

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 1 to the financial statements, for the year ended June 30, 2015, the County Adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 13, the Budgetary Comparison Schedules on pages 70 through 76, Schedule of the County's Proportionate Share of the Net Pension Liability-Cost-Sharing Pension Plans on page 77, Schedule of Changes in the County's Net Pension Liability and Related Ratios-Agent Pension Plans on pages 78 through 79, Schedule of County Pension Contributions on pages 80 through 81, and Schedule of Agent OPEB Plan's Funding Progress on page 83. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the

information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

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

Smsola + Butler, CPAs, PLLC

Phoenix, Arizona
April 21, 2016

Management's Discussion and Analysis

La Paz County
Management's Discussion and Analysis
June 30, 2015

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, 2015. 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 exceeded liabilities by \$23,258,168 (net position). Of this amount, \$47,169,075 is a deficit in unrestricted net position, \$7,624,058 is restricted for specific purposes (restricted net position), and \$62,803,185 is the County's net investment in capital assets.
- The County's total net position as reported in the Statement of Activities decreased by \$2,162,895 in comparison to the prior year's increase in total net position of \$847,979.
- At June 30, 2015, the governmental funds reported combined fund balances of \$6,471,795, a decrease of \$1,346,955 in comparison with the prior year. The components of fund balances consist of \$22,628 that is nonspendable, \$8,479,339 that is restricted or committed for specific purposes, and \$2,030,182 that is an accumulated deficit.
- At June 30, 2015 the unassigned fund balance for the General Fund was \$2,135,009 or 14% of General Fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be expended in the next fiscal year.

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 two business-type activities consisting of the Emerald Canyon Golf Course and the La Paz County Park.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The County has one major component unit, the La Paz County Jail District and several street lighting districts that are also component units. Refer to Note 1 A, Reporting Entity, on page 26 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

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

Management's Discussion and Analysis - Continued

Overview of the Financial Statements - Continued

The governmental fund financial statements can be found on pages 16-19 of this report.

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

The enterprise fund financial statements can be found on pages 20-23 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 24-25 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 26-69 of this report.

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

Required supplementary information can be found on pages 70-83 of this report.

Government-Wide Financial Analysis

Net Position

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

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

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The following table summarizes the Statement of Net Position at June 30, 2015 and 2014:

	2015		2014		2014	
	Governmental Activities	Governmental Activities, Restated	Business- Type Activities	Business- Type Activities, Restated	2015 Total	2014 Restated Total
Current and other assets	\$ 9,239,299	\$ 10,371,503	\$ (7,904)	\$ (303,958)	\$ 9,231,395	\$ 10,067,545
Capital assets	65,095,669	64,289,406	1,141,436	1,193,390	66,237,105	65,482,796
Total assets	74,334,968	74,660,909	1,133,532	889,432	75,468,500	75,550,341
Deferred outflows of resources	6,167,925	1,628,397	168,763	89,317	6,336,688	1,717,714
Other liabilities	2,837,691	2,751,359	126,032	122,360	2,963,723	2,873,719
Long-term liabilities	51,055,613	47,249,931	1,466,741	1,723,342	52,522,354	48,973,273
Total liabilities	53,893,304	50,001,290	1,592,773	1,845,702	55,486,077	51,846,992
Deferred inflows of resources	2,797,566	-	263,377	-	3,060,943	-
Net position:						
Net investment in capital assets	61,663,073	61,314,530	1,140,112	1,176,565	62,803,185	62,491,095
Restricted	7,624,058	8,833,307	-	-	7,624,058	8,833,307
Unrestricted (deficit)	(45,475,108)	(43,859,821)	(1,693,967)	(2,043,518)	(47,169,075)	(45,903,339)
Total net position	\$ 23,812,023	\$ 26,288,016	\$ (553,855)	\$ (866,953)	\$ 23,258,168	\$ 25,421,063

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 \$23,258,168 at June 30, 2015, which is primarily the result of the County's investment in long-lived assets.

For comparative purposes, the County's 2014 net position was restated for both governmental activities and business-type activities. The net position of governmental activities and business-type activities net position was reduced by \$23,702,789, and \$1,484,096, respectively, as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For more information, please see Note 11 on page 69.

Also, the County's financial position decreased due to a reduction in charges for services revenues pertaining to the loss of federal inmate revenues and other services rendered and a reduction of court fees and fines.

Governmental activities capital assets increased by \$806,263 and are attributable to capital asset additions that exceeded depreciation expense during 2015. Governmental activities long-term liabilities increased by \$3,805,682 and business-type activities long-term liabilities decreased by \$256,601, primarily due to changes in the net pension liabilities. Additional information on the County's long term debt activity can be found in Note 7 of the notes to the financial statements on pages 43-47 of this report.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The increases in deferred outflows of resources and deferred inflows of resources of \$4,618,974 and \$3,060,943, respectively, consist of the contributions to the pension plans after the measurement date and the changes in estimates and assumptions used to calculate the net pension liabilities. This increase is due to the implementation of GASB No. 68, *Accounting and Financial Reporting for Pensions*. Additional information on the County's pension plan activity can be found in Note 9 of the notes to the financial statements on pages 48-68 of this report.

Business-type activities incurred an increase in total assets which is primarily related to the earnings of the golf course and transfers into the parks fund during the year.

Changes in Net Position

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

	2015 Governmental Activities	2014 Governmental Activities, Restated	2015 Business-Type Activities	2014 Business-Type Activities, Restated	2015 Total	2014 Restated Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,318,445	\$ 5,260,507	\$ 2,511,815	\$ 2,503,708	\$ 6,830,260	\$ 7,764,215
Operating grants & contributions	4,683,471	4,651,536	-	-	4,683,471	4,651,536
Capital grants & contributions	3,701,971	3,960,257	-	-	3,701,971	3,960,257
General revenues:						
Property taxes	4,989,084	4,516,460	-	-	4,989,084	4,516,460
Share of state sales taxes	2,209,336	2,101,668	-	-	2,209,336	2,101,668
Excise tax	4,776,220	4,288,525	-	-	4,776,220	4,288,525
Payments in lieu of taxes	1,756,669	1,928,269	-	-	1,756,669	1,928,269
Vehicle license tax	552,603	545,826	-	-	552,603	545,826
State lottery	550,038	550,040	-	-	550,038	550,040
Contributions not restricted to specific programs	638,455	-	-	-	638,455	-
Investment earnings	21,511	24,768	-	-	21,511	24,768
Miscellaneous	293,054	977,026	9,980	66,040	303,034	1,043,066
Total revenues	28,490,857	28,804,882	2,521,795	2,569,748	31,012,652	31,374,630
<u>Expenses</u>						
General government	10,641,112	8,492,933	-	-	10,641,112	8,492,933
Public safety	9,777,843	9,683,327	-	-	9,777,843	9,683,327
Highways and streets	3,760,016	4,387,502	-	-	3,760,016	4,387,502
Sanitation	1,972,039	1,410,695	-	-	1,972,039	1,410,695
Health	2,491,114	2,332,470	-	-	2,491,114	2,332,470
Welfare	632,971	541,402	-	-	632,971	541,402
Culture and recreation	143,396	142,743	2,455,549	2,440,469	2,598,945	2,583,212
Education	433,629	216,503	-	-	433,629	216,503
Interest on long-term debt	867,878	878,607	-	-	867,878	878,607
Total expenses	30,719,998	28,086,182	2,455,549	2,440,469	33,175,547	30,526,651
Transfers	(246,852)	-	246,852	-	-	-
Change in net position	(2,475,993)	718,700	313,098	129,279	(2,162,895)	847,979
Beginning net position, as restated	26,288,016	25,569,316	(866,953)	(996,232)	25,421,063	24,573,084
Ending net position	\$ 23,812,023	\$ 26,288,016	\$ (553,855)	\$ (866,953)	\$ 23,258,168	\$ 25,421,063

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

Net position of the governmental activities decreased during the year by \$2,475,993. Total revenues decreased by \$314,025 which is primarily related to a decrease in charges for services of \$942,062, a decrease in capital grants and contributions of \$258,286, a decrease in miscellaneous revenue of \$683,972, an increase in property taxes of \$472,624, an increase in excise tax of \$487,695, and an increase in contributions not restricted to specific programs of \$638,455. The decrease in miscellaneous revenues relates primarily to an insurance dividend totaling \$87k and \$200k in landfill revenues, both of which were received in FY 2014 but not FY 2015.

In addition, governmental activities expenses increased from 2014 by a total of \$2,633,816. The expense increase was primarily from an increase in general government expenses of \$2,148,179 and sanitation expenses of \$561,344 offset by a decrease in highways and streets expenses of \$627,486.

Business-type activities reported an increase in net position of \$313,098. The increase in net position was primarily from a transfer from the general fund in the amount of \$246,852. The increase in revenues resulted from increased golf fees and a slight increase in expenses resulted from efforts to keep spending within the confines of revenue constraints.

Financial Analysis of the County's Funds

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

Governmental funds – The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2015, the County's governmental funds reported combined fund balances of \$6,471,795, a decrease of \$1,346,955 in comparison with the prior year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, fund balance of the General Fund was \$2,150,175. Total General Fund revenue decreased \$668,093 from 2014 and is primarily the result of decreases in fees, fines and forfeits, miscellaneous revenues, offset by an increase in property taxes. General Fund expenditures increased by \$955,488 resulting primarily from an increase in sanitation expenditures of \$566,672 and capital outlay of \$674,100, offset by a decrease in public safety expenses of \$388,734. The decrease in charges for services revenues in the general fund is primarily because the general fund did not charge other funds indirect costs during the year.

The Road Fund, a major County Fund, is used for various road projects within the County. During 2015, the fund incurred an overall increase of \$35,670 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 2015, the Fund's overall revenues decreased by \$498,462 from 2014 due to a continued decrease in revenues related to inmate housing activity while expenditures remained consistent.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued

The Business 95 Road Improvement Fund had a transfer to the general fund totaling \$1,253,140 which resulted from the flexibility legislation that allows Counties to supplement their general fund expenditures with certain approved state revenue sources.

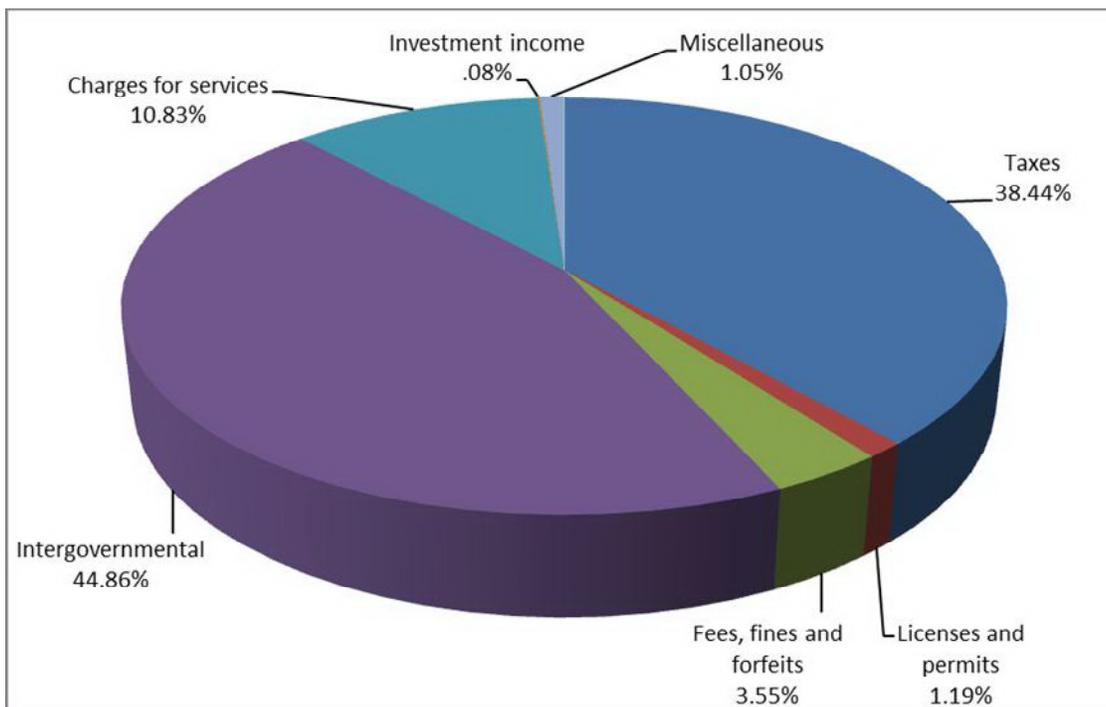
The Debt Service Fund was established during the 2012 fiscal year and accounts for unexpended bond proceeds and for a transaction privilege tax levy collected for the purpose of principal and interest repayment on County issued excise tax revenue judgment bonds. The fund had an increase in total excise taxes collected during 2015 of \$344,519 while total interest expense incurred was \$774,669.

Other Governmental funds had an increase in revenues totaling \$80,671 which was primarily the result of an increase in grant monies.

The Golf Course Fund, a County enterprise fund had a decrease in revenues totaling \$68,967 due to a decrease in golf fees earned. This resulted from a decrease in the number of golf players during 2015. Meanwhile, expenses decreased by \$71,289 due to a decrease in various operating costs during the year.

The Parks Fund, also a County enterprise fund, had an increase in revenues totaling \$21,014 while expenses increased by \$86,369. The increase in expenses is primarily from an increase in personnel services and supplies.

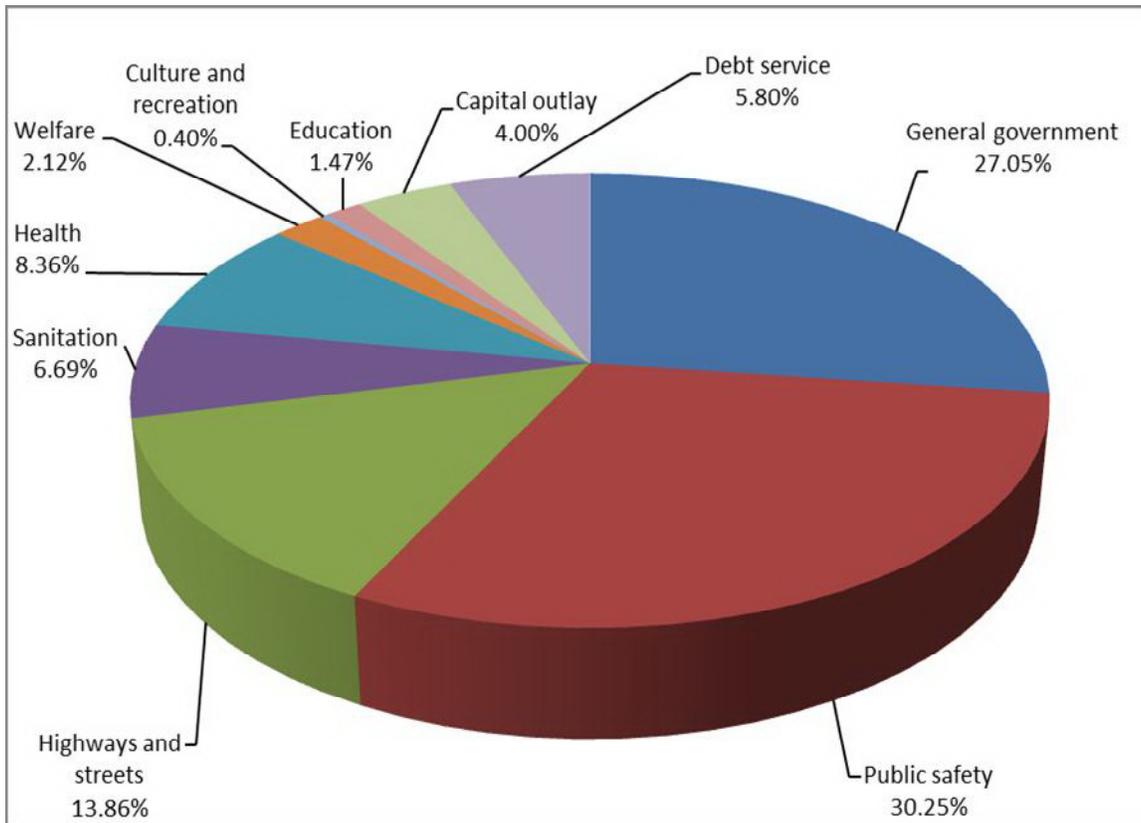
The following graphs present the amount of governmental revenues from various sources and expenditures by function:



The composition of revenues saw a decrease in charges for services, along with increases for taxes and intergovernmental revenues.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued



The composition of 2015 County expenditures did not change significantly, with the exception of capital outlay and debt service, which increased to 2.15% and 2.41%, respectively, of total expenditures. General government functions decreased to 27.05%, public safety expenditures decreased to 30.25% of total expenditures.

General Fund Budgetary Highlights

General Fund actual expenditures were approximately \$906,544 less than the adopted budget and actual revenues were less than estimated revenues by approximately \$4.5 million.

Tax revenues were less than the budgeted amount predominately due to less than anticipated property and sales tax. Miscellaneous revenues were less than budget primarily because the County budgeted for revenues of approximately \$2.2 million which was not realized.

Fees, fines, and forfeits for services decreased primarily from less than anticipated fines revenues received by the Justice to the Peace courts, and intergovernmental revenues were less than budgeted due to less than anticipated shared revenues received from the State of Arizona.

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights - Continued

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

Budget versus actual variances

- The County Assessor was \$129,167 below budget as costs to facilitate elections during 2015 were less than anticipated.
- Justice of the Peace in Districts 4 and 6 were \$80,413 and \$36,383, respectively, less than budget due to lower than anticipated personnel and other operating costs.
- Court administration was \$95,888 greater than budget due to greater than anticipated court appointed counsel.
- Contingency was \$1,000,000 less than anticipated, due to the County not utilizing this line item during the year.
- Management information services was \$33,596 greater than budget due to capital outlays incurred during 2015 for a new telephone system.
- General administration was \$148,422 greater than budget due to greater than anticipated insurance and professional costs.
- During 2015, Facilities management was \$580,650 greater than budgeted costs due unbudgeted capital outlay expenses (solar panels).
- During 2015, the Indigent Health Department incurred costs that were \$81,400 greater than the budget due to greater than anticipated County portion of its payments to the State of Arizona health system.
- The County long term care ALTCS was \$169,810 less than budgeted due to less than anticipated contributions to the Arizona Long-Term Care System.
- The Chronically Mentally Ill expenses were \$37,895 less than budgeted due to lower than anticipated hospital care and mental health services.
- The variance in budgeted transfers in from Other Governmental Funds consists of a transfer in from various funds to reimburse the General Fund in the amount of \$3,718,720.
- Transfers out was greater than budgeted due to unbudgeted transfers made to cover the deficit fund balance in various funds.

Budget Modifications

During 2015, the following departments had budget amendments exceeding \$20,000 and 10%:

- The management information services increased its budget by \$62,000 to cover increased technology outlays.

Management's Discussion and Analysis - Continued

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2015 totaled \$62.8 million (net of accumulated depreciation and related debt). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets decreased 0.5% from the prior period. Major capital asset events during the current fiscal year included a vehicle purchases for the Sheriff's Office and various road improvement projects.

Additional information on the County's capital assets activity and balances can be found in Note 6 of the notes to the financial statements on pages 41-42 of this report.

Long-Term Liabilities

At June 30, 2015 the County had total long-term liabilities outstanding of \$52,522,354. This amount consists primarily of obligations under capital leases of \$2.2 million, \$17.5 million in bonds payable and \$30.6 million in net pension liability.

Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 43-47 of this report.

Economic Factors

- Due to the improving economic environment, it is anticipated that future shared revenues received from the State of Arizona and property and sales tax revenues will increase.
- In February 2015, the County negotiated the transfer of 25 inmates to the County jail and the County anticipates receiving another 25 inmates. The increase in inmates will assist with reducing the annual deficit in the Jail District fund.
- 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, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,072,768	\$ 394,649	\$ 2,467,417
Property taxes receivable	389,029	-	389,029
Internal balances	466,574	(466,574)	-
Due from:			
Others	73,566	64,021	137,587
Other governments	1,847,606	-	1,847,606
Cash and investments held by trustee - restricted for debt service	4,367,118	-	4,367,118
Prepaid items	22,638	-	22,638
Capital assets, not being depreciated	43,243,843	-	43,243,843
Capital assets, being depreciated, net	21,851,826	1,141,436	22,993,262
Total assets	<u>74,334,968</u>	<u>1,133,532</u>	<u>75,468,500</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>6,167,925</u>	<u>168,763</u>	<u>6,336,688</u>
Liabilities			
Accounts payable	605,997	48,768	654,765
Accrued liabilities	661,394	57,032	718,426
Interest payable	424,786	6,059	430,845
Unearned revenue	637,500	-	637,500
Due to:			
Others	161,431	14,173	175,604
Other governments	346,583	-	346,583
Noncurrent liabilities:			
Due within one year	928,334	14,656	942,990
Due in more than one year	50,127,279	1,452,085	51,579,364
Total liabilities	<u>53,893,304</u>	<u>1,592,773</u>	<u>55,486,077</u>
Deferred Inflows			
Deferred inflows related to pensions	<u>2,797,566</u>	<u>263,377</u>	<u>3,060,943</u>
Net Position			
Net investment in capital assets	61,663,073	1,140,112	62,803,185
Restricted for:			
Highways and streets	144,216	-	144,216
Judicial	1,716,348	-	1,716,348
Public safety	872,673	-	872,673
Health and welfare	583,340	-	583,340
Debt service	3,996,570	-	3,996,570
Other purposes	310,911	-	310,911
Unrestricted (deficit)	(45,475,108)	(1,693,967)	(47,169,075)
Total net position	<u>\$ 23,812,023</u>	<u>\$ (553,855)</u>	<u>\$ 23,258,168</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2015

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	\$ 10,641,112	\$ 1,765,455	\$ 715,323	\$ 22,312	\$ (8,138,022)	\$ -	\$ (8,138,022)
Public safety	9,777,843	910,877	1,653,045	-	(7,213,921)	-	(7,213,921)
Highways and streets	3,760,016	-	764,534	3,679,659	684,177	-	684,177
Sanitation	1,972,039	1,394,861	56,305	-	(520,873)	-	(520,873)
Health	2,491,114	132,233	1,018,957	-	(1,339,924)	-	(1,339,924)
Welfare	632,971	115,019	302,534	-	(215,418)	-	(215,418)
Culture and recreation	143,396	-	167,231	-	23,835	-	23,835
Education	433,629	-	5,542	-	(428,087)	-	(428,087)
Interest on long-term debt	867,878	-	-	-	(867,878)	-	(867,878)
Total governmental activities	30,719,998	4,318,445	4,683,471	3,701,971	(18,016,111)	-	(18,016,111)
Business-type activities							
Golf course	1,501,608	1,645,501	-	-	-	143,893	143,893
Parks	953,941	866,314	-	-	-	(87,627)	(87,627)
Total business-type activities	2,455,549	2,511,815	-	-	-	56,266	56,266
Total primary government	\$ 33,175,547	\$ 6,830,260	\$ 4,683,471	\$ 3,701,971	(18,016,111)	56,266	(17,959,845)
General revenues:							
Taxes:							
					4,858,262	-	4,858,262
					130,822	-	130,822
					4,776,220	-	4,776,220
					1,756,669	-	1,756,669
					2,209,336	-	2,209,336
					552,603	-	552,603
					550,038	-	550,038
					638,455	-	638,455
					21,511	-	21,511
					293,054	9,980	303,034
					(246,852)	246,852	-
Total general revenues					15,540,118	256,832	15,796,950
Changes in net position					(2,475,993)	313,098	(2,162,895)
Net position - July 1, 2014, as restated					26,288,016	(866,953)	25,421,063
Net position - June 30, 2015					\$ 23,812,023	\$ (553,855)	\$ 23,258,168

See the accompanying notes to the financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2015**

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 1,124,877	\$ 383,555	\$ 45,491	\$ -	\$ -	\$ 518,845	\$ 2,072,768
Cash and investments held by trustee	-	-	-	-	3,818,080	549,038	4,367,118
Property tax receivable	386,114	-	-	-	-	2,915	389,029
Due from:							
Others	70,617	-	-	-	-	2,949	73,566
Other governments	300,182	397,604	201,865	-	178,490	769,465	1,847,606
Other funds	2,154,140	-	-	489,477	-	-	2,643,617
Prepaid items	15,166	4,206	-	-	-	3,266	22,638
Total assets	<u>\$ 4,051,096</u>	<u>\$ 785,365</u>	<u>\$ 247,356</u>	<u>\$ 489,477</u>	<u>\$ 3,996,570</u>	<u>\$ 1,846,478</u>	<u>\$ 11,416,342</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable	\$ 269,757	\$ 168,612	\$ 57,271	\$ -	\$ -	\$ 110,357	\$ 605,997
Accrued liabilities	359,491	47,841	69,204	-	-	184,858	661,394
Unearned revenue	637,500	-	-	-	-	-	637,500
Due to:							
Others	46,576	1,133	53,155	-	-	60,567	161,431
Other governments	221,495	-	-	-	-	125,088	346,583
Other funds	14,204	745,550	1,370,131	-	-	47,158	2,177,043
Total liabilities	<u>1,549,023</u>	<u>963,136</u>	<u>1,549,761</u>	<u>-</u>	<u>-</u>	<u>528,028</u>	<u>4,589,948</u>
Deferred inflows of resources:							
Unavailable revenues:							
Property taxes	351,898	-	-	-	-	2,701	354,599
Total deferred inflows of resources	<u>351,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,701</u>	<u>354,599</u>
Fund balances:							
Nonspendable:							
Prepaid items	15,166	4,206	-	-	-	3,266	22,638
Restricted	-	-	-	-	3,996,570	3,627,488	7,624,058
Committed	-	-	-	489,477	-	365,804	855,281
Unassigned	2,135,009	(181,977)	(1,302,405)	-	-	(2,680,809)	(2,030,182)
Total fund balances	<u>2,150,175</u>	<u>(177,771)</u>	<u>(1,302,405)</u>	<u>489,477</u>	<u>3,996,570</u>	<u>1,315,749</u>	<u>6,471,795</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,051,096</u>	<u>\$ 785,365</u>	<u>\$ 247,356</u>	<u>\$ 489,477</u>	<u>\$ 3,996,570</u>	<u>\$ 1,846,478</u>	<u>\$ 11,416,342</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, 2015

Fund balances—total governmental funds		\$ 6,471,795
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$121,454,703 and the accumulated depreciation is \$56,359,034.		65,095,669
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.		354,599
Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.		(424,786)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Notes payable	\$ (1,255,000)	
Obligations under capital leases	(2,177,596)	
Compensated absences payable	(894,163)	
Net pension liability	(29,263,854)	
Bonds payable	<u>(17,465,000)</u>	(51,055,613)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore, are not reported in the funds.		<u>3,370,359</u>
Net position of governmental activities		<u>\$ 23,812,023</u>

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, 2015

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Revenues:							
Taxes	\$ 6,561,132	\$ 458,345	\$ 1,236,693	\$ -	\$ 2,389,260	\$ 18,886	\$ 10,664,316
Licenses and permits	329,289	-	-	-	-	-	329,289
Fees, fines and forfeits	970,155	-	-	-	-	13,940	984,095
Intergovernmental	4,529,719	3,679,659	-	-	-	4,233,762	12,443,140
Charges for services	1,520,014	-	823,985	-	-	661,062	3,005,061
Investment income	7,683	6,301	-	-	-	7,527	21,511
Miscellaneous	141,819	23,426	-	-	-	127,809	293,054
Total revenues	<u>14,059,811</u>	<u>4,167,731</u>	<u>2,060,678</u>	<u>-</u>	<u>2,389,260</u>	<u>5,062,986</u>	<u>27,740,466</u>
Expenditures:							
Current:							
General government	6,832,975	-	-	-	-	1,137,804	7,970,779
Public safety	3,889,142	-	3,178,265	-	-	1,848,970	8,916,377
Highways and streets	-	3,777,721	-	-	-	311,130	4,088,851
Sanitation	1,829,935	-	-	-	-	140,553	1,970,488
Health	1,258,180	-	-	-	-	1,206,027	2,464,207
Welfare	146,287	-	-	-	-	478,682	624,969
Culture and recreation	-	-	-	-	-	116,647	116,647
Education	226,714	-	-	-	-	206,915	433,629
Capital outlay	795,590	-	20,160	-	-	362,233	1,177,983
Debt service:							
Principal	139,792	-	35,000	-	650,000	-	824,792
Interest	66,709	-	42,983	-	774,669	-	884,361
Total expenditures	<u>15,185,324</u>	<u>3,777,721</u>	<u>3,276,408</u>	<u>-</u>	<u>1,424,669</u>	<u>5,808,961</u>	<u>29,473,083</u>
Excess (deficiency) of revenues over expenditures	(1,125,513)	390,010	(1,215,730)	-	964,591	(745,975)	(1,732,617)
Other financing sources (uses):							
Transfers in	3,718,720	-	1,220,000	-	-	2,146,367	7,085,087
Transfers out	(3,366,367)	(2,500,000)	(104,229)	(1,253,140)	-	(108,203)	(7,331,939)
Proceeds from capital lease	632,514	-	-	-	-	-	632,514
Total other financing sources (uses)	<u>984,867</u>	<u>(2,500,000)</u>	<u>1,115,771</u>	<u>(1,253,140)</u>	<u>-</u>	<u>2,038,164</u>	<u>385,662</u>
Net change in fund balances	(140,646)	(2,109,990)	(99,959)	(1,253,140)	964,591	1,292,189	(1,346,955)
Fund balances, July 1, 2014	<u>2,290,821</u>	<u>1,932,219</u>	<u>(1,202,446)</u>	<u>1,742,617</u>	<u>3,031,979</u>	<u>23,560</u>	<u>7,818,750</u>
Fund balances (deficit), June 30, 2015	<u>\$ 2,150,175</u>	<u>\$ (177,771)</u>	<u>\$ (1,302,405)</u>	<u>\$ 489,477</u>	<u>\$ 3,996,570</u>	<u>\$ 1,315,749</u>	<u>\$ 6,471,795</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, 2015

Net change in fund balances - total governmental funds		\$(1,346,955)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Expenditures for general capital assets	\$ 2,148,871	
Depreciation expense	<u>(1,342,608)</u>	806,263
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		750,391
<p>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:</p>		
Notes payable	60,000	
Bonds payable	650,000	
Obligations under capital leases	<u>114,792</u>	824,792
<p>County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
County pension contributions	1,721,104	
Pension expense	<u>(4,550,265)</u>	(2,829,161)
<p>The issuance of long-term debt obligations provides current financial resources to governmental funds, however, issuances do not affect net position balances.</p>		
		(632,514)
<p>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:</p>		
Net increase in compensated absences	(65,292)	
Net decrease in interest accrued on debt obligations	<u>16,483</u>	<u>(48,809)</u>
Change in net position of governmental activities		<u><u>\$ (2,475,993)</u></u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 394,149	\$ 500	\$ 394,649
Due from others	-	64,021	64,021
Due from General Fund	14,204	-	14,204
Noncurrent assets:			
Capital assets, net of accumulated depreciation	633,143	508,293	1,141,436
Total assets	<u>1,041,496</u>	<u>572,814</u>	<u>1,614,310</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>105,959</u>	<u>62,804</u>	<u>168,763</u>
Liabilities			
Current liabilities:			
Accounts payable	23,308	25,460	48,768
Accrued payroll and employee benefits	34,940	22,092	57,032
Interest payable	6,059	-	6,059
Due to others	37	14,136	14,173
Due to General Fund	-	480,778	480,778
Capital leases payable, current portion	1,324	-	1,324
Compensated absences payable, current portion	13,332	-	13,332
Total current liabilities	<u>79,000</u>	<u>542,466</u>	<u>621,466</u>
Noncurrent liabilities:			
Compensated absences payable, net of current portion	43,131	38,769	81,900
Net pension liability	<u>860,279</u>	<u>509,906</u>	<u>1,370,185</u>
Total liabilities	<u>982,410</u>	<u>1,091,141</u>	<u>2,073,551</u>
Deferred Inflows			
Deferred inflows related to pensions	<u>165,363</u>	<u>98,014</u>	<u>263,377</u>
Net Position			
Net investment in capital assets	631,819	508,293	1,140,112
Unrestricted (deficit)	<u>(632,137)</u>	<u>(1,061,830)</u>	<u>(1,693,967)</u>
Total net position	<u>\$ (318)</u>	<u>\$ (553,537)</u>	<u>\$ (553,855)</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, 2015

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Operating revenues:			
Fees	\$ 1,645,501	\$ 866,314	\$ 2,511,815
Miscellaneous	2,176	7,804	9,980
Total operating revenues	<u>1,647,677</u>	<u>874,118</u>	<u>2,521,795</u>
Operating expenses:			
Personnel services	745,449	477,463	1,222,912
Professional services	91,124	13,875	104,999
Supplies	163,965	129,364	293,329
Communications	6,243	6,425	12,668
Utilities	81,718	196,340	278,058
Repairs and maintenance	246,182	55,813	301,995
Depreciation	123,069	54,577	177,646
Other	43,858	20,084	63,942
Total operating expenses	<u>1,501,608</u>	<u>953,941</u>	<u>2,455,549</u>
Operating income (loss)	<u>146,069</u>	<u>(79,823)</u>	<u>66,246</u>
Increase (decrease) in net position before transfers	146,069	(79,823)	66,246
Transfers in	<u>-</u>	<u>246,852</u>	<u>246,852</u>
Increase (decrease) in net position	146,069	167,029	313,098
Net position, July 1, 2014, as restated	<u>(146,387)</u>	<u>(720,566)</u>	<u>(866,953)</u>
Net position, June 30, 2015	<u>\$ (318)</u>	<u>\$ (553,537)</u>	<u>\$ (553,855)</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,648,124	\$ 864,461	\$ 2,512,585
Payments to suppliers and providers of goods and services	(650,322)	(410,698)	(1,061,020)
Payments for employee wages and benefits	(795,002)	(477,627)	(1,272,629)
Net cash provided by (used for) operating activities	<u>202,800</u>	<u>(23,864)</u>	<u>178,936</u>
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	246,852	246,852
Negative cash balance implicitly repaid	(5,395)	(222,988)	(228,383)
Net cash (used for) provided by noncapital financing activities	<u>(5,395)</u>	<u>23,864</u>	<u>18,469</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(125,692)	-	(125,692)
Payments on capital lease obligation	(15,501)	-	(15,501)
Net cash used for capital and related financing activities	<u>(141,193)</u>	<u>-</u>	<u>(141,193)</u>
Net increase in cash and cash equivalents	56,212	-	56,212
Cash and cash equivalents, July 1, 2014	<u>337,937</u>	<u>500</u>	<u>338,437</u>
Cash and cash equivalents, June 30, 2015	<u>\$ 394,149</u>	<u>\$ 500</u>	<u>\$ 394,649</u>

(continued)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 146,069	\$ (79,823)	\$ 66,246
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>			
Depreciation	123,069	54,577	177,646
Pension expense	50,121	29,708	79,829
Employer pension contributions	(62,237)	(36,889)	(99,126)
Changes in assets, deferred outflows and inflows of resources and liabilities:			
Decrease in prepaid items	486	-	486
Increase in due from others	-	(11,945)	(11,945)
(Decrease) increase in accounts payable	(17,718)	11,203	(6,515)
Increase in interest payable	447	-	447
Increase in accrued payroll and employee benefits	2,487	4,965	7,452
Increase in due to others	-	2,288	2,288
(Decrease) increase in compensated absences payable	(39,924)	2,052	(37,872)
Net cash provided by (used for) operating activities	<u>\$ 202,800</u>	<u>\$ (23,864)</u>	<u>\$ 178,936</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 16,156,270	\$ 728,505
Total assets	\$ 16,156,270	\$ 728,505
Liabilities		
Due to other governments	-	\$ 728,505
Total liabilities	-	\$ 728,505
Net Position		
Held in trust for investment trust participants	\$ 16,156,270	

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	<u>Investment Trust Fund</u>
Additions:	
Contributions from participants	\$ 51,634,754
Total additions	<u>51,634,754</u>
Deductions:	
Distributions to participants	50,944,290
Total deductions	<u>50,944,290</u>
Change in net position	690,464
Net position, July 1, 2014	<u>15,465,806</u>
Net position, June 30, 2015	<u><u>\$ 16,156,270</u></u>

See the accompanying notes to the financial statements.

La Paz County
Notes to Financial Statements
June 30, 2015

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

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

For the year ended June 30, 2015, the County implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension (assets and) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

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.

Notes to Financial Statements - Continued

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

The following table describes the County’s component units:

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

Related Organization:

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

B. Basis of Presentation

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

Notes to Financial Statements - Continued

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

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

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

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

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

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

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

Notes to Financial Statements - Continued

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

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

The County reports the following major governmental funds:

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

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

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

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

Notes to Financial Statements - Continued

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

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

The County reports the following major enterprise funds:

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

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

The County reports the following fiduciary fund types:

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

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

C. Basis of Accounting

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

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

Notes to 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 considers cash on hand, demand deposits, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

All investments are stated at fair value.

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenses or expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2015, were immaterial, they are not included in the Statements of Net Position or the Balance Sheet.

Notes to Financial Statements - Continued

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

F. Property Tax Calendar

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

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

G. Capital Assets

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

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

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

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

Notes to Financial Statements - Continued

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

H. Investment Income

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

I. Deferred Outflows/Inflows of Resources

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

J. Compensated Absences

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

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

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

Notes to Financial Statements - Continued

Note 2 - Stewardship, Compliance, and Accountability

Seventeen General Fund departments had an excess of actual expenditures over appropriations. General Fund departments with expenditures in excess of appropriations are caused mainly by excess expenditures for which budget modifications were not made.

The County continues to work closely with these departments to minimize future similar overruns.

Deficit fund balances—At June 30, 2015, the following nonmajor governmental funds reported deficit fund balances exceeding \$50,000:

Fund	Deficit
Governmental funds:	
ACJC Drug Enforcement	\$ 319,130
Cops in School	285,111
Task Force Prosecutor	270,709
Education & Employment Fund LPCC	232,507
Emergency Services	178,764
Racketeer Influenced and Corrupt Organizations Act (County Attorney)	112,195
Highway Safety Grant	100,924
HIDTA Grant	88,759
Food Bank Federal Grant	84,778
Bio Terrorism	79,332
WIA 2012 Adult	75,985
Boat Patrol – AZ GFD	71,452
WIA PY 99	65,645
Anti-Meth Initiative	55,096
Stone Garden Grant (Sherriff's Office)	54,399

The above fund deficits resulted from operations during the year or carryovers from prior years and are expected to be corrected through normal operations in the future or will be settled by future transfers between funds.

Notes to Financial Statements - Continued

Note 2 - Stewardship, Compliance, and Accountability – Continued

In addition, the Road fund, Jail District fund and the Parks Fund, of which are major funds, reported deficit fund balances as follows:

- Road Fund's deficit amount was \$177,771 in which the County expects Road revenue in 2016 to cover this deficit
- Jail District Fund's deficit amount was \$1,302,405 in which the County expects Jail District revenue to continue to increase with additional Federal trustee bed nights and the increased related rates implemented during the 2016 fiscal year. This increase is expected to continue in future years.
- Park Enterprise Fund's deficit amount was \$553,537 in which the Park's deficit spending has ceased from a budgetary standpoint. The Park is expected to raise adequate revenue to support its own activities. Over a five to ten year span, it is intended and budgeted that the Park will eliminate this deficit fund balance.

The General Fund is not expected to compensate for the deficit of these Funds.

Note 3 - Fund Balance Classifications of the Governmental Funds

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

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

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

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

Notes to Financial Statements - Continued

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

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

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

The fund balance categories and classifications for governmental funds as of June 30, 2015, were as follows:

	Major Funds						Total
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Fund balances:							
Nonspendable	\$ 15,166	\$ 4,206	\$ -	\$ -	\$ -	\$ 3,266	\$ 22,638
Restricted for:							
Education	-	-	-	-	-	18,961	18,961
Health	-	-	-	-	-	284,086	284,086
Highways and streets	-	-	-	-	-	22,244	22,244
Judicial	-	-	-	-	-	1,716,348	1,716,348
Public safety	-	-	-	-	-	872,673	872,673
Transit	-	-	-	-	-	121,972	121,972
Water and sanitation	-	-	-	-	-	26,852	26,852
Welfare	-	-	-	-	-	299,254	299,254
Debt service	-	-	-	-	3,996,570	-	3,996,570
Other purposes	-	-	-	-	-	265,098	265,098
Total restricted	\$ -	\$ -	\$ -	\$ -	\$3,996,570	\$ 3,627,488	\$7,624,058
Committed to:							
Highways and streets	\$ -	\$ -	\$ -	\$ 489,477	\$ -	\$ -	\$ 489,477
Judicial	-	-	-	-	-	360,776	360,776
Other	-	-	-	-	-	5,028	5,028
Total committed	-	-	-	489,477	-	365,804	855,281
Unassigned	2,135,009	(181,977)	(1,302,405)	-	-	(2,680,809)	(2,030,182)
Total fund balances	\$2,150,175	\$ (177,771)	\$ (1,302,405)	\$ 489,477	\$3,996,570	\$ 1,315,749	\$6,471,795

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments

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

Credit risk

Statutes have the following requirements for credit risk:

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

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

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

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

Foreign currency risk - Statutes do not allow foreign investments.

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

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

At June 30, 2015, the carrying amount of the County's total cash in the bank was \$10,386,170 and the bank balance was \$10,605,067. All County's deposits are collateralized by the amount not covered by depository insurance.

Investments - The County's investments at June 30, 2015, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. Agency securities	Aaa	Moody's	\$ 9,508,455
U.S. Government money market funds	Aaa	Moody's	3,818,080
			<u>\$ 13,326,535</u>

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 is indicated in the preceding table.

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2015, 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	\$ 9,508,455	\$ -	\$ 9,508,455
U.S. Government money market	3,818,080	3,818,080	-
	<u>\$ 13,326,535</u>	<u>\$ 3,818,080</u>	<u>\$ 9,508,455</u>

Notes to Financial Statements - Continued

Note 4 - 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	\$ -	\$ 6,605	\$ 6,605
Carrying amount of deposits	9,300,293	1,085,877	10,386,170
Reported amount of investments	9,508,455	3,818,080	13,326,535
Total	\$ 18,808,748	\$ 4,910,562	\$ 23,719,310

Statements of Net Position:

	Govern- mental Activities	Business- Type Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 2,072,768	\$ 394,649	\$ 16,156,270	\$ 728,505	\$ 19,352,192
Cash and investments held by trustee	4,367,118	-	-	-	4,367,118
	\$ 6,439,886	\$ 394,649	\$ 16,156,270	\$ 728,505	\$ 23,719,310

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

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

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

Notes to Financial Statements - Continued

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

Deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$6,605 of cash on hand, \$536,839 of deposits held in bank, \$549,038 held by the State of Arizona Attorney General's Office and \$3,818,080 held in U.S. Government money market funds. Therefore, deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency securities	.38% to 1.13%	1 - 5 years	\$ 9,508,455
Deposits	N/A	N/A	<u>9,300,293</u>
			<u>\$ 18,808,748</u>

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

Statement of Net Position	
Assets	\$ 18,808,748
Net position	<u>\$ 18,808,748</u>
Net position held in trust for:	
Internal participants	\$ 1,968,615
External participants	<u>16,840,133</u>
Total net position held in trust	<u>\$ 18,808,748</u>
Statement of Changes in Net Position	
Total additions	\$ 93,708,563
Total deductions	<u>(95,163,638)</u>
Net decrease	<u>(1,455,075)</u>
Net position held in trust:	
July 1, 2014	<u>20,263,823</u>
June 30, 2015	<u>\$ 18,808,748</u>

Notes to Financial Statements - Continued

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Primary Government			Balance June 30, 2015
	Balance June 30, 2014	Increases	Decreases	
Governmental activities:				
<i>Capital assets</i>				
<i>not being depreciated</i>				
Land	\$ 671,596	\$ 15,570	\$ -	\$ 687,166
Water rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	1,730,518	-	(1,730,518)	-
Total capital assets, not being depreciated	44,958,791	15,570	(1,730,518)	43,243,843
<i>Capital assets being depreciated:</i>				
Land improvements	25,271	-	-	25,271
Building and improvements	16,206,843	-	-	16,206,843
Machinery and equipment Improvements	12,745,447	689,576	-	13,435,023
other than buildings	164,938	6,910	-	171,848
Infrastructure	45,204,542	3,167,333	-	48,371,875
Total capital assets being depreciated	74,347,041	3,863,819	-	78,210,860
Total	119,305,832	3,879,389	(1,730,518)	121,454,703
<i>Less accumulated depreciation for:</i>				
Land improvements	19,320	575	-	19,895
Buildings and improvements Improvements	5,822,205	462,024	-	6,284,229
other than buildings	151,757	6,469	-	158,226
Machinery and equipment	11,667,147	432,197	-	12,099,344
Infrastructure	37,355,997	441,343	-	37,797,340
Total	55,016,426	1,342,608	-	56,359,034
Total capital assets being depreciated, net	19,330,615	2,521,211	-	21,851,826
Governmental activities capital assets, net	\$ 64,289,406	\$ 2,536,781	\$ (1,730,518)	\$ 65,095,669

Notes to Financial Statements - Continued

Note 6 - Capital Assets - Continued

	Primary Government			Balance June 30, 2015
	Balance June 30, 2014	Increases	Decreases	
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Golf course and improvements	\$ 2,848,510	\$ -	\$ -	2,848,510
Land improvements	19,131	-	-	19,131
Building and improvements	765,664	-	-	765,664
Improvements other than buildings	410,312	125,692	-	536,004
Machinery and equipment	1,192,620	-	-	1,192,620
Total	5,236,237	125,692	-	5,361,929
<i>Less accumulated depreciation for:</i>				
Golf course and improvements	2,319,695	95,636	-	2,415,331
Land improvements	12,910	638	-	13,548
Buildings and improvements	341,952	22,588	-	364,540
Improvements other than buildings	278,755	25,999	-	304,754
Machinery and equipment	1,089,535	32,785	-	1,122,320
Total	4,042,847	177,646	-	4,220,493
Business-type activities capital assets, net	\$ 1,193,390	\$ (51,954)	\$ -	\$ 1,141,436

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 258,106
Public safety	379,242
Highways and streets	642,054
Welfare	8,002
Health	26,907
Culture and recreation	26,746
Sanitation	1,551
Total governmental activities depreciation expense	\$ 1,342,608
Business-type activities:	
Culture and recreation – Golf Course	\$ 123,069
Culture and recreation – Parks	54,577
Total business-type activities depreciation expense	\$ 177,646

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due within 1 year
Governmental activities					
Notes payable	\$ 1,315,000	\$ -	\$ 60,000	\$ 1,255,000	\$ 60,000
Bonds payable	18,115,000	-	650,000	17,465,000	675,000
Obligations under capital leases	1,659,874	632,514	114,792	2,177,596	103,919
Compensated absences payable	828,871	65,292	-	894,163	89,415
Net pension liability	25,331,186	6,121,044	2,188,376	29,263,854	-
Governmental activities long-term liabilities	<u>\$ 47,249,931</u>	<u>\$ 6,818,850</u>	<u>\$ 3,013,168</u>	<u>\$ 51,055,613</u>	<u>\$ 928,334</u>
Business-type activities					
Obligations under capital leases	\$ 16,825	\$ -	\$ 15,501	\$ 1,324	\$ 1,324
Compensated absences payable	133,104	-	37,872	95,232	13,332
Net pension liability	1,573,413	-	203,228	1,370,185	-
Business-type activities long-term liabilities	<u>\$ 1,723,342</u>	<u>\$ -</u>	<u>\$ 256,601</u>	<u>\$ 1,466,741</u>	<u>\$ 14,656</u>

Capital leases

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

During 2013, the County refinanced a capital lease obligation originally entered into in 2007 to expand the County's jail facility. The obligation was refinanced under a lease purchase agreement on August 23, 2012 at \$1,585,000. The interest rate decreased from 4.60% per annum to 2.62% per annum and the maturity date was extended from July 2019 to July 2022 with principal and interest payments due biannually. Initial principal payments under the agreement are scheduled to begin on July 1, 2014.

On July 3, 2012, the County Golf Course entered into a lease purchase agreement to finance golf course equipment in the amount of \$44,586. The lease term extends through fiscal year 2016 with principal and interest paid monthly. Interest on the obligation accrues at 5.0%.

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

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

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities- Continued

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2015:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
2016	\$ 164,519	\$ 1,330
2017	284,044	-
2018	289,066	-
2019	293,826	-
2020	287,022	-
2021-2025	392,623	-
2026-2030	391,532	-
2031-2033	457,528	-
Total minimum lease payments	2,560,160	1,330
Less amount representing interest	382,564	6
Present value of net minimum lease payments	<u>\$ 2,177,596</u>	<u>\$ 1,324</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Jail facility	\$ 2,051,038	\$ -
Infrastructure	489,121	
Machinery and equipment	264,882	44,586
Less: accumulated depreciation	537,479	18,577
Carrying value	<u>\$ 2,267,562</u>	<u>\$ 26,009</u>

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 2015 totaled \$76,068 while voter approved excise taxes and maintenance of effort revenues were \$1,236,693 and \$720,000, respectively. Annual principal and interest payments on the lease are expected to require 11% of total pledged revenue.

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Notes Payable

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

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

Pursuant to these agreements, the County has pledged General Fund transaction privilege taxes. For the current year, principal and interest paid on the notes was \$107,270 and the total pledged transaction privilege tax revenues was \$1,150,247. Annual principal and interest payments on the notes are expected to require 21% of total pledged transaction privilege tax revenue.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$ 60,000	\$ 45,010
2017	195,000	40,365
2018	200,000	33,235
2019	205,000	25,905
2020	210,000	18,375
2021-2022	385,000	13,880
Total	\$ 1,255,000	\$ 176,770

Bonds payable – On September 12, 2011, the County issued excise tax revenue judgment bonds to finance the cost of settling obligations of a judgment, and related to cost incurred by the County. The bonds issued by the County are described as follows:

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Range</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Excise Tax Revenue Judgment Bonds, Series 2011 A (Tax Exempt)	\$ 16,240,000	2013- 2036	3.72% to 4.75%	\$ 15,785,000
Excise Tax Revenue Judgment Bonds, Series 2011 B (Taxable)	\$ 1,875,000	2013- 2021	5.25%	1,680,000
				<u>\$ 17,465,000</u>

On September 12, 2011, the County Board of Supervisors authorized a levy of excise tax to be collected until all debt service costs have been paid relating to the County's judgment bonds. For the current year, the County incurred \$774,669 in interest expense and \$650,000 in principal payments. Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2015, \$2,389,280 was levied and collected.

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2015:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 675,000	\$ 747,944
2017	705,000	717,719
2018	730,000	688,794
2019	765,000	661,137
2020	790,000	632,300
2021-2025	3,515,000	2,723,125
2026-2030	3,615,000	2,021,606
2031-2035	4,540,000	1,065,188
2036	2,130,000	227,169
Total	<u>\$ 17,465,000</u>	<u>\$ 9,484,982</u>

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Line of credit – The County entered into a revolving line of credit agreement on August 4, 2010 that was amended on July 18, 2011. The revolving line of credit is renewed annually and the total commitment amount during 2015 was \$1,584,000. During 2015, the County Treasurer had draws and repayments of \$1,033,622 and there were no outstanding balances at June 30, 2015. The line is used to meet short-term cash flow needs of the County Treasurer’s investment pool.

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 2015, the County paid for compensated absences as follows: 90 percent from the Governmental Activities and 10 percent from the Business-Type Activities.

Note 8 - Risk Management

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

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

Notes to Financial Statements - Continued

Note 8 - Risk Management – Continued

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 and the Arizona local Government Employee Benefit Trust is a public entity risk pool currently composed of 11 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 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.

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

Note 9 – Pensions and Other Postemployment Benefits

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

At June 30, 2015, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 29,263,854	\$ 1,370,185	\$ 30,634,039
Deferred outflows of resources	6,167,925	168,763	6,336,688
Deferred inflows of resources	2,797,566	263,377	3,060,943
Pension expense	4,550,265	79,829	4,630,094

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

The County’s accrued payroll and employee benefits includes \$120,695 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015. Also, the County reported \$1,721,104 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

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

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

* With actuarially reduced benefits

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Contributions — In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent retirement, .59 percent for health insurance premiums and .12 percent for long-term disability) of the active members' annual covered payroll. The County's contributions to ASRS for the year ended June 30, 2015 was \$998,342. The County's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
ASRS:		
2015	\$ 50,778	\$ 10,328
2014	\$ 50,420	\$ 20,168
2013	\$ 53,055	\$ 19,590

During fiscal year 2015, the County paid for ASRS pension and OPEB contributions as follows: 55.3 percent from the General Fund, 42.6 percent from major funds, and 2.1 percent from other funds.

Pension Liability – At June 30, 2015, the County reported a liability of \$13,799,620 for its proportionate share of the ASRS net pension liability. The net pension liability is measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all employers' contributions for the year ended June 30, 2014. The County's proportion measure as of June 30, 2014, was 0.093 percent, which was a decrease of .002 from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows / Inflows of Resources – For the year ended June 30, 2015, the County recognized pension expense for ASRS of \$803,976.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 701,337	\$ -
Net Difference between projected and actual earnings on pension plan investments	-	2,413,127
Changes in proportion and differences between contributions and proportionate share of contributions	-	239,436
County contributions subsequent to the measurement date	998,342	-
Total	<u>\$ 1,699,679</u>	<u>\$ 2,652,563</u>

The \$998,342 reported as deferred outflows of resources relates to ASRS pensions resulting from the County's contributions subsequent to the measurement recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	
2016	\$(402,455)
2017	(402,455)
2018	(543,034)
2019	(603,282)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Projected salary increases	3 – 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.5%
Total	100%	

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
The County’s proportionate share of the net pension liability	\$ 17,442,012	\$ 13,799,620	\$ 1,823,439

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

The PSPRS and CORP issue a publicly available financial report that includes their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

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

PSPRS	Initial membership date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

PSPRS

Initial membership date:

Before January 1, 2012 On or after January 1, 2012

Catastrophic Disability Retirement 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater

Ordinary Disability Retirement Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20

Survivor Benefit

Retired Members 80% to 100% of retired members pension benefit

Active Members 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

CORP

Initial membership date:

Before January 1, 2012 On or after January 1, 2012

Retirement and Disability

Years of service and age required to receive benefit	Sum of years and age equals 80 20 years any age 10 years age 62	25 years age 52.5 10 years age 62
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Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
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Benefit percent

Normal Retirement 2.0% to 2.5% per year of credited service, not to exceed 80%

Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
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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 or normal retirement, whichever is greater

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.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

Employees covered by benefit terms - At June 30, 2015, the following employees were covered by the agent pension plan's benefit terms:

	PSPRS Sheriff	PSPRS Attorney Investigators
Inactive employees or beneficiaries currently receiving benefits	21	1
Inactive employees entitled to but not yet receiving benefits	6	-
Active employees	28	-
Total	<u>55</u>	<u>1</u>

Contributions and annual OPEB costs - 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, 2015 are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	PSPRS Attorney Investigators	CORP AOC
Active members – Pension	11.05%	11.05%	8.41%
County			
Pension	36.03%	-	14.88%
Health insurance premium benefit	1.30%	-	1.24%

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Sheriff	PSPRS Attorney Investigators
Pension Contributions made	\$ 567,389	\$ -
Health Insurance Premium Benefit		
Annual OPEB Cost	19,595	-
Contributions made	19,595	-

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Contributions to the CORP AOC pension plan for the year ended June 30, 2015, were \$55,745. The County’s contributions for the current and preceding year for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC

Year ended June 30	Health Insurance Fund
2015	\$ 4,645
2014	4,118

During fiscal year 2015, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 38.6 percent from the General Fund, 5.3 percent from major funds, and 56.1 percent from other funds.

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

	Net Pension Liability
PSPRS Sheriff	\$ 8,883,616
PSPRS Attorney Investigators	106,341
CORP AOC (County’s proportionate share)	819,403

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

PSPRS and CORP AOC

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount Rate	7.85%
Projected salary increases	4% - 8% for PSPRS and 4% - 7.25% for CORP AOC
Inflation	4%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actual experience study for the 5-year period ended June 30, 2011.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

Changes in the Net Pension Liability

PSPRS - Sheriff	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 11,958,926	\$ 5,017,011	\$ 6,941,915
Changes for the current year:			
Service Cost	258,299	-	258,299
Interest on the total pension liability	904,564	-	904,564
Changes of benefit terms	325,930	-	325,930
Differences between expected and actual experience in the measurement of the pension liability	538,156	-	538,156
Change of assumptions or other inputs	1,592,778	-	1,592,778
Contributions – Employer	-	538,163	(538,163)
Contributions – Employee	-	156,266	(156,266)
Net investment income	-	683,282	(683,282)
Benefit payments, including refunds of employee contributions	(1,129,939)	(1,129,939)	-
Other	-	300,315	(300,315)
Net Changes	2,489,788	548,087	1,941,701
Balances at June 30, 2015	\$ 14,448,714	\$ 5,565,098	\$ 8,883,616

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Changes in the Net Pension Liability

PSPRS - Attorney Investigators	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2014	\$ 314,435	\$ 217,929	\$ 96,506
Changes for the current year:			
Interest on the total pension liability	23,458	-	23,458
Differences between expected and actual experience in the measurement of the pension liability	2,025	-	2,025
Change of assumptions or other inputs	12,082	-	12,082
Net investment income	-	27,730	(27,730)
Benefit payments, including refunds of employee contributions	(31,210)	(31,210)	-
Net Changes	6,355	(3,480)	9,835
Balances at June 30, 2015	<u>\$ 320,790</u>	<u>\$ 214,449</u>	<u>\$ 106,341</u>

The County's proportion of the CORP AOC net pension liability as of June 30, 2013 and 2014, was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2014. The County's proportion measured as of June 30, 2013 and 2014, was 0.365 percent.

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

	1% Decrease <u>6.85%</u>	Current Discount Rate <u>7.85%</u>	1% Increase <u>8.85%</u>
PSPRS Sheriff	\$ 10,497,733	\$ 8,883,616	\$ 7,525,450
PSPRS Attorney Investigators	132,777	106,341	83,294
CORP AOC (County's proportionate share)	1,082,002	819,403	601,218

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

Pension expense - For the year ended June 30, 2015, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	\$ 976,908
PSPRS Attorney Investigators	18,799
CORP AOC (County's proportionate share)	109,647

Pension deferred outflows/inflows of resources - At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Sheriff

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 435,343	\$ -
Changes of assumptions or other inputs	1,288,482	-
Net difference between projected and actual earnings on pension plan investments	-	220,865
County contributions subsequent to the measurement date	567,384	-
Total	\$ 2,291,209	\$ 220,865

PSPRS – Attorney Investigators

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 8,964

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

CORP AOC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,895	\$ -
Changes of assumptions or other inputs	120,383	-
Net difference between projected and actual earnings on pension plan investments	-	45,362
County contributions subsequent to the measurement date	55,745	-
Total	\$ 215,023	\$ 45,362

The amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	PSPRS Sheriff	PSPRS Attorney Investigators	CORP AOC
2016	\$ 351,892	\$(2,241)	\$ 23,439
2017	351,892	(2,241)	23,439
2018	351,892	(2,241)	23,439
2019	351,892	(2,241)	23,439
2020	95,392	-	20,160

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015 were established by the June 30, 2013 actuarial valuations, and those valuations were based on the following actuarial methods and assumptions.

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Projections of benefits are based on (1) the plan as the County and plan’s members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plan’s members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

PSPRS and CORP - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%–8.5% for PSPRS and 4.5% - 7.75% for CORP
Wage growth	4.5%

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

<u>Year ending June 30,</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS Sheriff			
2015	\$ 19,595	100%	\$ -
2014	23,217	100%	-
2013	20,155	100%	-

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Agent Plan OPEB Funding Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Sheriff
Actuarial value of assets (a)	\$ 405,269
Actuarial accrued liability (b)	229,301
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(175,968)
Funded ratio (a)/(b)	176.7%
Covered payroll (c)	1,499,023
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(b) – (a)] / (c)	-11.7%

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

PSPRS and CORP - OPEB Funded Status

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

C. Elected Officials Retirement Plan

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

EORP	Initial membership date:	
	<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 excess investment earning.

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, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the County was required to contribute 23.5 percent of active EORP members' annual covered payroll.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

The County’s contributions to the pension plan for the year ended June 30, 2015, were \$198,764. No OPEB contributions were required or made for the year ended June 30, 2015. The County’s OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EORP

Year ended June 30	Health Insurance Fund
2015	\$ -
2014	14,981
2013	17,684

During fiscal year 2015, the County paid for EORP pension contributions as follows: 7.3 percent from the General Fund and 92.7 percent from other funds.

Pension liability - At June 30, 2015, the County reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the County’s proportionate share of the State’s appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County’s proportionate share of the EORP net pension liability	\$ 7,025,059
State’s proportionate share of the EORP net pension liability associated with the County	<u>2,153,948</u>
Total	<u>\$ 9,179,007</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The County’s proportion of the net pension liability as of June 30, 2013 and 2014, was based on the County’s actual contributions to the plan relative to the total of all participating employers’ actual contributions for the year ended June 30, 2014. The County’s proportion measured as of June 30, 2013 and 2014, was 1.048 percent.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2015, the County recognized pension expense for EORP of \$2,720,764 and revenue of \$638,455 for the County's proportionate share of the State's appropriation to EORP. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 30,868	\$ -
Changes of assumptions or other inputs	1,901,145	-
Net difference between projected and actual earnings on pension plan investments	-	133,189
County contributions subsequent to the measurement date	<u>198,764</u>	<u>-</u>
Total	<u>\$ 2,130,777</u>	<u>\$ 133,189</u>

The \$198,764 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$ 1,079,357
2017	786,061
2018	(33,297)
2019	(33,297)

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

EORP

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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

EORP	Target	Long-Term
Asset Class	Allocation	Expected Real
Asset Class	Allocation	Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

Discount rate - At June 30, 2014, the discount rate used to measure the EORP total pension liability was 5.67 percent, which was a decrease of 2.18 from the discount rate used as of June 30, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Sensitivity of the County’s proportionate share of the EORP net pension liability to changes in the discount rate - The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

	1% Decrease 4.67%	Current Discount Rate 5.67%	1% Increase 6.67%
County’s proportionate share of the net pension liability	\$ 8,201,171	\$ 7,025,059	\$ 6,032,020

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

Note 10 - Interfund Activity and Balances

Interfund transfers—Interfund transfers between funds were to cover over-expenditures in certain special revenue funds. In addition, certain special revenue funds transferred cash to the general fund to increase the general fund’s available resources. The interfund transfers for the year ended June 30, 2015 were as follows:

	Transfer To				
	General Fund	Jail District Fund	Nonmajor - Governmental Funds	Parks Fund	Total
Transfer From:					
General Fund	\$ -	\$ 1,220,000	\$ 1,899,515	\$ 246,852	\$ 3,366,367
Road Fund	2,500,000	-	-	-	2,500,000
Jail District Fund	104,229	-	-	-	104,229
Business 95 Road Improvement Fund	1,006,288	-	246,852	-	1,253,140
Nonmajor- Governmental Funds	108,203	-	-	-	108,203
	<u>\$ 3,718,720</u>	<u>\$ 1,220,000</u>	<u>\$ 2,146,367</u>	<u>\$ 246,852</u>	<u>\$ 7,331,939</u>

Notes to Financial Statements - Continued

Note 10 - Interfund Balances and Activity – Continued

Interfund receivables and payables—Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances reported as a payable to the General Fund from the Road Fund and Nonmajor Governmental Funds are expected to be repaid within 1 year from the date of the financial statements. In addition, the payable reported by the Road Fund to the Business 95 Road Improvement is also expected to be repaid within one year. The interfund balances between the General Fund and certain other funds, including the Jail District Fund and the Parks Fund are not expected to be repaid within that timeframe.

Interfund balances at June 30, 2015, were as follows:

	Payable To			Total
	General Fund	Business 95 Road Improvement Fund	Golf Course Fund	
Payable From:				
General Fund	\$ -	\$ -	\$ 14,204	\$ 14,204
Road Fund	256,073	489,477	-	745,550
Jail District Fund	1,370,131	-	-	1,370,131
Nonmajor-Governmental Funds	47,158	-	-	47,158
Parks Fund	480,778	-	-	480,778
	<u>\$ 2,154,140</u>	<u>\$ 489,477</u>	<u>\$ 14,204</u>	<u>\$ 2,657,821</u>

Note 11 – Change in Accounting Principle

Net position as of July 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities
Net position at June 30, 2014, as previously reported	\$ 49,990,805	\$ 617,143
Prior period adjustment – implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(25,331,186)	(1,573,413)
Deferred outflows of resources – County pension contributions made during fiscal year 2014	1,628,397	89,317
Net position at July 1, 2014	<u>\$ 26,288,016</u>	<u>\$ (866,953)</u>

Required Supplementary Information

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 7,297,675	\$ 7,297,675	\$ 6,561,132	\$ (736,543)
Licenses and permits	221,000	221,000	329,289	108,289
Fees, fines, and forfeits	1,015,000	1,015,000	970,155	(44,845)
Intergovernmental	4,870,209	4,870,209	4,529,719	(340,490)
Charges for services	2,801,000	2,801,000	1,520,014	(1,280,986)
Investment income (loss)	9,000	9,000	7,683	(1,317)
Miscellaneous	356,000	2,356,000	141,819	(2,214,181)
Total revenues	16,569,884	18,569,884	14,059,811	(4,510,073)
Expenditures:				
Current:				
General government:				
Assessor	566,023	566,023	436,856	129,167
County attorney	658,324	658,324	690,772	(32,448)
Board of supervisors	657,581	659,331	616,866	42,465
Clerk of the superior court	460,438	468,849	430,367	38,482
Constable	666	666	657	9
Elections	139,579	139,579	152,658	(13,079)
Justice of the Peace #4	535,534	535,534	455,121	80,413
Justice of the Peace #5	307,190	307,190	278,195	28,995
Justice of the Peace #6	370,282	370,282	333,899	36,383
Planning and zoning	374,907	374,907	379,074	(4,167)
Recorder	265,262	265,262	259,656	5,606
Superior court	159,078	160,306	159,383	923
Court administration	456,133	456,133	552,021	(95,888)
Treasurer	359,619	359,619	342,750	16,869
Contingency	1,072,299	1,000,000	-	1,000,000
Management information services	212,390	274,390	307,986	(33,596)
Public defender	559,037	559,037	551,744	7,293
General administration	260,000	260,000	408,422	(148,422)
Community resources	97,276	97,276	98,646	(1,370)
Finance personnel	298,956	292,956	281,171	11,785
Facilities management	480,860	480,860	1,061,510	(580,650)
Total general government	8,291,434	8,286,524	7,797,754	488,770

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2015

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety:				
Regional dispatch	\$ 923,931	\$ 923,931	\$ 845,057	\$ 78,874
Sheriff	3,115,937	3,115,937	2,857,377	258,560
Probation	122,601	117,453	122,600	(5,147)
Juvenile probation	101,424	99,875	101,420	(1,545)
Total public safety	<u>4,263,893</u>	<u>4,257,196</u>	<u>3,926,454</u>	<u>330,742</u>
Sanitation:				
Sanitary landfill	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,829,935</u>	<u>(29,935)</u>
Total sanitation	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,829,935</u>	<u>(29,935)</u>
Health:				
Indigent health	458,135	458,135	539,535	(81,400)
County long term care ALTCS	830,350	830,350	660,540	169,810
C.M.I (chronically mentally ill)	96,000	96,000	58,105	37,895
Health department transit	-	-	-	-
Total health	<u>1,384,485</u>	<u>1,384,485</u>	<u>1,258,180</u>	<u>126,305</u>
Welfare:				
Public fiduciary	<u>139,211</u>	<u>139,211</u>	<u>146,287</u>	<u>(7,076)</u>
Total welfare	<u>139,211</u>	<u>139,211</u>	<u>146,287</u>	<u>(7,076)</u>
Education:				
School superintendent	<u>224,452</u>	<u>224,452</u>	<u>226,714</u>	<u>(2,262)</u>
Total education	<u>224,452</u>	<u>224,452</u>	<u>226,714</u>	<u>(2,262)</u>
Total expenditures	<u>16,103,475</u>	<u>16,091,868</u>	<u>15,185,324</u>	<u>906,544</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 466,409</u>	<u>\$ 2,478,016</u>	<u>\$ (1,125,513)</u>	<u>\$ (3,603,529)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2015

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):				
Capital lease agreement	\$ -	\$ -	\$ 632,514	\$ 632,514
Transfers in	-	-	3,718,720	3,718,720
Transfers out	<u>(1,600,000)</u>	<u>(1,500,000)</u>	<u>(3,366,367)</u>	<u>(1,866,367)</u>
Total other financing uses	<u>(1,600,000)</u>	<u>(1,500,000)</u>	<u>984,867</u>	<u>2,484,867</u>
Net change in fund balances	(1,133,591)	978,016	(140,646)	(1,118,662)
Fund balances, July 1, 2014	<u>-</u>	<u>-</u>	<u>2,290,821</u>	<u>2,290,821</u>
Fund balances, June 30, 2015	<u>\$ (1,133,591)</u>	<u>\$ 978,016</u>	<u>\$ 2,150,175</u>	<u>\$ 1,172,159</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2015

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 458,345	\$ 458,345
Intergovernmental	3,644,179	3,644,179	3,679,659	35,480
Investment income	5,000	5,000	6,301	1,301
Miscellaneous	20,000	20,000	23,426	3,426
Total revenues	<u>3,669,179</u>	<u>3,669,179</u>	<u>4,167,731</u>	<u>498,552</u>
Expenditures:				
Current:				
Highways and streets	<u>3,469,745</u>	<u>3,469,745</u>	<u>3,777,721</u>	<u>(307,976)</u>
Total expenditures	<u>3,469,745</u>	<u>3,469,745</u>	<u>3,777,721</u>	<u>(307,976)</u>
Excess of revenues over expenditures	199,434	199,434	390,010	190,576
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Net change in fund balances	199,434	199,434	(2,109,990)	(2,309,424)
Fund balances, July 1, 2014	<u>-</u>	<u>-</u>	<u>1,932,219</u>	<u>1,932,219</u>
Fund balances, June 30, 2015	<u>\$ 199,434</u>	<u>\$ 199,434</u>	<u>\$ (177,771)</u>	<u>\$ (377,205)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,268,200	\$ 1,236,693	\$ (31,507)
Charges for services	1,350,000	823,985	(526,015)
Investment (loss) income	-	-	-
Miscellaneous	500	-	(500)
Total revenues	<u>2,618,700</u>	<u>2,060,678</u>	<u>(558,022)</u>
Expenditures:			
Current:			
Public safety	3,290,000	3,178,265	111,735
Capital outlay	-	20,160	(20,160)
Debt Service:			
Principal retirement	-	35,000	(35,000)
Interest and fiscal charges	42,000	42,983	(983)
Total expenditures	<u>3,332,000</u>	<u>3,276,408</u>	<u>55,592</u>
Excess (deficiency) of revenues over expenditures	<u>(713,300)</u>	<u>(1,215,730)</u>	<u>(502,430)</u>
Other financing sources (uses):			
Transfers in	720,000	1,220,000	500,000
Transfers out	-	(104,229)	(104,229)
	<u>720,000</u>	<u>1,115,771</u>	<u>395,771</u>
Net change in fund balances	6,700	(99,959)	(106,659)
Fund balances, July 1, 2014	<u>135,091</u>	<u>(1,202,446)</u>	<u>(1,337,537)</u>
Fund balances, June 30, 2015	<u>\$ 141,791</u>	<u>\$ (1,302,405)</u>	<u>\$ (1,444,196)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2015

Note 1 - Budgeting and Budgetary Control

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

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

Note 2 - Budgetary Basis of Accounting

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

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2015

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2015, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
County Attorney	\$ 32,448
Elections	13,079
Planning and Zoning	4,167
Court Administration	95,888
Management Information Services	33,596
General Administration	148,422
Community Resources	1,370
Facilities Management	580,650
Probation	5,147
Juvenile Probation	1,545
Sanitary Landfill	29,935
Indigent Health	81,400
Public Fiduciary	7,076
School Superintendent	2,262
Road Fund:	
Highway and street expenditures	\$ 307,976
Jail District:	
Capital Outlay	\$ 20,160
Debt service	35,983

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

La Paz County
Required Supplementary Information
Schedule of the County's Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
Year Ended June 30, 2015

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
County's proportion of the net pension liability	0.09326%	Information
County's proportion share of the net pension liability	\$ 13,799,620	not available
County's covered-employee payroll	8,406,925	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	
Correction Office Retirement Plan - Administrative Office of the Courts	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
County's proportion of the net pension liability	0.36516%	Information
County's proportion share of the net pension liability	\$ 819,403	not available
County's covered-employee payroll	391,648	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.22%	
Plan fiduciary net position as a percentage of the total pension liability	58.59%	
Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
County's proportion of the net pension liability	1.04762%	Information
County's proportion share of the net pension liability	\$ 7,025,059	not available
State's proportionate share of the net pension liability associated with the County	\$ 2,153,948	
Total County's net pension liability	<u>\$ 9,179,007</u>	
County's covered-employee payroll	953,936	
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	962.22%	
Plan fiduciary net position as a percentage of the total pension liability	31.91%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios - Agent Plans
Year Ended June 30, 2015

Public Safety Personnel Retirement System - Sheriff	Fiscal Year	
	2015 (2014)	2014 through 2006
Total pension liability		
Service cost	\$ 258,299	Information not available
Interest on total pension liability	904,564	
Changes of benefit terms	325,930	
Difference between expected and actual experience in the measurement of the pension liability	538,156	
Changes of assumptions or other inputs	1,592,778	
Benefit payments, including refunds of employee contributions	(1,129,939)	
Net change in pension liability	2,489,788	
Total pension liability - beginning	11,958,926	
Total pension liability - ending (a)	\$ 14,448,714	
Plan fiduciary net position		
Contributions - employer	\$ 538,163	
Contributions - employee	156,266	
Net investment income	683,282	
Benefit payments, including refunds of employee contributions	(1,129,939)	
Other changes	300,315	
Net change in plan fiduciary net position	548,087	
Plan fiduciary net position - beginning	5,017,011	
Plan fiduciary net position - ending (b)	\$ 5,565,098	
County's net pension liability - ending (a) - (b)	\$ 8,883,616	
Plan fiduciary net position as a percentage of the total pension liability	38.5%	
Covered-employee payroll	\$ 1,499,021	
County's net pension liability as a percentage of covered-employee payroll	593%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of Changes in the County's
Net Pension Liability and Related Ratios - Agent Plans
Year Ended June 30, 2015

Public Safety Personnel Retirement System - Attorney Investigators	Fiscal Year	
	2015 (2014)	2014 through 2006
Total pension liability		
Interest on total pension liability	\$ 23,458	Information not available
Difference between expected and actual experience in the measurement of the pension liability	2,025	
Changes of assumptions or other inputs	12,082	
Benefit payments, including refunds of employee contributions	(31,210)	
Net change in pension liability	6,355	
Total pension liability - beginning	314,435	
Total pension liability - ending (a)	\$ 320,790	
Plan fiduciary net position		
Net investment income	\$ 27,730	
Benefit payments, including refunds of employee contributions	(31,210)	
Net change in plan fiduciary net position	(3,480)	
Plan fiduciary net position - beginning	217,929	
Plan fiduciary net position - ending (b)	\$ 214,449	
County's net pension liability - ending (a) - (b)	\$ 106,341	
Plan fiduciary net position as a percentage of the total pension liability	67%	
Covered-employee payroll	\$ -	
County's net pension liability as a percentage of covered-employee payroll	0%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension Contributions
Year Ended June 30, 2015

Arizona State Retirement System	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily determined contribution	\$ 998,342	\$ 899,541	Information not available
County's contributions in relation to the statutorily determined contribution	998,342	899,541	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
County's covered-employee payroll	<u>\$ 9,159,101</u>	<u>\$ 8,406,925</u>	
County's contributions as a percentage of covered-employee payroll	<u>10.90%</u>	<u>10.70%</u>	
Corrections Officer Retirement Plan - Administrative Office of the Courts	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily determined contribution	\$ 55,745	\$ 56,789	Information not available
County's contributions in relation to the statutorily determined contribution	55,745	56,789	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
County's covered-employee payroll	<u>\$ 374,128</u>	<u>\$ 391,648</u>	
County's contributions as a percentage of covered-employee payroll	<u>14.90%</u>	<u>14.50%</u>	
Elected Officials Retirement Plan	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily determined contribution	\$ 198,764	\$ 223,221	Information not available
County's contributions in relation to the statutorily determined contribution	198,764	223,221	
County's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
County's covered-employee payroll	<u>\$ 849,419</u>	<u>\$ 953,936</u>	
County's contributions as a percentage of covered-employee payroll	<u>23.40%</u>	<u>23.40%</u>	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Schedule of County Pension Contributions
Year Ended June 30, 2015

Public Safety Personnel Retirement System - Sheriff	Reporting Fiscal Year		2013 through 2006
	2015	2014	
Actuarially determined contribution	\$ 567,384	\$ 538,163	Information not available
County's contributions in relation to the actuarially determined contribution	567,384	538,163	
County's contribution deficiency (excess)	\$ -	\$ -	
County's covered-employee payroll	\$ 1,574,754	\$ 1,499,021	
County's contributions as a percentage of covered-employee payroll	36.03%	35.90%	

See accompanying notes to pension plan schedules.

La Paz County
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

Note 1 – Actuarially Determined Contribution Rates

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

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	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%–8.25% to 4.5% to 7.75% for CORP
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors That Affect the Identification of Trends

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

La Paz County
Required Supplementary Information
Schedule of Agent OPEB Plan's Funding Progress
June 30, 2015

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded actuarial acrued liability (UAAL) (funding excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as Percentage of Covered Payroll ([b-a]/c)
PSPRS - Sheriff						
06/30/14	\$ 405,269	\$ 229,301	\$ (175,968)	176.7%	\$1,499,023	-11.7%
06/30/13	-	211,154	211,154	0.0%	1,380,267	15.3%
06/30/12	-	243,678	243,678	0.0%	1,167,036	20.9%

Note 1 - Factors That Affect the Identification of Trends

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