

MOHAVE COUNTY
Fiscal Year 2017-2018
Annual Financial Report
June 30, 2018

TABLE OF CONTENTS

Independent auditors' report

Required supplementary information—management's discussion and analysis a-1

Government-wide statements

Statement of net position 1
Statement of activities 2

Governmental funds

Balancesheet 3
Reconciliation of the governmental funds balance sheet to the government-wide statement of net position 4
Statement of revenues, expenditures, and changes in fund balances 5
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities 6

Proprietary funds

Statement of net position 7
Statement of revenues, expenses, and changes in fund net position 9
Statement of cash flows 10

Fiduciary funds

Statement of fiduciary net position 12
Statement of changes in fiduciary net position 13

Notes to financial statements 14

Other required supplementary information

Budgetary comparison schedules 58
Notes to budgetary comparison schedules 62
Schedule of the County's proportionate share of the net pension/OPEB liability cost-sharing plans 63
Schedule of changes in the County's net pension/OPEB liability (asset) and related ratios agent plans 66
Schedule of County contributions 71
Notes to the Pension plan schedules 72



Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Mohave 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 Mohave County as of and for the year ended June 30, 2018, 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 of 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks 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 Mohave County as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in note 2 to the financial statements, for the year ended June 30, 2018, the County restated beginning net position/fund balances of its financial statements for the year ended June 30, 2018, to correct misstatements in its previously issued financial statements. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages a-1 through a-15, Budgetary Comparison Schedules on pages 58 through 61, Schedule of the County's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans on pages 63 through 65, Schedule of Changes in the County's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans on page 66 and 69, and Schedule of County Pension Contributions on page 70 and 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for highway user revenue fund monies the County received pursuant to Arizona Revised

Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

March 29, 2019

MOHAVE COUNTY FINANCIAL SERVICES

Coral A. Loyd
Financial Services Director

700 West Beale Street, 3rd Floor
P.O. Box 7000
Kingman, AZ 86402-7000

Phone: (928) 753-0735
Fax: (928) 753-0704



Management's Discussion and Analysis

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2018. Please read the following discussion in conjunction with the County's basic financial statements.

Financial Highlights

- The County's total net position, as reported in the Statement of Activities, increased by \$1.14 million. The increase is comprised of a \$298,951 increase in governmental activities net position and an increase of \$844,752 in business-type activities net position.
- Total governmental liabilities decreased by \$3.4 million from the prior year, mostly due to the payoff of the beneficial interest certificates, offset by pension liability increases.
- The fund balance of the County Capital Improvement Fund increased \$6 million, as a result of the Jail debt service fund being fully funded at the end of FY17 and no longer requiring transfers. The growing balance will be used to fund future capital projects.
- The General Fund, fund balance increased \$6 million due to an increase in property taxes, intergovernmental and fee revenue, and transfers from other funds, resulting from a reviving economy.
- The pension liability increased by \$9.5 million from the prior year. This includes liability for five different pension plans, which are discussed in detail in the notes to the financial statements.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of Mohave County's assets and liabilities, 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 Mohave County is improving or deteriorating.

The *statement of activities* presents information showing how the government's 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused accrued leave).

Both of these government-wide financial statements distinguish functions of Mohave County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Mohave County include general government, public safety, highways and streets, health, welfare, sanitation, education, culture and recreation, and interest on long-term debt. The business-type activities of Mohave County include water utilities, recreation, and landfill operations.

The government-wide financial statements include not only Mohave County itself (known as the *primary government*), but blended component units. The blended component units are legally separate entities for which Mohave County is financially accountable.

Blended component units include the following: four tax-levying districts, special assessment districts, and a finance corporation. The County's Board of Supervisors serves as the board of directors for all of the component units except for the finance corporation, which has a separate board of directors made up of County management. The list of blended component units follows:

- Mohave County Television District provides and maintains communication equipment for TV signals.
- Mohave County Library District provides and maintains library services for County residents.
- Mohave County Flood Control District provides and maintains flood control systems for the County.
- Mohave County Special Assessment Districts provide funds to construct or improve roads, bridges, and water distribution systems.
- Mohave Jail Finance Corporation provides financing and oversight of the construction and equipping of a jail facility for use by and ultimate ownership by Mohave County.
- Mohave County Holiday Shores Lighting District provides street lighting for the Holiday Shores area of Bullhead City.

Financial information for the *blended component units* is combined with the financial information presented for the primary government itself.

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. Mohave County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Mohave County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental 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 fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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 balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Mohave County maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Flood Control Fund and County Capital Improvement Fund, all of which are major governmental funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation, under the heading Other Governmental Funds.

Mohave County adopts an annual appropriated budget for all its funds. A budgetary comparison schedule has been provided for the General Fund and the major special revenue funds to demonstrate compliance with their budgets.

Proprietary funds—Mohave County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Mohave County uses enterprise funds to account for its water utilities, park services, and landfill operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among Mohave County's various functions. Mohave County uses internal service funds to account for its fleet of vehicles, employee benefit health insurance trust, self-insurance trust, janitorial services, communication services, and management information systems. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the water utilities, park services and the landfill operations, which are major funds of Mohave County. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary funds' financial statements.

Fiduciary funds—Fiduciary funds 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 Mohave County's own programs.

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

Other information—In addition to the basic financial statements and accompanying notes, the *required supplementary information*, includes budgetary comparison schedules and Mohave County's progress in funding its obligation to provide pension benefits to eligible employees.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, the County's assets exceeded liabilities by \$260.5 million, \$1.14 million higher than last year.

By far the largest portion of Mohave County's net position (98 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. Mohave County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Mohave County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining 2 percent of the net position is divided into restricted and unrestricted net position. Restricted net position represents resources subject to external restrictions on how they may be used. The net pension and other postemployment benefits liability that is being reported was applied entirely against the unrestricted net position, resulting in a negative balance. The largest change in the net position occurred in the governmental activities. The changes are discussed separately under the following sections: Governmental activities-net position highlights, Business-type activities-net position highlights, and Capital Assets and Debt Administration.

The explanations for the changes between fund balance presentation and government-wide can be seen in the reconciliations on pages 4 and 6 of the financial statements.

The government-wide restricted net position decreased from the prior year by \$12.2 million. This decrease reflected the payoff of the beneficial interest certificates in the debt service fund.

The government-wide unrestricted net position reflects a decrease of \$1.6 million in the negative net position. The unrestricted income in the general fund, county capital improvement fund and internal service funds, exceeded the large negative pension adjustments, producing this positive increase.

**Government-wide
Net Position
As of June 30,**

| | 2017 (as restated) | 2018 | Increase (Decrease) | % Change |
|--|-----------------------|-----------------------|------------------------|-------------|
| Current assets and other assets | \$ 138,838,154 | \$ 141,257,387 | \$ 2,419,233 | 1.74% |
| Capital assets | 258,158,215 | 256,021,124 | (2,137,091) | -0.83% |
| Net pension and other postemployment benefits asset | 1,452,450 | 1,554,143 | 101,693 | 7.00% |
| Total assets | <u>398,448,819</u> | <u>398,832,654</u> | <u>383,835</u> | 0.10% |
| Deferred outflows related to pensions and other postemployment benefits | <u>24,200,281</u> | <u>17,646,646</u> | <u>(6,553,635)</u> | -27.08% |
| Long-term liabilities outstanding | 145,313,810 | 140,648,082 | (4,665,728) | -3.21% |
| Other liabilities | 5,751,407 | 7,022,792 | 1,271,385 | 22.11% |
| Total liabilities | <u>151,065,217</u> | <u>147,670,874</u> | <u>(3,394,343)</u> | -2.25% |
| Deferred inflows related to pensions and other postemployment benefits | <u>12,189,718</u> | <u>8,270,558</u> | <u>(3,919,160)</u> | -32.15% |
| Net position: | | | | |
| Net investment in capital assets | 244,246,618 | 256,021,124 | 11,774,506 | 4.82% |
| Restricted | 68,371,463 | 56,123,260 | (12,248,203) | -17.91% |
| Unrestricted | <u>(53,223,916)</u> | <u>(51,606,516)</u> | <u>1,617,400</u> | -3.04% |
| Total net position | <u>\$ 259,394,165</u> | <u>\$ 260,537,868</u> | <u>\$ 1,143,703</u> | 0.44% |

**Governmental Activities
Net Position
As of June 30,**

| | 2017 (as restated) | 2018 | Increase (Decrease) | % Change |
|--|-----------------------|-----------------------|------------------------|-------------|
| Current assets and other assets | \$ 118,835,588 | \$ 121,061,242 | \$ 2,225,654 | 1.87% |
| Capital assets | 242,191,918 | 239,610,662 | (2,581,256) | -1.07% |
| Net pension and other postemployment benefits asset | 1,452,450 | 1,547,652 | 95,202 | 6.55% |
| Total assets | <u>362,479,956</u> | <u>362,219,556</u> | <u>(260,400)</u> | -0.07% |
| Deferred outflows related to pensions and other postemployment benefits | <u>23,826,994</u> | <u>17,389,167</u> | <u>(6,437,827)</u> | -27.02% |
| Long-term liabilities outstanding | 134,673,291 | 129,945,877 | (4,727,414) | -3.51% |
| Other liabilities | 4,858,757 | 6,397,788 | 1,539,031 | 31.68% |
| Total liabilities | <u>139,532,048</u> | <u>136,343,665</u> | <u>(3,188,383)</u> | -2.29% |
| Deferred inflows related to pensions and other postemployment benefits | <u>11,880,187</u> | <u>8,071,392</u> | <u>(3,808,795)</u> | -32.06% |
| Net position: | | | | |
| Net investment in capital assets | 228,280,321 | 239,610,662 | 11,330,341 | 4.96% |
| Restricted | 60,175,428 | 47,248,913 | (12,926,515) | -21.48% |
| Unrestricted | <u>(53,561,034)</u> | <u>(51,665,909)</u> | <u>1,895,125</u> | -3.54% |
| Total net position | <u>\$ 234,894,715</u> | <u>\$ 235,193,666</u> | <u>\$ 298,951</u> | 0.13% |

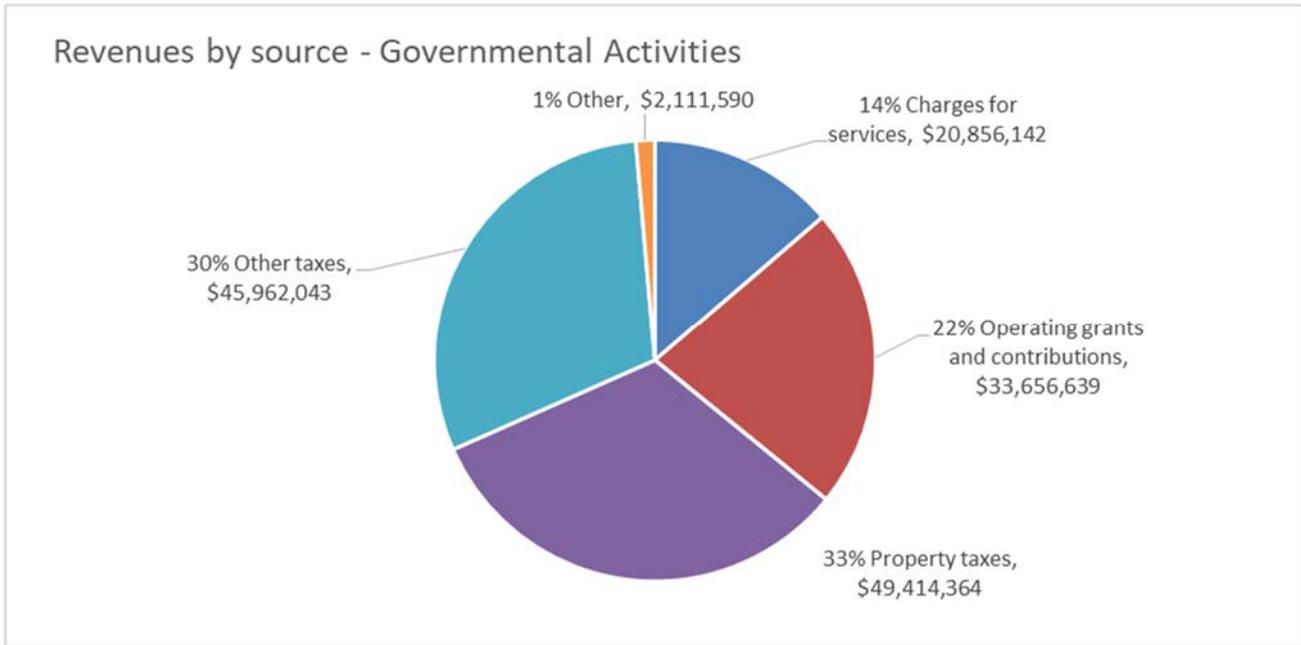
Governmental activities—net position highlights: As a result of an actuarial valuation of the total pension liability performed as of June 30, 2018, and a measurement date of June 30, 2017, deferred outflows and inflows of resources related to pensions decreased by \$6.4 million and \$3.8 million, respectively. The pension liability increased by \$9.7 million and the Beneficial Interest Certificates liability was paid off with a \$13.5 million payment, reducing Long-term liabilities by \$3.8 million. No new debt was incurred and with payments on the remaining Long-term debt, the total decrease was \$4.7 million or 3.51% from the prior year. Other liabilities had a net increase of \$1.5 million due to increases in accounts payable and in the deposits held for others, at year-end. Both of these increases reflect timing differences in payouts from one year to the next. The reason for the decrease in negative unrestricted net position is the same as government-wide. The business-type accounted for a small percent of the changes in the Government-wide net position.

**Governmental Activities
Comparative Statement of Activities
Year Ended June 30,**

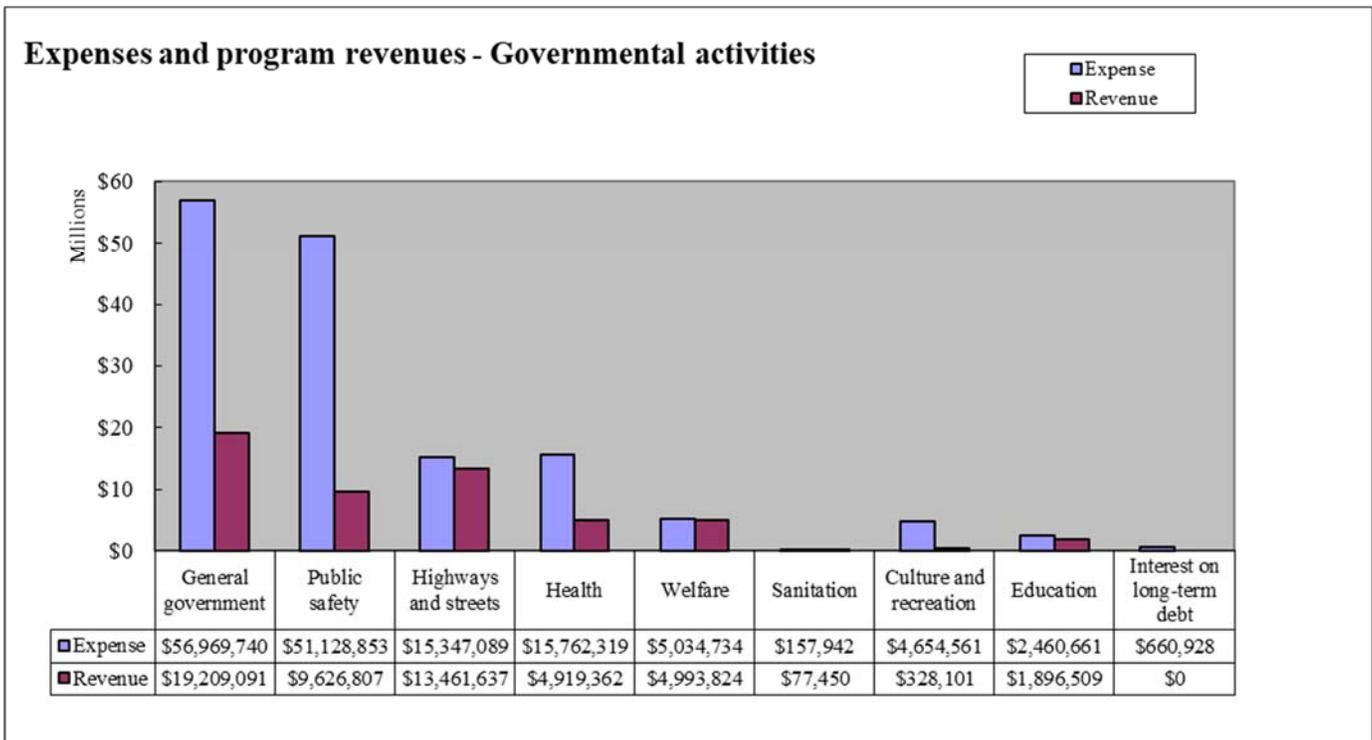
| | 2017 (as restated) | 2018 | Increase (Decrease) | % Change |
|--|-----------------------|-----------------------|------------------------|----------------|
| Revenues: | | | | |
| Program revenues | | | | |
| Charges for services | \$ 19,090,112 | \$ 20,856,142 | \$ 1,766,030 | 9.25% |
| Operating grants and contributions | 30,088,516 | 33,656,639 | 3,568,123 | 11.86% |
| Total program revenues | <u>49,178,628</u> | <u>54,512,781</u> | <u>5,334,153</u> | <u>10.85%</u> |
| General revenues | | | | |
| Property taxes | 46,659,672 | 49,414,364 | 2,754,692 | 5.90% |
| Other taxes | 44,011,253 | 45,962,043 | 1,950,790 | 4.43% |
| Other revenues | 2,006,070 | 2,111,590 | 105,520 | 5.26% |
| Total general revenues | <u>92,676,995</u> | <u>97,487,997</u> | <u>4,811,002</u> | <u>5.19%</u> |
| Total revenues | <u>141,855,623</u> | <u>152,000,778</u> | <u>10,145,155</u> | <u>7.15%</u> |
| Expenses: | | | | |
| General government | 49,769,673 | 56,969,740 | 7,200,067 | 14.47% |
| Public safety | 46,357,840 | 51,128,853 | 4,771,013 | 10.29% |
| Highways and streets | 14,603,098 | 15,347,089 | 743,991 | 5.09% |
| Health | 14,859,906 | 15,762,319 | 902,413 | 6.07% |
| Welfare | 4,810,588 | 5,034,734 | 224,146 | 4.66% |
| Sanitation | 33,790 | 157,942 | 124,152 | 367.42% |
| Culture and recreation | 5,033,422 | 4,654,561 | (378,861) | -7.53% |
| Education | 2,574,696 | 2,460,661 | (114,035) | -4.43% |
| Interest on long-term debt | 763,039 | 660,928 | (102,111) | -13.38% |
| Total expenses | <u>138,806,052</u> | <u>152,176,827</u> | <u>13,370,775</u> | <u>9.63%</u> |
| Inc. (Dec.) in net position before transfers | 3,049,571 | (176,049) | (3,225,620) | -105.77% |
| Transfers | (6,250) | 475,000 | 481,250 | -7700.00% |
| Inc. (Dec.) in net position after transfers | <u>3,043,321</u> | <u>298,951</u> | <u>(2,744,370)</u> | <u>-90.18%</u> |
| Net position beginning of year | 231,851,394 | 234,894,715 | 3,043,321 | 1.31% |
| Net position end of year | <u>\$ 234,894,715</u> | <u>\$ 235,193,666</u> | <u>\$ 298,951</u> | <u>0.13%</u> |

Governmental activities—comparative statement of activities highlights: The current year governmental activities financial statements reflect an increase in total general revenues and program revenue. The increase in the economic growth, throughout the entire country, spurred increases in all areas of revenue. Expenses increased 9 percent from the prior year. The large increase in General government expenses and increases in Public safety includes pay rate adjustments in order to make salaries competitive with other entities. The increases were offset some by vacancy savings. Other reasons for increase are discussed later in a detailed discussion of the general fund. The transfer in the current year reflects transfers to the General fund from the Landfill fund to reimburse for inspector salaries and benefits. The increase in sanitation reflects a new project started two years ago by the board of supervisors for nuisance abatement, which continues to grow. Interest on long-term debt is down due to reduced interest cost on the beneficial interest certificates in the Jail Debt Service Fund.

The chart below represents all revenues collected from governmental activities, including general revenues, as reported in the Statement of Activities.



The following graph represents the expenses and program revenues for governmental activities as reported in the Statement of Activities. Program revenue does not include the general revenues listed on the bottom portion of the Statement of Activities. Total revenues generated by governmental activities (program revenues and general revenues) were \$152 million. General revenues of \$98 million are not included in this graph, though they represent 64 percent of total revenues reported for governmental activities. While this graph indicates expenses exceeded program revenues, the addition of general revenues resulted in a small increase to net position of \$298,951 for the fiscal year as indicated on the Statement of Activities.



**Business-type Activities
Net Position
As of June 30,**

| | 2017 (as restated) | 2018 | Increase (Decrease) | % Change |
|--|-----------------------|----------------------|------------------------|----------------|
| Current assets and other assets | \$ 20,002,566 | \$ 20,196,145 | \$ 193,579 | 0.97% |
| Capital assets | 15,966,297 | 16,410,462 | 444,165 | 2.78% |
| Net pension and other postemployment benefits asset | - | 6,491 | 6,491 | 100.00% |
| Total assets | <u>35,968,863</u> | <u>36,613,098</u> | <u>644,235</u> | <u>1.79%</u> |
| Deferred outflows related to pensions and other postemployment benefits | <u>373,287</u> | <u>257,479</u> | <u>(115,808)</u> | <u>-31.02%</u> |
| Long-term liabilities outstanding | 10,640,519 | 10,702,205 | 61,686 | 0.58% |
| Other liabilities | 892,650 | 625,004 | (267,646) | -29.98% |
| Total liabilities | <u>11,533,169</u> | <u>11,327,209</u> | <u>(205,960)</u> | <u>-1.79%</u> |
| Deferred inflows related to pensions and other postemployment benefits | <u>309,531</u> | <u>199,166</u> | <u>(110,365)</u> | <u>-35.66%</u> |
| Net position: | | | | |
| Net investment in capital assets | 15,966,297 | 16,410,462 | 444,165 | 2.78% |
| Restricted | 8,196,035 | 8,874,347 | 678,312 | 8.28% |
| Unrestricted | 337,118 | 59,393 | (277,725) | -82.38% |
| Total net position | <u>\$ 24,499,450</u> | <u>\$ 25,344,202</u> | <u>\$ 844,752</u> | <u>3.45%</u> |

Business-type activities—net position highlights: Deferred outflows related to pensions and deferred inflows related to pensions should be netted together for net of \$58 thousand. This is an 8.5% net decrease from the prior year in net deferred outflows, and represents County contributions to the pension plan for employees in the business-type funds. Long-term liabilities increased due to an increase in landfill closure and post-closure costs; these are estimated future costs provided by engineering consultants for managing the Cerbat and Mohave Valley landfills. In addition, the long-term liabilities increased due to pension liability adjustments. Other liabilities decreased \$268 thousand due to a decrease in accounts payable claims paid after June 30th and accrued to fiscal year 2018. The decrease to unrestricted net position was due to pension adjustments in the current year.

Business-type Activities
Comparative Statement of Activities
Year Ended June 30,

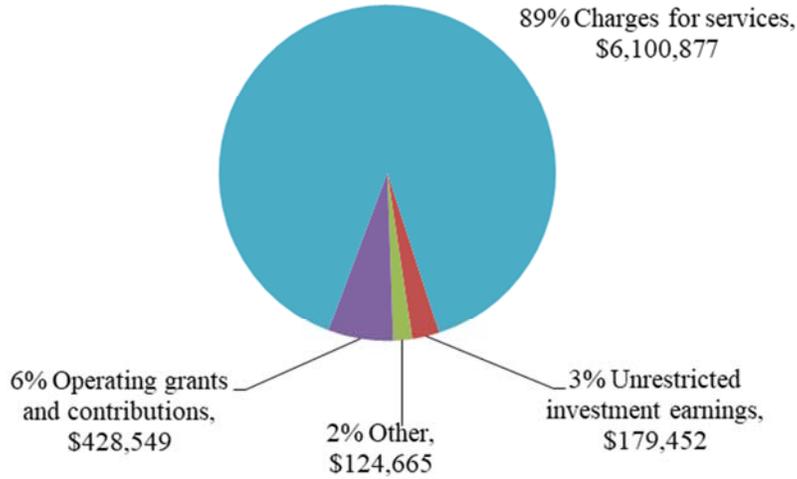
| | 2017 (as restated) | 2018 | Increase (Decrease) | % Change |
|---|-----------------------|----------------------|------------------------|-----------------|
| Revenues: | | | | |
| Program revenues | | | | |
| Charges for services | \$ 5,231,128 | \$ 6,100,877 | \$ 869,749 | 16.63% |
| Operating grants and contributions | 500,014 | 428,549 | (71,465) | -14.29% |
| Total program revenues | <u>5,731,142</u> | <u>6,529,426</u> | <u>798,284</u> | <u>13.93%</u> |
| General revenues | | | | |
| Other taxes | 100,000 | 100,000 | - | 0.00% |
| Other revenues | 83,154 | 204,117 | 120,963 | 145.47% |
| Total general revenues | <u>183,154</u> | <u>304,117</u> | <u>120,963</u> | <u>66.04%</u> |
| Total revenues | <u>5,914,296</u> | <u>6,833,543</u> | <u>919,247</u> | <u>15.54%</u> |
| Expenses: | | | | |
| Landfill | 1,879,953 | 1,359,735 | (520,218) | -27.67% |
| Recreation | 1,905,918 | 1,961,301 | 55,383 | 2.91% |
| Water companies | 2,623,729 | 2,192,755 | (430,974) | -16.43% |
| Total expenses | <u>6,409,600</u> | <u>5,513,791</u> | <u>(895,809)</u> | <u>-13.98%</u> |
| Increase in net position before transfers | (495,304) | 1,319,752 | 1,815,056 | -366.45% |
| Transfers | 6,250 | (475,000) | (481,250) | -7700.00% |
| Decrease in net position after transfers | <u>(489,054)</u> | <u>844,752</u> | <u>1,333,806</u> | <u>-272.73%</u> |
| Net position beginning of year | 24,988,504 | 24,499,450 | (489,054) | -1.96% |
| Net position end of year | <u>\$ 24,499,450</u> | <u>\$ 25,344,202</u> | <u>\$ 844,752</u> | <u>3.45%</u> |

Business-type activities—comparative statement of activities highlights: Analysis of revenue and expense changes—The Business-type activities comparative statement of activities schedule, above, shows a 15.5 percent increase in total revenues for the year.

- Charges for services increased in the Other Enterprise funds and Parks funds due to serving more customers and park visitors.
- Other revenues increased \$121 thousand due to a positive market adjustment on investments.
- Landfill expenses decreased \$520 thousand in three areas, personnel services, professional services and closure/post closure costs.
- Water company expenses decreased \$431 thousand due to the main well asset no longer being depreciated as it has reached its full useful life
- Transfers increased due to a Board of Supervisors approved action to adopt HB 2546 which was enacted to provide additional funding to the Sheriff's office and other departments deemed necessary by the board to improve public safety.

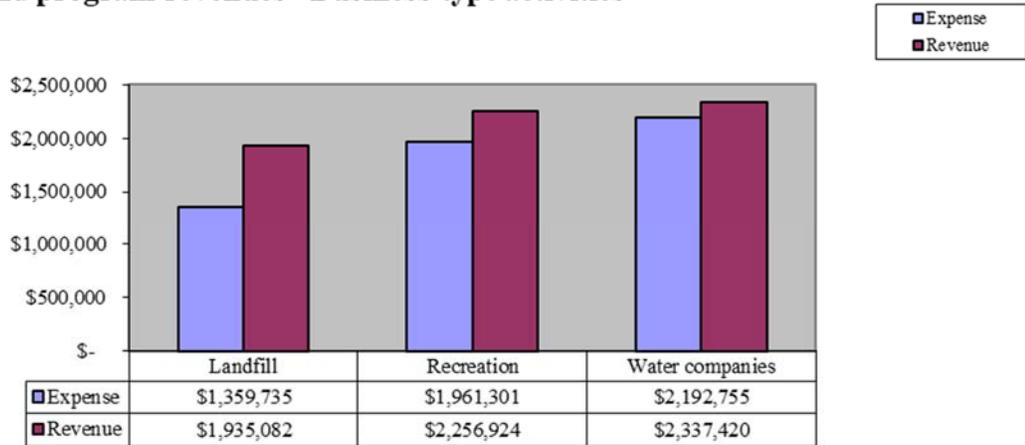
The chart below represents all revenues collected from business-type activities, including general revenues, as reported in the Statement of Activities.

Revenues by source - Business-type Activities



The graph below represents the expenses and program revenues for business-type activities as reported in the Statement of Activities. Please note that program revenue does not include the general revenues on the bottom portion of the statement.

Expenses and program revenues - Business-type activities



Financial Analysis of the Government's Funds

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

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

Mohave County's governmental funds reported a combined increase in ending fund balances from the prior year. Fund balances for the Road Fund, Flood Control Fund, County Capital Improvement Fund, and the Other Governmental Funds are nonspendable, restricted, or committed and can only be used for specific purposes.

* The beginning fund balance for Other Governmental Funds was restated due to a change in presentation of major funds. The Library and jail debt service were added back into other and the County capital improvement fund was shown as major fund in the current year.

Comparative Balance Sheet Governmental Funds As of June 30, 2018

| | General Fund | Road Fund | Flood Control Fund | County Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|----------------------------|---------------|---------------|--------------------|---------------------------------|--------------------------|--------------------------|
| 2017 | | | | | | |
| Assets | \$ 29,172,419 | \$ 15,722,024 | \$ 6,632,641 | \$ 6,100,778 | \$ 40,245,554 | \$ 97,873,416 |
| Liabilities | 2,606,569 | 775,336 | 130,156 | 151 | 1,501,463 | 5,013,675 |
| Deferred inflows | 2,577,686 | - | 778,425 | - | 938,657 | 4,294,768 |
| Fund balance | 23,988,164 | 14,946,688 | 5,724,060 | 6,100,627 | 37,805,434 | 88,564,973 |
| 2018 | | | | | | |
| Assets | 35,615,332 | 15,617,731 | 7,506,396 | 12,056,952 | 27,661,927 | 98,458,338 |
| Liabilities | 3,140,152 | 674,226 | 180,175 | 151 | 1,751,494 | 5,746,198 |
| Deferred inflows | 2,419,552 | - | 740,592 | - | 1,008,688 | 4,168,832 |
| Fund balance | 30,055,628 | 14,943,505 | 6,585,629 | 12,056,801 | 24,901,745 | 88,543,308 |
| Increase (decrease) | | | | | | |
| Assets | 6,442,913 | (104,293) | 873,755 | 5,956,174 | (12,583,627) | 584,922 |
| Liabilities | 533,583 | (101,110) | 50,019 | - | 250,031 | 732,523 |
| Deferred inflows | (158,134) | - | (37,833) | - | 70,031 | (125,936) |
| Fund balance | \$ 6,067,464 | \$ (3,183) | \$ 861,569 | \$ 5,956,174 | \$ (12,903,689) | \$ (21,665) |
| % change | | | | | | |
| Assets | 22.09% | -0.66% | 13.17% | 97.63% | -31.27% | 0.60% |
| Liabilities | 20.47% | -13.04% | 38.43% | 0.00% | 16.65% | 14.61% |
| Deferred inflows | -6.13% | 0.00% | -4.86% | 0.00% | 7.46% | -2.93% |
| Fund balance | 25.29% | -0.02% | 15.05% | 97.63% | -34.13% | -0.02% |

Significant changes reflected in the schedule above will follow:

The General Fund is the chief operating fund of Mohave County. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$30 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The General Fund unassigned fund balance equals 39 percent of total General Fund expenditures. The deferred inflows represent deferred property tax collections and deferred intergovernmental income in 2018. Increased property tax collections accounted for the decrease in deferred inflows. Collections of delinquent property tax revenue picked up slightly.

The Road Fund's total fund balance is restricted for road maintenance and other approved highway user funds projects. The current year road project expenses were less than the current year road revenues, which is reflected by a corresponding increase in the fund balance. The change in fund balance above also includes the inventory adjustment.

The Flood Control Fund total fund balance increased from the prior year. The increase in fund balance and assets, corresponds with the excess revenue over expenditures discussed in the next section. The change in fund balance above also includes the inventory adjustment.

The County Capital Improvement Fund increased significantly due to no longer needing to make payments on the beneficial interest certificates debt, which was fully funded the prior year and paid off in the current year.

The other Governmental fund assets decreased due to the \$13.5 million payoff of the beneficial interest certificates in the Jail debt service fund.

**Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental funds
Year Ended June 30,**

| | General Fund | Road Fund | Flood Control Fund | County Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------|-----------------|---------------|--------------------------|---------------------------------------|--------------------------------|--------------------------------|
| 2017 | | | | | | |
| Revenues | \$ 79,140,066 | \$ 16,326,737 | \$ 8,632,710 | \$ 7,220,229 | \$ 26,601,553 | \$ 137,921,295 |
| Expenditures | 73,395,346 | 14,723,815 | 7,412,076 | 1,563,542 | 33,264,629 | \$ 130,359,408 |
| Other financing sources (uses) | 1,147,551 | 0 | (567,123) | (4,871,918) | 6,618,262 | \$ 2,326,772 |
| Net change in fund balance | 6,892,271 | 1,602,922 | 653,511 | 784,769 | (44,814) | 9,888,659 |
| 2018 | | | | | | |
| Revenues | 82,430,306 | 16,901,431 | 7,833,785 | 7,426,430 | 29,781,269 | 144,373,221 |
| Expenditures | 77,364,285 | 16,676,483 | 6,404,442 | 1,470,256 | 43,924,124 | 145,839,590 |
| Other financing sources (uses) | 1,001,443 | (218,595) | (581,564) | - | 1,239,166 | 1,440,450 |
| Net change in fund balance | 6,067,464 | 6,353 | 847,779 | 5,956,174 | (12,903,689) | (25,919) |
| Increase (decrease) | | | | | | |
| Revenues | 3,290,240 | 574,694 | (798,925) | 206,201 | 3,179,716 | 6,451,926 |
| Expenditures | 3,968,939 | 1,952,668 | (1,007,634) | (93,286) | 10,659,495 | 15,480,182 |
| Other financing sources (uses) | (146,108) | (218,595) | (14,441) | 4,871,918 | (5,379,096) | (886,322) |
| % change | | | | | | |
| Revenues | 4.16% | 3.52% | -9.25% | 2.86% | 11.95% | 4.68% |
| Expenditures | 5.41% | 13.26% | -13.59% | -5.97% | 32.04% | 11.88% |
| Other financing sources (uses) | -12.73% | 100.00% | 2.55% | -100.00% | -81.28% | -38.09% |

Significant changes reflected in the schedule above will be discussed on the next page, with the exception of the General Fund, which will be discussed separately under the heading general fund budgetary highlights:

Governmental revenues and expenditures:

The Road Fund experienced a 3.5 percent increase in revenue and a 13.26 percent increase in expenditures. The fund spent more on capital purchases, compared to the prior year. There was a large percentage of heavy equipment replaced in 2018. There was also an increase in the number of road projects, as the prior year some experienced delays in being started and some were cancelled. There were no other financing sources (uses) of revenue the prior year. The current year there were sales of assets and transfers out to other funds.

Flood control fund changes in revenue and expense reflect moving grant funds out of the flood control fund into their own fund included in other governmental funds column, for better tracking.

The Other Governmental Funds revenue increases were primarily in the intergovernmental revenue, reflecting increases in sales tax revenue and grant revenue.

Other governmental expenditures increased by \$10.7 million total. \$9.3 million of that amount was the additional amount paid for the debt payoff of the jail beneficial interest certificates. The balance reflected corresponding grant expenditures related to the increase in grant revenue.

Other financing sources (transfers in) experienced a \$5.4 million decrease. This was mostly due to the Jail debt service fund not receiving a transfer from the county capital improvement fund of \$4.9 million, as it was fully funded for the debt payoff. That is also the reason for the increase in the county capital improvement fund of \$4.9 million.

Proprietary funds

Reports for Mohave County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. In response to the economic downturn, County departments cut expenses wherever possible.

Statement of Net Position—Business-type Activities—Net position for the enterprise funds, in total, increased slightly from the prior year. The G.V.I.D. Fund reflected a net decrease in net position, after recording depreciation expense, which does not affect available cash. All other funds reflected an increase in net position.

Statement of Net Position—Governmental Activities-Internal Service Funds—Net position for the internal service funds increased by \$447 thousand over the prior year.

Statement of Revenues, Expenses, and Changes in Fund Net Position—Business-type Activities—The only difference between this statement and the Statement of Activities-Business type, discussed previously, is the presentation. The expenses are broken out in more detail on this statement and the revenues are shown as either operating or non-operating.

Statement of Revenues, Expenses, and Changes in Fund Net Position—Governmental Activities Internal Service Funds-The income before transfers increased from the prior year. Total operating revenues increased by \$2.1 million and operating expenses increased by approximately \$1.5 million in total for all the internal service funds. The majority of the increase in expenses came from an increase in insurance claims of \$700 thousand in claims expense and an increase in administration costs of \$200 thousand in the EBT fund. The Information services fund had an increase in expenditures of \$300 thousand due to a new capital lease for computers. There are minor increases and decreases in all the internal service funds revenue; however, the largest increase of \$2 million was increases in charges to departments in the EBT fund. The prior year the charges had been reduced by \$1.5 million to reduce the fund balance. The charges were reinstated in the current year, plus additional, based on budgeted expenditures. There was also an increase in charges for services in the vehicle replacement fund of \$600 thousand. The increase in net position is attributed to all the changes discussed above.

General Fund Budgetary Highlights

Variations between Original Budget and Final Revised Budget

Revenues: There were no significant changes between the original budget and final revised budget revenues.

Expenditures: Differences between the original budget and the final amended budget line items resulted from moving expenditures between departments and an increase in budgeted public safety expenditures. Budgeted expenditures increased \$4.6 million compared to 2017. Total actual expenditures were below budgeted expenditures by \$8.1 million, \$1.7 million of that amount was public safety expenditures, \$4.7 million was general administration, and \$1.7 million was unused contingency.

Variations between Final Revised Budget and Actual Revenues or Expenditures

Revenues: The General Fund revenue was less than the total amount budgeted by \$830 thousand (1 percent). The largest difference was \$1.2 million in property taxes that reflected an increase in overall current collections resulting in a decline of delinquent receivables.

Expenditures: Actual expenditures were less than budgeted expenditures by \$8.1 million. The prior year difference was \$7.4 million. General administration budgeted expenditures increased \$1.1 million due to budgeting for pension settlements and contribution rate increases. The County contingency was budgeted at \$1.9 million but only \$211 thousand was utilized during the year. Public Safety expenditures were \$1.7 million less than the budget primarily as a result of personnel savings from retirements and new recruitment efforts. Planning and Zoning expenditures were \$1.0 million less than budget primarily due to \$500,000 reserved in the budget for economic development efforts which will occur in future years, and \$300,000 that was available for outsourcing plan reviews that was not needed during the year. Other budget to actual variances were minor increases and decreases to other departments.

Actual expenditures increased from the prior year by \$4 million, mostly for necessary increases in salaries, to remain competitive in the labor market. Public safety costs increased \$1.9 million, general administration increased \$1.6 million, and participation in Arizona Health Cost Containment System costs increased \$408 thousand. Vacancy savings and reducing staff by attrition and department reorganization were also employed as a cost reduction method.

Capital Assets and Debt Administration

Capital assets—Mohave County’s investment in capital assets for its governmental and business-type activities as of June 30, 2018, is \$256 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, water systems, improvements other than buildings, machinery and equipment, park facilities, roads, highways, bridges, and an internally generated software program. Capital assets not being depreciated in the governmental activities increased due to design work performed for the construction of a new judicial facility that will take several years to complete and the purchase of land in the Mohave Valley irrigation district.

Capital Assets, net of accumulated depreciation As of June 30, 2018

| | 2017 | 2018 | Increase (Decrease) | % Change |
|--|-----------------------|-----------------------|------------------------|---------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | \$ 31,930,042 | \$ 33,270,122 | \$ 1,340,080 | 4.20% |
| Capital assets, being depreciated | 210,261,876 | 206,340,540 | (3,921,336) | -1.86% |
| Total governmental capital assets | <u>242,191,918</u> | <u>239,610,662</u> | <u>(2,581,256)</u> | <u>-1.07%</u> |
| Business-type activities | | | | |
| Capital assets, not being depreciated | 2,004,306 | 2,049,306 | 45,000 | 2.25% |
| Capital assets, being depreciated | 13,961,991 | 14,361,156 | 399,165 | 2.86% |
| Total business-type capital assets | <u>15,966,297</u> | <u>16,410,462</u> | <u>444,165</u> | <u>2.78%</u> |
| Total governmental and business-type activities | | | | |
| Capital assets, not being depreciated | 33,934,348 | 35,319,428 | 1,385,080 | 4.08% |
| Capital assets, being depreciated | 224,223,867 | 220,701,696 | (3,522,171) | -1.57% |
| Total capital assets | <u>\$ 258,158,215</u> | <u>\$ 256,021,124</u> | <u>\$ (2,137,091)</u> | <u>-0.83%</u> |

Major capital asset events during the current fiscal year included the following:

- The County replaced 51 aging vehicles from the fleet at a total cost of \$2.3 million. Various sources funded these purchases; 30 from the Vehicle Use fund, 11 from the Road fund, 6 from business-type funds, and 4 from other governmental funds.
- The Road fund also purchased 8 pieces of heavy equipment totaling \$2 million. This included motor graders, side dump trailers and a semi-tractor and a 4000-gallon water truck.
- Road improvements totaling \$1 million were made to Cane beds and Rosy canyon roads in the Arizona strip area and Shinarump drive and Aztec road in Golden Valley.
- Finalization of the design work for the Law and Justice facility
- The Park fund spent \$600 thousand on improvements to Davis camp and Hualapai mountain parks

Notes 6 contains additional information on Mohave County’s capital assets.

Long-term liabilities—At the end of the current fiscal year, Mohave County had total long-term liabilities outstanding of \$141 million. Mohave County’s long-term liabilities is comprised of net pension and other postemployment benefits liabilities, claims and judgments payable, landfill closure and post closure care costs payable, capital leases payable, and compensated absences payable incurred during normal operations. For details, see Note 9. The two major changes were in paying off the outstanding Beneficial interest certificates, \$13.5 million and an increase of \$9.5 million in pension liabilities.

State statutes limit the amount of general obligation debt a government entity may issue to 6 percent of its total secondary assessed valuation, without taxpayer approval, and up to 15 percent with the approval of a majority of

taxpayers. The debt limitation for Mohave County for fiscal year 2018 was \$104 million (6 percent of \$1.740 billion secondary assessed value). Mohave County does not have any outstanding general obligation debt.

Note 9 contains additional information on Mohave County's long-term liabilities.

Economic Factors and Next Year's Budgets and Rates

Population in Mohave County and Arizona has continued to grow at a modest rate and is projected to continue over the next several years. Arizona's job creation and population rate have grown at a faster rate than the nation and many other states and the economic benefit of this modest growth is projected to continue through the next few years (U.S. Census Bureau, U.S. Joint Economic Committee). Property market values have also continued to recover in Arizona and Mohave County. Effective in fiscal year 2016, and going forward, growth in net assessed valuations for property tax purposes is restricted on most property types to the lesser of the full cash value or 5 percent.

The average unemployment rate for Mohave County in 2018 was 5.6 percent, a decrease of .5 percent from the prior year. The unemployment rate in Mohave County is higher than the State's 2018 unemployment rate of 4.2 percent and also higher than the national average rate 4.0 percent.

Each year during the budget planning process, the Financial Services Department evaluates the U.S. and Arizona coincident index and other economic indicators along with reviewing economic momentum information and State estimates provided by the office of the Arizona Joint Legislative Budget Committee, the U.S. Bureau of Labor Statistics and other sources. Also, considered in overall budget development are the status of the U.S. federal budget and anticipated changes, State budget impacts, and local economic conditions specific to Mohave County such as net assessed property valuations and changes from prior years, local sales tax revenue and year-over-year changes, local employment, tourism, fuel sales, building permit data and other types of information. In summary, all of these factors were considered in preparing and developing Mohave County's budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Mohave County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mohave County Finance
PO Box 7000
Kingman, AZ 86402-7000

Mohave County
Statement of net position
Year ended June 30, 2018

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and investments | \$ 102,846,088 | \$ 18,342,029 | \$ 121,188,117 |
| Receivables (net of allowances for uncollectibles): | | | |
| Property taxes | 4,360,202 | 6 | 4,360,208 |
| Accounts | 1,507,839 | 349,367 | 1,857,206 |
| Accrued interest | 61,877 | 10,927 | 72,804 |
| Due from other governments | 8,083,706 | 121,093 | 8,204,799 |
| Inventories | 285,919 | 105,144 | 391,063 |
| Prepaid items | 214,241 | - | 214,241 |
| Cash and investments held by trustee | 2,341,650 | - | 2,341,650 |
| Restricted cash | 100,000 | 1,026,393 | 1,126,393 |
| Internal balances | (241,186) | 241,186 | - |
| Restricted assets - HUD properties | 1,500,906 | - | 1,500,906 |
| Capital assets, not being depreciated | 33,270,122 | 2,049,306 | 35,319,428 |
| Capital assets, being depreciated, net | 206,340,540 | 14,361,156 | 220,701,696 |
| Net pension and other postemployment benefits asset | 1,547,652 | 6,491 | 1,554,143 |
| Total assets | <u>362,219,556</u> | <u>36,613,098</u> | <u>398,832,654</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions and other postemployment benefits | 17,389,167 | 257,479 | 17,646,646 |
| Total deferred outflows of resources | <u>17,389,167</u> | <u>257,479</u> | <u>17,646,646</u> |
| Liabilities | | | |
| Accounts payable | 3,767,068 | 389,674 | 4,156,742 |
| Accrued payroll and employee benefits | 1,437,893 | 37,625 | 1,475,518 |
| Due to other governments | 17,636 | 5,485 | 23,121 |
| Deposits held for others | 1,170,140 | 92,433 | 1,262,573 |
| Unearned revenue | 5,051 | 99,787 | 104,838 |
| Noncurrent liabilities | | | |
| Due within 1 year | 7,879,851 | 120,031 | 7,999,882 |
| Due in more than 1 year | 122,066,026 | 10,582,174 | 132,648,200 |
| Total liabilities | <u>136,343,665</u> | <u>11,327,209</u> | <u>147,670,874</u> |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions and other postemployment benefits | 8,071,392 | 199,166 | 8,270,558 |
| Total deferred inflows of resources | <u>8,071,392</u> | <u>199,166</u> | <u>8,270,558</u> |
| Net Position | | | |
| Net investment in capital assets | 239,610,662 | 16,410,462 | 256,021,124 |
| Restricted for: | | | |
| General government | 7,087,449 | - | 7,087,449 |
| Public safety | 10,692,522 | - | 10,692,522 |
| Highways and streets | 14,739,498 | - | 14,739,498 |
| Health | 2,351,807 | - | 2,351,807 |
| Welfare | 1,527,320 | - | 1,527,320 |
| Sanitation | - | 7,847,954 | 7,847,954 |
| Culture and recreation | 7,922,602 | - | 7,922,602 |
| Education | 224,030 | - | 224,030 |
| Debt service | 702,619 | - | 702,619 |
| Capital projects | - | 1,026,393 | 1,026,393 |
| Other purposes | 2,001,066 | - | 2,001,066 |
| Unrestricted (deficit) | (51,665,909) | 59,393 | (51,606,516) |
| Total net position | <u>\$ 235,193,666</u> | <u>\$ 25,344,202</u> | <u>\$ 260,537,868</u> |

See accompanying notes to the financial statements

Mohave County

Statement of activities

Year ended June 30, 2018

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------|----------------------|------------------------------------|---|--------------------------|-----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government | | |
| | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | |
| Governmental activities: | | | | | | |
| General government | \$ 56,969,740 | \$ 14,358,016 | \$ 4,851,075 | \$ (37,760,649) | \$ - | \$ (37,760,649) |
| Public safety | 51,128,853 | 3,966,373 | 5,660,434 | (41,502,046) | - | (41,502,046) |
| Highways and streets | 15,347,089 | 90,588 | 13,371,049 | (1,885,452) | - | (1,885,452) |
| Health | 15,762,319 | 1,734,904 | 3,184,458 | (10,842,957) | - | (10,842,957) |
| Welfare | 5,034,734 | 486,751 | 4,507,073 | (40,910) | - | (40,910) |
| Sanitation | 157,942 | 77,450 | - | (80,492) | - | (80,492) |
| Culture and recreation | 4,654,561 | 109,284 | 218,817 | (4,326,460) | - | (4,326,460) |
| Education | 2,460,661 | 32,776 | 1,863,733 | (564,152) | - | (564,152) |
| Interest on long-term debt | 660,928 | - | - | (660,928) | - | (660,928) |
| Total governmental activities | 152,176,827 | 20,856,142 | 33,656,639 | (97,664,046) | - | (97,664,046) |
| Business-type activities: | | | | | | |
| Landfill | 1,359,735 | 1,506,533 | 428,549 | - | 575,347 | 575,347 |
| Recreation | 1,961,301 | 2,256,924 | - | - | 295,623 | 295,623 |
| Water companies | 2,192,755 | 2,337,420 | - | - | 144,665 | 144,665 |
| Total business-type activities | 5,513,791 | 6,100,877 | 428,549 | - | 1,015,635 | 1,015,635 |
| Total primary government | \$ 157,690,618 | \$ 26,957,019 | \$ 34,085,188 | (97,664,046) | 1,015,635 | (96,648,411) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purposes | | | | 41,953,905 | - | 41,953,905 |
| Property taxes, levied for flood control | | | | 7,355,727 | - | 7,355,727 |
| Property taxes, levied for debt service | | | | 104,732 | - | 104,732 |
| Share of state sales taxes | | | | 23,241,023 | - | 23,241,023 |
| Special county sales tax for capital projects | | | | 7,257,405 | - | 7,257,405 |
| Shared revenue - state vehicle license tax | | | | 11,281,861 | - | 11,281,861 |
| Federal in-lieu tax | | | | 3,649,238 | 100,000 | 3,749,238 |
| Local in-lieu tax | | | | 20,149 | - | 20,149 |
| Utilities franchise tax | | | | 512,367 | - | 512,367 |
| County equalization revenue | | | | 85,379 | - | 85,379 |
| Investment earnings | | | | 1,038,356 | 179,452 | 1,217,808 |
| Miscellaneous | | | | 510,097 | 15,382 | 525,479 |
| Rent | | | | 315,776 | 6,660 | 322,436 |
| Gain on sale/trade of capital assets | | | | 161,982 | 2,623 | 164,605 |
| Transfers | | | | 475,000 | (475,000) | - |
| Total general revenues | | | | 97,962,997 | (170,883) | 97,792,114 |
| Change in net position | | | | 298,951 | 844,752 | 1,143,703 |
| Net position, July 1, 2017, as restated | | | | 234,894,715 | 24,499,450 | 259,394,165 |
| Net position, June 30, 2018 | | | | \$ 235,193,666 | \$ 25,344,202 | \$ 260,537,868 |

See accompanying notes to the financial statements

**Mohave County
Balance sheet
Governmental funds
June 30, 2018**

| | General Fund | Road Fund | Flood Control Fund | County capital improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------|-----------------------------------|--|---|---|
| Assets | | | | | | |
| Cash and investments | \$ 28,783,233 | \$ 14,018,655 | \$ 6,599,062 | \$ 9,770,245 | \$ 23,135,300 | \$ 82,306,495 |
| Cash and investments held by trustee | | - | - | 1,020,841 | 702,619 | 1,723,460 |
| Receivables (net of allowances for uncollectibles): | | | | | | |
| Property taxes | 2,869,143 | - | 862,579 | - | 628,480 | 4,360,202 |
| Accounts | 408,025 | 43,238 | 100 | - | 528,752 | 980,115 |
| Accrued interest | 16,564 | 8,755 | 5,692 | 5,359 | 13,779 | 50,149 |
| Due from: | | | | | | |
| Other funds | 507,251 | - | - | - | 69,139 | 576,390 |
| Other governments | 2,911,754 | 1,343,076 | - | 1,260,507 | 2,566,967 | 8,082,304 |
| Inventories | - | 201,533 | 36,123 | - | - | 237,656 |
| Prepaid items | 19,362 | 2,474 | 2,840 | - | 16,891 | 41,567 |
| Restricted cash | 100,000 | - | - | - | - | 100,000 |
| Total assets | \$ 35,615,332 | \$ 15,617,731 | \$ 7,506,396 | \$ 12,056,952 | \$ 27,661,927 | \$ 98,458,338 |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,412,444 | \$ 536,628 | \$ 153,451 | \$ - | \$ 911,482 | \$ 3,014,005 |
| Accrued payroll and employee benefits | 937,444 | 137,598 | 26,724 | - | 279,666 | 1,381,432 |
| Due to: | | | | | | |
| Other funds | 3,930 | - | - | - | 126,460 | 130,390 |
| Other governments | - | - | - | - | 17,636 | 17,636 |
| Deposits held for others | 786,334 | - | - | 151 | 170,013 | 956,498 |
| Unearned revenue | - | - | - | - | 5,051 | 5,051 |
| Advances payable - Landfill | - | - | - | - | 241,186 | 241,186 |
| Total liabilities | 3,140,152 | 674,226 | 180,175 | 151 | 1,751,494 | 5,746,198 |
| Deferred inflows of resources | | | | | | |
| Unavailable revenue-property taxes | 2,383,879 | - | 740,592 | - | 595,532 | 3,720,003 |
| Unavailable revenue-intergovernmental | 35,673 | - | - | - | 413,156 | 448,829 |
| Total deferred inflows of resources | 2,419,552 | - | 740,592 | - | 1,008,688 | 4,168,832 |
| Fund balances | | | | | | |
| Nonspendable | 19,362 | 204,007 | 38,963 | - | 16,891 | 279,223 |
| Restricted | - | 14,739,498 | 6,546,666 | - | 23,515,266 | 44,801,430 |
| Committed | - | - | - | 12,056,801 | 1,671,641 | 13,728,442 |
| Unassigned | 30,036,266 | - | - | - | (302,053) | 29,734,213 |
| Total fund balances | 30,055,628 | 14,943,505 | 6,585,629 | 12,056,801 | 24,901,745 | 88,543,308 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 35,615,332 | \$ 15,617,731 | \$ 7,506,396 | \$ 12,056,952 | \$ 27,661,927 | \$ 98,458,338 |

See accompanying notes to the financial statements

Mohave County
Reconciliation of the governmental funds balance sheet
to the government-wide statement of net position
June 30, 2018

| | | |
|--|--------------------|-----------------------|
| Fund balances - total governmental funds | | \$ 88,543,308 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital and restricted assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> | | 236,473,618 |
| <p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.</p> | | |
| Property taxes receivable | 3,720,003 | |
| Grant receivables | <u>448,829</u> | 4,168,832 |
| <p>Long-term liabilities, such as net pension/OPEB liabilities, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.</p> | | (118,086,341) |
| <p>Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.</p> | | 9,268,215 |
| <p>Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, information systems, and telecommunications to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.</p> | | 18,887,971 |
| <p>Some assets and liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p> | | |
| Net pension assets held in trust | 1,535,992 | |
| Capital leases payable | (83,938) | |
| Compensated absences | <u>(5,513,991)</u> | <u>(4,061,937)</u> |
| Net position of governmental activities | | <u>\$ 235,193,666</u> |

See accompanying notes to the financial statements

Mohave County
Statement of revenues, expenditures, and changes in fund balances
Governmental funds
Year ended June 30, 2018

| | General Fund | Road Fund | Flood Control Fund | County capital improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|----------------------|-----------------------------------|--|---|---|
| Revenues: | | | | | | |
| Taxes | \$ 37,347,560 | \$ - | \$ 7,689,223 | \$ 7,257,405 | \$ 5,129,204 | \$ 57,423,392 |
| Special assessments | - | - | - | - | 92,620 | 92,620 |
| Licenses and permits | 1,095,737 | 46,850 | 2,900 | - | 711,569 | 1,857,056 |
| Intergovernmental | 35,723,295 | 16,547,543 | 38 | - | 16,758,587 | 69,029,463 |
| Charges for services | 6,231,055 | 40,825 | 45,825 | - | 4,834,697 | 11,152,402 |
| Fines and forfeits | 1,324,808 | 2,913 | - | - | 1,282,350 | 2,610,071 |
| Investment earnings | 226,935 | 148,857 | 88,380 | 76,413 | 315,096 | 855,681 |
| Rents | - | 70,679 | - | 92,612 | 202,108 | 365,399 |
| Contributions | 10,415 | 17,700 | - | - | 449,006 | 477,121 |
| Miscellaneous | 470,501 | 26,064 | 7,419 | - | 6,032 | 510,016 |
| Total revenues | 82,430,306 | 16,901,431 | 7,833,785 | 7,426,430 | 29,781,269 | 144,373,221 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 39,750,947 | - | - | - | 4,301,704 | 44,052,651 |
| Public safety | 27,095,551 | - | 6,404,442 | 733,051 | 7,823,488 | 42,056,532 |
| Highways and streets | - | 16,676,483 | - | - | - | 16,676,483 |
| Sanitation | - | - | - | - | 157,942 | 157,942 |
| Health | 10,034,659 | - | - | - | 5,737,671 | 15,772,330 |
| Welfare | - | - | - | - | 4,981,621 | 4,981,621 |
| Culture and recreation | - | - | - | - | 4,427,127 | 4,427,127 |
| Education | 374,393 | - | - | - | 2,086,268 | 2,460,661 |
| Capital outlay | - | - | - | 737,205 | 267,934 | 1,005,139 |
| Debt service: | | | | | | |
| Principal retirement | 106,950 | - | - | - | 13,488,979 | 13,595,929 |
| Interest and fiscal charges | 1,785 | - | - | - | 651,390 | 653,175 |
| Total expenditures | 77,364,285 | 16,676,483 | 6,404,442 | 1,470,256 | 43,924,124 | 145,839,590 |
| Excess (deficiency) of revenues over expenditures | 5,066,021 | 224,948 | 1,429,343 | 5,956,174 | (14,142,855) | (1,466,369) |
| Other financing sources (uses): | | | | | | |
| Transfers in | 3,072,351 | - | - | - | 2,505,086 | 5,577,437 |
| Transfers out | (2,070,908) | (506,605) | (584,330) | - | (1,564,197) | (4,726,040) |
| Sale of Capital assets | - | 288,010 | 2,766 | - | 298,277 | 589,053 |
| Total other financing sources (uses) | 1,001,443 | (218,595) | (581,564) | - | 1,239,166 | 1,440,450 |
| Net change in fund balances | 6,067,464 | 6,353 | 847,779 | 5,956,174 | (12,903,689) | (25,919) |
| Fund balances, July 1, 2017, as restated | 23,988,164 | 14,946,688 | 5,724,060 | 6,100,627 | 37,805,434 | 88,564,973 |
| Changes in nonspendable resources: | | | | | | |
| Increase (decrease) in inventories | - | (9,536) | 13,790 | - | - | 4,254 |
| Fund balances, June 30, 2018 | \$ 30,055,628 | \$ 14,943,505 | \$ 6,585,629 | \$ 12,056,801 | \$ 24,901,745 | \$ 88,543,308 |

See accompanying notes to the financial statements

Mohave County
Reconciliation of the governmental funds statement of revenues, expenditures and
changes in fund balances to the government-wide statement of activities
Year ended June 30, 2018

| | | |
|---|---------------------|----------------|
| Net change in fund balances - total governmental funds | \$ | (25,919) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | 6,941,930 | |
| Depreciation expense | <u>(8,923,595)</u> | (1,981,665) |
| In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. | | |
| | | (700,559) |
| County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities | | |
| County pension/OPEB contributions | 7,016,948 | |
| Pension/OPEB expense | <u>(21,686,354)</u> | (14,669,406) |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | |
| Capital lease-principal repaid | 135,929 | |
| Beneficial interest certificates-principal repaid | <u>13,460,000</u> | 13,595,929 |
| Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available. | | |
| Decrease in compensated absences | | 347,487 |
| Decrease in claims payable | | 1,127,656 |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| | | 2,154,329 |
| Some cash outlays, such as the purchase of supply inventories, are recorded as expenditures in the governmental funds when purchased. In the Statement of Activities, however, they are reported as expenses when consumed. | | |
| Increase in supply inventory | | 4,254 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, automotive maintenance and operation, information technology and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities in the Statement of Activities. | | |
| | | <u>446,845</u> |
| Change in net position of governmental activities | \$ | <u>298,951</u> |

See accompanying notes to the financial statements

Mohave County
Statement of net position
Proprietary funds
June 30, 2018

| | Business-Type Activities-Enterprise Funds | | | | | Governmental Activities- Internal Service Funds |
|--|--|--------------------------|-----------------------|---------------------------------------|-------------------|--|
| | Landfill Fund | G.V.I.D. Fund | Parks fund | Other Enterprise Funds | Total | |
| Assets | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$16,151,830 | \$ 367,324 | \$ 1,076,340 | \$ 746,535 | \$ 18,342,029 | \$ 20,539,593 |
| Cash and investments held by trustee | - | - | - | - | - | 618,190 |
| Receivables (net of allowances for uncollectibles): | | | | | | |
| Property taxes | - | 6 | - | - | 6 | - |
| Accounts | 210,682 | 64,338 | 6,451 | 67,896 | 349,367 | 527,724 |
| Accrued interest | 9,206 | 560 | 421 | 740 | 10,927 | 11,728 |
| Due from: | | | | | | |
| Other funds | - | - | - | - | - | 61,251 |
| Other governments | 100,458 | - | - | 20,635 | 121,093 | 1,402 |
| Inventories | - | 44,685 | - | 60,459 | 105,144 | 48,263 |
| Prepaid items | - | - | - | - | - | 172,674 |
| Total current assets | <u>16,472,176</u> | <u>476,913</u> | <u>1,083,212</u> | <u>896,265</u> | <u>18,928,566</u> | <u>21,980,825</u> |
| Noncurrent assets: | | | | | | |
| Restricted cash | - | 571,128 | - | 455,265 | 1,026,393 | - |
| Advance to other funds | 241,186 | - | - | - | 241,186 | - |
| Net other postemployment benefits assets | 1,571 | 857 | 2,875 | 1,188 | 6,491 | 11,660 |
| Capital assets, net of accumulated depreciation, where applicable: | | | | | | |
| Land | 438,549 | 40,388 | 1,481,772 | - | 1,960,709 | - |
| Infrastructure, net | 650,957 | 4,295,083 | 1,355,407 | 5,246,818 | 11,548,265 | - |
| Buildings, net | - | 38,750 | 1,181,016 | - | 1,219,766 | - |
| Equipment, net | 56,298 | 786,103 | 530,920 | 219,804 | 1,593,125 | 4,637,950 |
| Construction in progress | 45,000 | 43,597 | - | - | 88,597 | - |
| Total noncurrent assets | <u>1,433,561</u> | <u>5,775,906</u> | <u>4,551,990</u> | <u>5,923,075</u> | <u>17,684,532</u> | <u>4,649,610</u> |
| Total assets | <u>17,905,737</u> | <u>6,252,819</u> | <u>5,635,202</u> | <u>6,819,340</u> | <u>36,613,098</u> | <u>26,630,435</u> |
| Deferred outflows of resources | | | | | | |
| Deferred outflow related to pensions and other postemployment benefits | 63,782 | 34,359 | 110,991 | 48,347 | 257,479 | 407,344 |
| Total deferred outflows of resources | <u>63,782</u> | <u>34,359</u> | <u>110,991</u> | <u>48,347</u> | <u>257,479</u> | <u>407,344</u> |

See accompanying notes to the financial statements

Mohave County
Statement of net position
Proprietary funds
June 30, 2018

(Concluded)

| | Business-Type Activities-Enterprise Funds | | | | Total | Governmental Activities- Internal Service Funds |
|--|--|--------------------------|-----------------------|---------------------------------------|----------------------|--|
| | Landfill Fund | G.V.I.D. Fund | Parks fund | Other Enterprise Funds | | |
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 120,467 | 31,151 | 43,992 | 194,064 | 389,674 | 753,063 |
| Accrued payroll and employee benefits | 10,578 | 4,633 | 14,843 | 7,571 | 37,625 | 56,461 |
| Due to: | | | | | | |
| Other funds | - | - | - | - | - | 507,251 |
| Other governments | - | 6,106 | - | (621) | 5,485 | - |
| Deposits held for others | - | 62,433 | - | 30,000 | 92,433 | 213,642 |
| Unearned revenues | - | 24,862 | - | 74,925 | 99,787 | - |
| Current portion of: | | | | | | |
| Capital leases payable | - | - | - | - | - | 234,079 |
| Compensated absences payable | 39,242 | 10,290 | 54,493 | 16,006 | 120,031 | 289,383 |
| Claims and judgments payable | - | - | - | - | - | 1,946,862 |
| Total current liabilities | <u>170,287</u> | <u>139,475</u> | <u>113,328</u> | <u>321,945</u> | <u>745,035</u> | <u>4,000,741</u> |
| Noncurrent liabilities: | | | | | | |
| Capital leases payable | - | - | - | - | - | 359,214 |
| Landfill closure and postclosure care costs payable | 8,686,881 | - | - | - | 8,686,881 | - |
| Compensated absences payable | 9,811 | 2,573 | 13,623 | 4,002 | 30,009 | 72,345 |
| Net pension and other postemployment benefits liability | 451,399 | 246,217 | 826,321 | 341,347 | 1,865,284 | 3,359,724 |
| Total noncurrent liabilities | <u>9,148,091</u> | <u>248,790</u> | <u>839,944</u> | <u>345,349</u> | <u>10,582,174</u> | <u>3,791,283</u> |
| Total liabilities | <u>9,318,378</u> | <u>388,265</u> | <u>953,272</u> | <u>667,294</u> | <u>11,327,209</u> | <u>7,792,024</u> |
| Deferred inflows of resources | | | | | | |
| Deferred inflow related to pensions and other postemployment benefits | 48,198 | 26,290 | 88,231 | 36,447 | 199,166 | 357,784 |
| Total deferred inflows of resources | <u>48,198</u> | <u>26,290</u> | <u>88,231</u> | <u>36,447</u> | <u>199,166</u> | <u>357,784</u> |
| Net position | | | | | | |
| Net investment in capital assets | 1,190,804 | 5,203,921 | 4,549,115 | 5,466,622 | 16,410,462 | 4,637,950 |
| Restricted for: | | | | | | |
| Capital projects | - | 571,128 | - | 455,265 | 1,026,393 | - |
| Sanitation | 7,847,954 | - | - | - | 7,847,954 | - |
| Unrestricted | (435,815) | 97,574 | 155,575 | 242,059 | 59,393 | 14,250,021 |
| Total net position | <u>\$ 8,602,943</u> | <u>\$ 5,872,623</u> | <u>\$ 4,704,690</u> | <u>\$ 6,163,946</u> | <u>\$ 25,344,202</u> | <u>\$ 18,887,971</u> |

See accompanying notes to the financial statements

Mohave County
Statement of revenues, expenses, and changes in fund net position
Proprietary funds
Year ended June 30, 2018

| | Business-type Activities - Enterprise Funds | | | | Total | Governmental Activities- Internal Service Funds |
|--|--|--------------------------|----------------------|---------------------------------------|----------------------|--|
| | Landfill Fund | G.V.I.D. Fund | Park Fund | Other Enterprise Funds | | |
| Operating revenues: | | | | | | |
| Charges for services | \$ 1,506,533 | \$ 653,042 | \$ 1,974,898 | \$ 1,966,404 | \$ 6,100,877 | \$ 22,945,454 |
| Miscellaneous | - | 13,900 | 1,448 | 34 | 15,382 | 81 |
| Total operating revenues | <u>1,506,533</u> | <u>666,942</u> | <u>1,976,346</u> | <u>1,966,438</u> | <u>6,116,259</u> | <u>22,945,535</u> |
| Operating expenses: | | | | | | |
| Personnel services | 530,696 | 258,918 | 732,193 | 357,131 | 1,878,938 | 2,850,666 |
| Supplies | 7,442 | 24,802 | 233,170 | 26,384 | 291,798 | 1,096,914 |
| Professional services | 329,912 | 38,979 | 121,869 | 46,824 | 537,584 | 2,083,756 |
| Communications | 5,143 | 21,790 | 17,328 | 8,842 | 53,103 | 718,675 |
| Insurance | - | 10,411 | 34,056 | 82,100 | 126,567 | 1,094,976 |
| Landfill closure and postclosure care costs | 172,291 | - | - | - | 172,291 | - |
| Insurance claims | - | - | - | - | - | 11,103,476 |
| Lawsuit judgments | - | - | - | - | - | 42,351 |
| Repairs and maintenance | 894 | 129,305 | 55,068 | 129,173 | 314,440 | 67,854 |
| Public utility service | 135,297 | 98,275 | 288,707 | 566,616 | 1,088,895 | - |
| Rents and leases | 7,101 | 16,037 | 8,729 | 11,714 | 43,581 | 1,055,528 |
| Depreciation | 59,063 | 253,217 | 211,044 | 296,095 | 819,419 | 1,202,394 |
| Other | 111,896 | 39,686 | 17,568 | 18,025 | 187,175 | 997,445 |
| Total operating expenses | <u>1,359,735</u> | <u>891,420</u> | <u>1,719,732</u> | <u>1,542,904</u> | <u>5,513,791</u> | <u>22,314,035</u> |
| Operating Income (loss) | <u>146,798</u> | <u>(224,478)</u> | <u>256,614</u> | <u>423,534</u> | <u>602,468</u> | <u>631,500</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Investment earnings | 148,152 | 10,804 | 10,044 | 10,452 | 179,452 | 182,675 |
| Rent income | - | 6,660 | - | - | 6,660 | - |
| Interest expense | - | - | - | - | - | (7,753) |
| Grants | 428,549 | - | 100,000 | - | 528,549 | - |
| Gain (Loss) on disposal of capital assets | - | - | 2,623 | - | 2,623 | 16,820 |
| Total nonoperating revenues | <u>576,701</u> | <u>17,464</u> | <u>112,667</u> | <u>10,452</u> | <u>717,284</u> | <u>191,742</u> |
| Income (loss) before contributions and transfers | 723,499 | (207,014) | 369,281 | 433,986 | 1,319,752 | 823,242 |
| Transfers in | - | - | 25,000 | - | 25,000 | 348,740 |
| Transfers out | (500,000) | - | - | - | (500,000) | (725,137) |
| Increase (decrease) in net position | 223,499 | (207,014) | 394,281 | 433,986 | 844,752 | 446,845 |
| Total net position, July 1, 2017, as restated | 8,379,444 | 6,079,637 | 4,310,409 | 5,729,960 | 24,499,450 | 18,441,126 |
| Total net position, June 30, 2018 | <u>\$ 8,602,943</u> | <u>\$ 5,872,623</u> | <u>\$ 4,704,690</u> | <u>\$ 6,163,946</u> | <u>\$ 25,344,202</u> | <u>\$ 18,887,971</u> |

See accompanying notes to the financial statements

Mohave County
Statement of cash flows
Proprietary funds
Year ended June 30, 2018

(Concluded)

| | Business-type Activities- Enterprise Funds | | | | Total | Governmental Activities- Internal Service Funds |
|--|---|--------------------------|-----------------------|---------------------------------------|---------------------|--|
| | Landfill Fund | G.V.I.D. Fund | Park Funds | Other Enterprise Funds | | |
| Cash flows from operating activities: | | | | | | |
| Receipts from customers and users | \$ 1,445,250 | \$ 649,252 | \$1,976,346 | \$2,023,554 | \$ 6,094,402 | \$ 683,339 |
| Receipts from interfund services provided | - | - | | - | - | 22,146,891 |
| Payments to suppliers | (615,045) | (265,844) | (671,741) | (1,128,186) | (2,680,816) | (16,016,768) |
| Payments for employee wages and benefits | (477,359) | (267,431) | (845,329) | (401,917) | (1,992,036) | (3,024,350) |
| Payments for interfund services used | (54,222) | (88,699) | (90,614) | (35,905) | (269,440) | 128,935 |
| Net cash provided by operating activities | <u>298,624</u> | <u>27,278</u> | <u>368,662</u> | <u>457,546</u> | <u>1,152,110</u> | <u>3,918,047</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Payment on advance to other fund | 95,491 | - | | - | 95,491 | - |
| Transfers from other funds | - | - | 25,000 | - | 25,000 | 348,740 |
| Transfers to other funds | (500,000) | - | | - | (500,000) | (725,137) |
| Rent income | - | 6,660 | | - | 6,660 | - |
| Subsidy from non-capital grant | 428,674 | - | 100,000 | - | 528,674 | - |
| noncapital financing activities | <u>24,165</u> | <u>6,660</u> | <u>125,000</u> | <u>-</u> | <u>155,825</u> | <u>(376,397)</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Purchases of capital assets | (81,051) | (78,319) | (649,059) | (458,982) | (1,267,411) | (1,520,273) |
| Principal paid on capital lease | - | - | - | - | - | (315,779) |
| Interest paid on capital debt | - | - | - | - | - | (7,753) |
| Proceeds from sales of capital assets | - | - | - | - | - | 113,269 |
| Net cash used for capital and related financing activities | <u>(81,051)</u> | <u>(78,319)</u> | <u>(649,059)</u> | <u>(458,982)</u> | <u>(1,267,411)</u> | <u>(1,730,536)</u> |
| Cash flows from investing activities: | | | | | | |
| Increase (decrease) in fair value of investments | (32,607) | (2,008) | (1,684) | (2,688) | (38,987) | (39,923) |
| Interest and dividends received | 177,514 | 12,631 | 11,721 | 12,895 | 214,761 | 218,183 |
| Net cash provided by investing activities | <u>144,907</u> | <u>10,623</u> | <u>10,037</u> | <u>10,207</u> | <u>175,774</u> | <u>178,260</u> |
| Net increase (decrease) in cash and cash equivalents | 386,645 | (33,758) | (145,360) | 8,771 | 216,298 | 1,989,374 |
| Cash and cash equivalents, July 1, 2017 | 15,765,185 | 972,210 | 1,221,700 | 1,193,029 | 19,152,124 | 19,168,409 |
| Cash and cash equivalents, June 30, 2018 | <u>\$16,151,830</u> | <u>\$ 938,452</u> | <u>\$1,076,340</u> | <u>\$1,201,800</u> | <u>\$19,368,422</u> | <u>\$ 21,157,783</u> |

See accompanying notes to the financial statements

Mohave County
Statement of cash flows
Proprietary funds
Year ended June 30, 2018

(Concluded)

| | Business-type Activities- Enterprise Funds | | | | Total | Governmental Activities- Internal Service Funds |
|--|---|--------------------------|-----------------------|---------------------------------------|---------------------|--|
| | Landfill Fund | G.V.I.D. Fund | Park Funds | Other Enterprise Funds | | |
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Operating income (loss) | \$ 146,798 | \$(224,478) | \$ 256,614 | \$ 423,534 | \$ 602,468 | \$ 631,500 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | |
| Depreciation expense | 59,063 | 253,217 | 211,044 | 296,095 | 819,419 | 1,202,394 |
| Capital lease payable | - | - | - | - | - | 599,440 |
| Landfill closure and postclosure care costs | 172,291 | - | - | - | 172,291 | - |
| Changes in assets and deferred outflow of resources, liabilities, and deferred inflows of resources: | | | | | | |
| Receivables, (increase) | (61,283) | (19,090) | - | (14,270) | (94,643) | (318,481) |
| Due from other funds, (increase) | - | - | - | - | - | (60,209) |
| Due from other governments, (increase) decrease | - | - | - | (3,379) | (3,379) | 43,982 |
| Inventories, decrease | - | 32,872 | - | 108 | 32,980 | 61 |
| Prepaid items, decrease | - | 690 | 790 | 794 | 2,274 | 314,163 |
| Deferred outflows of resources related to pensions and other postemployment benefits, decrease | 16,114 | 12,945 | 57,742 | 21,233 | 108,034 | 225,409 |
| Accounts payable, increase (decrease) | (71,582) | (8,820) | 13,350 | (275,315) | (342,367) | 600,307 |
| Due to other funds, increase | - | - | - | - | - | 495,279 |
| Due to other governments, increase (decrease) | - | 2,156 | - | (160) | 1,996 | - |
| Accrued payroll and employee benefits, increase (decrease) | 1,056 | (722) | (2,770) | 991 | (1,445) | (4,387) |
| Compensated absences payable, increase | 8,523 | 1,273 | 7,035 | 4,593 | 21,424 | 55,160 |
| Net pension and other postemployment benefits liability, increase (decrease) | 42,775 | (8,763) | (117,052) | (47,706) | (130,746) | (208,955) |
| Unearned revenue, increase | - | (3,795) | - | 74,925 | 71,130 | - |
| Deposits held for others, increase | - | 3,039 | - | - | 3,039 | 209,311 |
| Claims and judgments payable, increase | - | - | - | - | - | 342,160 |
| Deferred inflows of resources related to pensions and other postemployment benefits, (decrease) | (15,131) | (13,246) | (58,091) | (23,897) | (110,365) | (209,087) |
| Total adjustments | <u>151,826</u> | <u>251,756</u> | <u>112,048</u> | <u>34,012</u> | <u>549,642</u> | <u>3,286,547</u> |
| Net cash provided by operating activities | <u>\$ 298,624</u> | <u>\$ 27,278</u> | <u>\$ 368,662</u> | <u>\$ 457,546</u> | <u>\$ 1,152,110</u> | <u>\$ 3,918,047</u> |

See accompanying notes to the financial statements

Mohave County
Statement of fiduciary net position
Fiduciary funds
June 30, 2018

| | <u>Investment Trust Funds</u> | <u>Agency Fund</u> |
|---|---------------------------------------|------------------------|
| Assets | | |
| Cash and investments | \$ 120,043,547 | \$ 379,393 |
| Accrued Interest receivable | 44,406 | - |
| | <u>120,087,953</u> | <u>-</u> |
| Total assets | <u>120,087,953</u> | <u>379,393</u> |
| Liabilities | | |
| Deposits held for others | - | 379,393 |
| | <u>-</u> | <u>379,393</u> |
| Total liabilities | <u>-</u> | <u>\$ 379,393</u> |
| Net position | | |
| Held in trust for investment trust participants | <u>\$ 120,087,953</u> | |

See accompanying notes to the financial statements

Mohave County
Statement of changes in fiduciary net position
Year ended June 30, 2018

| | <u>Investment Trust Funds</u> |
|---|---------------------------------------|
| Additions: | |
| Contributions from participants | \$ 281,892,579 |
| Investment earnings: | |
| Interest and dividend income | 1,376,098 |
| Net decrease in fair value of investments | <u>(239,314)</u> |
| Net investment earnings | <u>1,136,784</u> |
| Total additions | <u>283,029,363</u> |
| Deductions: | |
| Distributions to participants | <u>(274,649,773)</u> |
| Total deductions | <u>(274,649,773)</u> |
| Change in net position | 8,379,591 |
| Net position, July 1, 2017 | <u>111,708,363</u> |
| Net position, June 30, 2018 | <u><u>\$ 120,087,953</u></u> |

See accompanying notes to the financial statements

Mohave County
Notes to financial statements
June 30, 2018

Note 1 - Summary of significant accounting policies

Mohave County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

A. Reporting entity

Mohave County is a general purpose local government that a separately elected board of supervisors governs. 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 that they are legally separate from the County. The County has no discretely presented component units. Each blended component unit discussed in the table has a June 30 year-end.

The following table describes the County's component units:

| <u>Component unit</u> | <u>Description; criteria for inclusion</u> | <u>Reporting method</u> | <u>For separate financial statements</u> |
|--------------------------------------|--|-------------------------|--|
| Mohave County Flood Control District | A tax-levying district that provides flood control systems; the County Board of Supervisors serves as the board of directors and has operational responsibility for the district. | Blended | Not available |
| Mohave County Library District | A tax-levying district that provides and maintains library services for county residents; the County Board of Supervisors serves as the board of directors and has operational responsibility for the district. | Blended | Not available |
| Mohave County Television District | A tax-levying district that provides and maintains communication equipment resources to provide television signals to residents; the County Board of Supervisors serves as the board of directors and has operational responsibility for the district. | Blended | Not available |

Mohave County
Notes to financial statements
June 30, 2018

| <u>Component unit</u> | <u>Description; criteria for inclusion</u> | <u>Reporting method</u> | <u>For separate financial statements</u> |
|--|---|-------------------------|--|
| Mohave County Holiday Shores Light District | A tax-levying district that provides street lighting for the Holiday Shores area of Bullhead City in Mohave County; the County Board of Supervisors serves as the board of directors and has operational responsibility for the district. | Blended | Not available |
| Mohave County Special Assessment Districts | Constructs or improves roads, bridges, and water distribution systems; the County Board of Supervisors serves as the board of directors and has operational responsibility for the districts. | Blended | Not available |
| Mohave Jail—Finance Corporation | A corporation set up to provide financing and oversight of the construction and operation of the Mohave County jail facility; the total debt outstanding, including leases, is expected to be repaid entirely with resources of the primary government. | Blended | Not available |

Related organization—The Industrial Development Authority of Mohave County (Authority) is a legally separate entity that was created to assist in the financing of commercial and industrial enterprises; affordable housing; healthcare facilities; and various facilities. 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 Authority's financial activities 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 information's usefulness.

Government-wide statements—Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the County's governmental and business-type activities. 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 segment 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. Program revenues include:

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

Mohave County
Notes to financial statements
June 30, 2018

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

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

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

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as noncapital grants, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered 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* accounts for all taxes on gas and auto license fees collected for building and maintaining county roads.

The *flood control fund* accounts for all monies collected from local taxpayers in the form of a levy on real property. These funds are used in planning, engineering, constructing, repairing, and maintaining flood control channels in Mohave County.

The *county capital improvement fund* accounts for a ¼ cent sales tax collected to provide for major capital improvements of the County.

The County reports the following major enterprise funds:

The *landfill fund* accounts for the operations of two landfills located in Mohave County.

The *golden valley improvement district fund (GVID)* accounts for the operations of a water company located in Golden Valley.

The *parks fund* accounts for the operations of two revenue generating parks and several other non-revenue parks located throughout Mohave County.

The County also reports the following fund types:

The *internal service funds* account for automotive maintenance and operation, insurance, computer services, janitorial services, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis.

The *investment trust funds* account for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.

Mohave County
Notes to financial statements
June 30, 2018

The *agency funds* account for assets the County holds as an agent for the public fiduciary clients, courts and school superintendent.

C. Basis of accounting

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

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and investments

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased.

All investments are stated at fair value.

E. Inventories and prepaid items

Inventories in the government-wide and the proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

The County accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. They are also reflected as nonspendable fund balance in the fund financial statements.

Mohave County
Notes to financial statements
June 30, 2018

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, (or estimated historical cost if historical records are not available). Certain infrastructure costs were estimated by calculating the current replacement cost of a similar asset and deflating this cost through the use of price-level indexes. Donated assets are reported at acquisition value. Certain types of road improvements are expensed rather than capitalized. The improvement types that are expensed are millings and soil stabilization.

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 are as follows:

| Capitalization threshold | Depreciation method | Estimated useful life |
|--|---------------------|------------------------------|
| Land | All | |
| Construction in progress | \$5,000 | |
| Buildings | \$5,000 | Straight-line 20-50 years |
| Equipment | \$5,000 | Straight-line 3-20 years |
| Infrastructure and improvements other than buildings | \$5,000 | Straight-line 10-50 years |
| Utility systems | \$5,000 | Straight-line 10-50 years |
| Intangibles | \$5,000 | Straight-line 7-15 years |

H. Deferred outflows and inflows of resources

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

I. Postemployment benefits

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

Mohave County
Notes to financial statements
June 30, 2018

J. Fund balance classifications

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

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

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

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but that are neither restricted nor committed. The County does not have any assigned fund balances.

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

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the County will use restricted fund balance first. The County will use committed amounts first when disbursing unrestricted fund balances, followed by unassigned amounts.

K. Investment earnings

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

L. Compensated absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave employees earned based on services already rendered. The County uses personal time off, which is a combination of vacation and sick leave, for compensating employees. Personal time off benefits do not vest with employees until they have satisfactorily completed their probationary period. Public Safety employees and those employees covered under the Judicial Merit System have a 1-year probationary period. All other employees have a 6-month probationary period.

Effective April 4, 2016, the Board of Supervisors approved changes to the paid time off (PTO) policy modifying the accrual rates and maximum payout schedules for employees hired after January 23, 2016.

The table below summarizes the maximum carryover and payouts at separation of employment. Any unused PTO is forfeited. 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.

| | Maximum carryover at December 31 | Maximum payout at separation of employment |
|---|-------------------------------------|---|
| Hired before January 23, 2016 | 900 | 400 |
| At-will employees - hired before January 23, 2016 | 900 | 600 |
| All hired after January 23, 2016 | 300 | 300 |

Mohave County
Notes to financial statements
June 30, 2018

Note 2 – Change in Accounting Principle and Correction of an error – Prior Period Adjustment

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reports for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, governmental activities net position at July 1, 2017, has been restated for a change in revenue recognition of State shared sales taxes.

Government-wide financial statements

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Net Position as previously reported at June 30, 2017 | \$232,200,113 | \$24,499,123 |
| Net OPEB asset (measurement date as of June 30, 2016) | 1,159,366 | |
| Net OPEB liability (measurement date as of June 30, 2016) | (486,410) | (7,774) |
| Deferred outflows- county contributions made during fiscal year 2017 | 257,619 | 8,101 |
| Change in recognition of State shared sales tax revenue | 1,764,027 | |
| Total prior period adjustments | <u>2,694,602</u> | <u>327</u> |
| Net position as restated, July 1 2017 | <u>\$234,894,715</u> | <u>\$24,499,450</u> |

Mohave County
Notes to financial statements
June 30, 2018

Fund financial statements

| | General Fund | Other Governmental Funds | Landfill Funds | G.V.I.D. Fund | Other Enterprise Fund | Internal Service Funds |
|--|---------------------|--------------------------------|--------------------|--------------------|-----------------------------|------------------------------|
| Net Position as previously reported at June 30, 2017 | \$22,827,558 | \$19,925,109 | \$8,379,365 | \$6,079,593 | \$10,040,165 | \$18,440,536 |
| Net OPEB liability (measurement date as of June 30, 2016) | | | (1,881) | (1,026) | (4,867) | (14,003) |
| Deferred outflows- County contributions made during fiscal year 2017 | | | 1,960 | 1,070 | 5,071 | 14,594 |
| Change in recognition of State Shared sales tax revenue | <u>1,160,606</u> | <u>603,421</u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total prior period adjustments | <u>1,160,606</u> | <u>603,421</u> | <u>79</u> | <u>44</u> | <u>204</u> | <u>591</u> |
| Net position as restated, July 1 2017 | <u>\$23,988,164</u> | \$20,528,530 | <u>\$8,379,444</u> | <u>\$6,079,637</u> | \$10,040,369 | <u>\$18,441,126</u> |
| Changes in major funds. | | <u>17,276,904</u> | | | <u>(4,310,409)</u> | |
| Net position as restated, July 1 2017 | | <u>\$37,805,434</u> | | | <u>\$5,729,960</u> | |

Note: The Parks fund, a major fund in 2018, was included in the Other Enterprise Funds in the prior year. The ending balances reflect the change in major funds, as well as, the prior period adjustment. The same is true for the Other Governmental Funds.

Mohave County
Notes to financial statements
June 30, 2018

Note 3 - Stewardship, compliance, and accountability

Deficit fund balances or net position—At June 30, 2018, the following nonmajor funds reported deficit fund balances:

| Fund | Deficit |
|---|-------------------------|
| Governmental funds: | |
| Public safety grants | \$ 62,452 |
| Senior programs grants | 12,452 |
| Golden valley improvement district-const. | <u>224,660</u> |
| Total | <u>\$299,564</u> |

The Golden Valley Improvement District (GVID) construction-in-progress fund borrowed funds from the landfill fund to cover expenditures of an improvement district instead of issuing bonds. These funds are reflected as a liability rather than revenue, resulting in a negative fund balance. The liability is to be paid back to the Landfill fund through collections from the property owners. The Public safety grants and Senior programs grants are both due to Federal grants reimbursements that were received after August 31, 2018 which per statute should use modified accrual revenue recognition.

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; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk—Statutes have the following requirements for credit risk:

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

Custodial credit risk—Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover. The Arizona State Treasurer’s office administers a Statewide Pooled Collateral Program. The County’s deposits are covered under the Statewide Pooled Collateral program.

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

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

Foreign currency risk—Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Mohave County
Notes to financial statements
June 30, 2018

Deposits—At June 30, 2018, the carrying amount of the County's deposits was \$24,467,336 and the bank balance was \$31,420,418. There was cash on hand of \$12,895. It is the County's policy to collateralize all deposits not covered by depository insurance.

Investments—The County's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

Fair value measurement using

| Investments by fair value level | Amount | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) |
|---------------------------------------|----------------------|--|--|
| U.S. Treasury notes | \$ 104,021,071 | \$ 104,021,071 | |
| U.S. agency securities | 55,908,705 | | \$ 55,908,705 |
| Corporate bonds | 152,500 | | 152,500 |
| Agency money market funds | <u>1,723,460</u> | <u>1,723,460</u> | |
| Total investments by fair value level | <u>\$161,805,736</u> | <u>\$ 105,744,531</u> | <u>\$ 56,061,205</u> |

External investment pools measured at fair value

| | |
|--|-----------------------|
| State Treasurer's investment pools | <u>58,793,133</u> |
| Total investments measured at fair value | <u>\$ 220,598,869</u> |

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. The investments categorized at Level 2 of the fair value hierarchy are valued using a conservative methodology based on multiple criteria, including asset class and observability of price. Inputs are observable but do not solely rely on quoted market prices to establish fair value. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Credit risk—It is the County's investment policy to invest to preserve the principal value of the portfolio. This is to be accomplished through limiting the types of securities purchased, the percent of the portfolio of each type of security, and the length of time they can be held. Investments allowed are obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities. The County can also invest in certificates of deposits, commercial paper, obligations of Arizona state and local governments, repurchase agreements, money market mutual funds, and corporate bonds, debentures, or notes issued by United States companies with AA or greater ratings by Standard & Poor's or Moody's rating services.

Mohave County
Notes to financial statements
June 30, 2018

At June 30, 2018, credit risk for the County's investment was as follows:

| Investment Type | Rating | Rating Agency | Amount |
|-------------------------------------|-------------|----------------|-----------------------|
| U.S. Treasury notes | AAA | Moody's | \$104,021,071 |
| U.S. agency securities | AAA/Unrated | Moody's | 55,908,705 |
| Corporate bonds | Unrated | Not applicable | 152,500 |
| Money market funds | Unrated | Not applicable | 1,723,460 |
| State Treasurer's Investment Pool 7 | Unrated | Not applicable | <u>58,793,133</u> |
| | | | <u>\$ 220,598,869</u> |

Custodial credit risk—for an investment, custodial credit risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's formal policy for custodial credit risk states that an independent third-party custodian, selected by the Mohave County Treasurer, will hold the securities in the County's name.

Concentration of credit risk—The County's formal investment policy requires at least 10 percent of the overall portfolio to be invested in highly liquid accounts such as local government pools, money market funds, or overnight repurchase agreements to ensure the ability to meet ongoing obligations. It also limits the total amount of corporate securities to 20 percent of the total portfolio, with not more than 5 percent invested in any single corporation. Corporate bonds represented less than 1 percent of the total portfolio at June 30, 2018. All other securities are structured with varying maturity dates, not to exceed 5 years, and in various types of investments described under credit risk. The County had investments at June 30, 2018, of 5 percent or more in Federal National Mortgage Association. These investments were 18.99 percent of the County's total investments.

Interest rate risk—The County's formal policy with respect to interest rate risk minimizes the risk by structuring the portfolio into two accounts to meet cash needs. The return on investment is secondary to safety and liquidity. One account consists of highly liquid securities with maturities of 120 days or less. The second account has maturities of greater than 120 days. Both accounts will have active secondary markets.

At June 30, 2018, the County had the following investments in debt securities:

| <u>Investment type</u> | <u>Investment maturities</u> | | |
|-------------------------------------|------------------------------|-----------------------------|-------------------------|
| | <u>Amount</u> | <u>Less than 1 year</u> | <u>1 to 5 Years</u> |
| State Treasurer's Investment Pool 7 | \$58,793,133 | \$58,793,133 | |
| U.S. Treasury notes | 104,021,071 | 84,891,030 | \$19,130,041 |
| U.S. agency securities | 55,908,705 | 40,821,361 | 15,087,344 |
| Corporate bonds | 152,500 | 152,500 | |
| Money market funds | <u>1,723,460</u> | <u>1,723,460</u> | |
| Total | <u>\$220,598,869</u> | <u>\$186,381,484</u> | <u>\$34,217,385</u> |

Mohave County
Notes to financial statements
June 30, 2018

At June 30, 2018, no investments in U.S. agency securities were considered to be highly sensitive to interest rate changes.

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

Cash, deposits, and investments:

| | Amount |
|-----------------------|-----------------------|
| Cash on hand | \$ 12,895 |
| Amount of deposits | 24,467,336 |
| Amount of investments | <u>220,598,869</u> |
| Total | <u>\$ 245,079,100</u> |

Statements of net position:

| | Governmental activities | Business-type | Investment trust funds | Agency fund | Total |
|----------------------|--------------------------------|----------------------|-------------------------------|--------------------|-----------------------|
| Cash and investments | \$ 102,846,088 | \$ 18,342,029 | \$ 120,043,547 | \$ 379,393 | \$ 241,611,057 |
| Cash held by trustee | 2,341,650 | - | - | - | 2,341,650 |
| Restricted cash | 100,000 | 1,026,393 | - | - | 1,126,393 |
| Total | <u>\$ 105,287,738</u> | <u>\$ 19,368,422</u> | <u>\$ 120,043,547</u> | <u>\$ 379,393</u> | <u>\$ 245,079,100</u> |

Note 5 - Property taxes receivable

Property taxes receivable consist of uncollected real and personal property taxes as determined from the records of the County Treasurer's Office and at June 30, 2018, were as follows:

| | General fund | Flood control fund | Other governmental funds | Total governmental funds |
|------------------|---------------------|---------------------------|---------------------------------|---------------------------------|
| Fiscal year 2017 | \$ 1,189,361 | \$ 292,867 | \$ 176,406 | \$ 1,658,634 |
| Fiscal year 2016 | 217,048 | 50,499 | 26,841 | 294,388 |
| Prior | <u>1,462,734</u> | <u>519,213</u> | <u>425,233</u> | <u>2,407,180</u> |
| Total receivable | <u>\$ 2,869,143</u> | <u>\$ 862,579</u> | <u>\$ 628,480</u> | <u>\$ 4,360,202</u> |

The portion of property taxes receivable, not collected within 60 days after June 30, 2018, has been deferred, and consequently is not included in current-year revenues on the fund statements. For the government-wide statements, the entire receivable balance has been recognized as revenue. Total receivable amount is considered collectable, as the property can be sold for non-payment of taxes.

Mohave County
Notes to financial statements
June 30, 2018

Note 6 - Capital assets

Capital asset activity for the year ended June 30, 2018, was as follows:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|---|-------------------------|-----------------------|---------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 28,287,794 | \$ 527,636 | | \$ 28,815,430 |
| Construction in progress | <u>3,642,248</u> | <u>812,444</u> | | <u>4,454,692</u> |
| Total capital assets not being depreciated | <u>31,930,042</u> | <u>1,340,080</u> | | <u>33,270,122</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 160,274,312 | 146,631 | \$ 1,029,800 | 159,391,143 |
| Infrastructure and improvements other than buildings | 170,664,003 | 2,514,478 | | 173,178,481 |
| Intangibles | 64,501 | | | 64,501 |
| Equipment | <u>53,894,423</u> | <u>4,838,970</u> | <u>4,288,371</u> | <u>54,445,022</u> |
| Total | <u>384,897,239</u> | <u>7,500,079</u> | <u>5,318,171</u> | <u>387,079,147</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 45,208,106 | 4,652,301 | 865,112 | 48,995,295 |
| Infrastructure and improvements other than buildings | 97,045,457 | 2,318,745 | | 99,364,202 |
| Intangibles | 62,964 | 1,536 | | 64,500 |
| Equipment | <u>32,318,836</u> | <u>3,153,407</u> | <u>3,157,633</u> | <u>32,314,610</u> |
| Total | <u>174,635,363</u> | <u>10,125,989</u> | <u>4,022,745</u> | <u>180,738,607</u> |
| Total capital assets being depreciated, net | <u>210,261,876</u> | <u>(2,625,910)</u> | <u>1,295,426</u> | <u>206,340,540</u> |
| Governmental activities capital assets, net | <u>\$242,191,918</u> | <u>\$ (1,285,830)</u> | <u>\$ 1,295,426</u> | <u>\$239,610,662</u> |

Mohave County
Notes to financial statements
June 30, 2018

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 |
|--|-------------------------|-------------------|-----------------|--------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,960,709 | | | \$ 1,960,709 |
| Construction in progress | <u>43,597</u> | \$ 45,000 | | <u>88,597</u> |
| Total capital assets not being depreciated | <u>2,004,306</u> | <u>45,000</u> | | <u>2,049,306</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,302,679 | 93,533 | | 2,396,212 |
| Utility systems | 26,742,703 | 754,440 | | 27,497,143 |
| Equipment | <u>2,487,414</u> | <u>374,439</u> | \$ 38,273 | <u>2,823,580</u> |
| Total | <u>31,532,796</u> | <u>1,222,412</u> | <u>38,273</u> | <u>32,716,935</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,110,430 | 66,016 | | 1,176,446 |
| Utility systems | 15,351,294 | 597,584 | | 15,948,878 |
| Equipment | <u>1,109,081</u> | <u>155,819</u> | 34,445 | <u>1,230,455</u> |
| Total | <u>17,570,805</u> | <u>819,419</u> | <u>34,445</u> | <u>18,355,779</u> |
| Total capital assets being depreciated, net | <u>13,961,991</u> | <u>402,993</u> | <u>3,828</u> | <u>14,361,156</u> |
| Business-type activities capital assets, net | <u>\$ 15,966,297</u> | <u>\$ 447,993</u> | <u>\$ 3,828</u> | <u>\$ 16,410,462</u> |

Depreciation expense was charged to functions as follows:

Governmental activities:

| | |
|--|---------------------|
| General government | \$ 1,303,120 |
| Public safety | 3,993,799 |
| Highways and streets | 3,246,356 |
| Health | 21,252 |
| Welfare | 51,144 |
| Culture and recreation | 307,924 |
| Internal service funds | <u>1,202,394</u> |
| Total governmental activities depreciation expense | <u>\$10,125,989</u> |

Business-type activities:

| | |
|---|-------------------|
| Landfill | \$ 59,063 |
| Recreation | 220,140 |
| Water companies | <u>540,216</u> |
| Total business-type activities depreciation expense | <u>\$ 819,419</u> |

Mohave County
Notes to financial statements
June 30, 2018

Note 7 - Construction and other significant commitments

The County had six major contractual commitments at June 30, 2018, as follows:

| Contractual commitments | Funding source | Expenditures to date | Total contractual commitment | Remaining commitment |
|--|--------------------------------|----------------------|------------------------------|----------------------|
| Prison food services 11/04/17 - 11/03/18 | Tax revenues | \$ 551,706 | \$ 870,000 | \$ 318,294 |
| Prison health care contract 07/01/18 - 06/30/19 | Tax revenues | | 2,700,000 | 2,700,000 |
| Medical Examiner 07/01/17-06/30/19 | Tax revenues | | 1,292,760 | 1,292,760 |
| Superior Court Architectural design | ¼ Sales tax revenues | 1,544,222 | 2,197,698 | 653,476 |
| Western Arizona Humane Society 07/01/18-06/30/19 | Tax revenues | 260,000 | 520,000 | 260,000 |
| Kingman Regional Medical Center- Senior meals 07/01/18-6/30/19 | Federal grants tax revenues | | <u>286,388</u> | <u>286,388</u> |
| Total | | <u>\$2,355,928</u> | <u>\$7,866,846</u> | <u>\$5,510,918</u> |

Note 8 - Restricted assets

As of June 30, 2018, the County had restricted assets as follows:

Governmental activities assets:

| | | |
|-------------------------------|---------------------|--|
| Restricted cash | \$ 100,000 | Restricted use designated by donor |
| | | U.S. Housing and Urban Development (HUD) |
| HUD properties | <u>1,500,906</u> | rehabilitated homes restricted for sale to qualified buyers. |
| Total governmental activities | <u>\$ 1,600,906</u> | |

Business-type activities assets:

| | | |
|--------------------------------|---------------------|--|
| Restricted cash | \$ 455,265 | I-40 Replacement fund collections, restricted for future repairs of infrastructure by agreement with customer. |
| Restricted cash | <u>571,128</u> | GVID water corridor collections restricted for future infrastructure repairs by agreement with customers. |
| Total business-type activities | <u>\$ 1,026,393</u> | |

Mohave County
Notes to financial statements
June 30, 2018

Note 9 - Long-term liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2018:

| | Balance July 1, 2017 as restated | Additions | Reductions | Balance June 30, 2018 | Due within 1 year |
|---|--|----------------------|------------------------|-----------------------------|-------------------------|
| Governmental activities: | | | | | |
| Beneficial interest certificates payable | \$ 13,460,000 | | \$ (13,460,000) | | |
| Net pension and other postemployment benefits liability | 111,783,387 | \$33,488,736 | (23,826,058) | \$121,446,065 | |
| Capital leases payable | 529,499 | 599,440 | (451,708) | 677,231 | \$ 350,988 |
| Compensated absences payable | 6,168,046 | 4,980,881 | (5,273,208) | 5,875,719 | 5,582,001 |
| Claims and judgments payable | <u>2,732,359</u> | <u>342,161</u> | <u>(1,127,658)</u> | <u>1,946,862</u> | <u>1,946,862</u> |
| Total governmental activities long-term liabilities | <u>\$ 134,673,291</u> | <u>\$ 39,411,218</u> | <u>\$ (44,138,632)</u> | <u>\$ 129,945,877</u> | <u>\$ 7,879,851</u> |
| Business-type activities: | | | | | |
| Landfill closure and postclosure care costs payable | \$ 8,514,590 | \$ 172,291 | | \$ 8,686,881 | |
| Net pension and other postemployment benefits liability | 1,997,313 | 240,736 | \$ (372,765) | 1,865,284 | |
| Compensated absences payable | <u>128,616</u> | <u>148,664</u> | <u>(127,240)</u> | <u>150,040</u> | <u>\$ 120,031</u> |
| Total business-type activities long-term liabilities | <u>\$ 10,640,519</u> | <u>\$ 561,691</u> | <u>\$ (500,005)</u> | <u>\$ 10,702,205</u> | <u>\$ 120,031</u> |

Beneficial Interest Certificates—The County paid off its 2008 Beneficial Interest Certificates (BIC) effective June 20, 2018. Currently the County does not have any outstanding bonds payable.

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

The following assets were acquired through capital leases:

| | Governmental activities |
|---------------------------------|----------------------------|
| Machinery & equipment-copiers | \$ 522,471 |
| Machinery & equipment-computers | <u>1,191,657</u> |
| Total capital assets | 1,714,128 |
| Less: accumulated depreciation | <u>(1,661,781)</u> |
| Carrying value | <u>\$ 52,347</u> |

Mohave County
Notes to financial statements
June 30, 2018

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2018:

| | |
|---|-------------------|
| Governmental activities | |
| Year ending June 30 | |
| 2019 | \$ 359,106 |
| 2020 | 211,929 |
| 2021 | <u>119,347</u> |
| Total minimum lease payments | 690,382 |
| Less amount representing interest | <u>(13,151)</u> |
| Present value of net minimum lease payments | <u>\$ 677,231</u> |

The present value of net minimum lease payments at June 30, 2018, of \$677,231 exceeds the total capital assets of \$52,347 because a significant portion of the assets acquired through capital leases were for computer equipment that fell below the County's capitalization threshold.

Landfill closure and postclosure care costs—The County owns two landfill sites. Cerbat is 160-acres and Mohave Valley is 320 acres. Both are operated by independent contractors under contract with the County and began operations in January 1989. The County operates its landfills on a cell basis. The County owns additional unused parcels of land adjacent to the existing landfill sites that will be used, as needed, to open additional cells.

State and federal laws and regulations require the County to place a final cover on its Cerbat and Mohave Valley landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfills. These costs will be paid from the enterprise fund.

The amount of cost recognized each year is based on landfill capacity used at the end of each fiscal year. The \$8,686,881 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported to date at the Cerbat and Mohave Valley landfills. The calculation is based on the use of 94 percent and 95 percent of the estimated capacity of the open cells of the landfills, respectively. The County will recognize the remaining estimated costs of closure and postclosure care costs of \$172,291 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2018 for existing open cells. The actual costs may be higher because of inflation, changes in technology, or changes in regulations. The County expanded the Cerbat Cell #5 in fiscal year 2015. The existing open cells at the Cerbat landfill, are expected to reach capacity sometime after 2019. The existing open cells at the Mohave landfill are expected to reach capacity by mid-2024. The County expects to reach capacity of the landfills' unopened cells in the years 2065 and 2066, respectively. The landfills are expected to have in excess of 50 years remaining, considering unopened cells. According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure that the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Insurance internal service funds—The County established two internal service funds, Employee Benefits Trust (EBT) and Self-Insured Trust (SIR). The EBT fund accounts for employee health benefits through a combination of self-insured and commercial insurance. The SIR fund provides property, casualty, and general liability coverage up to \$50,000 per claim and also accounts for premium payments to the Arizona Counties Workers' Compensation Pool for workers' compensation coverage.

Mohave County
Notes to financial statements
June 30, 2018

The SIR fund accounts for the risk financing of certain benefits and losses through combinations of cost-reimbursement, self-insurance for losses up to certain limits, participation in public entity risk pools, and the purchase of insurance for losses above the limits. Settled claims have not exceeded risk pool coverage or the purchased commercial insurance in any of the past 3 fiscal years. The EBT Fund accounts for the financing of the uninsured risk of loss for certain health benefits (comprehensive major medical, prescriptions, dental, life, and accidental death and dismemberment) to eligible employees and their dependents. The County is self-insured up to certain limits, with commercial insurance to cover losses above the limits. The life insurance is 100 percent commercial insurance. Under the health insurance program, the employees have a preferred provider organization program. The County is fully self-insured for dental, which is administered by Delta Dental. A third party, AFLAC, administers a short-term disability program offered directly to employees that are interested. This is not a comprehensive program. Settled medical and dental claims have not exceeded available self-insurance funds, or the purchased commercial insurance, in any of the past 3 fiscal years.

Compensated absences and insurance claims—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Insurance claims are paid from the internal service funds. During fiscal year 2018, the County’s liability for compensated absences is allocated as follows: 60 percent to the general fund, 14 percent to other major funds, and 26 percent to other nonmajor funds.

The County paid for health insurance claims through the EBT Fund. The claims paid from the EBT Fund were medical claims funded through payroll deductions and contributions from county funds. The self-insured trust fund was funded \$6 million (60 percent) by the general fund, \$1.1 million (11 percent) by the road fund, \$191,735 (2 percent) by the flood control fund, \$445,629 (4 percent) by internal service funds, \$265,578 (3 percent) by enterprise funds, and \$1.9 million (19 percent) by other governmental funds this past year to cover insurance expense and possible settlements.

The insurance claims payable liability of the SIR and EBT Funds totaling \$1,946,862 included in the balance below at June 30, 2018, is the estimated ultimate cost of settling claims that have been reported but not settled, and claims that have been incurred but not reported. This estimate is based on actuarial estimates provided by the County’s healthcare administrator (based on claims received subsequent to June 30, 2018) and Arizona Counties Property and Casualty Pool (based on expected outcomes of outstanding lawsuits and incurred but not reported occurrences).

Changes in the funds’ claims payable for the years ended June 30, 2017, and 2018, were as follows:

| | 2017 | 2018 |
|--|---------------------|---------------------|
| Claims payable, beginning of year | \$ 1,897,449 | \$ 2,732,359 |
| Claims incurred and changes in estimates | 11,705,969 | 11,469,014 |
| Claims paid | <u>(10,871,059)</u> | <u>(12,254,511)</u> |
| Claims payable, end of year | <u>\$ 2,732,359</u> | <u>\$ 1,946,862</u> |

Mohave County
Notes to financial statements
June 30, 2018

Note 10 - Fund balance classifications of the governmental funds

The fund balance classifications of the governmental funds as of June 30, 2018, were as follows:

| | General Fund | Road Fund | Flood Control Fund | County capital improvement fund | Other Governmental Funds | Total |
|------------------------|----------------------|----------------------|--------------------------|---------------------------------------|--------------------------------|----------------------|
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Inventories | - | \$ 201,533 | \$ 36,123 | - | - | \$ 237,656 |
| Prepaid items | \$ 19,362 | 2,474 | 2,840 | \$ - | \$ 16,891 | 41,567 |
| Total nonspendable | <u>19,362</u> | <u>204,007</u> | <u>38,963</u> | <u>-</u> | <u>16,891</u> | <u>279,223</u> |
| Restricted for: | | | | | | |
| Government services | - | - | - | - | 7,054,188 | 7,054,188 |
| Public safety | - | - | 6,546,666 | - | 3,914,400 | 10,461,066 |
| Highways and streets | - | 14,739,498 | - | - | - | 14,739,498 |
| Health | - | - | - | - | 2,320,901 | 2,320,901 |
| Welfare | - | - | - | - | 1,376,526 | 1,376,526 |
| Education | - | - | - | - | 224,030 | 224,030 |
| Culture and recreation | - | - | - | - | 7,922,602 | 7,922,602 |
| Debt service | - | - | - | - | 702,619 | 702,619 |
| Total restricted | <u>-</u> | <u>14,739,498</u> | <u>6,546,666</u> | <u>-</u> | <u>23,515,266</u> | <u>44,801,430</u> |
| Committed to: | | | | | | |
| Capital projects | - | - | - | 12,056,801 | 1,671,641 | 13,728,442 |
| Total committed | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,056,801</u> | <u>1,671,641</u> | <u>13,728,442</u> |
| Unassigned: | | | | | | |
| | 30,036,266 | - | - | - | (302,053) | 29,734,213 |
| Total fund balances | <u>\$ 30,055,628</u> | <u>\$ 14,943,505</u> | <u>\$ 6,585,629</u> | <u>\$ 12,056,801</u> | <u>\$ 24,901,745</u> | <u>\$ 88,543,308</u> |

Note 11 - 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 two public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, 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 ranging from \$10,000 to \$500,000 per occurrence for property claims and \$50,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

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

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both 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.

Mohave County
Notes to financial statements
June 30, 2018

Note 12 - Pensions and other postemployment benefits

The County contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2018, the County reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

| Statement of net position and statement of activities | Governmental activities | Business-type activities | Total |
|--|----------------------------|-----------------------------|---------------|
| Net pension and OPEB assets | \$ 1,547,652 | \$ 6,491 | \$1,554,143 |
| Net pension and OPEB liabilities | (121,446,065) | (1,865,284) | (123,311,349) |
| Deferred outflows of resources related to pensions and OPEB | 17,389,167 | 257,479 | 17,646,646 |
| Deferred inflows of resources related to pensions and OPEB | (8,071,392) | (199,166) | (8,270,558) |
| Pension and OPEB expense (Rev) | 21,732,439 | 30,534 | 21,762,973 |

The County's accrued payroll and employee benefits includes \$289,025 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the County reported \$7,016,948 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

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

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

Mohave County
Notes to financial statements
June 30, 2018

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

* with actuarially reduced benefits

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension, health insurance premium benefits and long-term disability plans for the year end June 30, 2018, were \$3,876,705, \$156,491, and \$56,906, respectively.

Mohave County
Notes to financial statements
June 30, 2018

During fiscal year 2018, the County paid for ASRS pension and OPEB contributions as follows:

| | | |
|--------------|-------------------|-------------|
| General fund | Other Major Funds | Other funds |
| 52.3% | 20.8% | 26.9% |

Liability-At June 30, 2018, the County reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

| ASRS | Net pension/OPEB (asset) liability |
|----------------------------------|---------------------------------------|
| Pension | \$ 55,221,074 |
| Health insurance premium benefit | \$ (194,329) |
| Long-term disability | \$ 128,581 |

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using updated procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

County's proportion of the net asset or net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportion, measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

| ASRS | Proportion June 30, 2017 | Increase (decrease) from June 30, 2016 |
|----------------------------------|-----------------------------|---|
| Pension | .35% | (.02) |
| Health insurance premium benefit | .36% | NA |
| Long-term disability | .36% | NA |

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net asset and net liabilities as a result of these changes is not known.

Expense-For the year ended June 30, 2018, the County recognized the following pension and OPEB expense.

| ASRS | Pension/OPEB expense |
|----------------------------------|----------------------|
| Pension | (\$8,815) |
| Health insurance premium benefit | \$113,663 |
| Long-term disability | \$68,601 |

Mohave County
Notes to financial statements
June 30, 2018

Deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Pension | | Health insurance premium benefit | | Long-term disability | |
|--|-------------------------------|-------------------------------|----------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred outflows of resource | Deferred inflows of resources | Deferred Outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience | \$ - | 1,655,833 | \$ - | \$ - | \$ - | \$ - |
| Changes of assumptions or other | 2,398,378 | 1,651,209 | | | | |
| Net difference between projected and actual earnings on | 396,449 | | | 218,807 | | 19,234 |
| Changes in proportion and differences between county contributions and proportionate | | 2,417,729 | | 235 | | 19 |
| County contributions subsequent | 3,876,705 | | 156,491 | | 56,905 | |
| Total | \$ 6,671,532 | \$ 5,724,771 | \$ 156,491 | \$ 219,042 | \$ 56,905 | \$ 19,253 |

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

| Year ending June 30 | Pension | Health Insurance premium benefit | Long-term disability |
|---------------------|-----------------------|----------------------------------|----------------------|
| 2019 | \$ (3,654,912) | \$ (54,751) | \$ (4,812) |
| 2020 | 1,461,301 | (54,751) | (4,812) |
| 2021 | 533,916 | (54,751) | (4,812) |
| 2022 | (1,270,249) | (54,751) | (4,812) |
| 2023 | | (38) | (3) |
| Thereafter | | - | (2) |
| Totals | \$ (2,929,944) | \$ (219,042) | \$ (19,253) |

Mohave County
Notes to financial statements
June 30, 2018

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

ASRS

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2016 |
| Actuarial rollforward date | June 30, 2017 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 8% |
| Projected salary increases | 3–6.75% for pensions/not applicable for OPEB |
| Inflation | 3% |
| Permanent benefit increase | Included for pensions/not applicable for OPEB |
| Mortality rates | 1994 GAM Scale BB |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ASRS Asset class | Target allocation | Long-term expected arithmetic real rate of return |
|---------------------|----------------------|---|
| Equity | 58% | 6.73% |
| Fixed income | 25% | 3.70% |
| Real estate | 10% | 4.25% |
| Multi-asset | 5% | 3.41% |
| Commodities | <u>2%</u> | 3.84% |
| Total | <u>100%</u> | |

Discount rate—The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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 plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the County’s proportionate share of the ASRS net pension/OPEB (asset) liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the County’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

Mohave County
Notes to financial statements
June 30, 2018

ASRS

| County's proportionate share of the | 1% Decrease (7%) | Current discount rate (8%) | 1% Increase (9%) |
|---|---------------------|----------------------------------|---------------------|
| Net pension liability | \$70,877,208 | \$55,221,074 | \$42,139,034 |
| Net insurance premium benefit liability (asset) | 322,724 | (194,329) | (633,736) |
| Net long-term disability liability | 153,751 | 128,581 | 107,241 |

Plan fiduciary net position—Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

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

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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

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

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

Mohave County
Notes to financial statements
June 30, 2018

| PSPRS | Initial membership date | |
|--|--|--|
| | Before January 1, 2012 | On or after January 1, 2012 and before July 1, 2017 |
| Retirement and disability | | |
| Years of service and age required to receive benefit | 20 years of service, any age 15 years of service age 62 | 25 years of service or 15 years of credited service, age 52.5 |
| Final average salary is based on | Highest 36 consecutive months of last 20 years | Highest 60 consecutive months of last 20 years |
| Benefit percent | | |
| Normal retirement | 50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80% | 1.5% to 2.5% per year of credited service, not to exceed 80% |
| Accidental disability retirement | 50% or normal retirement, whichever is greater | |
| Catastrophic disability retirement | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater | |
| Ordinary disability retirement | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 | |
| Survivor benefit | | |
| Retired members | 80% to 100% of retired member's pension benefit | |
| Active members | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job | |
| CORP | Initial membership date | |
| Retirement and disability | Before January 1, 2012 | On or after January 1, 2012 |
| Years of service and age required to receive benefit | Sum of years and age equals 80 20 years, any age 10 years, age 62 | 25 years, age 52.5 10 years, age 62 |
| Final average salary is based on | Highest 36 consecutive months of last 10 years | Highest 60 consecutive months of last 10 years |
| Benefit percent | | |
| Normal retirement | 2.0% to 2.5% for each year of credited service not to exceed 80% | |
| Accidental disability retirement | 50% or normal retirement if more than 20 years of credited service | 50% or normal retirement if more than 25 years of credited service |
| Total and permanent disability retirement | 50% or normal retirement if more than 25 years of credited service | |
| Ordinary disability retirement | 2.5% per year of credited service | |
| Survivor benefit | | |
| Retired members | 80% of retired member's pension benefit | |
| Active members | 40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions | |

Mohave County
Notes to financial statements
June 30, 2018

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms—At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

| | PSPRS Sheriff | CORP Detention |
|--|------------------|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 48 | 18 |
| Inactive employees entitled to but not yet receiving benefits | 26 | 66 |
| Active employees | <u>74</u> | <u>106</u> |
| Total | <u>148</u> | <u>190</u> |

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

| | Active member pension | County-pension | County-health insurance premium benefits |
|------------------------|--------------------------|----------------|--|
| PSPRS Sheriff | 7.65% - 11.65% | 52.02% | 0 % |
| PSPRS Tier 3 Risk Pool | 9.94% | 9.68% | .26 % |
| CORP Detention | 8.41% | 6.40% | 0 % |
| CORP AOC | 8.41% | 22.51% | .83 % |

Also, statute required the County to contribute at the actuarially determined rate of 44.5 percent (44.33 percent for pension and .17 percent for health insurance premium benefit) of the annual covered payroll for county sheriff employees who were Tier 3 Risk Pool members in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool for these county sheriff employees.

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

Mohave County
Notes to financial statements
June 30, 2018

| | <u>Pension</u> | <u>Health insurance premium benefit</u> |
|----------------|----------------|---|
| PSPRS Sheriff | 36.73% | |
| CORP Detention | 6.0% | |
| CORP AOC | 15.27% | .54% |

The County's contributions to the plans for the year ended June 30, 2018, were:

| | <u>Pension</u> | <u>Health insurance premium benefit</u> |
|------------------------|----------------|---|
| PSPRS Sheriff | \$2,243,206 | \$ - |
| PSPRS Tier 3 Risk Pool | 52,983 | - |
| CORP Detention | 229,251 | - |
| CORP AOC | \$776,560 | \$28,634 |

During fiscal year 2018, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 82 percent from the general fund, and 18 percent from other funds.

Liability—At June 30, 2018, the County reported the following assets and liabilities:

| | <u>Net pension liability</u> | <u>Net OPEB (asset) liability</u> |
|--|----------------------------------|---------------------------------------|
| PSPRS Sheriff | \$24,576,023 | \$(643,233) |
| CORP Detention | 383,301 | (413,808) |
| CORPAOC (County's proportionate share) | 10,884,138 | 160,270 |

The net assets and net liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experiences study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflects changes of benefit terms for legislation that changes benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

Mohave County
Notes to financial statements
June 30, 2018

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

PSPRS and CORP

| | |
|----------------------------|---|
| Actuarial valuation date | June 30, 2017 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.4% |
| Wage inflation | 3.5% for pensions/not applicable for OPEB |
| Price inflation | 2.5% for pensions/not applicable for OPEB |
| Permanent benefit increase | Included for pensions/not applicable for OPEB |
| Mortality rates | RP-2014 table using MP-2016 improvement scale with adjustments to match current experience. |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| PSPRS and CORP Asset class | Target allocation | Long-term expected geometric real rate of return |
|---------------------------------------|------------------------------|---|
| Short term investments | 2% | 0.25% |
| Absolute return | 2% | 3.75% |
| Risk parity | 4% | 5.00% |
| Fixed income | 5% | 1.25% |
| Real assets | 9% | 4.52% |
| GTAA | 10% | 3.96% |
| Private credit | 12% | 6.75% |
| Real estate | 10% | 3.75% |
| Credit opportunities | 16% | 5.83% |
| Non-U.S. equity | 14% | 8.70% |
| U.S. equity | <u>16%</u> | 7.60% |
| Total | <u>100%</u> | |

Discount rate— At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Mohave County
Notes to financial statements
June 30, 2018

Changes in the net pension/OPEB liability

| PSPRS-Sheriff | Pension | | | Health insurance premium benefit | | |
|--|-----------------------------|---------------------------------|---|----------------------------------|---------------------------------|--------------------------------------|
| | Increase (decrease) | | | Increase (decrease) | | |
| | Total Pension Liability (a) | Plan fiduciary Net Position (b) | Net pension (asset) liability (a) – (b) | Total OPEB Liability (a) | Plan fiduciary Net Position (b) | Net OPEB (asset) liability (a) – (b) |
| Balances at June 30, 2017 | <u>\$41,118,340</u> | <u>\$18,574,504</u> | <u>\$22,543,836</u> | <u>\$ 726,615</u> | <u>\$1,262,462</u> | <u>\$ (535,847)</u> |
| Changes for the year: | | | | | | |
| Service cost | 966,017 | | 966,017 | 19,767 | | 19,767 |
| Interest on the total liability | 3,003,684 | | 3,003,684 | 54,418 | | 54,418 |
| Changes of benefit terms | 425,471 | | 425,471 | 6,427 | | 6,427 |
| Differences between expected and actual experience in the measurement of the liability | 396,188 | | 396,188 | (13,127) | | (13,127) |
| Changes of assumptions or other inputs | 1,538,482 | | 1,538,482 | (28,604) | | (28,604) |
| Contributions—employer | | 1,836,800 | (1,836,800) | | | |
| Contributions—employee | | 504,665 | (504,665) | | | |
| Net investment income | | 2,131,234 | (2,131,234) | | 147,573 | (147,573) |
| Benefit payments, including refunds of employee contributions | (3,104,457) | (3,104,457) | | (21,852) | (21,852) | |
| Administrative expense | | (19,258) | 19,258 | | (1,306) | 1,306 |
| Other changes | <u> </u> | <u>(155,786)</u> | <u>155,786</u> | <u> </u> | <u> </u> | <u> </u> |
| Net changes | <u>3,225,385</u> | <u>1,193,198</u> | <u>2,032,187</u> | <u>17,029</u> | <u>124,415</u> | <u>(107,386)</u> |
| Balances at June 30, 2018 | <u>\$44,343,725</u> | <u>\$ 19,767,702</u> | <u>\$24,576,023</u> | <u>\$ 743,644</u> | <u>\$1,386,877</u> | <u>\$ (643,233)</u> |

Mohave County
Notes to financial statements
June 30, 2018

Changes in the net pension/OPEB liability

| Corp - Detention | Pension | | | Health insurance premium benefit | | |
|--|--------------------------------|------------------------------------|--|----------------------------------|------------------------------------|---|
| | Increase (decrease) | | | Increase (decrease) | | |
| | Total Pension Liability (a) | Plan fiduciary Net Position (b) | Net pension (asset) liability (a) – (b) | Total OPEB Liability (a) | Plan fiduciary Net Position (b) | Net OPEB (asset) liability (a) – (b) |
| Balances at June 30, 2017 | \$ 6,735,823 | \$ 7,028,907 | \$ (293,084) | \$ 252,116 | \$ 582,596 | \$ (330,480) |
| Changes for the year: | | | | | | |
| Service cost | 513,320 | | 513,320 | 12,131 | | 12,131 |
| Interest on the total liability | 498,282 | | 498,282 | 19,090 | | 19,090 |
| Changes of benefit terms | 1,002,759 | | 1,002,759 | | | |
| Differences between expected and actual experience in the measurement of the liability | (132,391) | | (132,391) | (18,058) | | (18,058) |
| Changes of assumptions or other inputs | 149,218 | | 149,218 | (28,276) | | (28,276) |
| Contributions—employer | | 222,521 | (222,521) | | | |
| Contributions—employee | | 311,185 | (311,185) | | | |
| Net investment income | | 828,794 | (828,794) | | 68,817 | (68,817) |
| Benefit payments, including refunds of employee contributions | (697,451) | (697,451) | | (7,301) | (7,301) | |
| Administrative expense | | (7,650) | 7,650 | | (602) | 602 |
| Other changes | | (47) | 47 | | | |
| Net changes | <u>1,333,737</u> | <u>657,352</u> | <u>676,385</u> | <u>(22,414)</u> | <u>60,914</u> | <u>(83,328)</u> |
| Balances at June 30, 2018 | <u>\$ 8,069,560</u> | <u>\$ 7,686,259</u> | <u>\$383,301</u> | <u>\$ 229,702</u> | <u>\$ 643,510</u> | <u>(\$ 413,808)</u> |

The County's proportion of the CORP AOC net pension and OPEB liabilities was based on the County's actual contributions to the plans relative to the total of all participating counties' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

| CORP AOC | Proportion June 30, 2017 % | Increase (decrease) from June 30, 2016 |
|----------------------------------|----------------------------|--|
| Pension | 2.71 | .04 |
| Health insurance premium benefit | 2.72 | N.A. |

Mohave County
Notes to financial statements
June 30, 2018

Sensitivity of the County's net pension/OPEB (asset) liabilities to changes in the discount rate—The following table presents the County's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.40 percent, as well as what the County's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

| | 1% Decrease (6.4%) | Current discount rate (7.4%) | 1% Increase (8.4%) |
|---|-----------------------------------|---|-----------------------------------|
| PSPRS Sheriff | | | |
| Net pension (asset) liability | \$ 30,352,671 | \$ 24,576,023 | \$19,853,61 |
| Net OPEB (asset) liability | (550,197) | (643,233) | (720,499) |
| CORP Detention | | | |
| Net pension (asset) liability | 1,610,351 | 383,301 | (593,747) |
| Net OPEB (asset) liability | (382,497) | (413,808) | (439,511) |
| CORP AOC | | | |
| County's proportionate share of the net pension liability | 14,069,047 | 10,884,138 | 8,308,483 |
| County's proportionate share of the net OPEB liability | 211,858 | 160,270 | 117,163 |

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

Expense—For the year ended June 30, 2018, the County recognized the following pension and OPEB expense:

| | Pension expense | OPEB expense |
|---|------------------------|---------------------|
| PSPRS Sheriff | \$3,783,361 | \$ (30,063) |
| CORP Detention | 1,190,775 | (22,412) |
| CORP AOC (County's proportionate share) | 4,330,528 | 9,507 |

Deferred outflows/inflows of resources—At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

Mohave County
Notes to financial statements
June 30, 2018

PSPRS

| | Pension | | Health insurance premium benefit | |
|--|--------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience | \$ 310,803 | \$ 862,810 | \$ - | \$ 10,795 |
| Changes of assumptions or other inputs | 2,868,181 | | | 23,522 |
| Net difference between projected and actual earnings on plan investments | 331,038 | | | 43,006 |
| County contributions subsequent to the measurement date | <u>2,296,189</u> | | | |
| Total | <u>\$ 5,806,211</u> | <u>\$ 862,810</u> | <u>\$ -</u> | <u>\$ 77,323</u> |

CORP-Detention

| | Pension | | Health insurance premium benefit | |
|--|--------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience | | \$525,148 | \$ - | \$ 15,816 |
| Changes of assumptions or other inputs | \$ 358,887 | | | 24,765 |
| Net difference between projected and actual earnings on plan investments | 100,530 | | | 20,335 |
| County contributions subsequent to the measurement date | <u>229,251</u> | | | |
| Total | <u>\$ 688,668</u> | <u>\$ 525,148</u> | <u>\$ -</u> | <u>\$ 60,916</u> |

CORP-AOC

| | Pension | | Health insurance premium benefit | |
|---|--------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience | \$ 99,663 | \$ 373,814 | | \$15,674 |
| Changes of assumptions or other inputs | 1,056,779 | | | 63,654 |
| Net difference between projected and actual earnings on plan investments | 128,165 | | | 8,090 |
| Changes in proportion and differences between county contributions and proportionate share of contributions | 108,680 | 51,148 | | |
| County contributions subsequent to the measurement date | <u>776,560</u> | | <u>28,634</u> | |
| Total | <u>\$2,169,847</u> | <u>\$ 424,962</u> | <u>\$ 28,634</u> | <u>\$ 87,418</u> |

Mohave County
Notes to financial statements
June 30, 2018

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expense as follows:

| Year Ending June 30 | PSPRS Sheriff | | CORP Detention | | CORP-AOC | |
|------------------------|---------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| | Pension | Health | Pension | Health | Pension | Health |
| 2019 | 1,050,017 | (18,165) | 1,326 | (10,837) | 402,748 | (18,856) |
| 2020 | 809,977 | (18,165) | 37,930 | (10,837) | 378,374 | (18,856) |
| 2021 | 681,564 | (18,165) | (19,804) | (10,837) | 175,301 | (18,856) |
| 2022 | 105,654 | (18,165) | (86,500) | (10,836) | 11,902 | (18,856) |
| 2023 | - | (4,663) | 1,317 | (5,753) | - | (11,994) |
| Thereafter | - | - | - | (11,816) | - | - |
| | <u>\$ 2,647,212</u> | <u>\$ (77,323)</u> | <u>\$ (65,731)</u> | <u>\$ (60,916)</u> | <u>\$ 968,325</u> | <u>\$ (87,418)</u> |

C. Elected Officials Retirement Plan

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

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

Mohave County
Notes to financial statements
June 30, 2018

| EORP | Initial membership date: | |
|--|--|---|
| | Before January 1, 2012 | On or after January 1, 2012 |
| <u>Retirement and disability</u> | | |
| Years of service and age required to receive benefit | 20 years, any age 10 years, age 62 5 years, age 65 | 10 years, age 62 5 years, age 65 any years and age if disabled |
| Final average salary is based on | Highest 36 consecutive months of last 10 years | Highest 60 consecutive months of last 10 years |
| <u>Benefit percent</u> | | |
| 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 |
| <u>Survivor benefit</u> | | |
| Retired members | 75% of retired member's benefit | 50% of retired member's benefit |
| Active members and other inactive members | 75% of disability retirement benefit | 50% of disability retirement benefit |

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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, 2018, statute required active EORP members to contribute 7 or 13 percent of the member's annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County made no contributions to the pension and health insurance plan for the year ended June 30, 2018.

Mohave County
Notes to financial statements
June 30, 2018

Liability—At June 30, 2018, 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 | \$31,957,961 |
| State's proportionate share of the EORP net pension liability associated with the County | <u>6,632,705</u> |
| Total | <u>\$38,590,666</u> |

The County also reported an asset of \$302,772 for its proportionate share of the EORP's net OPEB asset.

The net asset and net liability were measured as of June 30, 2017, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion of the net OPEB asset was based on the County's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

| EORP | Proportion June 30, 2017 % | Increase (decrease) from June 30, 2016 |
|----------------------------------|----------------------------------|--|
| Pension | 2.6226% | .1096 |
| Health insurance premium benefit | 3.324917% | n.a. |

Expense—For the year ended June 30, 2018, the County recognized pension and OPEB expense for EORP of \$12,330,781 and (\$2,953) respectively, and revenue of \$2,280,265 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Mohave County
Notes to financial statements
June 30, 2018

Deferred outflows/inflows of resources— At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| EORP | Pension | | Health insurance premium benefit | |
|---|--------------------------------|-------------------------------|----------------------------------|-------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Differences between expected and actual experience | \$ - | \$ 277,004 | \$ 14,725 | \$ - |
| Changes of assumptions or other inputs | 1,247,382 | | 4,162 | |
| Net difference between projected and actual earnings on plan investments | 195,876 | | | 25,667 |
| Changes in proportion and differences between county contributions and proportionate share of contributions | 639,970 | | | |
| County contributions subsequent to the measurement date | | - | | |
| Total | <u>\$ 2,083,228</u> | <u>\$ 277,004</u> | <u>\$ 18,887</u> | <u>\$ 25,667</u> |

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as an increase of the net asset or reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses, as follows:

| Year ending June 30 | Pension | Health insurance premium |
|---------------------|---------------------|--------------------------|
| 2019 | \$ 1,516,821 | \$ 7,168 |
| 2020 | 300,866 | (1,115) |
| 2021 | 51,756 | (6,417) |
| 2022 | <u>(63,219)</u> | <u>(6,416)</u> |
| Total | <u>\$ 1,806,224</u> | <u>\$ (6,780)</u> |

Mohave County
Notes to financial statements
June 30, 2018

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

| | |
|----------------------------|--|
| EORP | |
| Actuarial valuation date | June 30, 2017 |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 7.4% |
| Wage inflation | 3.5% for pension/not applicable for OPEB |
| Price inflation | 2.5% for pensions/not applicable for OPEB |
| Permanent benefit increase | Included for pensions/not applicable for OPEB |
| Mortality rates | RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience. |
| Healthcare cost trend rate | Not applicable |

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on EORP plan investments was determined to be 7.4 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 | <u>Target</u> | <u>Long-term expected</u> |
|------------------------|-------------------|-------------------------------|
| <u>Asset class</u> | <u>allocation</u> | <u>geometric real rate of</u> |
| | | <u>return</u> |
| Short term investments | 2% | 0.25% |
| Absolute return | 2% | 3.75% |
| Risk parity | 4% | 5.00% |
| Fixed income | 5% | 1.25% |
| Real assets | 9% | 4.52% |
| GTAA | 10% | 3.96% |
| Private credit | 12% | 6.75% |
| Real estate | 10% | 3.75% |
| Credit opportunities | 16% | 5.83% |
| Non-U.S. equity | 14% | 8.70% |
| U.S. equity | <u>16%</u> | 7.60% |
| Total | <u>100%</u> | |

Discount rates—At June 30, 2017, the discount rates used to measure the EORP total pension liability and total OPEB liability were 3.91 percent and 7.4 percent, respectively, which was an increase of 0.23 for pension and a decrease of 0.1 for OPEB from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the 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

Mohave County
Notes to financial statements
June 30, 2018

determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

| EORP | 1% Decrease | Current discount rate | 1% Increase |
|---|--------------------|------------------------------|--------------------|
| Rate-Pension | 2.91% | 3.91% | 4.91% |
| County's proportionate share of the net pension liability | \$37,750,793 | \$31,957,961 | \$27,233,522 |
| Rate-OPEB | 6.4% | 7.4% | 8.4% |
| County's proportionate share of the net OPEB (asset) | \$ (262,425) | \$ (302,772) | \$ (337,580) |

Plan fiduciary net position—Detailed information about the plans' fiduciary net position is available in the separately issued EORP financial report.

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

For the year ended June 30, 2018, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the County was required by statute to contribute 6 percent of the active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the County's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2018, the County recognized pension expense of \$20,858.

Mohave County
Notes to financial statements
June 30, 2018

Note 13 - Interfund balances and activity

Interfund receivables and payables—Interfund balances as of June 30, 2018, were as follows:
Payable to

| Payable from | General fund | Other governmental funds | Landfill fund | Internal service funds | Total |
|--------------------------|--------------------------|---------------------------------|--------------------------|-------------------------------|--------------------------|
| General fund | | \$3,930 | | | \$ 3,930 |
| Other governmental funds | | \$65,209 | \$241,186 | \$61,251 | 367,646 |
| Internal service funds | <u>\$507,251</u> | | | | <u>507,251</u> |
| Total | <u>\$ 507,251</u> | <u>\$ 69,139</u> | <u>\$ 241,186</u> | <u>\$61,251</u> | <u>\$ 878,827</u> |

The majority of the interfund receivables and payables result from year-end accruals and adjustments. Cash will be transferred within the first few months of the next fiscal year for these transactions. The balance of \$241,186 advance payable to the landfill fund from other governmental funds is an advance from the landfill to cover special assessment engineering fees. This expense is to be reimbursed over the next 2 years, from property owners, through collections assessed on tax bills.

Interfund transfers—Interfund transfers for the year ended June 30, 2018, were as follows:

| Transfer from | Transfer to | | | | |
|--------------------------|----------------------------|---------------------------------|-------------------------|-------------------------------|----------------------------|
| | General fund | Other governmental funds | Parks | Internal service funds | Total |
| General fund | | \$ 1,697,168 | \$ 25,000 | \$348,740 | \$ 2,070,908 |
| Road fund | | 506,605 | | | 506,605 |
| Flood control fund | \$ 381,300 | 203,030 | | | 584,330 |
| Other governmental funds | 1,564,197 | | | | 1,564,197 |
| Landfill fund | 500,000 | | | | 500,000 |
| Internal service funds | <u>626,854</u> | <u>98,283</u> | | | <u>725,137</u> |
| Total | <u>\$ 3,072,351</u> | <u>\$ 2,505,086</u> | <u>\$ 25,000</u> | <u>\$348,740</u> | <u>\$ 5,951,177</u> |

The general fund transfers monies to other funds to provide support for such items as matching funds for grants or to make up the shortfall of grant-funded programs that the County feels are important. Other funds also transfer monies to reimburse for shared expenses and to cover matching grants.

Mohave County
Notes to financial statements
June 30, 2018

Note 14 - County Treasurer's investment pool

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

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

The deposits and investments held by the County are included in the County Treasurer's investment pool, except for \$4,656,504 of deposits held by other county departments and \$2,341,650 held by trustees in the County's name. Therefore, the 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 investment classification follow:

| Investment type | Principal | Interest rate(s) | Maturities | Amount |
|-----------------------------------|----------------------|------------------|------------|-----------------------|
| U.S. agency securities | \$ 56,281,229 | .875-1.875% | 9/18-09/19 | \$ 55,908,705 |
| U.S. Treasury notes | 104,443,007 | .625-2.375% | 7/18-8/20 | 104,021,071 |
| Corporate bonds | 2,770,048 | N/A | N/A | 152,500 |
| State Treasurer's Investment Pool | <u>58,684,535</u> | None stated | N/A | <u>58,793,133</u> |
| | <u>\$222,178,819</u> | | | <u>\$ 218,875,409</u> |

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

| | |
|--------------------------------------|-----------------------|
| Statement of net position | |
| Assets | <u>\$ 238,198,158</u> |
| Net position | <u>\$ 238,198,158</u> |
| Net position held in trust for: | |
| Internal participants | \$ 120,598,789 |
| External participants | <u>117,599,369</u> |
| Total net position held in trust | <u>\$ 238,198,158</u> |
| Statement of changes in net position | |
| Total additions | \$ 419,491,956 |
| Total deductions | <u>(397,527,567)</u> |
| Net increase | 21,964,389 |
| Net position held in trust: | |
| July 1, 2017 | <u>216,233,769</u> |
| June 30, 2018 | <u>\$ 238,198,158</u> |

Mohave County
Notes to financial statements
June 30, 2018

Note 15 - Loss contingency

The County is currently in tax litigation with two major taxpayers which may create a liability for some or all the taxing districts in Mohave County. Legal counsel has advised that if the prior tax years' assessed valuations are lowered by a tax court, there is a probability that between \$3 million and \$12 million may be owed back to the taxpayers, on the larger lawsuit. Mohave County and its blended component units' share of the liability would be between \$0.72 million and \$3 million of the total. The smaller lawsuit is estimated at \$2.47 million statewide, and .5 million for Mohave County and its blended component units.

Note 16 - Credit card payments by governmental entities

A.R.S. §35-391 requires the annual financial report to disclose the amount of any reward, discount, incentive, or other financial consideration received resulting from the use of credit card payments by governmental entities. During fiscal year 2018, \$94,765 in rebates were received from the use of credit card payments by the County.

Other required supplementary information

Mohave County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|-------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 38,569,632 | \$ 38,569,632 | \$ 37,347,560 | \$ (1,222,072) |
| Licenses and permits | 1,325,540 | 1,325,540 | 1,095,737 | (229,803) |
| Intergovernmental | 34,247,725 | 34,227,725 | 35,723,295 | 1,495,570 |
| Charges for services | 6,354,207 | 6,354,207 | 6,231,055 | (123,152) |
| Fines and forfeits | 1,459,000 | 1,459,000 | 1,324,808 | (134,192) |
| Investment earnings | 173,137 | 173,137 | 226,935 | 53,798 |
| Contributions | 5,000 | 5,000 | 10,415 | 5,415 |
| Miscellaneous | 1,146,280 | 1,146,280 | 470,501 | (675,779) |
| Total revenues | <u>83,280,521</u> | <u>83,260,521</u> | <u>82,430,306</u> | <u>(830,215)</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Assessor | 3,424,558 | 3,424,558 | 3,280,097 | 144,461 |
| County attorney | 4,005,234 | 4,005,234 | 3,862,639 | 142,595 |
| County manager | 311,017 | 311,017 | 292,550 | 18,467 |
| Clerk of board | 201,241 | 204,906 | 184,232 | 20,674 |
| Community services department | 395,785 | 395,785 | 379,445 | 16,340 |
| General administration | 4,721,693 | 4,746,693 | 3,584,520 | 1,162,173 |
| Clerk of superior court | 2,270,696 | 2,273,306 | 2,145,420 | 127,886 |
| Constables | 433,594 | 433,594 | 432,696 | 898 |
| Contingency | 1,887,568 | 1,676,208 | - | 1,676,208 |
| Elections | 470,827 | 470,827 | 351,726 | 119,101 |
| Finance | 1,126,473 | 1,126,473 | 1,104,472 | 22,001 |
| Facilities maintenance | 2,676,611 | 2,675,611 | 2,588,727 | 86,884 |
| Justice courts | 3,188,236 | 3,188,236 | 3,042,948 | 145,288 |
| Juvenile detention | 1,322,896 | 1,302,896 | 1,219,528 | 83,368 |
| Human resources | 405,486 | 405,486 | 371,814 | 33,672 |
| Planning & zoning department | 2,837,020 | 2,837,020 | 1,792,655 | 1,044,365 |
| Public fiduciary | 524,218 | 532,618 | 522,869 | 9,749 |
| Public defender | 5,655,914 | 5,655,914 | 5,553,553 | 102,361 |
| Public legal defender | 1,042,662 | 1,042,662 | 993,456 | 49,206 |
| Building inspector | 1,520,346 | 1,520,346 | 1,059,880 | 460,466 |
| Procurement | 449,104 | 449,104 | 420,283 | 28,821 |
| Recorder | 807,805 | 807,805 | 676,288 | 131,517 |
| Superior courts | 3,441,729 | 3,441,729 | 3,200,868 | 240,861 |
| Treasurer | 1,723,895 | 1,874,245 | 1,489,021 | 385,224 |
| Voter registration | 346,008 | 346,008 | 273,185 | 72,823 |
| Supervisory districts | 1,102,315 | 1,098,650 | 928,075 | 170,575 |
| Total general government | <u>46,292,931</u> | <u>46,246,931</u> | <u>39,750,947</u> | <u>6,495,984</u> |

(Continued)

Mohave County
Required supplementary information
Budgetary comparison schedule
General fund
Year ended June 30, 2018

(Continued)

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: | | | | |
| Public safety: | | | | |
| Animal control | \$ 346,860 | \$ 370,233 | \$ 356,914 | \$ 13,319 |
| Jail | 12,520,286 | 12,682,986 | 11,493,938 | 1,189,048 |
| Medical examiner | 615,600 | 615,600 | 615,600 | - |
| Probation | 1,754,640 | 1,754,640 | 1,703,159 | 51,481 |
| Sheriff | 13,021,537 | 13,335,464 | 12,925,940 | 409,524 |
| Total public safety | <u>28,258,923</u> | <u>28,758,923</u> | <u>27,095,551</u> | <u>1,663,372</u> |
| Health: | | | | |
| A.H.C.C.C.S. | 10,034,700 | 10,034,700 | 10,034,659 | 41 |
| Education: | | | | |
| School superintendent | 456,174 | 456,174 | 374,393 | 81,781 |
| Debt service: | | | | |
| Principal retirement | - | - | 106,950 | (106,950) |
| Interest and fiscal charges | - | - | 1,785 | (1,785) |
| Total debt service | <u>-</u> | <u>-</u> | <u>108,735</u> | <u>(108,735)</u> |
| Total expenditures | <u>85,042,728</u> | <u>85,496,728</u> | <u>77,364,285</u> | <u>8,132,443</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,762,207)</u> | <u>(2,236,207)</u> | <u>5,066,021</u> | <u>7,302,228</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 2,872,711 | 3,372,711 | 3,072,351 | (300,360) |
| Transfers out | <u>(2,222,503)</u> | <u>(2,248,503)</u> | <u>(2,070,908)</u> | <u>177,595</u> |
| Total other financing sources (uses) | <u>650,208</u> | <u>1,124,208</u> | <u>1,001,443</u> | <u>(122,765)</u> |
| Net change in fund balances | (1,111,999) | (1,111,999) | 6,067,464 | 7,179,463 |
| Fund balances, July 1, 2017, as restated | <u>20,901,388</u> | <u>20,901,388</u> | <u>23,988,164</u> | <u>3,086,776</u> |
| Fund balances, June 30, 2018 | <u>\$ 19,789,389</u> | <u>\$ 19,789,389</u> | <u>\$ 30,055,628</u> | <u>\$ 10,266,239</u> |

See accompanying notes to budgetary comparison schedule.

Mohave County
Required supplementary information
Budgetary comparison schedule
Road fund
Year ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Licenses and permits | \$ 45,000 | \$ 45,000 | \$ 46,850 | \$ 1,850 |
| Intergovernmental | 15,400,000 | 15,400,000 | 16,547,543 | 1,147,543 |
| Charges for services | 48,120 | 48,120 | 40,825 | (7,295) |
| Fines and forfeits | 250 | 250 | 2,913 | 2,663 |
| Investment earnings | 68,000 | 68,000 | 148,857 | 80,857 |
| Rents | 70,593 | 70,593 | 70,679 | 86 |
| Contributions | | | 17,700 | 17,700 |
| Miscellaneous | 782,720 | 782,720 | 26,064 | (756,656) |
| Total revenues | <u>16,414,683</u> | <u>16,414,683</u> | <u>16,901,431</u> | <u>486,748</u> |
| Expenditures: | | | | |
| Highways and streets | <u>22,017,550</u> | <u>22,017,550</u> | <u>16,676,483</u> | <u>5,341,067</u> |
| Total expenditures | <u>22,017,550</u> | <u>22,017,550</u> | <u>16,676,483</u> | <u>5,341,067</u> |
| Excess (deficiency) of revenues over expenditures | <u>(5,602,867)</u> | <u>(5,602,867)</u> | <u>224,948</u> | <u>5,827,815</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (508,000) | (508,000) | (506,605) | 1,395 |
| Proceeds of sale of County property | <u>-</u> | <u>-</u> | <u>288,010</u> | <u>288,010</u> |
| Total other financing sources (uses) | <u>(508,000)</u> | <u>(508,000)</u> | <u>(218,595)</u> | <u>289,405</u> |
| Net change in fund balances | (6,110,867) | (6,110,867) | 6,353 | 6,117,220 |
| Fund balances, July 1, 2017 | 13,634,036 | 13,634,036 | 14,946,688 | 1,312,652 |
| Decrease in reserve for inventory | <u>-</u> | <u>-</u> | <u>(9,536)</u> | <u>(9,536)</u> |
| Fund balances, June 30, 2018 | <u>\$ 7,523,169</u> | <u>\$ 7,523,169</u> | <u>\$ 14,943,505</u> | <u>\$ 7,420,336</u> |

Mohave County
 Required supplementary information
 Budgetary comparison schedule
 Flood control fund
 Year ended June 30, 2018

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 7,500,000 | \$ 7,500,000 | \$ 7,689,223 | \$ 189,223 |
| Licenses and permits | - | - | 2,900 | 2,900 |
| Intergovernmental | 3,000 | 3,000 | 38 | (2,962) |
| Charges for services | 16,000 | 16,000 | 45,825 | 29,825 |
| Investment earnings | 30,000 | 30,000 | 88,380 | 58,380 |
| Miscellaneous | 18,347 | 18,347 | 7,419 | (10,928) |
| Total revenues | <u>7,567,347</u> | <u>7,567,347</u> | <u>7,833,785</u> | <u>266,438</u> |
| Expenditures: | | | | |
| Public safety | <u>13,327,662</u> | <u>13,327,662</u> | <u>6,404,442</u> | <u>6,923,220</u> |
| Total expenditures | <u>13,327,662</u> | <u>13,327,662</u> | <u>6,404,442</u> | <u>6,923,220</u> |
| Excess (deficiency) of revenues over expenditures | <u>(5,760,315)</u> | <u>(5,760,315)</u> | <u>1,429,343</u> | <u>7,189,658</u> |
| Other financing sources (uses): | | | | |
| Transfers out | (746,084) | (746,084) | (584,330) | 161,754 |
| Proceeds from deed sale | - | - | 2,766 | 2,766 |
| Total other financing sources (uses) | <u>(746,084)</u> | <u>(746,084)</u> | <u>(581,564)</u> | <u>164,520</u> |
| Net change in fund balances | (6,506,399) | (6,506,399) | 847,779 | 7,354,178 |
| Fund balances, July 1, 2017 | 6,506,399 | 6,506,399 | 5,724,060 | (782,339) |
| Increase in reserve for inventory | <u>-</u> | <u>-</u> | <u>13,790</u> | <u>13,790</u> |
| Fund balances, June 30, 2018 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,585,629</u> | <u>\$ 6,585,629</u> |

Mohave County
Required supplementary information
Notes to budgetary comparison schedules
June 30, 2018

Note 1 - Budgeting and budgetary control

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

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

Note 2 - Budgetary basis of accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles. There are no differences between the budget and the annual financial report based on the basis of accounting used.

Note 3 - Expenditures in excess of appropriations

For the year ended June 30, 2018, there were no expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) in the general fund or in any of the major special revenue funds presented.

Mohave County
Required supplementary information
Schedule of the County's proportionate share of net pension/OPEB liability
Cost-sharing plans
June 30, 2018

ASRS-Pension

| | Reporting fiscal year (measurement date) | | | | 2014 through 2009 Information |
|--|---|----------------|----------------|----------------|--|
| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | |
| County's proportion of the net pension liability | .35% | .37% | .38% | .39% | not available |
| County's proportionate share of the net pension liability | \$55,221,074 | \$59,477,988 | \$59,259,251 | \$57,859,101 | Information not available |
| County's covered payroll | \$34,720,762 | \$34,138,216 | \$35,153,250 | \$35,362,673 | Information not available |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 159.04% | 174.23% | 168.57% | 163.62% | |
| Plan fiduciary net position as a percentage of the total pension liability | 69.92% | 67.06% | 68.35% | 69.49% | |

ASRS-Health insurance premium benefit

| | Reporting fiscal year (measurement date) | | Information |
|---|---|----------------------|---------------------------|
| | 2018 (2017) | 2017 through 2009 | |
| County's proportion of the net OPEB (asset) | 35.7% | | Information |
| County's proportionate share of the net OPEB (asset) | \$ (194,329) | | Is not available |
| County's covered payroll | \$34,720,762 | | Information not available |
| County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll | (.56)% | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 103.57% | | |

ASRS-Long-term disability

| | Reporting fiscal year (measurement date) | | Information |
|---|---|----------------------|---------------------------|
| | 2018 (2017) | 2017 through 2009 | |
| County's proportion of the net OPEB liability | 35.47% | | Information |
| County's proportionate share of the net OPEB liability | \$ 128,581 | | Is not available |
| County's covered payroll | \$34,720,762 | | Information not available |
| County's proportionate share of the net OPEB liability as a percentage of its covered payroll | .37% | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 84.44% | | |

Mohave County
Required supplementary information
Schedule of the County's proportionate share of net pension/OPEB liability
Cost-sharing plans
June 30, 2018

CORP AOC-Pension

| | Reporting fiscal year (measurement date) | | | | 2014 through 2009 |
|--|---|----------------|----------------|----------------|---------------------------------|
| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | |
| County's proportion of the net pension liability | 2.71% | 2.67% | 2.65% | 2.71% | Information not available |
| County's proportionate share of the net pension liability | \$10,884,138 | \$7,523,107 | \$6,438,542 | \$6,077,411 | |
| County's covered payroll | \$3,042,429 | \$2,936,852 | \$2,943,898 | \$2,914,858 | |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 357.74% | 256.16% | 218.71% | 189.24% | |
| Plan fiduciary net position as a percentage of the total pension liability | 49.21% | 54.81% | 57.89% | 58.59% | |

CORP AOC-Health insurance premium benefit

| | Reporting fiscal year (measurement date) | |
|---|---|------------------------------------|
| | 2018 (2017) | 2017 through 2009 |
| County's proportion of the net OPEB liability | 2.72% | Information Is not available |
| County's proportionate share of the net OPEB liability | \$160,270 | |
| County's covered payroll | \$3,042,429 | |
| County's proportionate share of the net OPEB liability as a percentage of its covered payroll | .05% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 62.21% | |

Mohave County
Required supplementary information
Schedule of the County's proportionate share of net pension/OPEB liability
Cost-sharing plans
June 30, 2018

EORP-Pension

| | Reporting fiscal year (measurement date) | | | | 2014 through 2009 |
|--|---|---------------------|---------------------|---------------------|---------------------------------|
| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | |
| County's proportion of the net pension liability | 2.62% | 2.51% | 2.37% | 2.53% | Information not available |
| County's proportionate share of the net pension liability | \$31,957,961 | \$23,741,585 | \$18,541,752 | \$16,967,857 | |
| State's proportionate share of the net pension liability associated with the County | <u>\$6,632,705</u> | <u>\$4,899,011</u> | <u>\$5,780,547</u> | <u>\$5,202,503</u> | |
| Total | <u>\$38,590,666</u> | <u>\$28,640,596</u> | <u>\$24,322,299</u> | <u>\$22,170,360</u> | |
| County's covered payroll | \$2,180,142 | \$1,753,759 | \$2,157,272 | \$2,366,603 | |
| County's proportionate share of the net pension liability as a percentage of its covered payroll | 1465% | 1354% | 859.50% | 712.91% | |
| Plan fiduciary net position as a percentage of the total pension liability | 19.66% | 23.42% | 28.32% | 31.91% | |

EORP-Health insurance premium benefit

| | Reporting fiscal year (measurement date) | |
|---|---|---------------------------------|
| | 2018 (2017) | 2017 through 2009 |
| County's proportion of the net OPEB (asset) | 3.32% | Information not available |
| County's proportionate share of the net OPEB (asset) | \$(302,772) | |
| County's covered payroll | \$2,180,142 | |
| County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll | (13.8)% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 164.84% | |

Mohave County
Required supplementary information
Schedule of changes in the County's
net pension/OPEB liability (asset) and related ratios
Agent plans
June 30, 2018

PSPRS-sheriff

Reporting fiscal year (measurement date)

| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 through 2009 |
|---|----------------------|----------------------|---------------------|---------------------|-------------------------|
| Total pension liability | | | | | Information |
| Service cost | \$ 966,017 | \$ 738,110 | \$ 856,128 | \$ 841,853 | Not |
| Interest on the total pension liability | 3,003,684 | 2,932,447 | 2,908,448 | 2,507,303 | Available |
| Changes of benefits terms | 425,471 | 1,255,658 | 0 | 743,169 | |
| Difference between expected and actual experience in the measurement of the pension liability | 396,188 | (569,078) | (797,687) | (926,693) | |
| Changes of assumptions or other inputs | 1,538,482 | 1,409,917 | 0 | 3,668,599 | |
| Benefit payments, including refunds of employee | <u>(3,104,457)</u> | <u>(3,271,340)</u> | <u>(1,932,983)</u> | <u>(1,529,492)</u> | |
| Net change in total pension liability | 3,225,385 | 2,495,714 | 1,033,906 | 5,304,739 | |
| Total pension liability-beginning | <u>41,118,340</u> | <u>38,622,626</u> | <u>37,588,720</u> | <u>32,283,981</u> | |
| Total pension liability-ending (a) | <u>\$ 44,343,725</u> | <u>\$41,118,340</u> | <u>\$38,622,626</u> | <u>\$37,588,720</u> | |
| Plan fiduciary net position | | | | | |
| Contributions-employer | \$1,836,800 | \$1,623,099 | \$ 1,232,825 | \$ 1,174,898 | |
| Contributions-employee | 504,665 | 510,843 | 476,318 | 485,480 | |
| Net investment income | 2,131,234 | 110,794 | 708,906 | 2,343,758 | |
| Benefits payments, including refunds of employee contributions | (3,104,457) | (3,271,340) | (1,932,983) | (1,529,492) | |
| Administrative expense | (19,258) | (16,343) | (17,672) | (18,876) | |
| Other changes | <u>(155,786)</u> | <u>(68,502)</u> | <u>10,751</u> | <u>(180,019)</u> | |
| Net change in plan fiduciary net position | 1,193,198 | (1,111,449) | 478,145 | 2,275,749 | |
| Plan fiduciary net position-beginning | <u>18,574,504</u> | <u>19,685,953</u> | <u>19,207,808</u> | <u>16,932,059</u> | |
| Plan fiduciary net position-ending (b) | <u>19,767,702</u> | <u>18,574,504</u> | <u>19,685,953</u> | <u>19,207,808</u> | |
| County's net pension liability—ending (a) – (b) | <u>\$ 24,576,023</u> | <u>\$ 22,543,836</u> | <u>\$18,936,673</u> | <u>\$18,380,912</u> | |
| Plan fiduciary net position as a percentage of the total pension liability | 44.58% | 45.17% | 50.97% | 51.1% | |
| Covered payroll | \$ 4,241,502 | \$ 4,188,771 | \$ 4,310,395 | \$ 4,486,194 | |
| County's net pension liability as a percentage of covered payroll | 556.07% | 538.20% | 439.33% | 409.72% | |

Mohave County
 Required supplementary information
 Schedule of changes in the County's
 net pension/OPEB liability (asset) and related ratios
 Agent plans
 June 30, 2018

PSPRS

| | Reporting fiscal year (measurement date) | |
|---|---|---------------------------------|
| | 2018 (2017) | 2017 Through 2009 |
| Total OPEB liability | | Information not available |
| Service cost | \$ 19,767 | |
| Interest on the total OPEB liability | 54,418 | |
| Changes of benefit terms | 6,427 | |
| Differences between expected and actual experience in the measurement of the OPEB liability | (13,127) | |
| Assumption Changes | (28,604) | |
| Benefit payments, including refunds | <u>(21,852)</u> | |
| Net change in total OPEB liability | 17,029 | |
| Total OPEB liability-beginning | <u>726,615</u> | |
| Total OPEB liability-ending (a) | <u>\$ 743,644</u> | |
| Plan fiduciary net position | | |
| Net investment income | \$ 147,573 | |
| Benefit payments | (21,852) | |
| Administrative expense | <u>(1,306)</u> | |
| Net change in the plan fiduciary net position | 124,415 | |
| Plan fiduciary net position-beginning | <u>1,262,462</u> | |
| Plan fiduciary net position-ending (b) | <u>1,386,877</u> | |
| County's net OPEB (asset) liability-ending (a) – (b) | <u>\$ (643,233)</u> | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 186.50% | |
| Covered payroll | \$ 4,341,502 | |
| County's net OPEB (asset) liability as a percentage of covered payroll | (14.81)% | |

Mohave County
Required supplementary information
Schedule of changes in the County's
net pension/OPEB liability (asset) and related ratios
Agent plans
June 30, 2018

| CORP-detention | Reporting fiscal year (measurement date) | | | | |
|---|---|---------------------|---------------------|---------------------|---------------------------------|
| | 2018 (2017) | 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 through 2009 |
| Total pension liability | | | | | Information Not Available |
| Service cost | \$ 513,320 | \$ 522,178 | \$ 527,226 | \$ 535,075 | |
| Interest on the total pension liability | 498,282 | 502,287 | 476,424 | 404,294 | |
| Changes of benefits terms | 1,002,759 | 23,016 | 0 | 52,115 | |
| Difference between expected and actual experience in the measurement of the pension liability | (132,391) | (441,945) | (255,141) | (44,513) | |
| Changes of assumptions or other inputs | 149,218 | 238,838 | 0 | 309,034 | |
| Benefit payments, including refunds of employee | <u>(697,451)</u> | <u>(492,035)</u> | <u>(341,013)</u> | <u>(325,442)</u> | |
| Net change in total pension liability | 1,333,737 | 352,339 | 407,496 | 930,563 | |
| Total pension liability-beginning | <u>6,735,823</u> | <u>6,383,484</u> | <u>5,975,988</u> | <u>5,045,425</u> | |
| Total pension liability-ending (a) | <u>\$8,069,560</u> | <u>\$6,735,823</u> | <u>\$6,383,484</u> | <u>\$5,975,988</u> | |
| Plan fiduciary net position | | | | | |
| Contributions-employer | \$222,521 | \$277,167 | \$ 265,631 | \$ 288,751 | |
| Contributions-employee | 311,185 | 331,483 | 330,465 | 328,515 | |
| Net investment income | 828,794 | 42,247 | 243,014 | 782,383 | |
| Benefits payments, including refunds of employee contributions | (697,451) | (492,035) | (341,013) | (325,442) | |
| Administrative expense | (7,650) | (6,374) | (6,374) | (6,151) | |
| Other changes | <u>(47)</u> | <u>(66,110)</u> | <u>(82,072)</u> | <u> </u> | |
| Net change in plan fiduciary net position | 657,352 | 86,378 | 409,651 | 1,074,167 | |
| Plan fiduciary net position-beginning | <u>7,028,907</u> | <u>6,942,529</u> | <u>6,532,878</u> | <u>5,458,711</u> | |
| Plan fiduciary net position-ending (b) | <u>7,686,259</u> | <u>7,028,907</u> | <u>6,942,529</u> | <u>6,532,878</u> | |
| County's net pension liability – ending (a) – (b) | <u>\$ 383,301</u> | <u>\$ (293,084)</u> | <u>\$ (559,045)</u> | <u>\$ (556,890)</u> | |
| Plan fiduciary net position as a percentage of the total pension liability | 95.25% | 104.35% | 108.76% | 109.32% | |
| Covered payroll | \$3,697,257 | \$3,910,641 | \$3,910,769 | \$4,107,411 | |
| County's net pension liability as a percentage of covered payroll | 10.37% | (7.49)% | (14.30)% | (13.56)% | |

Mohave County
 Required supplementary information
 Schedule of changes in the County's
 net pension/OPEB liability (asset) and related ratios
 Agent plans
 June 30, 2018

CORP-Detention

| | Reporting fiscal year (measurement date) | |
|---|---|---------------------------------|
| | 2018 (2017) | 2017 Through 2009 |
| Total OPEB liability | | |
| Service cost | \$ 12,131 | Information not available |
| Interest on the total OPEB liability | 19,090 | |
| Assumption changes | (28,276) | |
| Differences between expected and actual experience in the measurement of the OPEB liability | (18,058) | |
| Benefit payments, including refunds | <u>(7,301)</u> | |
| Net change in total OPEB liability | \$ (22,414) | |
| Total OPEB liability-beginning | <u>252,116</u> | |
| Total OPEB liability-ending (a) | <u>\$ 229,702</u> | |
| Plan fiduciary net position | | |
| Net investment income | \$ 68,817 | |
| Benefit payments | (7,301) | |
| Administrative expense | <u>(602)</u> | |
| Net change in the plan fiduciary net position | 60,914 | |
| Plan fiduciary net position-beginning | <u>582,596</u> | |
| Plan fiduciary net position-ending (b) | <u>643,510</u> | |
| County's net OPEB (asset) liability-ending (a) – (b) | <u>\$ (413,808)</u> | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 280.15% | |
| Covered payroll | \$ 3,697,257 | |
| County's net OPEB (asset) liability as a percentage of covered payroll | (11.19)% | |

Mohave County
Required supplementary information
Schedule of county pension/OPEB contributions
June 30, 2018

ASRS

| | Reporting fiscal year | | | | | 2013 through 2009 |
|--|------------------------------|------------------|------------------|------------------|------------------|---------------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Statutorily required contribution | \$ 3,876,705 | \$ 3,742,898 | \$ 3,771,411 | \$ 3,828,189 | \$ 3,771,598 | Information not available |
| County's contributions in relation to the statutorily required contribution | <u>3,876,705</u> | <u>3,742,898</u> | <u>3,771,411</u> | <u>3,828,189</u> | <u>3,771,598</u> | |
| County's contribution deficiency | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | |
| County's covered payroll | \$35,566,097 | \$34,720,762 | \$34,138,216 | \$35,153,250 | \$35,362,373 | |
| County's contributions as a percentage of covered payroll | 10.90% | 10.78% | 10.85% | 10.89% | 10.67% | |

*No disclosure was provided on OPEB information as it was considered insignificant to the financial statements.

CORP-AOC

| | Reporting fiscal year | | | | | 2013 through 2009 |
|--|------------------------------|----------------|----------------|----------------|----------------|---------------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Statutorily required contribution | \$ 776,560 | \$ 609,950 | \$ 564,751 | \$ 438,052 | \$ 421,197 | Information not available |
| County's contributions in relation to the statutorily required contribution | <u>776,560</u> | <u>609,950</u> | <u>564,751</u> | <u>438,052</u> | <u>421,197</u> | |
| County's contribution deficiency | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | |
| County's covered payroll | \$ 3,449,848 | \$ 3,042,429 | \$2,936,852 | \$2,943,898 | \$2,914,858 | |
| County's contributions as a percentage of covered payroll | 22.51% | 20.05% | 19.23% | 14.88% | 14.45% | |

* No disclosure was provided on OPEB information as it was considered insignificant to the financial statements.

EORP

| | Reporting fiscal year | | | | | 2013 through 2009 |
|--|------------------------------|----------------|----------------|----------------|----------------|---------------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Statutorily required contribution | \$ 543,096 | \$ 512,333 | \$ 421,134 | \$ 506,959 | \$ 539,153 | Information not available |
| County's contributions in relation to the statutorily required contribution | <u>0</u> | <u>512,333</u> | <u>421,134</u> | <u>506,959</u> | <u>539,153</u> | |
| County's contribution deficiency - (excess), County used Hall Parker Credits. ++ | \$ <u>543,096</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | \$ <u>0</u> | |
| County's covered payroll | \$2,311,048 | \$2,180,142 | \$1,753,759 | \$2,157,272 | \$2,366,603 | |
| County's contributions as a percentage of covered payroll | 0% | 23.5% | 24.01% | 23.5% | 22.78% | |

*The County was not required and did not contribute to the EORP health insurance premium benefit plan for the fiscal years 2018 or 2017. ++No contribution was required to be made in 2018 due to using Hall Parker credits provided by PSPRS plan. No disclosure was provided on OPEB information as it was considered insignificant to the financial statements.

See accompanying notes to pension plan schedule

Mohave County
Required supplementary information
Schedule of county pension/OPEB contributions
June 30, 2018

PSPRS

| | Reporting fiscal year | | | | | 2013 through 2009 |
|---|------------------------------|------------------|------------------|------------------|------------------|---------------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Actuarially determined contribution | \$2,296,189 | \$1,862,504 | \$1,623,099 | \$1,232,773 | \$1,174,898 | Information not available |
| County's contributions in relation to the actuarially determined contribution | <u>2,296,189</u> | <u>1,862,504</u> | <u>1,623,099</u> | <u>1,232,773</u> | <u>1,174,898</u> | |
| County's contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | |
| County's covered payroll | \$4,414,050 | \$4,341,502 | \$4,188,771 | \$4,310,395 | \$4,486,194 | |
| County's contributions as a percentage of covered payroll | 52.02% | 42.90% | 38.48% | 28.60% | 26.18% | |

* No disclosure was provided on OPEB information as it was considered insignificant to the financial statements.

CORP-detention

| | Reporting fiscal year | | | | | 2013 through 2009 |
|---|------------------------------|----------------|----------------|----------------|----------------|---------------------------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | |
| Actuarially determined contribution | \$ 229,251 | \$ 221,835 | \$ 277,167 | \$ 265,631 | \$ 288,751 | Information not available |
| County's contributions in relation to the actuarially determined contribution | <u>229,251</u> | <u>221,835</u> | <u>277,167</u> | <u>265,631</u> | <u>288,751</u> | |
| County's contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | |
| County's covered payroll | \$3,582,040 | \$3,697,257 | \$3,910,641 | \$3,910,769 | \$4,107,411 | |
| County's contributions as a percentage of covered payroll | 6.40% | 6.00% | 7.03% | 6.76% | 7.03% | |

* No disclosure was provided on OPEB information as it was considered insignificant to the financial statements.

Mohave County
 Required supplementary information
 Notes to pension plan schedules
 June 30, 2018

Note 1 – Actuarially determined contribution rates

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

| | |
|--|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level percent-of-pay, closed |
| Remaining amortization period as of the 2016 actuarial valuation | 20 years for unfunded actuarial accrued liability, 19 years for excess |
| Asset valuation method | 7-year smoothed market value; 80%/120% market corridor |
| Actuarial assumptions: | |
| Investment rate of return | In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85% |
| Projected salary increases | In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% -8.5% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%- 9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP. |
| Wage growth | In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0%-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) |

Mohave County
Required supplementary information
Notes to pension plan schedules
June 30, 2018

Note 2– Factors that affect trends

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

Also, the County refunded excess employee contributions to EORP members. EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the statutorily required contributions for 2018.