

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

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ANNUAL FINANCIAL REPORT
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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 17, the Budgetary Comparison Schedules on pages 72 through 76, Schedule of the Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on pages 77 through 79, Schedule of Pension Contributions on pages 80 through 81, the Schedule of Funding Progress – Public Safety Personnel Retirement System Other Postemployment Benefits on page 82, and Schedule of Changes in the Net Pension Liability and Related Ratios – Agent Pension Plan on page 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



March 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of Greenlee County, Arizona (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. Please read it in conjunction with the County's basic financial statements, which begin on page 20.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$4.7 million (*net position*).
- The County's total net position decreased \$12.7 million, which represents a seventy-three percent decrease from the prior fiscal year, due to a change in accounting for pension liabilities in accordance with GASB No. 68.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$12.9 million, an increase of \$1.4 million in comparison with the prior year. Approximately 82 percent of this amount (\$10.5 million) is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the General Fund was \$11.3 million, or approximately 92 percent of total General Fund expenditures.
- The County's total outstanding long-term debt increased by \$16.1 million during the current fiscal year primarily due to a change in accounting for pension liabilities in accordance with GASB No. 68.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

OVERVIEW OF FINANCIAL STATEMENTS

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

The *Statement of Activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported in the fiscal year the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements outline functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, education, economic development, and interest on long-term debt.

The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental 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. Such information may be useful in evaluating the County's near-term financing requirements.

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

OVERVIEW OF FINANCIAL STATEMENTS

The County maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, HURF, Health Services, and Flood Disaster Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 22 through 28 of this report.

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

The County maintains two different types of fiduciary funds. The Investment Trust Fund is used to account for pooled assets the County Treasurer holds and invests on behalf of other governmental entities. The Agency Fund reports resources held by the County in a custodial capacity for other parties.

The fiduciary fund financial statements can be found on pages 29 and 30 of this report.

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. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget process and its progress in funding its obligation to provide retirement benefits to its employees. The County adopts an annual budget for all governmental funds. Budgetary comparison schedules have been provided for the General and major Special Revenue Funds as required supplementary information.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$4.7 million at the close of the most recent fiscal year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a summary of the County's net position for the fiscal years ended June 30, 2015 and 2014.

	As of June 30, 2015	As of June 30, 2014
Current assets	\$ 13,718,240	\$ 12,162,703
Capital assets, net	9,078,246	9,383,557
Total assets	<u>22,796,486</u>	<u>21,546,260</u>
Deferred outflow of resources – pension plan items	3,807,204	_____
Long-term liabilities outstanding	19,598,363	3,530,618
Other liabilities	768,061	655,244
Total liabilities	<u>20,366,424</u>	<u>4,185,862</u>
Deferred inflow of resources – pension plan items	1,579,359	_____
Net position:		
Net investment in capital assets	7,039,163	7,249,260
Restricted	906,992	873,555
Unrestricted	(3,288,248)	9,237,583
Total net position	<u>\$ 4,657,907</u>	<u>\$ 17,360,398</u>

The largest portion of the County's net position reflects its investment in capital assets (e.g., land, buildings, improvements, machinery, equipment, and construction in progress), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the 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.

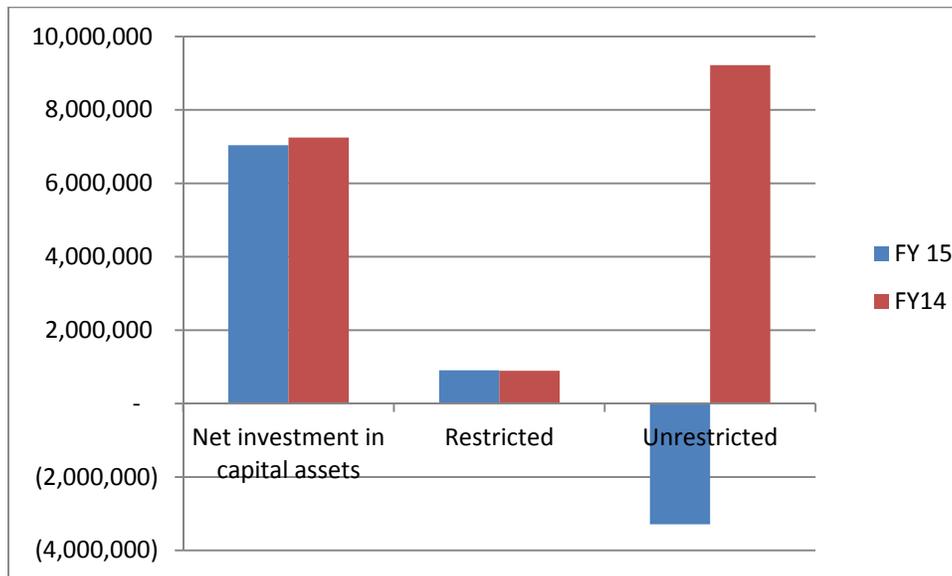
An additional portion of the County's net position represents resources that are subject to external restrictions on how they may be used. These resources are restricted for the following purposes: information systems, judicial activities, law enforcement activities, jail facilities and operations, waste tire program, fair and racing program and roads and schools.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

At the end of the current fiscal year the County reported positive balances in two categories of net position. Unrestricted net position, which is normally used to meet the County's mission reported a deficit of \$3.3 million. The deficit arose because of the implementation of GASB No. 68, which required the County to record a liability for its proportionate share of the state pensions plan's unfunded liability. The County reported positive balances in all three categories of net position in the prior fiscal year.

**Net Position
June 30, 2015 and 2014**



During the current fiscal year, net position decreased \$12.7 million from the prior fiscal year for an ending balance of \$4.7 million. This was primarily a result of a change in accounting for pension liabilities in accordance with GASB No. 68.

The County's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant transactions that have had an impact on the Statement of Net Position for the fiscal year ended June 30, 2015.

- The principal retirement of \$973,161 of capital leases.
- The inception of \$877,947 of capital leases.
- The addition of \$16.0 million of pension liability due to a change in accounting for pension liabilities in accordance with GASB No. 68.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The County's total revenues for the fiscal year ended June 30, 2015 were \$20.2 million. The total cost of all programs and services was \$21.0 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and 2014.

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2014
Revenues:		
Program revenues:		
Charges for services	\$ 991,367	\$ 1,023,456
Operating grants and contributions	5,364,846	4,970,240
Capital grants and contributions		138,275
General revenues:		
Property taxes	3,768,467	3,256,209
County sales taxes for general purposes	1,491,594	2,345,102
Other taxes	14,400	14,400
Share of state sales taxes	5,537,400	5,091,702
Share of state vehicle license tax	519,328	499,118
Grants and contributions not restricted to specific programs	1,974,382	2,044,890
Other	536,876	376,428
Total revenues	<u>20,198,660</u>	<u>19,759,820</u>
Expenses:		
General government	9,322,760	6,884,853
Public safety	5,712,039	5,164,846
Highways and streets	2,482,273	3,177,431
Sanitation	387,858	341,682
Health and welfare	1,939,135	1,963,867
Culture and recreation	304,429	330,459
Education	634,124	753,443
Economic development	82,305	46,006
Interest on long-term debt	112,321	120,307
Total expenses	<u>20,977,244</u>	<u>18,782,894</u>
Change in net position	(778,584)	976,926
Net position, beginning, as restated	5,436,491	16,383,472
Net position, ending	<u>\$ 4,657,907</u>	<u>\$ 17,360,398</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following are significant transactions that have had an impact on the change in net position during the fiscal year ended June 30, 2015.

- Charges for services decreased \$32,089 primarily due to a decrease in justice court fines.
- Capital grants and contributions decreased by \$138,275 primarily due to a decrease in funding for a flood emergency that occurred in the prior year.
- Operating grants and contributions increased \$394,606 primarily due an increase in revenue due to the implementation of GASB No. 68.
- Property taxes increased by \$512,258 due to an increase in the overall property tax levy.
- County sales taxes for general purposes decreased by \$853,508 due to a major expansion of the mine in the prior year.
- State shared sales tax increased by \$445,698 due to an overall improvement in the economy.
- State shared vehicle license tax increase by \$20,210 due to an overall improvement in the economy.
- Grants and contributions not restricted to specific programs decreased \$70,508 primarily due to a decrease in funding from the Department of the Interior.
- General government expenses increased \$2.4 million primarily due to pension expenses as a result of the implementation of GASB No. 68.
- Highways and streets expenses decreased \$695,158 primarily due to road repairs related to the flooding emergencies incurred in the prior year.

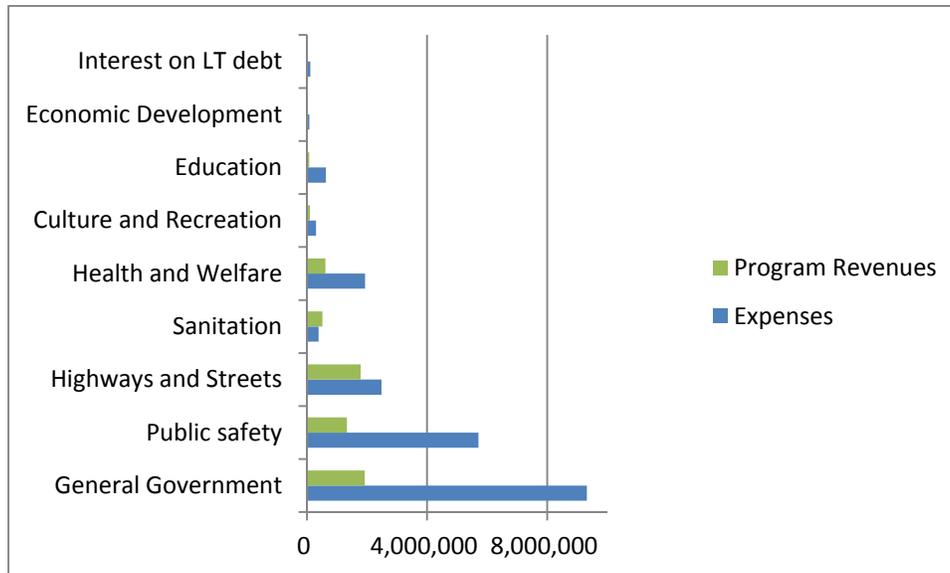
**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents the cost of the County's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid and contributions provided for specific programs). The net cost shows the financial burden that was placed on the state's and County's taxpayers by each of these functions.

	Year Ended June 30, 2015		Year Ended June 30, 2014	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	\$ 9,322,760	\$ (7,396,884)	\$ 6,884,853	\$ (5,903,832)
Public safety	5,712,039	(4,381,829)	5,164,846	(3,889,331)
Highways and streets	2,482,273	(692,379)	3,177,431	(966,607)
Sanitation	387,858	125,592	341,682	175,862
Health and welfare	1,939,135	(1,323,982)	1,963,867	(1,395,990)
Culture and recreation	304,429	(200,368)	330,459	(266,730)
Education	634,124	(556,555)	753,443	(237,982)
Economic development	82,305	(82,305)	46,006	(46,006)
Interest on long-term debt	112,321	(112,321)	120,307	(120,307)
Total	\$20,977,244	\$ (14,621,031)	\$18,782,894	\$(12,650,923)

Expenses and Program Revenues



**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

- The cost of all governmental activities this year was \$21.0 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$6.2 million.
- Net cost of governmental activities of \$14.6 million was financed by general revenues, which are made up primarily of taxes of \$5.3 million, shared state tax revenues of \$6.1 million, and grants and contributions not restricted to specific programs of \$2.0 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

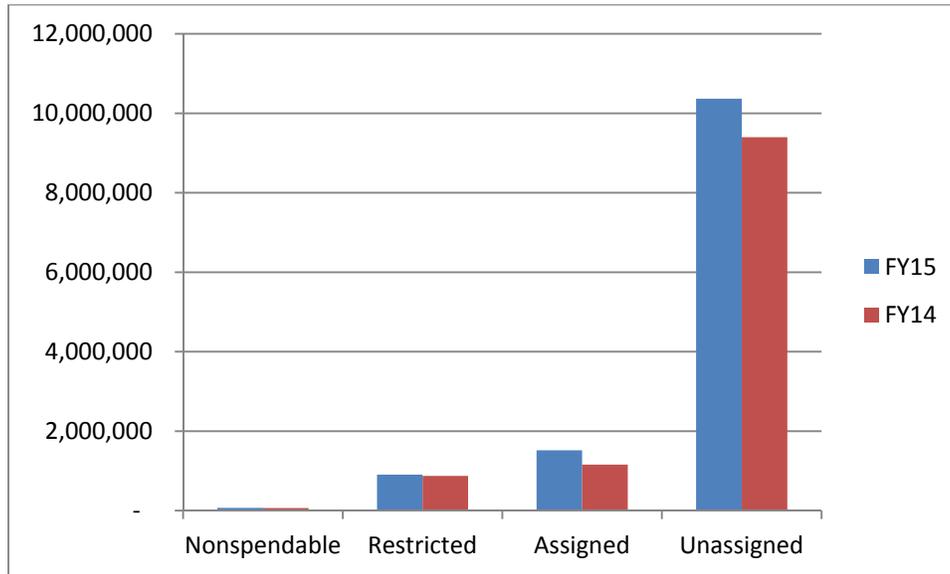
Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Board.

At June 30, 2015, the County's governmental funds reported a combined fund balance of \$12.9 million, an increase of \$1.4 million in comparison with the prior year. Approximately 81 percent of this amount (\$10.5 million) constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$71,013), 2) restricted for particular purposes (\$906,992), or 3) assigned for particular purposes (\$1,382,940).

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Components of Fund Balance – General Fund



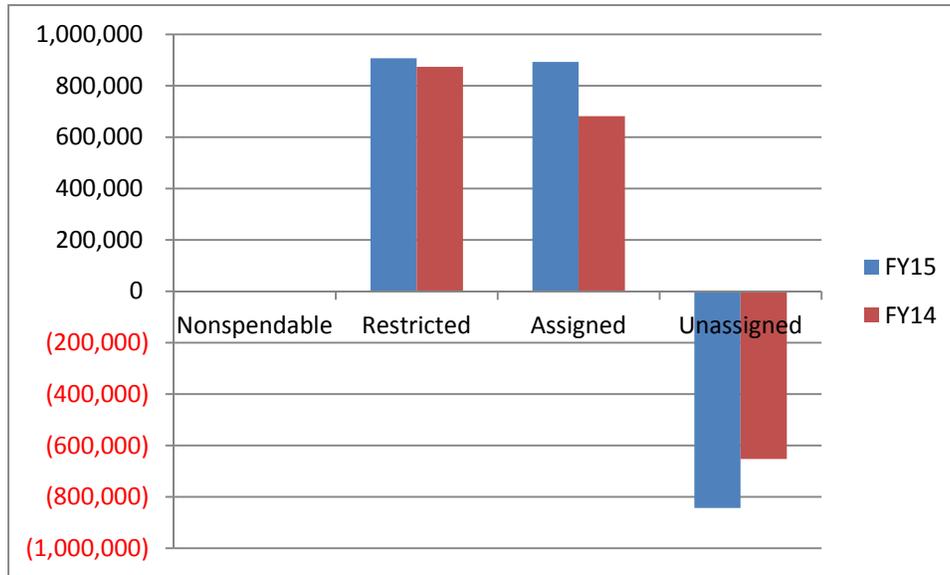
The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$11.3 million, while total fund balance increased to \$11.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 91 percent of total General Fund expenditures, while total fund balance represents approximately 97 percent of that same amount.

The fund balance of the County's General Fund increased \$1.3 million during the current fiscal year. The increase was due to increases in property tax revenues and state shared sales tax revenues.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Components of Fund Balance
Other Governmental Funds**



The HURF Fund, a major fund, had a \$151,843 increase in fund balance during the current fiscal year which put the overall fund balance at \$504,367 as of the fiscal year end. The fund revenues increased by \$68,369, and expenditures increased \$114,854. The increase in fund balance can be attributed to proceeds from the sale of capital assets of \$160,000.

The Health Services Fund, another major fund, had a decrease in fund balance during the current year of \$117,818 to bring the year end fund balance to a negative \$318,858. The Health Services Fund revenues increased by \$369,098, and expenditures decreased \$168,063. The increase in revenues can be attributed to an increase in property taxes. The decrease in fund balance can be attributed to a decrease in the amount of transfers from the General fund.

The Flood Disaster Fund, another major fund, had a decrease in fund balance during the current year of \$7,719 to bring the year end fund balance to a negative \$343,733. The Flood disaster revenues decreased by \$554,812 and expenditures decreased by \$956,975. The decrease in both the revenues and expenditures was the result of flooding in the area and the state assistance related to the flood in the prior year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

The significant difference between estimated revenues and expenditures and actual revenues and expenditures for the General Fund were as follows:

- Tax revenues exceeded estimates by \$303,255 due primarily to conservative estimates for County sales taxes.
- Intergovernmental revenues exceeded estimates by \$1,438,426 due primarily to conservative estimates for state shared sales taxes.
- Ground and maintenance expenditures were \$137,648 less than budgeted due primarily to anticipated capital expenditures not being incurred.
- Public safety – Sheriff expenditures were \$284,670 less than budgeted primarily due to anticipated expenditures not being incurred.
- Public safety – Probation expenditures were \$365,500 less than budgeted primarily due to anticipated expenditures not being incurred.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets as of June 30, 2015 amounts to \$9.1 million (net of accumulated depreciation). This investment includes land, buildings, improvements, machinery, equipment, and construction in progress. The total decrease in capital assets for the current fiscal year was approximately 3 percent.

The following schedule presents a summary of capital asset balances (net of accumulated depreciation) as of June 30, 2015 and 2014.

	As of <u>June 30, 2015</u>	As of <u>June 30, 2014</u>
Land	\$ 233,654	\$ 233,654
Infrastructure	250,512	259,052
Land improvements	1,622,485	1,878,805
Buildings and improvements	1,860,811	1,458,276
Machinery and equipment	4,794,479	4,681,103
Construction in progress	316,305	872,667
Total	<u>\$ 9,078,246</u>	<u>\$ 9,383,557</u>

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

- Heavy machinery acquired through lease purchase agreements for a total cost of \$133,200.
- Vehicles acquired through lease purchase agreements for a total cost of \$498,026.
- Total depreciation expense for the year of \$1.6 million.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Additional information on the County's capital assets can be found in Note 5 in the notes to the financial statements.

Long-term Debt. At the end of the current fiscal year, the County had \$2.0 million in capital lease long-term debt outstanding, \$777,370 due within one year. This represents a net decrease of \$95,214 due to the inception of \$877,947 in new leases, and the principal retirement of \$973,161.

Additional information on the County's long-term debt can be found in Note 7 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2014-15 General Fund budget was 9 percent higher than the previous year, and the total budget exceeded the previous year's budget by 19 percent. The County assessed valuation increased by \$67.4 million. The primary property tax rate increased by \$0.185 while the tax rates for the flood control district increased by \$.02 and public health services increased by \$.02. The County continued to absorb the cost shifts enacted by the legislature without a reduction in services including funding the loss to the HURF Fund due to the shift of allocations in the state shared highway user revenue fund monies. State shared sales/severance tax was above the budgeted amount due to the very strong copper market.

For fiscal year 2015-16, the County adopted a budget that reflects a 7.5 percent increase in the General Fund and a 1.0 percent overall increase. The copper market remains strong, and the recent expansion at the Morenci mine has proceeded as anticipated. This has resulted in a very low unemployment rate throughout the County. The County continues to use conservative revenue projections to ensure a sustainable budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Greenlee County Government, Board of Supervisor's Office, 253 Fifth Street, Clifton, Arizona 85533.

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BASIC FINANCIAL STATEMENTS

GREENLEE COUNTY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 12,203,460
Property taxes receivable	22,239
Accounts receivable	191,272
Due from governmental entities	1,057,395
Prepaid items and other assets	243,874
Total current assets	13,718,240
Noncurrent assets:	
Capital assets, non-depreciable	549,959
Capital assets, depreciable (net)	8,528,287
Total noncurrent assets	9,078,246
Total assets	22,796,486
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows related to pensions	3,807,204
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	298,419
Accrued payroll and employee benefits	469,642
Current portion of long-term obligations	1,168,129
Total current liabilities	1,936,190
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	18,430,234
Total noncurrent liabilities	18,430,234
Total liabilities	20,366,424
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows related to pensions	1,579,359
 <u>NET POSITION</u>	
Net investment in capital assets	7,039,163
Restricted for:	
Information systems	44,306
Judicial activities	588,228
Law enforcement activities	5,724
Jail facilities and operations	69,342
Waste tire program	186,066
Fair and racing program	13,302
Roads and schools	24
Unrestricted	(3,288,248)
Total net position	\$ 4,657,907

The notes to the basic financial statements are an integral part of this statement.

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 9,322,760	\$ 267,152	\$ 1,658,724	\$ (7,396,884)
Public safety	5,712,039	163,530	1,166,680	(4,381,829)
Highways and streets	2,482,273		1,789,894	(692,379)
Sanitation	387,858	511,290	2,160	125,592
Health and welfare	1,939,135	8,334	606,819	(1,323,982)
Culture and recreation	304,429	41,061	63,000	(200,368)
Education	634,124		77,569	(556,555)
Economic development	82,305			(82,305)
Interest on long-term debt	112,321			(112,321)
Total governmental activities	<u>\$ 20,977,244</u>	<u>\$ 991,367</u>	<u>\$ 5,364,846</u>	<u>(14,621,031)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	2,569,483
Property taxes, levied for public health services	1,073,998
Property taxes, levied for flood control	124,986
County sales taxes for general purposes	1,491,594
Other taxes	14,400
Share of state sales tax	5,537,400
Share of state vehicle license tax	519,328
Grants and contributions not restricted to specific programs	1,974,382
Investment earnings	21,306
Miscellaneous	515,570

Total general revenues 13,842,447

Changes in net position (778,584)

Net position, beginning of year, as restated 5,436,491

Net position, end of year \$ 4,657,907

The notes to the basic financial statements are an integral part of this statement.

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	HURF	Health Services
<u>ASSETS</u>			
Cash and cash equivalents	\$ 9,943,759	\$ 480,297	\$ 362,671
Property taxes receivable	15,620		4,579
Accounts receivable	191,272		
Due from governmental entities	760,292	86,346	91,917
Due from other funds	1,295,481		
Prepaid items and other assets	243,874		
Total assets	\$ 12,450,298	\$ 566,643	\$ 459,167
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 144,935	\$ 10,072	\$ 35,775
Accrued payroll and employee benefits	317,274	52,204	48,342
Due to other funds			689,702
Total liabilities	462,209	62,276	773,819
Deferred inflows of resources:			
Unavailable revenues - property taxes	13,836		4,206
Unavailable revenues - other taxes	65,997		
Total deferred inflows of resources	79,833		4,206
Fund balances (deficits):			
Nonspendable	71,013		
Restricted			
Assigned	490,202	504,367	
Unassigned	11,347,041		(318,858)
Total fund balances	11,908,256	504,367	(318,858)
 Total liabilities, deferred inflows of resources and fund balances	\$ 12,450,298	\$ 566,643	\$ 459,167

The notes to the basic financial statements are an integral part of this statement.

<u>Flood Disaster</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 1,416,733	\$ 12,203,460
	2,040	22,239
	118,840	191,272
		1,057,395
		1,295,481
		243,874
<u>\$</u>	<u>\$ 1,537,613</u>	<u>\$ 15,013,721</u>
\$	\$ 107,637	\$ 298,419
	51,822	469,642
343,733	262,046	1,295,481
<u>343,733</u>	<u>421,505</u>	<u>2,063,542</u>
	1,772	19,814
		65,997
	<u>1,772</u>	<u>85,811</u>
		71,013
	906,992	906,992
	388,371	1,382,940
(343,733)	(181,027)	10,503,423
<u>(343,733)</u>	<u>1,114,336</u>	<u>12,864,368</u>
<u>\$</u>	<u>\$ 1,537,613</u>	<u>\$ 15,013,721</u>

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GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015

Fund balances - total governmental funds		\$12,864,368
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 26,950,518	
Accumulated depreciation	<u>(17,872,272)</u>	9,078,246
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.</p>		
		85,811
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	3,807,204	
Deferred inflows of resources related to pensions	<u>(1,579,359)</u>	2,227,845
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Capital leases payable	(2,039,083)	
Net pension liability	(16,040,827)	
Compensated absences payable	(388,803)	
Landfill closure and postclosure care costs payable	<u>(1,129,650)</u>	<u>(19,598,363)</u>
Net position of governmental activities		<u>\$ 4,657,907</u>

The notes to the financial statements are an integral part of this statement.

GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>HURF</u>	<u>Health Services</u>
Revenues:			
Taxes	\$ 4,049,596	\$	\$ 1,069,785
Licenses and permits	1,985		
Intergovernmental	8,005,031	1,039,613	553,414
Charges for services	526,251		9,586
Fines and forfeits	110,232		
Investment income	19,270	216	218
Contributions	1,202,160		390
Rents	1,228		
Miscellaneous	322,592	41,919	14,241
Total revenues	<u>14,238,345</u>	<u>1,081,748</u>	<u>1,647,634</u>
Expenditures:			
Current -			
General government	6,138,023		
Public safety	3,486,715		114,788
Highways and streets	39,677	1,872,218	
Sanitation	306,997		
Health and welfare	310,573		1,593,636
Culture and recreation	71,665		
Education	248,121		
Economic development	81,857		
Capital outlay	659,921	547,468	53
Debt service -			
Principal retirement	870,896		102,265
Interest and fiscal charges	107,611		4,710
Total expenditures	<u>12,322,056</u>	<u>2,419,686</u>	<u>1,815,452</u>
Excess (deficiency) of revenues over expenditures	<u>1,916,289</u>	<u>(1,337,938)</u>	<u>(167,818)</u>
Other financing sources (uses):			
Transfers in		995,023	50,000
Transfers out	(1,148,195)		
Capital lease agreements	543,189	334,758	
Proceeds from sale of capital assets		160,000	
Total other financing sources (uses):	<u>(605,006)</u>	<u>1,489,781</u>	<u>50,000</u>
Changes in fund balances	<u>1,311,283</u>	<u>151,843</u>	<u>(117,818)</u>
Fund balances (deficits), beginning of year	10,596,973	352,524	(201,040)
Fund balances (deficits), end of year	<u>\$ 11,908,256</u>	<u>\$ 504,367</u>	<u>\$ (318,858)</u>

The notes to the basic financial statements are an integral part of this statement.

Flood Disaster	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 135,827	\$ 5,255,208
		1,985
	2,112,049	11,710,107
	142,968	678,805
	4,539	114,771
51	1,581	21,336
		1,202,550
	4,058	5,286
	53,146	431,898
51	2,454,168	19,421,946
342	265,787	6,404,152
4,873	1,538,295	5,144,671
2,555	802	1,915,252
		306,997
	7,500	1,911,709
	214,569	286,234
	385,285	633,406
		81,857
	118,167	1,325,609
		973,161
		112,321
7,770	2,530,405	19,095,369
(7,719)	(76,237)	326,577
	403,172	1,448,195
	(300,000)	(1,448,195)
		877,947
		160,000
	103,172	1,037,947
(7,719)	26,935	1,364,524
(336,014)	1,087,401	11,499,844
\$ (343,733)	\$ 1,114,336	\$ 12,864,368

GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds \$1,364,524

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capitalized assets	\$ 1,328,828	
Current year depreciation	(1,603,508)	(274,680)

Collections of revenues in the governmental funds were less than revenues reported in the statement of activities.	643,731
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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 principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt issued or incurred	(877,947)	
Principal repaid	973,161	95,214

Loss on disposal of capital assets	(30,631)
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Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred pension items, is reported as pension expense in the Statement of Activities.

Pension expense	(3,367,045)	
Current year pension contributions	912,435	(2,454,610)

Under the modified accrual basis of accounting used in the 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.

Increase in compensated absences	(52,870)	
Increase in landfill closure and postclosure care costs	(69,262)	(122,132)

Change in net position in governmental activities **\$ (778,584)**

The notes to the basic financial statements are an integral part of this statement.

**GREENLEE COUNTY, ARIZONA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Investment Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,122,703	\$ 7,721
Total assets	7,122,703	\$ 7,721
<u>LIABILITIES</u>		
Deposits held for others		\$ 7,721
Total liabilities		\$ 7,721
<u>NET POSITION</u>		
Held in trust	\$ 7,122,703	

The notes to the basic financial statements are an integral part of this statement.

**GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Investment Trust</u>
Additions:	
Investment income	\$ 7,555
Contributions from participants	<u>25,063,669</u>
Total additions	<u>25,071,224</u>
Deductions:	
Distributions to participants	<u>23,121,346</u>
Total deductions	<u>23,121,346</u>
Changes in net position	<u>1,949,878</u>
Net position, beginning of year	5,172,825
Net position, end of year	<u><u>\$ 7,122,703</u></u>

The notes to the basic financial statements are an integral part of this statement.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Greenlee County, Arizona'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, 2015, the County implemented the provisions of GASB No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised note disclosures and new required supplementary information.

The more significant of the County's accounting policies are described below.

A. Reporting Entity

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

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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>
Greenlee County Flood Control District	A tax-levying district that provides flood control systems; the County’s Board of Supervisors serves as the board of directors, and County management has operational responsibility for the district.	Blended	Not available
Greenlee County Public Health Services District	A tax-levying district that provides public health services; the County’s Board of Supervisors serves as the board of directors, and County management has operational responsibility for the district.	Blended	Not available
Greenlee County Municipal Property Corporation (MPC)	A nonprofit corporation that assists in the acquisition of tangible real and personal property; the County’s Board of Supervisors appoints all members of the governing board, is able to impose its will on the MPC; the MPC exists only to serve the County, and County management has operational responsibility for the MPC.	Blended	Not available

B. Basis of Presentation

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

Government-wide statements – Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government’s financial activities, except for fiduciary activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies and 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 and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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 *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Revenue Fund and other assigned revenue sources for maintenance and construction of roadways.
- The *Health Services Fund* accounts for the activity of the Greenlee County Public Health Services District, including the receipt and expenditure of property taxes, public health grants, environmental safety programs, home health programs, inmate health care, animal control, and ambulance services.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- The *Flood Disaster Fund* accounts for the receipt and expenditure of the state and federal assistance for maintenance and construction of roadways after flood disasters.

The County also reports the following fiduciary fund types:

The *Investment Trust Fund* accounts for pooled assets the County Treasurer holds and invests on behalf of other governmental entities.

The *Agency Funds* account for assets the County holds as an agent for other parties.

C. Basis of Accounting

The government-wide and fiduciary 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 net position 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 taxes, 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Cash and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes and other evidence of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States, specified bonds, debentures, notes and other 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. All investments are stated at fair value.

E. Inventories

Inventories of the governmental funds and governmental activities consist of expendable supplies held for consumption and are recorded as expenditures or expenses at the time of purchase; and because the amounts on hand at June 30, 2015 were immaterial, they are not included on the balance sheet or the statement of net position.

F. Prepaid Items

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.

G. 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Capital Assets

Capital assets are recorded at actual cost, or estimated historical cost if historical records are not available. Donated assets are recorded at estimated fair value at the date of the donation.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000		
Land improvements	5,000	Straight Line	10-40 years
Infrastructure	5,000	Straight Line	50 years
Buildings and improvements	5,000	Straight Line	3-50 years
Machinery and equipment (including intangibles)	5,000	Straight Line	3-20 years

I. Fund Balance Classifications

The governmental fund’s fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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 Board of Supervisors may commit fund balance for specific purposes by a formal action by resolution.

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 balance by majority vote or resolution.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors reserves the authority to make these assignments of resources based on its adopted policy.

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

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

J. Investment Earnings

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

K. Compensated Absences

Compensated absences consist of vacation leave and accrued compensatory time earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at calendar year-end are forfeited. Upon terminating employment, all unused and unforfeited vacation benefits are paid to employees.

Employees may accumulate compensatory time up to 240 hours for Sheriff deputies and jailors and up to 120 hours for other employees and is payable at termination. An eligible employee who had 120 hours, 240 hours for Sheriff deputies and jailors, of compensatory time accrued is not eligible to accrue any additional compensatory time and is to be paid for future authorized overtime worked. If compensatory time is accrued, it cannot be converted back to pay except as provided in the termination policy or with the approval of the Board of Supervisors.

Accordingly, vacation benefits and compensatory time are accrued as a liability in the government-wide 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Employees may accumulate up to 1,920 hours of sick leave depending on years of service, but any sick leave hours in excess of the maximum amount that are unused at calendar year-end are forfeited. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

L. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period so will not be recognized as an expense/expenditure until then.

In addition to liabilities, the statement of net position and balance sheet may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time.

N. Pensions

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances – At June 30, 2015, the following non-major and major funds reported deficits in fund balance:

<u>Fund</u>	<u>Deficit</u>
Non-Major Governmental Funds:	
State Crime Victim Compensation	\$ 401
Casa Special Advocate Program	2,828
ACJC-State Victim Assistance	9,292
Victim’s Rights and Assistance	2,600
Sheriff’s ACJC Drug Grant	7,798
Sheriff USFS Patrol	7,082
BJA – Bullet Proof Vests	18,289
Stone Garden - Personnel	11,166
Drug Gang & Violent Crime	5,815
Greenlee Graham Field Trainer	9,462
Fair Fund	56,233
Homeland Security SACNET	691
Drug enforcement	8,841
Probation General Fund	38,395
State AID Enhancement	5,429
Juvenile Standard Probation	2,660
Diversion Consequences	421
Adult Int Probation Supervision	6,327
JTSF	402
Judicial Collection Enhancement Fund	7,904
Major Funds:	
Health Services	318,858
Flood Disaster	343,733

These deficits resulted from operations during the year, but are expected to be corrected through normal operations or transfers from the General Fund in future years.

Expenditures in Excess of Appropriations – For the fiscal year ended June 30, 2015, expenditures exceeded final budget amounts in the General fund at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Excess</u>
Justice of the Peace #2	\$ 6,560
Recorder	1,451
Emergency Services	40
County library	207
Health & Welfare – AHCCS/ALTCS Payments	16,273
Fund	
Flood disaster	\$ 7,770

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The County will more closely monitor expenditures to ensure the appropriated budget is not exceeded. The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both; however, the County's total expenditures on a budgetary basis did not exceed budgeted appropriations. The County uses conservative budgeting practices and encourages departments to stay within their adopted budget amounts. Each year, the County bases the adopted budget amounts on these conservative current and budget year projections and past historical trends. Any excesses of appropriations are discussed with department heads to determine whether or not adjustments will be made in future budgets. In addition, the County requires all budgeted capital expenditures to be brought back to the Board for approval regardless of whether they were included in the budget or not. This allows the County to continually review the availability of funds for all purchases throughout the year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Credit Risk

Statutes have the following requirements for credit risk:

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 – DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Foreign Currency Risk

Statutes do not allow foreign investments, unless the investment is denominated in United States dollars.

Deposits – At June 30, 2015, the carrying amount of the County’s deposits was \$18,714,400 and the bank balance was \$15,728,770. The County does not have a formal policy regarding custodial credit risk.

Statutes require a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

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

<u>Cash and Deposits</u>	
Cash on hand	\$ 619,484
Amount of deposits	18,714,400
Total	<u>\$ 19,333,884</u>
 <u>Statements of Net Position</u>	
Government activities	\$12,203,460
Investment Trust Fund	7,122,703
Agency Funds	7,721
Total	<u>\$19,333,884</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 4 – RECEIVABLES

Amounts due from other governments at June 30, 2015, as reported in the Statement of Net Position, include \$78,406 in Highway User Revenues, \$22,173 in state shared auto lieu taxes, \$102,269 in County sales tax, \$542,694 in state shared sales tax and \$219,776 in grants and assistance.

NOTE 5 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress	<u>872,667</u>	<u>124,505</u>	<u>(680,867)</u>	<u>316,305</u>
Total capital assets not being depreciated	<u>1,106,321</u>	<u>124,505</u>	<u>(680,867)</u>	<u>549,959</u>
Capital assets being depreciated:				
Land improvements	5,346,184		(8,434)	5,337,750
Infrastructure	262,266			262,266
Buildings and improvements	8,044,438	693,354	(3,675)	8,734,117
Machinery and equipment	<u>11,776,983</u>	<u>1,191,836</u>	<u>(902,393)</u>	<u>12,066,426</u>
Total	<u>25,429,871</u>	<u>1,885,190</u>	<u>(914,502)</u>	<u>26,400,559</u>
Less accumulated depreciation for:				
Land improvements	(3,467,379)	(256,320)	8,434	(3,715,265)
Infrastructure	(3,214)	(8,540)		(11,754)
Buildings and improvements	(6,586,162)	(287,205)	61	(6,873,306)
Machinery and equipment	<u>(7,095,880)</u>	<u>(1,051,443)</u>	<u>875,376</u>	<u>(7,271,947)</u>
Total	<u>(17,152,635)</u>	<u>(1,603,508)</u>	<u>883,871</u>	<u>(17,872,272)</u>
Total capital assets being depreciated, net	<u>8,277,236</u>	<u>281,682</u>	<u>(30,631)</u>	<u>8,528,287</u>
Governmental activities capital assets, net	<u>\$ 9,383,557</u>	<u>\$ 406,187</u>	<u>\$ (711,498)</u>	<u>\$ 9,078,246</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 643,931
Public safety	369,615
Highways and streets	539,595
Sanitation	7,421
Health and welfare	22,051
Culture and recreation	20,447
Economic development	448
Total governmental activities depreciation expense	<u>\$1,603,508</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6 – LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank to cover cash flow needs. This line of credit has a \$2,500,000 limit with interest payable at the same time as principal, which is contingent on the County’s receipt of “nonrestricted operating revenues” as defined by A.R.S. §11-604.01. The credit line is secured by “nonrestricted operating revenues” received by the County Treasurer. Any unpaid principal and interest became due on the maturity date of June 30, 2015. The interest rate is at a rate per annum equal to sixty percent of the bank’s prime rate provided that in no event shall the interest rate exceed ten percent per annum. The schedule presented below is a summation of the activity related to the line of credit during the fiscal year ended June 30, 2015.

	Beginning Balance	Drawdowns	Principal Payments	Ending Balance	Interest Payments
Governmental activities	\$	\$ 229,917	\$ 229,917	\$	\$ 323
Investment Trust Fund		3,998,118	3,998,118		9,999
Total	\$	<u>\$ 4,228,035</u>	<u>\$ 4,228,035</u>	\$	<u>\$ 10,322</u>

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 2,134,297	\$ 877,947	\$ 973,161	\$ 2,039,083	\$ 777,370
Compensated absences payable	335,933	529,123	476,253	388,803	387,255
Landfill closure and postclosure care costs payable	1,060,388	69,262		1,129,650	3,504
Net pension liability	12,810,859	3,229,968		16,040,827	
Total governmental activities long-term liabilities	<u>\$ 16,341,477</u>	<u>\$ 4,706,300</u>	<u>\$ 1,449,414</u>	<u>\$ 19,598,363</u>	<u>\$ 1,168,129</u>

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LONG-TERM LIABILITIES

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 5,354,450
Less: accumulated depreciation	(1,700,739)
Carrying value	\$ 3,653,711

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

Year Ending June 30:	Governmental Activities
2016	\$ 825,978
2017	659,694
2018	550,831
2019	54,825
2020	30,262
2021	10,088
Total minimum lease payments	2,131,678
Less: amount representing interest	(92,595)
Present value of net minimum lease payments	\$ 2,039,083

The \$2,039,083 present value of net minimum lease payments above does not include \$77,835 of authorized lease proceeds not drawn down by the County for capital needs as of June 30, 2015. Capital lease debt service payments are paid out of the General and Health Services Funds.

Landfill Closure and Postclosure Care Costs – State and federal laws and regulations require the County to place a final cover on its three 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 General Fund.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 – LONG-TERM LIABILITIES

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,129,650 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of the estimated capacity of the landfills less expenditures already paid as follows:

Landfill	Estimated Capacity Used to Date
Blue	100%
Loma Linda	80
Loma Linda Construction and Demolition	55

The County will recognize the remaining estimated cost of closure and post closure care of \$466,475 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 2015. The County expects to close the Loma Linda Landfill in the year 2025 and the Loma Linda Construction and Demolition Landfill in the year 2025, and the actual costs may be higher because of inflation, changes in technology, or changes in regulations. The estimated remaining service life for each is 10 years. The Blue Landfill was closed in March 2006.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Compensated Absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2015, the County paid for compensated absences as follows: 54 percent from the General Fund, 25 percent from major funds, and 21 percent from other funds.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 – FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2015, were as follows:

	General Fund	HURF Fund	Health Services Fund	Flood Disaster Fund	Non-Major Governmental Funds	Total
Fund balances (deficits):						
Nonspendable:						
Prepaid items	\$ 71,013	\$	\$	\$	\$	\$ 71,013
Total nonspendable	<u>71,013</u>					<u>71,013</u>
Restricted for:						
Information systems					44,306	44,306
Judicial activities					588,228	588,228
Law enforcement					5,724	5,724
Jail facilities and operations					69,342	69,342
Waste tire program					186,066	186,066
Fair and racing program					13,302	13,302
Roads and schools					24	24
Total restricted					<u>906,992</u>	<u>906,992</u>
Assigned to:						
Information systems					7,847	7,847
Judicial activities	141,605				129,021	270,626
Law enforcement	2,280				6,437	8,717
Jail facilities and operations					485	485
Elections programs					2,334	2,334
Public health services	125				85,554	85,679
Landfill closure/ development	327,713					327,713
Highways and streets		504,367				504,367
Wellness program	18,479					18,479
Airport improvements					39,344	39,344
Flood control					103,251	103,251
Waste tire program					13,747	13,747
Environmental programs					351	351
Total assigned	<u>490,202</u>	<u>504,367</u>			<u>388,371</u>	<u>1,382,940</u>
Unassigned	<u>11,347,041</u>		<u>(318,858)</u>	<u>(343,733)</u>	<u>(181,027)</u>	<u>10,503,423</u>
Total fund balances (deficits)	<u>\$ 11,908,256</u>	<u>\$ 504,367</u>	<u>\$ (318,858)</u>	<u>\$ (343,733)</u>	<u>\$ 1,114,336</u>	<u>\$ 12,864,368</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 – RISK MANAGEMENT

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$7,500 per occurrence for property claims and \$1,500 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 three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as the 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 Local Government Employee Benefit Trust is a public entity risk pool currently composed of six member counties. The pool provides life, health and disability benefits for the counties' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and dependents.

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The County purchases commercial insurance for other miscellaneous risks of loss. Settled claims resulting from these risks have not exceeded this commercial insurance coverage in any of the past three fiscal years.

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

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

Statement of Net Position and Statement of Activities	
Net pension liabilities	\$16,040,827
Deferred outflows of resources	\$3,807,204
Deferred inflows of resources	\$1,579,359
Pension expense	\$3,367,045

Greenlee County, Arizona reported \$912,435 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description. Greenlee County, Arizona employees not covered by the other pension plans described after this section 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 the ASRS website at www.azasrs.gov.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and 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 earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and Greenlee County, Arizona was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the members' annual covered payroll. Greenlee County, Arizona's contributions to the pension plan for the year ended June 30, 2015 were \$527,038.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Greenlee County, Arizona’s contributions for the current and two preceding years for the Arizona State Retirement System OPEB, all of which were equal to the required contributions, were as follows:

		Health Benefit Supplement Fund		Long-Term Disability Fund
Year ending June 30:				
	2015	\$ 28,259	\$	5,748
	2014	27,042		10,817
	2013	29,053		10,727

Pension Liability. At June 30, 2015, Greenlee County, Arizona reported a liability of \$7.4 million for its proportionate share of the net pension liability of the ASRS. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. Greenlee County, Arizona’s proportion of the net pension liability was based on Greenlee County, Arizona’s actual contributions to the plan relative to the total of all participating employers’ contributions. At June 30, 2014, Greenlee County, Arizona’s proportion was 0.05 percent. During fiscal year 2015, The County’s General Fund paid for ASRS pension and OPEB contributions.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, Greenlee County, Arizona recognized pension expense for ASRS of \$579,058 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
ASRS		
Differences between expected and actual experience	\$ 377,201	\$
Net difference between projected and actual earnings on pension plan investments		1,297,854
Changes in proportion and differences between county contributions and proportionate share of contributions	208,521	
County contributions subsequent to the measurement date	527,038	
Total	\$ 1,112,760	\$ 1,297,854

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Year Ending June 30:		
	2016	\$ (69,802)
	2017	(69,802)
	2018	(248,065)
	2019	(324,463)

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	8.0%
Projected salary increases	3.0-6.75%
Inflation	3.0%
Permanent base increases	Included
Mortality rates	1994 GAM Scale BB

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed income	25	3.20
Real estate	8	4.75
Commodities	4	4.50
Total	100%	

Discount Rate. The discount rate used to measure the ASRS total pension liability was 8.0 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents Greenlee County, Arizona’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

ASRS	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Proportionate share of the net pension liability	\$ 9,380,848	\$ 7,421,858	\$ 6,359,008

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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

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

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

The PSPRS and CORP issue publicly available financial reports that include their financial statements and required supplementary information. The reports are 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 benefits terms. Certain retirement and disability benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS and CORP financial reports for additional benefits information.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Public Safety Personnel Retirement System:

	Retirement Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability: Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and 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
Normal retirement	50% less 2.0% for each year of credited service less than 20 years or plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental disability retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor benefit: Retired members	80 - 100% of retired member's pension benefit	
Active members	80 - 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Corrections Officer Retirement Plan:

	Retirement Initial Membership Date:	
	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 and 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
Normal retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental disability retirement	50% or normal retirement if more than 20 years of credited service	50% of 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 or normal retirement, whichever is greater	
Survivor benefit: Retired members	80% of retired member's pension benefit	
Active members	40% of accidental disability retirement benefit 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.	

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

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

	<u>PSPRS – Sheriff</u>
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	3
Active employees	16
Total	<u>23</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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. During fiscal year 2015, the County’s General fund paid for PSPRS and CORP pension and OPEB contributions. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS – Sheriff	CORP AOC
Active members – pension	11.05%	8.41%
Greenlee County, Arizona:		
Pension	17.55	14.88
Health insurance	1.32	1.24

For the agent plan, the contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended were:

	PSPRS – Sheriff
Pension:	
Contributions made	\$ 164,610
Health insurance premium benefit:	
Annual OPEB cost	12,381
Contributions made	12,381

Contributions to the CORP AOC pension plan for the year ended June 30, 2015 were \$44,681 (pension \$42,518 and health insurance premium benefit \$2,163). The County’s contributions for the current and two preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC	Health Insurance Fund
Year ended June 30:	
2015	\$2,163
2014	2,293
2013	1,803

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Pension Liability. At June 30, 2015, Greenlee County, Arizona reported the following net pension liabilities:

PSPRS – Sheriff	\$ 1,745,790
CORP - AOC	650,481

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2014, reflects changes of benefit terms and actuarial assumptions for a court ruling for funding permanent benefit increases and a decrease in the wage growth assumption.

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

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

	PSPRS	CORP AOC
Actuarial valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.85%	7.85%
Projected salary increases	4.0 - 8.0%	4.0-7.25%
Inflation	4.0%	4.0%
Permanent benefit increase	Included	Included
Mortality rates	RP-2000 mortality table, adjusted by 105% for both males and females	RP-2000 mortality table, adjusted by 105% for both males and females

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

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

	PSPRS – Sheriff	CORP
Discount rates	7.85%	7.85%

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Changes in the Agent Plans Net Pension Liability: PSPRS – Sheriff

	Increase/Decrease		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$ 4,023,007	\$ 2,751,613	\$ 1,271,394
Changes for the year:			
Service cost	140,956		140,956
Interest on the total pension liability	315,179		315,179
Changes of benefit terms	100,080		100,080
Differences between expected and actual experience in the measurement of the pension liability	16,756		16,756
Changes of assumptions or other inputs	543,017		543,017
Contributions – employer		160,337	(160,337)
Contributions – employee		94,828	(94,828)
Net investment income		389,564	(389,564)
Benefit payments, including refunds of employee contributions	(156,937)	(156,937)	
Administrative expense		(3,137)	3,137
Net changes	<u>959,051</u>	<u>484,655</u>	<u>474,396</u>
Balances at June 30, 2015	<u>\$ 4,982,058</u>	<u>\$ 3,236,268</u>	<u>\$ 1,745,790</u>

The County's proportion of the CORP AOC net pension liability as of June 30, 2013 and 2014, was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2014. The County's proportion is measured as of June 30, 2013 and 2014, was .29 percent.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents Greenlee County, Arizona’s net pension liabilities calculated using the discount rates noted above, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
PSPRS – Sheriff:			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 2,361,063	\$ 1,745,790	\$1,232,295
CORP - AOC			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 859,604	\$ 650,481	\$ 477,342

Pension Plan Fiduciary Net Position. Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS and CORP financial reports. The reports are available on the PSPRS website at www.psprs.com.

Pension Expense. For the year ended June 30, 2015, Greenlee County, Arizona’s recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS – Sheriff	\$ 290,918
CORP - AOC	\$ 87,054

Pension Deferred Outflows/Inflows of Resources. At June 30, 2015, Greenlee County, Arizona reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSPRS – Sheriff:		
Differences between expected and actual experience	\$ 14,106	\$
Changes of assumptions or other inputs	457,131	
Net difference between projected and actual earnings on pension plan investments		127,422
Contributions subsequent to the measurement date	164,610	
Total	<u>\$ 635,847</u>	<u>\$ 127,422</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
CORP:		
Differences between expected and actual earnings	\$ 30,881	\$
Net difference between projected and actual investment earnings on pension plan investment		36,016
Contributions subsequent to the measurement date	42,518	
Changes of assumptions or other inputs	95,579	
Total	<u>\$ 168,978</u>	<u>\$ 36,016</u>

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

Year Ending June 30:	<u>PSPRS – Sheriff</u>	<u>CORP - AOC</u>
2016	\$ 56,680	\$ 18,610
2017	56,680	18,610
2018	56,680	18,610
2019	56,680	18,610
2020	88,536	16,005
Thereafter	28,559	0

Agent Plan OPEB Trend Information. The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
PSPRS – Sheriff:			
June 30, 2015	\$ 12,381	100	\$ 0
June 30, 2014	11,028	100	0
June 30, 2013	10,442	100	0

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Agent Plan OPEB Actuarial Assumptions. The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by Greenlee County, Arizona and plan's members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between Greenlee County, Arizona and plan's members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The significant actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

	<u>PSPRS</u>
PSPRS – OPEB contribution requirements	
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5-8.5%
includes inflation at	4.5%

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The funded status of the PSPRS health insurance premium benefit plan in the June 30, 2015, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

	<u>PSPRS</u>
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4-8%
includes inflation at	4%

Agent Plan OPEB Funded Status. The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2015.

	<u>PSPRS – Sheriff</u>	
Actuarial value of assets	\$	245,866
Actuarial accrued liability		104,825
Unfunded actuarial accrued liability (funding excess)		(141,041)
Funded ratio		234.5%
Annual covered payroll		936,548
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		(15.06%)

C. Elected Officials Retirement Plan

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

	Initial Membership Date:	
	Before January 1, 2012	On or After January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years and age 65 5 years any age* Any years and age if disabled	10 years and age 62 5 years and 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
<i>Benefit Percent:</i>		
Normal retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit:		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Contributions. State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members’ annual covered payroll, and the County was required to contribute 23.5 percent of active EORP members’ annual covered payroll. In addition, the County was required by statute to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the EORP. Contributions to the pension plan for the year ended June 30, 2015 were \$178,269. During fiscal year 2015, The County’s General fund paid the EORP and OPEB contributions. The County’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

Year ending June 30:	Health Benefit Supplement Fund
2015	\$ 0
2014	12,736
2013	16,192

Pension Liability. At June 30, 2015, the County reported a liability for its proportionate share of the net pension liability of the EORP 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	\$ 6,222,698
State’s proportionate share of the EORP net pension liability associated with the county	<u>1,907,937</u>
Total	<u>\$ 8,130,635</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. At June 30, 2014, the county's proportion was .93 percent.

Pension Expense and Deferred Outflows/Inflows of Resources. For the year ended June 30, 2015, the County recognized pension expense for EORP of \$2,410,015 and revenue of \$565,535 for the County's proportionate share of the State's appropriation to EORP. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 27,343	\$
Changes of assumptions or other inputs	1,684,007	
Net difference between projected and actual earnings on pension plan investments		117,977
Contributions made subsequent to measurement date	<u>178,269</u>	
Total	<u>\$ 1,889,619</u>	<u>\$ 117,977</u>

The \$178,269 reported as deferred outflows of resources related to EORP pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:			
2016	\$	956,079	
2017		696,282	
2018		(29,494)	
2019		(29,494)	

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Payroll growth	4.00%
Permanent benefit increases	Included
Mortality rates	RP-2000 mortality table projected to 2025 using projection scale AA

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term Investments	2%	3.25%
Absolute Return	4	6.75
Risk Parity	4	6.04
Fixed Income	7	4.75
Real Assets	8	5.96
GTAA	10	5.73
Private Equity	11	9.50
Real Estate	11	6.50
Credit Opportunities	13	8.00
Non U.S. Equity	14	8.63
U.S. Equity	16	7.60
Total	<u>100%</u>	

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Discount Rate. At June 30, 2014, the discount rate used to measure the EORP total pension liability was 5.67 percent which was a decrease of 2.18 from the discount rate used as of June 30, 2013. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for this plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index as published by the Federal Reserve, as of June 26, 2014 was applied to periods of projected benefit payments after June 30, 2030.

Sensitivity of the County’s Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate. The following table presents the county’s proportionate share of the net pension liability calculated using the discount rate 5.67 percent, as well as what the county’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1% Decrease (4.67%)	Current Discount Rate (5.67%)	1% Increase (6.67%)
County’s proportionate share of the net pension liability	\$ 7,264,481	\$ 6,222,698	\$5,343,078

Beginning Net Position Restatement. The implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, represents a change in accounting principle. Net position as of July 1, 2014, has been restated as follows for this change in accounting principle:

	Statement of Activities
Net position, June 30, 2014, as previously reported	\$ 17,360,398
Net pension liability	(12,810,859)
Deferred outflows – county contributions made during fiscal year 2014	886,952
Net position, July 1, 2014, as restated	\$ 5,436,491

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2015 were as follows:

Payable from	General Fund
Health Services Fund	\$ 689,702
Flood Disaster Fund	343,733
Non-Major Governmental Funds	262,046
Total	<u>\$1,295,481</u>

The interfund balances were loans from the General Fund to other funds throughout the fiscal year to cover cash deficits in the funds. All interfund balances are expected to be repaid within one year.

Interfund transfers – Interfund transfers for the year ended June 30, 2015 were as follows:

Transfer from	Transfer to			
	HURF Fund	Health Services Fund	Non-Major Governmental Funds	Total
General Fund	\$ 695,023	\$ 50,000	\$ 403,172	\$ 1,148,195
Non-Major Governmental Funds	300,000			300,000
Total	<u>\$ 995,023</u>	<u>\$ 50,000</u>	<u>\$ 403,172</u>	<u>\$ 1,448,195</u>

The majority of interfund transfers result from interfund billing for services, products, or shared expenses. The General Fund also makes transfers 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 deems important.

NOTE 12 – 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 – COUNTY TREASURER’S INVESTMENT POOL

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 held by the County are included in the County Treasurer’s investment pool, except for \$131,010 of deposits. Therefore, the deposit risks of the Treasurer’s investment pool are substantially the same as the County’s deposit risks. See Note 3 for disclosure of the County’s deposit risks.

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

Statement of Net Position

Assets	\$ 19,190,256
Liabilities	
Net position	\$ 19,190,256

Net position held in trust for:

Internal participants	\$ 12,067,553
External participants	7,122,703
Total net position held in trust	\$ 19,190,256

Statement of Changes in Net Position

Total additions	\$ 44,830,370
Total deductions	40,951,327
Net decrease	3,879,043
Net position held in trust:	
July 1, 2014	15,311,213
June 30, 2015	\$ 19,190,256

OTHER REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts	Non-GAAP	Variance with Final Budget
	Original & Final	Actual	Positive (Negative)
Revenues:			
Taxes	\$ 3,746,341	\$ 4,049,596	\$ 303,255
Licenses and permits	40,000	1,985	(38,015)
Intergovernmental	6,540,675	7,979,101	1,438,426
Charges for services	99,750	160,176	60,426
Fines and forfeits	81,000	109,431	28,431
Investment income	1,007	16,826	15,819
Contributions	1,200,000	1,200,000	-
Rents		1,228	1,228
Miscellaneous	130,000	117,553	(12,447)
Total revenues	11,838,773	13,635,896	1,797,123
Expenditures:			
General government			
Board of supervisors	423,279	406,606	16,673
Airport	16,950	7,301	9,649
Assessor	373,351	350,863	22,488
Attorney	535,911	446,963	88,948
Constable no. 1	29,741	29,560	181
Constable no. 2	28,055	25,573	2,482
Contingency	100,000	29,313	70,687
County administration	437,812	415,425	22,387
Data processing	517,551	473,572	43,979
Elections	107,363	83,249	24,114
Fleet	258,082	240,300	17,782
General services	1,386,300	1,320,534	65,766
Ground and maintenance	647,997	510,349	137,648
Justice of the peace no. 1	226,066	183,929	42,137
Justice of the peace no. 2	185,954	192,514	(6,560)
Planning and zoning	61,500	2,107	59,393
Public fiduciary	66,892	64,179	2,713
Recorder	215,579	217,030	(1,451)
Superior court	847,138	833,159	13,979
Treasurer	213,987	211,407	2,580
Voter registration	18,000	9,605	8,395
Total general government	6,697,508	6,053,538	643,970
Public safety			
Emergency services	193,452	194,334	(882)
Probation	365,500	-	365,500
Sheriff	3,539,354	3,254,684	284,670
Total public safety	4,098,306	3,449,018	649,288

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2015
(Concluded)

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original & Final	Actual	(Negative)
Health and welfare - AHCCCS/ALTCS payments	294,300	310,573	(16,273)
Culture and recreation			
County library	30,670	30,877	(207)
Parks and recreation	89,188	37,162	52,026
Total culture and recreation	119,858	68,039	51,819
Education			
School superintendent	230,582	225,814	4,768
U of A extension services	22,307	22,307	
Total education	252,889	248,121	4,768
Economic development	100,000	81,857	18,143
Capital outlay		77,199	(77,199)
Total expenditures	11,562,861	10,288,345	1,274,516
Excess (deficiency) of revenues over expenditures	275,912	3,347,551	3,071,639
Other financing sources (uses):			
Transfers in	320,000		(320,000)
Transfers out	(4,138,416)	(4,599,653)	(461,237)
Proceeds from sale of capital assets	10,000		(10,000)
Total other financing sources (uses):	(3,808,416)	(4,599,653)	(791,237)
Changes in fund balances	(3,532,504)	(1,252,102)	2,280,402
Fund balances, beginning of year	1,949,177	8,697,144	6,747,967
Fund balances (deficits), end of year	\$ (1,583,327)	\$ 7,445,042	\$ 9,028,369

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HURF
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts	Non-GAAP	Variance with Final Budget Positive (Negative)
	Original & Final	Actual	(Negative)
Revenues:			
Intergovernmental	\$ 1,010,000	\$ 1,039,613	\$ 29,613
Investment income		216	216
Miscellaneous		41,919	41,919
Total revenues	<u>1,010,000</u>	<u>1,081,748</u>	<u>71,748</u>
Expenditures:			
Current -			
Highways and streets	2,310,000	1,872,218	437,782
Capital outlay		52,710	(52,710)
Total expenditures	<u>2,310,000</u>	<u>1,924,928</u>	<u>385,072</u>
Excess (deficiency) of revenues over expenditures	<u>(1,300,000)</u>	<u>(843,180)</u>	<u>456,820</u>
Other financing sources (uses):			
Transfers in		995,023	995,023
Transfers out	(115,000)		115,000
Total other financing sources (uses):	<u>(115,000)</u>	<u>995,023</u>	<u>1,110,023</u>
Changes in fund balances	<u>(1,415,000)</u>	<u>151,843</u>	<u>1,566,843</u>
Fund balances, beginning of year		352,524	352,524
Fund balances (deficits), end of year	<u>\$ (1,415,000)</u>	<u>\$ 504,367</u>	<u>\$ 1,919,367</u>

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HEALTH SERVICES
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original & Final			
Revenues:				
Taxes	\$ 1,063,611		\$ 1,069,785	\$ 6,174
Intergovernmental	622,658		553,414	(69,244)
Charges for services	10,785		9,586	(1,199)
Investment income	245		218	(27)
Contributions	439		390	(49)
Miscellaneous	16,023		14,241	(1,782)
Total revenues	1,713,761		1,647,634	(66,127)
Expenditures:				
Current -				
Public safety	131,315		114,788	16,527
Health and welfare	1,823,064		1,593,636	229,428
Capital outlay	61		53	8
Debt service -				
Principal retirement			102,265	(102,265)
Interest and fiscal charges			4,710	(4,710)
Total expenditures	1,954,440		1,815,452	138,988
Excess (deficiency) of revenues over expenditures	(240,679)		(167,818)	72,861
Other financing sources (uses):				
Transfers in	356,000		50,000	(306,000)
Total other financing sources (uses):	356,000		50,000	(306,000)
Changes in fund balances	115,321		(117,818)	(233,139)
Fund balances (deficits), beginning of year			(201,040)	(201,040)
Fund balances (deficits), end of year	\$ 115,321		\$ (318,858)	\$ (434,179)

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FLOOD DISASTER
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
	Original & Final		(Negative)
Revenues:			
Investment income	\$	\$ 51	\$ 51
Total revenues		<u>51</u>	<u>51</u>
Expenditures:			
Current -			
General government		342	(342)
Public safety		4,873	(4,873)
Highways and streets		2,555	(2,555)
Total expenditures		<u>7,770</u>	<u>(7,770)</u>
Changes in fund balances		<u>(7,719)</u>	<u>(7,719)</u>
Fund balances (deficits), beginning of year		(336,014)	(336,014)
Fund balances (deficits), end of year	<u>\$</u>	<u>(343,733)</u>	<u>\$ (343,733)</u>

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2015

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Greenlee County's proportion of the net pension liability	0.05%	Information not available
Greenlee County's proportionate share of the net liability	\$ 7,421,858	
Greenlee County's covered-employee payroll	\$ 4,551,287	
Greenlee County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	163.07%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

GREENLEE COUNTY, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CORRECTION OFFICERS RETIREMENT PLAN
YEAR ENDED JUNE 30, 2015

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Greenlee County's proportion of the net pension liability	0.29%	Information not available
Greenlee County's proportionate share of the net liability	\$ 650,481	
Greenlee County's covered-employee payroll	\$ 310,010	
Greenlee County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	209.83%	
Plan fiduciary net position as a percentage of the total pension liability	58.59%	

GREENLEE COUNTY, ARIZONA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ELECTED OFFICIALS RETIREMENT PLAN
YEAR ENDED JUNE 30, 2015

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Greenlee County's proportion of the net pension liability	0.93%	Information not available
Greenlee County's proportionate share of the net liability	\$ 6,222,698	
Greenlee County's covered-employee payroll	\$ 816,428	
Greenlee County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	762.19%	
Plan fiduciary net position as a percentage of the total pension liability	31.91%	

**GREENLEE COUNTY, ARIZONA
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	2013 through <u>2006</u>
Arizona State Retirement System:			Information not available
Statutorily required contribution	\$ 527,038	\$ 483,801	
Contributions in relation to the statutorily required contribution	<u>527,038</u>	<u>483,801</u>	
Contribution deficiency (excess)	<u>\$.</u>	<u>\$.</u>	
Greenlee County's covered-employee payroll	\$ 4,863,167	\$ 4,551,287	
Contributions as a percentage of covered-employee payroll	10.84%	10.63%	
 Public Safety Personnel Retirement Plan - Sheriff			
Actuarially determined contribution	\$ 164,610	\$ 160,337	
Contributions in relation to the actuarially determined contribution	<u>164,610</u>	<u>160,337</u>	
Contribution deficiency (excess)	<u>\$.</u>	<u>\$.</u>	
Greenlee County's covered-employee payroll	\$ 936,548	\$ 909,201	
Contributions as a percentage of covered-employee payroll	17.58%	17.63%	

**GREENLEE COUNTY, ARIZONA
SCHEDULE OF CONTRIBUTIONS
ALL PENSION PLANS
YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>	2013 through <u>2006</u>
Correction Officers Retirement Plan			Information not available
Statutorily required contribution	\$ 42,518	\$ 45,088	
Contributions in relation to the statutorily required contribution	<u>42,518</u>	<u>45,088</u>	
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	
Greenlee County's covered-employee payroll	\$ 264,089	\$ 310,010	
Contributions as a percentage of covered-employee payroll	16.10%	14.54%	
 Elected Officials Retirement Plan			
Statutorily required contribution	\$ 178,269	\$ 197,726	
Contributions in relation to the statutorily required contribution	<u>178,269</u>	<u>197,726</u>	
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	
Greenlee County's covered-employee payroll	\$ 787,428	\$ 816,428	
Contributions as a percentage of covered-employee payroll	22.64%	24.22%	

**GREENLEE COUNTY, ARIZONA
SCHEDULE OF FUNDING PROGRESS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
OTHER POSTEMPLOYMENT BENEFITS
LAST THREE ACTUARIAL VALUATIONS**

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAAL as a percentage of Covered Payroll
PSPRS- Sheriff						
2015	\$ 245,866	\$ 104,825	\$ (141,041)	234.55 %	\$ 936,548	(15.06) %
2014	224,063	111,785	(112,278)	200.44	936,659	(11.99)
2013		110,681	110,681	-	764,569	14.48

GREENLEE COUNTY, ARIZONA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM - SHERIFF
YEAR ENDED JUNE 30, 2015

	2015
Total pension liability	
Service cost	\$ 140,956
Interest	315,179
Changes of benefit terms	100,080
Differences between expected and actual experience in the measurement of the pension liability	16,756
Changes of assumptions or other inputs	543,017
Benefit payments, including refunds of employee contributions	(156,937)
Net change in total pension liability	959,051
Total pension liability—beginning	4,023,007
Total pension liability—ending	\$ 4,982,058
 Plan fiduciary net position	
Contributions—employer	\$ 160,337
Contributions—employee	94,828
Net investment income	389,564
Benefit payments, including refunds of employee contributions	(156,937)
Administrative expense	(3,137)
Net change in plan fiduciary net position	484,655
Plan fiduciary net position—beginning	2,751,613
Plan fiduciary net position—ending	\$ 3,236,268
 Net pension liability—ending	\$ 1,745,790
 Plan fiduciary net position as a percentage of the total pension liability	64.96%
 Covered-employee payroll	\$ 909,201
 Net pension liability as a percentage of covered-employee payroll	192.01%

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The County's General Fund budget is prepared on a basis consistent with generally accepted accounting principles, except for the following:

- Present value of net minimum capital lease payments.
- Financial activity budgeted as special revenue funds. Certain activities are reported in the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but reported as special revenue funds in the County's adopted budget.
- Special revenue funds budgeted as General Fund activity. Certain activities are reported as special revenue funds in the Statement of Revenues, Expenditures, and Changes in Fund Balances, but reported as activity of the General Fund in the County's adopted budget.

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The following schedule reconciles the total revenues, total expenditures, total other financing sources (uses), and fund balances as of July 1, 2014 and June 30, 2015 from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedule for the General Fund:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Fund Balances, July 1, 2014</u>	<u>Fund Balances, June 30, 2015</u>
General Fund					
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 14,238,345	\$ 12,322,056	\$ (605,006)	\$10,596,973	\$11,908,256
Present value of net minimum capital lease payments		(543,189)	(543,189)		
Activity budgeted as special revenue funds	(602,449)	(1,490,522)	(3,451,458)	(1,899,829)	(4,463,214)
Budgetary comparison schedule	<u>\$ 13,635,896</u>	<u>\$ 10,288,345</u>	<u>\$ (4,599,653)</u>	<u>\$ 8,697,144</u>	<u>\$ 7,445,042</u>

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2015, expenditures exceeded final budget amounts at the department level for the General Fund and at the fund level for all other funds as follows:

<u>Department</u>	<u>Excess</u>
Justice of the Peace #2	\$ 6,560
Recorder	1,451
Emergency Services	40
AHCCCS/ALTCS payments	16,273
County library	207
<u>Fund</u>	
Flood Disaster	7,770

The County will more closely monitor these expenditures to ensure the appropriated budget is not exceeded. The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both; however, the County's total expenditures on a budgetary basis did not exceed budgeted appropriations. The County uses conservative budgeting practices and encourages departments to stay within their adopted budget amounts. Each year, the County bases the adopted budget amounts on these conservative current and budget year projections and past historical trends. Any excesses of appropriations are discussed with department heads to determine whether or not adjustments will be made in future budgets. In addition, the County requires all budgeted capital expenditures to be brought back to the Board for approval regardless of whether they were included in the budget or not. This allows the County to continually review the availability of funds for all purchases throughout the year.

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015

NOTE 4 – SCHEDULE OF PSPRS OPEB

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

NOTE 5 – ACTUARIALLY DETERMINED CONTRIBUTIONS RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)