurement of the pension liability	143,573	418,257	346,773	76,314	237,456	538,156	
Changes of assumptions or other inputs	339,251	-	685,158	572,944	-	1,592,778	
Benefit payments, including refunds of employee contributions	(1,252,475)	(1,134,319)	(1,176,148)	(993,292)	(1,016,114)	(1,129,939)	
Net change in pension liability	899,156	878,426	1,659,567	1,484,834	598,237	2,489,788	
Total pension liability - beginning	19,069,778	18,191,352	16,531,785	15,046,951	14,448,714	11,958,926	
Total pension liability - ending (a)	<u>\$ 19,968,934</u>	<u>\$ 19,069,778</u>	<u>\$ 18,191,352</u>	<u>\$ 16,531,785</u>	<u>\$ 15,046,951</u>	<u>\$ 14,448,714</u>	
Plan fiduciary net position							
Contributions - employer	\$ 950,338	\$ 757,330	\$ 854,831	\$ 791,496	\$ 537,234	\$ 538,163	
Contributions - employee	112,999	159,019	192,207	343,870	166,848	156,266	
Net investment income	313,914	407,527	662,076	31,841	197,454	683,282	
Benefit payments, including refunds of employee contributions	(1,252,475)	(1,134,319)	(1,176,148)	(993,292)	(1,016,114)	(1,129,939)	
Hall/Parker Settlement	-	(179,279)	-	-	-	-	
Administrative expense	(6,471)	(6,903)	(6,258)	(4,982)	(5,190)		
Other changes	-	77	13,819	48,942	(9,829)	300,315	
Net change in plan fiduciary net position	118,305	3,452	540,527	217,875	(129,597)	548,087	
Plan fiduciary net position - beginning	6,197,355	6,193,903	5,653,376	5,435,501	5,565,098	5,017,011	
Plan fiduciary net position - ending (b)	<u>\$ 6,315,660</u>	<u>\$ 6,197,355</u>	<u>\$ 6,193,903</u>	<u>\$ 5,653,376</u>	<u>\$ 5,435,501</u>	<u>\$ 5,565,098</u>	
County's net pension liability - ending (a) - (b)	<u>\$ 13,653,274</u>	<u>\$ 12,872,423</u>	<u>\$ 11,997,449</u>	<u>\$ 10,878,409</u>	<u>\$ 9,611,450</u>	<u>\$ 8,883,616</u>	
Plan fiduciary net position as a percentage of the total pension liability	31.6%	32.5%	34.0%	34.2%	36.1%	38.5%	
Covered payroll	\$ 1,564,068	\$ 1,527,180	\$ 1,931,347	\$ 1,630,734	\$ 1,574,754	\$ 1,510,785	
County's net pension liability as a percentage of covered payroll	873%	843%	621%	667%	610%	588%	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension/OPEB Liability and Related Ratios - Agent Plans
June 30, 2020

PSPRS OPEB - Sheriff	Reporting Fiscal Year (Measurement Date)			2017 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability				
Service cost	\$ 5,336	\$ 5,481	\$ 6,093	Information not available
Interest on total OPEB liability	20,971	21,114	20,119	
Changes of benefit terms	-	-	2,575	
Difference between expected and actual experience in the measurement of the OPEB liability	(123,208)	(22,141)	5,343	
Changes of assumptions or other inputs	1,637	-	(7,700)	
Benefit payments	(7,836)	(10,126)	(7,982)	
Net change in OPEB liability	(103,100)	(5,672)	18,448	
Total OPEB liability - beginning	281,978	287,650	269,202	
Total OPEB liability - ending (a)	\$ 178,878	\$ 281,978	\$ 287,650	
Plan fiduciary net position				
Contributions - employer	\$ -	\$ (17)	\$ -	
Net investment income	26,025	32,072	49,374	
Benefit payments	(7,836)	(10,126)	(7,982)	
Administrative Expense	(433)	(488)	(437)	
Other changes	-	1	-	
Net change in plan fiduciary net position	17,756	21,442	40,955	
Plan fiduciary net position - beginning	484,926	463,484	422,529	
Plan fiduciary net position - ending (b)	\$ 502,682	\$ 484,926	\$ 463,484	
County's net OPEB (asset) liability - ending (a) - (b)	\$ (323,804)	\$ (202,948)	\$ (175,834)	
Plan fiduciary net position as a percentage of the total OPEB liability	281.0%	172.0%	161.1%	
Covered payroll	\$ 1,564,068	\$ 1,527,180	\$ 1,931,347	
County's net OPEB (asset) liability as a percentage of covered payroll	-21%	-13%	-9%	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension/OPEB Liability and Related Ratios - Agent Plans
June 30, 2020

Public Safety Personnel Retirement System - Attorney Investigators	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							
Interest on total pension liability	\$ 22,991	\$ 21,028	\$ 17,223	\$ 18,656	\$ 23,957	\$ 23,458	Information not available
Changes of benefit terms	-	-	14,580	16,878	-	-	
Difference between expected and actual experience in the measurement of the pension liability	(475,574)	(1,149)	34,463	9,524	10,341	2,025	
Changes of assumptions or other inputs	-	(33,605)	(11,962)	34,797	107,233	12,082	
Benefit payments, including refunds of employee contributions	-	(34,194)	(33,557)	(31,210)	(31,210)	(31,210)	
Net change in pension liability	(452,583)	(47,920)	20,747	48,645	110,321	6,355	
Total pension liability - beginning	452,583	500,503	479,756	431,111	320,790	314,435	
Total pension liability - ending (a)	<u>\$ -</u>	<u>\$ 452,583</u>	<u>\$ 500,503</u>	<u>\$ 479,756</u>	<u>\$ 431,111</u>	<u>\$ 320,790</u>	
Plan fiduciary net position							
Contributions - employer	\$ -	\$ 8,979	\$ 8,827	\$ 10,527	\$ -	\$ -	
Net investment income	8,043	10,833	19,327	1,047	7,335	27,730	
Benefit payments, including refunds of employee contributions	-	(34,194)	(33,557)	(31,210)	(31,210)	(31,210)	
Hall/Parker Settlement	-	(152)	-	-	-	-	
Administrative expense	(1,140)	(865)	(571)	(551)	(558)	-	
Other changes	-	3	3	3	(220)	(10,642)	
Net change in plan fiduciary net position	6,903	(15,396)	(5,971)	(20,184)	(24,653)	(14,122)	
Plan fiduciary net position - beginning	148,245	163,641	169,612	189,796	214,449	228,571	
Plan fiduciary net position - ending (b)	<u>\$ 155,148</u>	<u>\$ 148,245</u>	<u>\$ 163,641</u>	<u>\$ 169,612</u>	<u>\$ 189,796</u>	<u>\$ 214,449</u>	
County's net pension (asset) liability - ending (a) - (b)	<u>\$ (155,148)</u>	<u>\$ 304,338</u>	<u>\$ 336,862</u>	<u>\$ 310,144</u>	<u>\$ 241,315</u>	<u>\$ 106,341</u>	
Plan fiduciary net position as a percentage of the total pension liability	0%	33%	33%	35%	44%	67%	
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
County's net pension liability as a percentage of covered payroll	0%	0%	0%	0%	0%	0%	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension/OPEB Liability and Related Ratios - Agent Plans
June 30, 2020

PSPRS OPEB - Attorney Investigators	Reporting Fiscal Year (Measurement Date)			2017 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability				
Interest on total OPEB liability	\$ -	\$ 858	\$ 913	Information not available
Difference between expected and actual experience in the measurement of the OPEB liability	-	(13,111)	(1,322)	
Changes of assumptions or other inputs	-	-	1,111	
Benefit payments	-	(422)	(413)	
Net change in OPEB liability	-	(12,675)	289	
Total OPEB liability - beginning	-	12,675	12,386	
Total OPEB liability - ending (a)	\$ -	\$ -	\$ 12,675	
Plan fiduciary net position				
Net investment income	\$ 668	\$ 819	\$ 1,280	
Benefit payments	-	(422)	(413)	
Administrative Expense	(12)	(12)	(12)	
Net change in plan fiduciary net position	656	385	855	
Plan fiduciary net position - beginning	12,294	11,909	11,054	
Plan fiduciary net position - ending (b)	\$ 12,950	\$ 12,294	\$ 11,909	
County's net OPEB liability - ending (a) - (b)	\$ (12,950)	\$ (12,294)	\$ 766	
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	94.0%	
Covered payroll	\$ -	\$ -	\$ -	
County's net OPEB liability as a percentage of covered payroll	0%	0%	0%	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension/OPEB Liability and Related Ratios - Agent Plans
June 30, 2020

	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
CORP - Detention			
Total pension liability			
Service cost	\$ 138,009	\$ 136,423	\$ -
Interest on total pension liability	167,357	107,212	-
Changes of benefit terms	-	240,188	-
Difference between expected and actual experience in the measurement of the pension liability	12,727	360,618	1,401,188
Changes of assumptions or other inputs	58,575	-	22,220
Benefit payments, including refunds of employee contributions	(117,298)	(85,625)	-
Net change in pension liability	259,370	758,816	1,423,408
Total pension liability - beginning	2,182,224	1,423,408	-
Total pension liability - ending (a)	<u>\$ 2,441,594</u>	<u>\$ 2,182,224</u>	<u>\$ 1,423,408</u>
Plan fiduciary net position			
Contributions - employer	\$ 88,965	\$ 134,312	\$ 102,641
Contributions - employee	75,076	84,469	58,923
Net investment income	54,635	69,049	10,434
Benefit payments, including refunds of employee contributions	(117,298)	(85,625)	-
Administrative expense	(1,675)	(1,745)	(491)
Other changes	-	(14,680)	735,694
Net change in plan fiduciary net position	99,703	185,780	907,201
Plan fiduciary net position - beginning	1,092,981	907,201	-
Plan fiduciary net position - ending (b)	<u>\$ 1,192,684</u>	<u>\$ 1,092,981</u>	<u>\$ 907,201</u>
County's net pension liability - ending (a) - (b)	<u>\$ 1,248,910</u>	<u>\$ 1,089,243</u>	<u>\$ 516,207</u>
Plan fiduciary net position as a percentage of the total pension liability	49%	50%	64%
Covered payroll	\$ 489,495	\$ 1,078,400	\$ 635,781
County's net pension liability as a percentage of covered payroll	255%	101%	81%

Reporting Fiscal Year 2018 was the Plan's first year.

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension/OPEB Liability and Related Ratios - Agent Plans
June 30, 2020

CORP OPEB - Detention	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 2,050	\$ 3,792	\$ -
Interest on total OPEB liability	4,580	5,152	-
Changes of benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the OPEB liability	(13,085)	(16,830)	81,036
Changes of assumptions or other inputs	632	-	(13,307)
Net change in OPEB liability	(5,823)	(7,886)	67,729
Total OPEB liability - beginning	59,843	67,729	-
Total OPEB liability - ending (a)	\$ 54,020	\$ 59,843	\$ 67,729
Plan fiduciary net position			
Contributions - employer	\$ 7,710	\$ -	\$ -
Net investment income	106	-	-
Benefit payments	-	-	-
Administrative Expense	(2)	-	-
Other changes	-	-	-
Net change in plan fiduciary net position	7,814	-	-
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ 7,814	\$ -	\$ -
County's net OPEB liability - ending (a) - (b)	\$ 46,206	\$ 59,843	\$ 67,729
Plan fiduciary net position as a percentage of the total OPEB liability	14.5%	0.0%	0.0%
Covered payroll	\$ 489,495	\$ 1,078,400	\$ 635,781
County's net OPEB liability as a percentage of covered payroll	9%	6%	11%

Reporting Fiscal Year 2018 was the Plan's first year.

La Paz County
Required Supplementary Information
Schedule of County Pension/OPEB Contributions
June 30, 2020

ASRS - Pension

	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily determined contribution	\$ 880,226	\$ 1,074,154	\$ 737,284	\$ 898,777	\$ 1,009,993	\$ 998,342	\$ 899,541	Information not available
County's contributions in relation to the statutorily determined contribution	880,226	1,074,154	737,284	898,777	1,009,993	998,342	899,541	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>7,687,563</u>	<u>\$ 9,607,815</u>	<u>\$ 6,764,073</u>	<u>\$ 8,337,449</u>	<u>\$ 9,308,691</u>	<u>\$ 9,159,101</u>	<u>\$ 8,406,925</u>	
County's contributions as a percentage of covered payroll	<u>11.45%</u>	<u>11.18%</u>	<u>10.90%</u>	<u>10.78%</u>	<u>10.85%</u>	<u>10.90%</u>	<u>10.70%</u>	

**ASRS - Health Insurance Premium
Benefit**

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily determined contribution	\$ 37,669	\$ 44,196	\$ 29,762	\$ 46,690	Information not available
County's contributions in relation to the statutorily determined contribution	37,669	44,196	29,762	46,690	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 7,687,563</u>	<u>\$ 9,607,815</u>	<u>\$ 6,764,073</u>	<u>\$ 8,337,449</u>	
County's contributions as a percentage of covered payroll	<u>0.49%</u>	<u>0.46%</u>	<u>0.44%</u>	<u>0.56%</u>	

ASRS-Long-term Disability

	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily determined contribution	\$ 13,002	\$ 11,393	\$ 10,807	\$ 11,672	Information not available
County's contributions in relation to the statutorily determined contribution	13,002	11,393	10,807	11,672	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 7,687,563</u>	<u>\$ 9,607,815</u>	<u>\$ 6,764,073</u>	<u>\$ 8,337,449</u>	
County's contributions as a percentage of covered payroll	<u>0.17%</u>	<u>0.12%</u>	<u>0.16%</u>	<u>0.14%</u>	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension/OPEB Contributions
June 30, 2020

CORP AOC - Pension	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily determined contribution	\$ 104,976	\$ 92,744	\$ 65,377	\$ 159,049	\$ 62,165	\$ 55,745	\$ 56,789	Information not available
County's contributions in relation to the statutorily determined contribution	104,976	92,744	65,377	159,049	62,165	55,745	56,789	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	<u>\$ 323,700</u>	<u>\$ 412,014</u>	<u>\$ 325,745</u>	<u>\$ 792,077</u>	<u>\$ 325,471</u>	<u>\$ 374,128</u>	<u>\$ 391,648</u>	
County's contributions as a percentage of covered payroll	<u>32.43%</u>	<u>22.51%</u>	<u>20.07%</u>	<u>20.08%</u>	<u>19.10%</u>	<u>14.90%</u>	<u>14.50%</u>	

CORP AOC - Health insurance premium benefit	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Statutorily determined contribution	\$ 1,780	\$ 3,420	\$ 2,605	\$ 6,733	Information not available
County's contributions in relation to the statutorily determined contribution	1,780	3,420	2,605	6,733	
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
County's covered payroll	<u>\$ 323,700</u>	<u>\$ 412,014</u>	<u>\$ 325,745</u>	<u>\$ 792,077</u>	
County's contributions as a percentage of covered payroll	<u>0.55%</u>	<u>0.83%</u>	<u>0.80%</u>	<u>0.85%</u>	

EORP - Pension	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Statutorily determined contribution	\$ 555,698	\$ 578,049	\$ 407,945	\$ 178,594	\$ 186,722	\$ 198,764	\$ 223,221	Information not available
County's contributions in relation to the statutorily determined contribution	700,191	525,160	242,998	178,594	186,722	198,764	223,221	
County's contribution deficiency (excess)	<u>\$ (144,493)</u>	<u>\$ 52,889</u>	<u>\$ 164,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 1,138,522</u>	<u>\$ 854,892</u>	<u>\$ 1,034,035</u>	<u>\$ 759,974</u>	<u>\$ 794,562</u>	<u>\$ 849,419</u>	<u>\$ 953,936</u>	
County's contributions as a percentage of covered payroll	<u>61.50%</u>	<u>61.43%</u>	<u>23.50%</u>	<u>23.50%</u>	<u>23.50%</u>	<u>23.40%</u>	<u>23.40%</u>	

The County was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2020, 2019, 2018 or 2017. Information for fiscal years 2016 through 2011 is not available.

La Paz County
Required Supplementary Information
Schedule of County Pension/OPEB Contributions
June 30, 2020

PSPRS Pension - Sheriff	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,135,094	\$ 1,036,858	\$ 924,197	\$ 993,292	\$ 786,666	\$ 567,384	\$ 538,163	Information not available
County's contributions in relation to the actuarially determined contribution	1,359,732	812,220	744,653	993,292	786,666	567,384	538,163	
County's contribution deficiency (excess)	<u>\$ (224,638)</u>	<u>\$ 224,638</u>	<u>\$ 179,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 2,599,373</u>	<u>\$ 1,564,068</u>	<u>\$ 1,527,180</u>	<u>\$ 1,931,347</u>	<u>\$ 1,630,734</u>	<u>\$ 1,574,754</u>	<u>\$ 1,510,785</u>	
County's contributions as a percentage of covered payroll	<u>52.31%</u>	<u>51.93%</u>	<u>48.76%</u>	<u>51.43%</u>	<u>48.24%</u>	<u>36.03%</u>	<u>35.62%</u>	

PSPRS - Health Insurance Premium Benefit - Sheriff	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Actuarially determined contribution	\$ 4,287	\$ 2,759	\$ -	\$ -	Information not available
County's contributions in relation to the actuarially determined contribution	4,287	2,759	-	-	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ 2,599,373</u>	<u>\$ 1,564,068</u>	<u>\$ 1,527,180</u>	<u>\$ 1,931,347</u>	
County's contributions as a percentage of covered payroll	<u>0.16%</u>	<u>0.18%</u>	<u>0.00%</u>	<u>0.00%</u>	

PSPRS Pension - Attorney Investigators	Reporting Fiscal Year							2013 through 2011
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ -	\$ -	\$ 17,654	\$ 8,827	\$ 10,527	\$ -	\$ -	Information not available
County's contributions in relation to the actuarially determined contribution	-	-	17,654	8,827	10,527	-	-	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	

PSPRS - Health Insurance Premium Benefit - Attorney Investigators	Reporting Fiscal Year				2016 through 2011
	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ 28	\$ 81	Information not available
County's contributions in relation to the actuarially determined contribution	-	-	28	81	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's covered payroll	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
County's contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	

See accompanying notes to pension/OPEB plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension/OPEB Contributions
June 30, 2020

CORP Detention - Pension

	Reporting Fiscal Year			
	2020	2019	2018	2017
Statutorily determined contribution	\$ 152,766	\$ 135,052	\$ 114,742	\$ 102,641
County's contributions in relation to the statutorily determined contribution	152,766	135,052	114,742	102,641
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 494,069	\$ 489,495	\$ 1,078,400	\$ 635,781
County's contributions as a percentage of covered payroll	30.92%	27.59%	10.64%	16.14%

**CORP Detention - Health Insurance Premium
Benefit**

	Reporting Fiscal Year			
	2020	2019	2018	2017
Statutorily determined contribution	\$ 593	\$ -	\$ 12,617	\$ -
County's contributions in relation to the statutorily determined contribution	593	-	12,617	-
County's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 494,069	\$ 489,495	\$ 1,078,400	\$ 635,781
County's contributions as a percentage of covered payroll	0.12%	0.00%	1.17%	0.00%

Reporting Fiscal Year 2017 was the Plan's first year.

La Paz County
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules - Continued
June 30, 2020

Note 1 – Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	21 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS and from 4.0%-7.25% to 3.5%-6.5% for CORP. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%-7.75% to 4.0% to 7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS and CORP. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.

La Paz County
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules - Continued
June 30, 2020

Note 1 – Actuarially Determined Contribution Rates – Continued

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	In the 2017 actuarial valuation, changed RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS, CORP, CORP–AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS-, CORP-, and CORP–AOC-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes increased the PSPRS-, CORP-, and CORP–AOC-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law’s effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County’s pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP and CORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate liability thereby reducing the total pension liability.

FEDERAL REPORTS

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HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Arizona Auditor General
The Board of Supervisors
La Paz County, Arizona
Parker, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise La Paz County, Arizona's basic financial statements, and have issued our report thereon dated June 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Paz County, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Paz County, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of La Paz County, Arizona's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2020-001, 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, and 2020-007**, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items **2020-008**, **2020-009**, **2020-010**, **2020-011**, **2020-012**, and **2020-013**, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Paz County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the schedule of findings and questioned costs as item **2020-014**.

La Paz County's Response to Findings

La Paz County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. La Paz County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC

Gilbert, Arizona

June 23, 2021





Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited the La Paz County, Arizona's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the La Paz County, Arizona's major federal programs for the year ended June 30, 2020. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the La Paz County, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-101, 2020-102 and 2020-103. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-102 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2020-101 and 2020-103 to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

La Paz County's Response to Findings

La Paz County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. La Paz County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.



HintonBurdick, PLLC
Gilbert, Arizona
June 23, 2021



LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles
Internal control over financial reporting:

Unmodified

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? yes no
- Significant deficiency (ies)? yes none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants
20.600	Highway Safety Cluster
20.616	Highway Safety Cluster
90.404	2018 HAVA Election Security Grant
93.069	Public Health Emergency Preparedness
93.354	Public Health Emergency Response

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material Weaknesses:

2020-001 Parks Fund Documentation and Reconciliation

Criteria: Documentation should be maintained to support the activity of the fund.

Condition: During our cash receipting and revenue testwork, Parks was unable to locate supporting documentation for the June 2020 cash receipts. The May 2020 daily receipts were reviewed instead and we noted several daily Z-tapes did not agree to the amount of funds recorded on the month end summary sheet. We also noted there was no reconciliation or approval of the deposit. In addition, detailed information is not documented and could not be provided for items like number of camp sites rented, permits issued, stalls rented, etc.

Cause and Effect: Staffing changes appear to be contributing to the lack of documentation and reconciliation. Remodeling activities also appear to have contributed to missing documentation for the month of June 2020. There does not appear to be a system in place to capture and retain detailed information related to rentals and permits. Without proper documentation and reconciliation, proper oversight cannot occur. Misappropriation of assets could occur without being prevented or detected in a timely manner.

Auditor's Recommendation: The County should enact policies and procedures to sufficiently prepare and retain documentation to support the activities of the Parks fund and allow for proper oversight of those activities.

2020-002 Grant Management, Accounting and Preparation of Schedule of Expenditures Federal Awards (Reissue of prior year finding 2019-009)

Criteria: Policies and procedures should be established to ensure that general ledger activity for Federal and State grants and contracts is recorded in the proper County fund. In addition, grant agreements typically specify billing frequencies for submitting reimbursement requests. For those agreements that do not, best practice requires reimbursement requests are processed within a reasonable amount of time. In addition, grant revenues should be reported in the same period as the related reimbursed expenditures. Modified accrual accounting focuses on whether resources can be collected. If a government is in a position to obtain resources to which it has claim during its availability period, but fails to do so, those resources should be considered to be available for revenue recognition purposes, even if they were not actually collected during the availability period. This ensures timely receipt of amounts earned and ensures that all eligible expenditures are reimbursed, allowing for the adequate monitoring of grant activities. A thorough understanding and tracking process of all Federal and State

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

contracts ensures a complete and accurate Schedule of Expenditures of Federal Awards as well as proper reporting to the granting agency and compliance with grant requirements.

Condition: Timely analysis of grants and contracts, including an analysis of expenditures versus drawdowns, was not performed. Reimbursements were significantly delayed due to untimely requests being filed.

Cause and Effect: The County does not have a centralized process specifically established for the ongoing accounting of federal and state awards. As a result, there is an increased risk that accounting errors may occur and an increase in difficulty identifying and summarizing all Federal awards for the preparation of the Schedule of Expenditures of Federal Awards.

Auditors' Recommendations: We recommend that the County establish policies and procedures to appropriately track its federal and state awards within the general ledger on an ongoing basis. In addition, we recommend that the County create policies and procedures to monitor grants to ensure timely filing of reimbursement requests.

2020-003

Monitoring of Liability Accounts (Reissue of prior year finding 2019-007)

Criteria: To help ensure that financial reports, including audited financial statements, are accurate and to help ensure timely payment of liabilities, all liability accounts and balances should be known and understood by management and monitored for accuracy.

Condition: In fiscal year 2013 the County recorded a liability of \$114,819 relating to amounts determined to be an overpayment from the United States Treasury. The liability is still reported in the fiscal year 2020 financial statements and County personnel had not determined if this amount had been paid or if a liability was still outstanding.

Cause and Effect: The County employees previously responsible for monitoring these accounts are no longer employed by the County and procedures have not been implemented to review all liability accounts throughout the year. As a result, penalties may have accrued relating to this overpayment from the United States Treasury. In addition, the County may have not had accurate and timely financial information for decision making.

Auditors' Recommendations: The County should contact the United States Treasury to determine if the \$114,819 is a valid payable and if so, determine and accrue any necessary penalties. Additionally, the County should monitor and reconcile all balance sheet accounts on a regular basis, including liability accounts, to ensure that amounts are researched, paid, or eliminated if necessary.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

2020-004 **Timely Account Reconciliation and Financial Statement Preparation (Reissue of prior year finding 2019-006)**

Criteria: To help ensure that financial reports, including audited financial statements, are accurate and prepared timely enough to meet filing requirements and provide useful information for decision making, general ledger accounts, including the County Treasurer Investment Pool, should be reconciled monthly and annual financial statements should be prepared within a reasonable amount of time after year-end.

Condition: During part of the fiscal year, the County Treasurer system was not reconciled to the County's general ledger on a timely basis, and certain other general ledger accounts were not reconciled by the County until subsequent to fiscal year end.

Cause and Effect: Due to employee turnover within the finance department the County did not have the necessary resources to properly reconcile and adjust account balances on a timely basis. As a result, the County may not have had accurate and timely financial information for accurate and reliable decision making and increasing the risk of errors in the annual financial statements.

Auditors' Recommendations: The County should evaluate its resources necessary to complete monthly reconciliations and the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process.

2020-005 **Golf Course Volunteers (Reissue of prior year finding 2019-004)**

Criteria: The County should ensure that individuals providing services to the County are properly compensated and those amounts reported under the Internal Revenue Code whether compensated with a paycheck or with other forms of remuneration. The County should also ensure that adequate records are maintained for any benefits received and used by these individuals.

Condition: The County Golf Course relies heavily on what the County considers "volunteer" services. These individuals receive green fee vouchers that systematically accumulate based on each hour worked. As such, these green fees may be considered wages under the Internal Revenue Code. The County has not formally determined or recorded the potential payroll liability for the costs associated with these services provided. In addition, controls were not sufficient to ensure that all vouchers redeemed were subsequently reduced from the voucher tracking system. Finally, the County's policies do not clearly state if the individuals that received green fee vouchers and have vouchers outstanding at year end (totaling approximately \$36,173 in vouchers) have any recourse to the County if these are not redeemed through the normal process.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

Cause and Effect: The Golf Course utilizes the services of these individuals and provides them “free” green fees as a benefit for their services in an attempt to reduce overall costs. However, adequate written policies regarding recourse to the County were not provided to these individuals and the County was not aware of the potential classification of employee issues outlined in the Internal Revenue Code. As a result, there may be unrecorded liabilities at the Golf Course, and/or the County may not be adhering to Fair Labor Standards Act requirements.

Auditor’s Recommendations: The County should strengthen its procedures for tracking volunteer service hours and green fee vouchers provided and used. In addition, the County should consult legal Counsel to determine its position regarding whether these individuals are considered employees under the Internal Revenue Code and whether there is any potential recourse that the employees could demand if the vouchers are not redeemed.

2020-006

Credit Card Controls

Criteria: The Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the State of Arizona Auditor General’s office requires Counties to develop and adhere to written policies and procedures to safeguard assets.

Condition: A lack of policies and procedures related to credit cards have led to circumstances with the County credit cards which increases the risk of error or misuse occurring without being caught in the normal course of operations. The noted circumstances are:

- active credit cards for 27 employees who have been, but are no are no longer employed by the County,
- several employees have more than one active card issued to them,
- credit card expenditures are not reviewed and approved as part of the normal purchase order process before they are incurred by the departments.

Cause and Effect: The County does not have procedures in place to monitor active cards assigned to employees in order to inactive multiple cards held by one person or cards for former employees. The County also lacks processes to authorize credit card purchases prior to the liability being incurred.

Auditor’s Recommendations: The County should put procedures in place to ensure credit cards are closed when an employee’s employment is terminated. In addition, the active credit card listing should be periodically reviewed for any anomalies, such as multiple cards issued to the same person. Lastly, procedures should be put in place for credit card purchases to follow normal authorization policies prior to the expense being incurred.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

2020-007 **Cash Monitoring and Reconciliations (Reissue of prior year finding 2019-010)**

Criteria: Policies and procedures should be established to ensure that cash activity relating to County departments is appropriately understood as to the availability of these resources, and that these accounts are appropriately reconciled and recorded in the County's general ledger.

Condition: The cash on deposit at the courts and enterprises are not recorded by the County on an ongoing basis. Rather, these accounts and any unrecorded activity are adjusted subsequent to year-end during the preparation of the annual financial statements.

Cause and Effect: The County has not established appropriate policies and procedures to monitor and reconcile all cash accounts on an ongoing basis. This prevents the County's accounting system from giving complete and accurate information during the year.

Auditor's Recommendations: The County should perform regular analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled timely.

Significant Deficiencies:

2020-008 **Segregation of Duties (Reissue of prior year finding 2019-001)**

Criteria: To help ensure the accuracy of financial records and to help reduce the risk of misappropriation of assets, duties should be segregated to separate the responsibilities of custody of assets, authorizing the use of assets, recording the use of assets, and monitoring the use of assets between multiple people. The Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the State of Arizona Auditor General's office requires Counties to develop and adhere to written policies and procedures to safeguard assets.

Condition: Adequate segregation of accounting duties was not in place in the Treasurer's office, Parks Department and Sheriff's office as the personnel responsible for collecting various fees are often also responsible for reconciling, depositing, and recordkeeping of these receipts. Independent verification and reconciliations of amounts collected to amounts deposited were not performed. In addition, the Finance Director is responsible for reviewing pay changes but was also processing payroll. No secondary review and approval was documented.

Cause and Effect: A detailed risk assessment was not performed for all County departments. As a result, policies have not been implemented to help ensure that duties are segregated, to the extent possible, to minimize control situations where individuals have the opportunity to misappropriate assets.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

Auditor's Recommendation: The County should perform a formal risk assessment considering the responsibilities of custody, authorization, recording, and monitoring the use of assets in each of its departments. In departments where more than one responsibility is held by one person, the County should implement additional procedures to mitigate the risk created by a lack of proper segregation of duties.

2020-009 **Budgetary Control (Reissue of prior year finding 2019-002)**

Criteria: Arizona Revised Statutes (A.R.S.) §42-17101 and §42-17107 require the County to prepare and adopt a balanced budget for each governmental fund on an annual basis. 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. §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. 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.

Condition: There were several instances where budgetary line items were over-expended in fiscal year 2020.

Cause and Effect: Although budgets are monitored on an ongoing basis, procedures have not been implemented to ensure that all departments comply with budget requirements. As such, the County over-expended funds contrary to Arizona Revised Statutes.

Auditor's Recommendations: Implement policies and procedures to ensure that budget requirements are enforced at all levels of the County's departments.

2020-010 **Golf Course Pro Shop and Parks Inventory (Reissue of prior year finding 2019-005)**

Criteria: Inventory held for sale should be identified and recorded in the accounting records for the golf course and parks enterprise funds. Additionally, physical inventory counts should be performed periodically and reconciled to the accounting records.

Condition: The golf course pro shop and parks department have goods held for sale at the end of the fiscal year, but no inventory was recorded and a physical inventory was not performed.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

Cause and Effect: The Golf Course and Parks do not have adequate policies and procedures to ensure all inventory held for sale is recorded and safeguarded. As a result, inventory and expenses in the golf fund and in the parks fund could be misstated in the accounting records, due to error or fraud, and not be caught in the normal course of operations.

Auditor's Recommendations: The County should implement policies and procedures to ensure inventories in all departments is identified and recorded. Physical inventories should be performed periodically and reconciled to the accounting records.

2020-011 **Capital Asset Inventory (Reissue of prior year finding 2019-003)**

Criteria: To help safeguard the County's assets, to help ensure accurate accounting records, and to comply with federal guidelines related to grants, physical inventories of capital assets should be performed at least every two years and reconciled to the accounting records. According to the Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-E, the standards required for recipients of federal monies, a physical inventory of furniture, equipment, and vehicles purchased with federal monies costing \$5,000 or more, and having useful lives over 1 year should be conducted and reconciled to the capital asset list at least once every two years.

Condition: Since the audit of fiscal year 2019, the County performed an inventory of capital assets, but did not reconcile the results of the inventory observation performed to the capital asset records and make the appropriate adjustments as a result of the observation.

Cause and Effect: Due to turnover in the department, the County did not reconcile the results of the inventory observation to the capital asset records, thereby not fully complying with the UAMAC or federal regulations.

Auditor's Recommendations: The County should perform a physical inventory observation at least every two years and reconcile the inventory observation to the capital asset records and investigate differences and adjust records, as necessary.

2020-012 **Excessive Number of Funds**

Criteria: Governments should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established and maintained because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration. Governments should discontinue reporting a special revenue fund, and instead report the fund's remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

Condition: The County has established and maintains 240 open funds in its accounting system. Many of these funds are special revenue funds which are carrying consistent fund deficits or fund balances from year to year, without any current activity, and should be closed.

Cause and Effect: With a significant number of funds, there is an increased risk, related activity which should be recorded in the same fund may be recorded across multiple funds. There is also additional effort and cost in tracking, reconciling, researching and resolving any noted issues due to the volume of locations the activity may go. It was noted a number of times in the year under audit, revenues for grants or projects were recorded in one fund while expenses were recorded in a different fund, having to be reconciled and corrected at year-end. Inconsistent placement of revenue and expenses related to specific grants and projects in prior years appears to have contributed to the amounts that are carrying forward in the open funds without current year activity.

Auditor's Recommendations: The County should review and evaluate existing funds to determine if the fund is still needed. Any funds without current or known future activity should be closed. Fund deficits and fund balances should be investigated to determine what the carry forward amounts relate to.

2020-013

Purchasing Policies

Criteria: The Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the State of Arizona Auditor General's office requires Counties to develop and adhere to written policies and procedures to safeguard assets. UAMAC, section VI-F-Purchasing, states that requisitions should be prepared, reviewed for budgetary approval, and then a purchase order should be prepared, prior to purchases being made.

Condition: Purchase requisitions and purchase orders are often prepared and approved after the purchase has been made and the liability for the County has already been incurred.

Cause and Effect: Purchasing policies and controls are being bypassed and disbursements are being made without following County policy. This increases the risk that unapproved expenditures could be made and budgetary overruns occur.

Auditor's Recommendation: The County should enforce purchasing policies to ensure compliance with state law and the UAMAC. Training should be provided to departments to ensure the policies and procedures are understood and departments follow purchasing policies.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section II - Financial Statement Findings, Continued

COMPLIANCE AND OTHER MATTERS:

Compliance:

2020-014 Cash Deficits Financed by Restricted Proceeds (Reissue of prior year finding 2019-011)

Criteria: Various statutes and contract agreements require that cash balances reported in the County's special revenue funds are to be used solely for the intended purposes.

Condition: During the fiscal year the County had generated deficit cash on deposit with the Treasurer balances in various special revenue funds and general fund departments. At fiscal year end specific special revenue funds are reflecting an amount loaned to other funds relating to these restricted resources totaling \$1,925,812. As a result, the County is not in compliance with State Statutes and contracts governing the use of these restricted funds.

Cause and Effect: The County does not have sufficient policies and procedures to adequately monitor cash and budget balances in various funds and departments. As a result, expenditures in excess of budgeted amounts and available cash in the applicable fund are paid, and because the County does not have sufficient unrestricted cash, these amounts are essentially paid from restricted resources in other special revenue funds.

Auditors' Recommendations: The County should develop a formal plan to reimburse the restricted amounts in the other special revenue funds. In addition, policies should be adopted that require any expenditure in excess of budget or available cash be approved by the Board of Supervisors.

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs

2020-101- Capital Asset Inventory (Significant deficiency, Compliance Finding: Repeat Finding)

Federal program information: 14.228-Community Development Block Grants
90.404-2018 HAVA Election Security Grant
93.354-Public Health Emergency Response

Criteria: To satisfy the standards required for recipients of federal funds, a physical inventory of furniture, equipment, and vehicles purchased with federal monies costing \$5,000 or more, and having useful lives over 1 year should be conducted at least every two years and reconciled to the capital asset list at least once every two years. In addition, the Public Health Emergency Response pass through agreement with the state require a state asset id tag be issued for equipment purchased under cfda #93.354 and the state pass through agreement for cfda# 90.404 requires equipment purchased with grant proceeds be included on an inventory listing detailing funding source, location in addition to other information.

Condition: Following the fiscal year 2019 audit, the County did perform an inventory but did not reconcile the results of the inventory observation performed to the capital asset records and make the appropriate adjustments as a result of the observation. A state asset id tag was not initially requested for the equipment purchased under cfda# 93.354 and the equipment purchased under cfda# 90.404 was not initially included on the inventory listing.

Cause and Effect: Due to turnover in the department, the County did not reconcile the results of the inventory observation to the capital asset records. As a result, the County did not fully comply with the UAMAC or federal regulations.

Auditors' Recommendations: The County should perform a physical inventory observation at least every two years and reconcile the inventory observation to the capital asset records and investigate any differences and adjust records, as necessary. The County should ensure inventory listings include all grant funded assets as required by individual agreements and that procedures are in place to ensure compliance with agreement specific requirements. Also, see financial statements finding **2020-011**.

2020-102- Grant Management, Accounting and Preparation of Schedule of Expenditures Federal Awards (Material Weakness, Reissue of prior year finding 2019-009)

Federal program information: 14.228-Community Development Block Grants
20.600-Highway Safety Cluster
20.616-Highway Safety Cluster
90.404-2018 HAVA Election Security Grant
93.069-Public Health Emergency Preparedness
93.354-Public Health Emergency Response

Criteria: Policies and procedures should be established to ensure that general ledger activity for Federal and State grants and contracts is recorded in the proper County fund. In addition, grant agreements typically specify billing frequencies for submitting reimbursement requests. For those agreements that do not, best practice requires reimbursement requests are processed within a reasonable amount of time. In addition, grant revenues should be reported in the same period as the related reimbursed expenditures. Modified accrual accounting focuses on whether resources can be collected. If a government is in a position to obtain resources to which it has claim during its availability period, but fails to do so, those resources should be considered to be available for revenue recognition purposes, even if they were not actually collected during the availability period. This ensures timely receipt of amounts earned and

LA PAZ COUNTY, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section III – Federal Award Findings and Questioned Costs, Continued

ensures that all eligible expenditures are reimbursed, allowing for the adequate monitoring of grant activities. A thorough understanding and tracking process of all Federal and State contracts ensures a complete and accurate Schedule of Expenditures of Federal Awards as well as proper reporting to the granting agency and compliance with grant requirements.

Condition: Timely analysis of grants and contracts, including an analysis of expenditures versus drawdowns, was not performed. In some cases reimbursements were significantly delayed due to untimely requests being filed.

Cause and Effect: The County does not have a centralized process specifically established for the ongoing accounting of federal and state contracts. As a result, there is an increased risk that accounting errors may occur and an increase in difficulty identifying and summarizing all Federal awards for the preparation of the Schedule of Expenditures of Federal Awards.

Auditors' Recommendations: We recommend the County establish policies and procedures to appropriately track its federal and state contracts within the general ledger on an ongoing basis. In addition, we recommend that the County create policies and procedures to monitor grants to ensure timely filing of reimbursement requests.

2020-103- Purchasing Policies and Payroll Approval (Significant Deficiency)

Federal program information: 20.600-Highway Safety Cluster
90.404-2018 HAVA Election Security Grant

Criteria: Uniform guidance requires the organization to comply with its stated purchasing policies. The County's policies adhere to the State's Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the State of Arizona Auditor General's office, which requires Counties to develop and adhere to written policies and procedures to safeguard assets. UAMAC, section VI-F-Purchasing, states requisitions should be prepared, reviewed for budgetary approval, and a then purchase orders should be prepared, prior to the purchases being made or liabilities being incurred.

Condition: Purchase requisitions and purchase orders are often prepared and approved after the purchase has been made and the liability on the County has already been incurred. Noted one employee's payroll lacked approval signatures as required by County policy.

Cause and Effect: Purchasing policies and controls are being bypassed and disbursements are being made without following County policy. This increases the risk that unapproved expenditures could be made and budgetary overruns occur. Payroll policies and controls were not followed. This could result in inappropriate overtime being paid and charged to a grant.

Auditor's Recommendation: The County should enforce purchasing policies to ensure compliance with state law and the UAMAC. Training should be provided to departments to ensure compliance with purchasing policies. Payroll policies should be followed.

LA PAZ COUNTY, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor / Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
<u>Department of Housing and Urban Development:</u>				
Passed through State of Arizona:				
Department of Housing				
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	104-19	\$ -	\$ 123,917
Home Investment Partnerships Program	14.239	308-19	-	26,915
Total Department of Housing and Urban Development			-	150,832
<u>Department of Justice:</u>				
Passed through State of Arizona:				
Criminal Justice Commission				
Crime Victim Assistance	16.575	2017-VA-GX-0046	-	62,399
Edward Byrne Memorial Justice Assistance Grant Program (JAG)	16.738	DC-20-026	-	24,649
Equitable Sharing	16.922	AZ0150000	-	3,000
Total Department of Justice			-	90,048
<u>Department of Transportation:</u>				
Passed through State of Arizona:				
Governor's Office of Highway Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	2019-PTS-023, 2020-PTS-028	-	17,577
National Priority Safety Programs	20.616	2020-405D-022	-	10,778
Total Highway Safety Cluster			-	28,355
Total Department of Transportation			-	28,355
<u>Department of Treasury</u>				
Passed through State of Arizona:				
Office of the Governor				
COVID-19 - Arizona Cares Fund	21.019	None	-	122,962
Total Department of Treasury			-	122,962
<u>Election Assistance Commission</u>				
Passed through State of Arizona:				
Secretary of State's Office				
2018 HAVA Election Security Grant	90.404	AZ18101001	-	54,963
Total Election Assistance Commission			-	54,963

(continued)

LA PAZ COUNTY, ARIZONA
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor / Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
<u>Department of Health and Human Services:</u>				
Passed through State of Arizona				
Department of Health and Human Services				
Public Health Emergency Preparedness	93.069	ADHS 17-133193	-	167,043
Injury Prevention and Control Research and State and Community Based Programs	93.136	CTR48905	-	86,895
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	ADHS 17-133193-A7	-	133,185
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	ADHS 18-177682	-	26,650
Maternal and Child Health Services Block Grant to the States	93.994	ADHS 16-098348	-	21,575
Passed through Western Arizona Council of Governments				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044	E86-0445604-401-01-20	-	56,635
Total Aging Cluster			-	56,635
Social Services Block Grant	93.667	E86-0445604-401-01-20	-	13,834
Total Department of Health and Human Services			-	505,817
<u>Executive Office of the President</u>				
Passed through the City of Tucson:				
High Intensity Drug Trafficking Areas Program	95.001	HT-18-2812	-	6,124
Total Executive Office of the President			-	6,124
<u>Department of Homeland Security:</u>				
Passed through State of Arizona:				
Department of Emergency and Military Affairs				
Emergency Management Performance Grants	97.042	EMF-2018-EP-00012	-	10,851
Emergency Management Performance Grants	97.042	EMF-2020-EP-00009	-	101,761
Department of Homeland Security				
Homeland Security Grant Program	97.067	190508-02	-	34,793
Homeland Security Grant Program	97.067	190508-03	-	33,990
Homeland Security Grant Program	97.067	170518-04	-	35,230
Homeland Security Grant Program	97.067	180434-01	-	54,460
Homeland Security Grant Program	97.067	190508-01	-	22,019
Homeland Security Grant Program	97.067	160506-04	-	1,544
Total Department of Homeland Security			-	294,648
Total Expenditures of Federal Awards			\$ -	\$ 1,253,749

LA PAZ COUNTY, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Reporting Entity:

The accompanying schedule of expenditures of federal awards presents the activity or expenditure of all federal awards programs of the La Paz County, Arizona for the year ended June 30, 2020. The County's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Basis of Accounting:

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect Cost Rate:

The County did not elect to use the 10% de Minimis indirect cost rate for fiscal year 2020. There were no indirect cost allocations made to any of the federal grants as listed in the accompanying schedule of expenditures of federal awards.

Federal Loans Outstanding:

There are no outstanding balances for federal loan or loan guarantee programs with continuing compliance requirements at June 30, 2020.

Catalog of Federal Domestic Assistance (CFDA) Number:

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2020 Catalog of Federal Domestic Assistance.



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Duce Minor - District 2 Diane Green - Clerk of the Board
Holly Irwin - District 3

FY2020

Audit Findings and Corrective Action Plan

Section	Finding	Corrective Action	Responsible Party	Target Date
Financial Statements	2020-001 Parks Fund Documentation and Reconciliation. Documentation should be maintained to support the activity of the fund.	The County has retained a consultant to develop and enact policies and procedures to sufficiently prepare and retain documentation to support the activities of the Parks fund and allow for proper oversight of those activities.	Board of Supervisors, La Paz County Administrator, La Paz County, La Paz County Parks Director	By 6/30/2022
	2020-002 Grant Management, Accounting and Preparation of Schedule of Expenditures Federal Awards (Reissue of prior year finding 2019-009)	Policies and procedures are being developed to address timely analysis and tracking of grants and contracts including revenues, expenditures and reconciliation to ensure accurate accounting of grants and contracts. The county will add the Grant Module to their Visions software to create a central repository of grant award data to ensure that the Schedule of Expenditures of Federal Awards (SEFA) is accurate.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
	2020-003 Monitoring of Liability Accounts (Reissue of prior year finding 2019-007)	The \$114,819 liability was determined to be a FY2013 Audit Adjustment that was never reversed. Policies and procedures are being developed to address timely reconciliation of the county's General Ledger and liability accounts to ensure amounts are paid or eliminated as required.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
	2020-004 Timely Account Reconciliation and Financial Statement Preparation (Reissue of prior year finding 2019-006)	Policies and procedures are being developed to address timely reconciliation of the county's General Ledger, year end closing activities and the preparation of the financial statement. Once in place, the county will evaluate the need for additional resources.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
	2020-005 Golf Course Volunteers (Reissue of prior year finding 2019-004)	The County will strengthen its procedures for tracking volunteer service hours and green fee vouchers provided and used. In addition, the County will consult legal Counsel to determine its position regarding whether these individuals are considered employees under the Internal Revenue Code and whether there is any potential recourse that the employees could demand if the vouchers are not redeemed.	Board of Supervisors, La Paz County Administrator, La Paz County Golf Course Director	By 6/30/2022
	2020-006 Credit Card Controls	The County will put procedures in place to ensure credit cards are closed when an employee's employment is terminated. In addition, the active credit card listing will be periodically reviewed for any anomalies, such as multiple cards issued to the same person. Procedures will be put in place for credit card purchases to follow normal authorization policies prior to the expense being incurred.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
	2020-007 Cash Monitoring and Reconciliations (Reissue of prior year finding 2019-010)	Policies and procedures are being developed to address proper cash handling and monitoring as well as timely reconciliation of the county's General Ledger to the Treasurer's system and year end closing activities. Once in place, the county will evaluate the need for additional resources.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department, La Paz County Treasurer	By 6/30/2022
	2020-008 Segregation of Duties (Reissue of prior year finding 2019-001)	The County has retained a consultant to assess the work flow and risk for Departments including the Finance Department and develop policies and procedures that address appropriate segregation of duties and internal controls.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022

2020-009 Budgetary Control (Reissue of prior year finding 2019-002)	The county has retained a consultant to produce a balanced budget and create the policies and procedures to ensure that budget requirements are enforced at all levels of the County's departments.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
2020-010 Golf Course Pro Shop and Parks Inventory (Reissue of prior year finding 2019-005)	The County will implement policies and procedures to ensure that inventories are identified and recorded. Physical inventories will be performed at least every two years and reconciled to the accounting records.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department, La Paz County Golf Course Director	By 6/30/2022
2020-011 Capital Asset Inventory (Reissue of prior year finding 2019-003)	A full physical asset inventory was conducted in July 2020 by a third party vendor. Policies are being developed to address updating and reconciling the asset inventory list for the county.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
2020-012 Excessive Number of Funds	The County will review and evaluate existing funds to determine if the fund is still needed. Any funds without current or known future activity will be closed. Fund deficits and fund balances will be investigated to determine what the carry forward amounts relate to. The County will implement policies and procedures for creating new funds and limit adding any new funds in accordance with UAMAC	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
2020-013 Purchasing Policies	The County will strengthen and enforce purchasing policies to ensure compliance with state law and the UAMAC. Training will be provided to departments to ensure the policies and procedures are understood and departments follow purchasing policies.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
COMPLIANCE :			
2020-014 Cash Deficits Financed by Restricted Proceeds (Reissue of prior year finding 2019- 011)	The County has retained a consultant to assist in the annual budget development plan and long term financial health that will reduce the General Fund deficit and reimburse the cash owed to restricted and special revenues funds. Policies and procedures are being developed to address Board of Supervisor approval for any expenditure in excess of budget or available cash.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department	By 6/30/2022
Federal Award Findings and Questioned Costs			
14.228-Community Development Block Grants 90.404-2018 HAVA Election Security Grant 93.354-Public Health Emergency Response	2020-101- Capital Asset Inventory (Significant deficiency, Compliance Finding: Repeat Finding)	A full physical asset inventory was conducted in July 2020 by a third party vendor. The county will perform a physical inventory at least every two years and reconcile the inventory observation to the capital asset records and investigate any differences and adjust records, as necessary. The County will ensure inventory listings include all grant funded assets as required by individual agreements and that procedures are in place to ensure compliance with agreement specific requirements.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department
14.228-Community Development Block Grants 20.600-Highway Safety Cluster 20.616-Highway Safety Cluster 90.404-2018 HAVA Election Security Grant 90.069-Public Health Emergency Preparedness 93.354-Public Health Emergency Response	2020-102- Grant Management, Accounting and Preparation of Schedule of Expenditures Federal Awards (Material Weakness, Reissue of prior year finding 2019-009)	Policies and procedures are being developed to address timely analysis and tracking of grants and contracts including revenues, expenditures and reconciliation to ensure accurate accounting of grants and contracts. The county will add the Grant Module to the their Visions software to create a central repository of grant award data to ensure that the Schedule of Expenditures of Federal Awards (SEFA) is accurate.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department
20.600-Highway Safety Cluster 90.404-2018 HAVA Election Security Grant	2020-103- Purchasing Policies and Payroll Approval (Significant Deficiency)	The County will strengthen and enforce purchasing and payroll policies to ensure compliance with state law and the UAMAC. Training will be provided to departments to ensure compliance with purchasing policies.	Board of Supervisors, La Paz County Administrator, La Paz County Finance Department


 Megan Spielman, County Administrator 6/30/2021
Date

Vacant, Finance Director Date



La Paz County Board of Supervisors

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La Paz County

Summary Schedule of Prior Audit Findings Audit Findings and Corrective Action Plan Status

Section	Finding	Finding description	Status	Corrective Action
Financial Statements	2019-001, 2018-001, 2017-001 and 2016-001	Lack of Adequate Segregation of Accounting Duties (Significant Deficiency: Repeat Finding)	Not corrected	In Process, Please see 2020-008
	2019-002, 2018-002, 2017-002 and 2016-004	Budgetary Control (Compliance with Laws and Regulations/ Significant Deficiency: Repeat Finding)	Not corrected	In Process, Please see 2020-009
	2019-003, 2018-003, 2017-003 and 2016-005	Capital Asset Inventory (Significant Deficiency: Repeat Finding)	Partially corrected	Partially resolved. A full physical asset inventory was conducted in July 2020 by a third party vendor. Policies are being developed to address updating and reconciling the asset inventory list for the county.
	2019-004, 2018-004, 2017-005 and 2016-008	Golf Course Volunteers (Material Weakness: Repeat Finding)	Not corrected	In Process. Please see 2020-005
	2019-005, 2018-005, 2017-006 and 2016-010	Golf Course Pro Shop Inventory (Significant Deficiency: Repeat Finding)	Not corrected	In Process. Please see 2020-010
	2019-006, 2018-006, 2017-007 and 2016-013	Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)	Not corrected	In Process. Please see 2020-004
	2019-007, 2018-007 and 2017-008	Monitoring of Liability Accounts (Material Weakness: Repeat Finding)	Not corrected	In process. Please see 2020-003
	2019-008, 2018-008 and 2017-009	Court Fees and Assessments (Compliance with Laws and Regulations: Repeat Finding)	Corrected	Resolved
	2019-009 and 2018-009	Grant Accounting and Preparation of Schedule of Expenditures of Federal Awards (Material Weakness: Repeat Finding)	Not corrected	In Process. Please see 2020-002
	2019-010 and 2018-010	Cash Monitoring and Reconciliations (Material Weakness: Repeat Finding)	Not corrected	In Process. Please see 2020-007
	2019-011 and 2018-011	Cash Deficits Financed by Restricted Proceeds (Compliance with Laws and Regulations: Repeat Finding)	Not corrected	In Process. Please see 2020-014
Federal Award Findings and Questioned Costs Public Health Emergency Preparedness Homeland Security Grant Program Equitable Sharing	2019-101, 2018-101, 2017-101 and 2016-101	Capital Asset Inventory (Significant deficiency, Compliance finding: Repeat Finding)	Partially corrected.	Partially resolved. A full physical asset inventory was conducted in July 2020 by a third party vendor. Policies are being developed to address updating and reconciling the asset inventory list for the county.
	2019-102, 2018-102 and 2017-103	Timely Account Reconciliation and Financial Statement Preparation (Material Weakness: Repeat Finding)	Not corrected	In Progress. Included as a part of 2020-102.

Equitable Sharing	2019-103 and 2018-103	Grant Accounting and Preparation of Schedule of Expenditures of Federal Awards (Material Weakness)	Not corrected	In Progress. Please see 2020-102
	2019-104	Reporting (Material Weakness, Compliance Finding)	Corrected	Resolved
		<u>/s/ Megan Spielman</u>		<u>5/17/2021</u>
		Megan Spielman, County Administrator		Date
		<hr/>		<hr/>
		Vacant, Finance Director		Date