

Greenlee County, Arizona

Annual Financial Report

June 30, 2020

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Greenlee County, Arizona
ANNUAL FINANCIAL REPORT
Year ended June 30, 2020

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Independent Auditors' Report

The Arizona Auditor General
Members of the Arizona State Legislature
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 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the County as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of matter

As discussed in note 13 to the financial statements, the County restated beginning net position/fund balance of its financial statements for the year ended June 30, 2019, to correct a misstatement in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 7 through 18, budgetary comparison schedules on pages 67 through 70, schedule of the County's proportionate share of the net pension/OPEB liability—cost-sharing plans on pages 71 through 72, schedule of county pension/OPEB contributions—all pension plans on pages 73 through 74 and the schedule of changes in the county's net pension/OPEB liability and related ratios—Public Safety Personnel Retirement System on pages 75 through 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Snyder & Brown CPAs, PLLC

Tempe, Arizona
July 28, 2021

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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, 2020

As management of Greenlee County, Arizona (the 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 2020. Please read it in conjunction with the County's basic financial statements, which begin on page 21.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5.9 million (*net position*).

- The County's total net position increased \$1,644,061, which represents a 38 percent increase from the prior fiscal year, primarily due to COVID, the Board of Supervisors adopted austerity measures in which spending was cut to just necessities in order to prepare for unforeseen COVID related expenses and potential revenue losses.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$16.4 million, an increase of \$317,214 in comparison with the prior year. Approximately 65 percent of this amount (\$10.7 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 \$12.1 million, or approximately 82 percent of total General Fund expenditures.
- The County's total outstanding long-term debt decreased by \$(1.8) million during the current fiscal year primarily due to an decrease in the liability for pensions.

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. The accrual basis of accounting is used for government-wide 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.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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 21 and 22 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 use the modified accrual basis of accounting and 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*.

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, Health Services, and Fair fund, 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 23 through 26 of this report.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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 27 and 28 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, pension plans 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. Schedules for the pension plans have been provided as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position - 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 \$5.9 million at the close of the most recent fiscal year.

Greenlee County, Arizona
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

The following table presents a summary of the County’s net position for the fiscal years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 18,432,157	\$ 16,690,713
Capital assets, net	<u>10,419,975</u>	<u>10,834,950</u>
Total assets, net	<u>28,852,132</u>	<u>27,525,663</u>
Deferred outflows of resources	<u>3,284,275</u>	<u>5,080,353</u>
Long-term liabilities outstanding	21,099,956	22,948,868
Other liabilities	<u>2,041,302</u>	<u>738,845</u>
Total liabilities	<u>23,141,258</u>	<u>23,687,713</u>
Deferred inflows of resources	<u>3,072,079</u>	<u>4,925,554</u>
Net investment in capital assets	9,224,381	9,562,357
Restricted	4,499,285	4,367,484
Unrestricted	<u>(7,800,596)</u>	<u>(9,937,092)</u>
Total net position	<u>\$ 5,923,070</u>	<u>\$ 3,992,749</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.

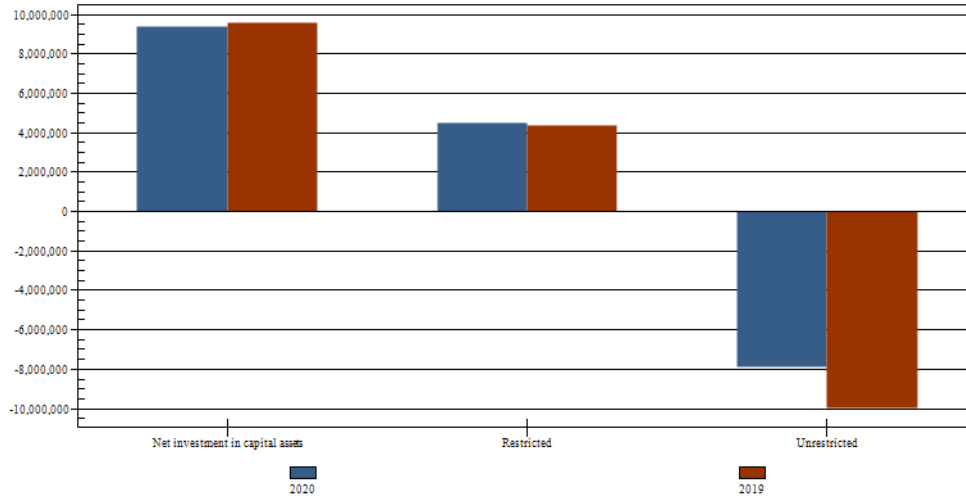
An additional portion of the County’s net position represents resources that are subject to external restrictions on how they may be used. These resources are restricted for the following purposes: information systems, judicial activities, law enforcement activities, jail facilities and operations, public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

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 \$7.8 million. The deficit is due to the reporting of pension liabilities in the financial statements. The same situation held true for the prior fiscal year.

Greenlee County, Arizona
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Year ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Net Position - Comparison
 June 30, 2020 and 2019



During the current fiscal year, net position increased \$1.6 million from a restated beginning balance of \$4.3 million to an ending balance of \$5.9 million.

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, 2020

- The principal retirement of \$390,325 of capital leases.
- The inception of \$313,326 of capital leases.
- The reduction of \$2 million of pension liabilities.

Changes in net position - The County's total revenues for the fiscal year ended June 30, 2020 were \$21.8 million. The total cost of all programs and services was \$20.2 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2020 and 2019.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Statement of Activities - Governmental Activities

	Year Ended June 30,	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 912,079	\$ 755,024
Operating grants and contributions	5,823,785	5,702,564
General revenues:		
Property taxes	4,428,724	4,320,390
County sales taxes for general purposes	1,487,510	1,470,064
Other taxes	14,400	14,400
Share of state sales taxes	5,253,658	5,575,349
Share of state vehicle license tax	446,074	429,368
Grants and contributions not restricted to specific programs	3,160,165	2,929,551
Other	<u>304,549</u>	<u>261,531</u>
Total revenues	<u>21,830,944</u>	<u>21,458,241</u>
Expenses:		
General government	6,847,778	5,478,881
Public safety	6,108,288	5,987,602
Highways and streets	2,498,514	2,387,240
Sanitation	957,163	393,671
Health and welfare	2,294,776	2,195,378
Culture and recreation	516,658	421,615
Education	736,622	748,788
Economic development	169,651	139,681
Interest on long-term debt	<u>57,433</u>	<u>83,194</u>
Total expenses	<u>20,186,883</u>	<u>17,836,050</u>
Change in net position	1,644,061	3,622,191
Net position, beginning, as restated	<u>4,279,009</u>	<u>370,558</u>
Net position, ending	<u>\$ 5,923,070</u>	<u>\$ 3,992,749</u>

Greenlee County, Arizona
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following are significant transactions that have had an impact on the change in net position during the fiscal year ended June 30, 2020.

Property taxes increased by \$108,334 due to increase in the overall property tax levy.

State shared sales tax decreased by \$321,691 due to overall downturn of economy during the pandemic.

Grants and contributions not restricted for specific programs increased \$230,614 primarily due to COVID-19 grants available during the fiscal year.

General government expenses increased \$1.4 million primarily due to pension expenses changes, IT infrastructure, and United way grant spending for the fiscal year 2020.

The increase of \$563,492 in the sanitation was for the excavation of a “Construction and Demolition” cell project completed at the landfill.

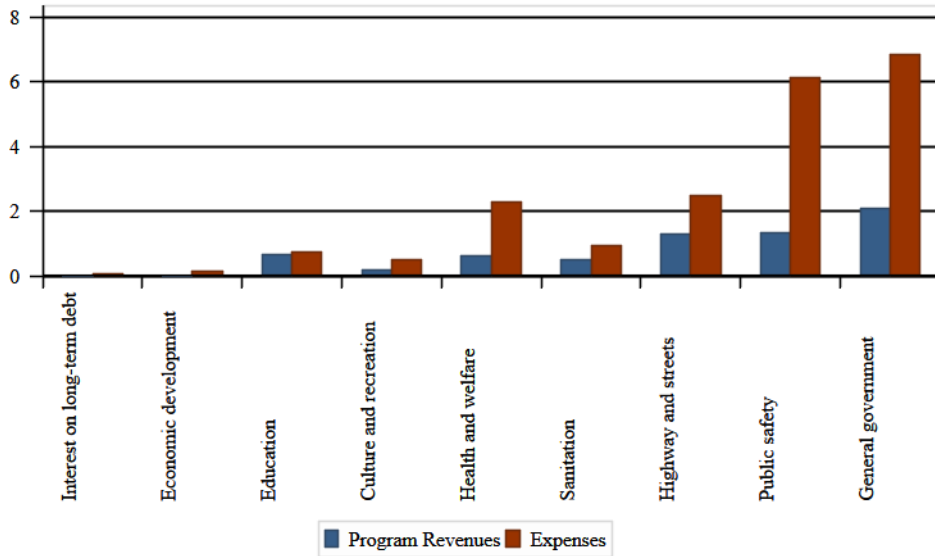
The following table presents the cost of the County’s major functional activities. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid and contributions provided for specific programs). The net cost shows the financial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

Governmental Activities	2020		2019	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	\$ 6,847,778	\$ (4,746,181)	\$ 5,478,881	\$ (3,365,359)
Public safety	6,108,288	(4,758,471)	5,987,602	(4,803,431)
Highway and streets	2,498,514	(1,206,082)	2,387,240	(1,099,303)
Sanitation	957,163	(465,838)	393,671	(35,879)
Health and welfare	2,294,776	(1,659,584)	2,195,378	(1,601,971)
Culture and recreation	516,658	(320,790)	421,615	(263,674)
Education	736,622	(66,989)	748,788	14,030
Economic development	169,651	(169,651)	139,681	(139,681)
Interest on long-term debt	57,433	(57,433)	83,194	(83,194)
Total	<u>\$ 20,186,883</u>	<u>\$ (13,451,019)</u>	<u>\$ 17,836,050</u>	<u>\$ (11,378,462)</u>

Greenlee County, Arizona
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Expenses and Program Revenues - by category
Year ended June 30, 2020
(in millions)



The cost of all governmental activities this year was \$20.2 million.

Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$6.7 million.

Net cost of governmental activities of \$13.5 million was financed by general revenues, which are made up primarily of taxes of \$5.9 million, shared state tax revenues of \$5.7 million, and grants and contributions not restricted to specific programs of \$3.2 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.

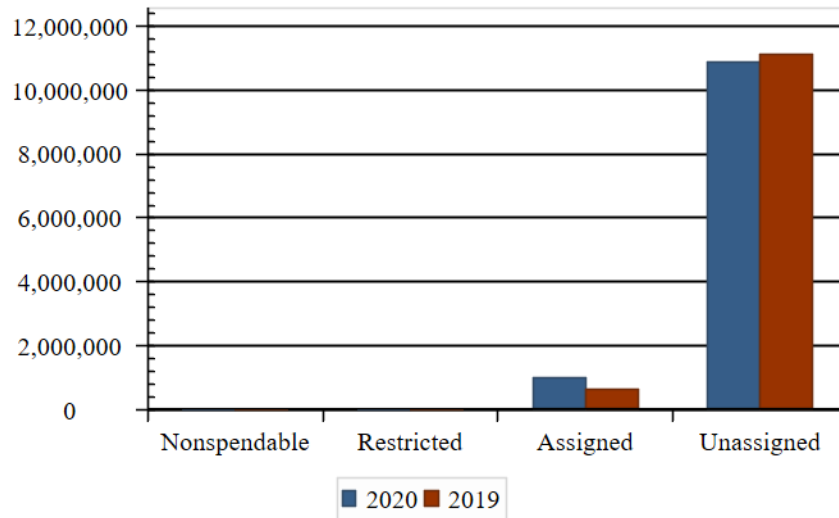
Governmental funds - The focus of the County’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, unassigned fund balance may serve as a useful 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.

Greenlee County, Arizona
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS - Continued

At June 30, 2020, the County’s governmental funds reported a combined fund balance of \$16.4 million, an increase of \$317,214 in comparison with the prior year. Approximately 65 percent of this amount (\$10.7 million) constitutes *unassigned fund balance*, which is available for spending at the County’s discretion. The remainder of the fund balance is either restricted or assigned to indicate that it is (1) restricted for particular purposes (\$4,499,285) or (2) assigned for particular purposes (\$1,198,695).

Components of Fund Balance - General Fund
June 30, 2020 and 2019



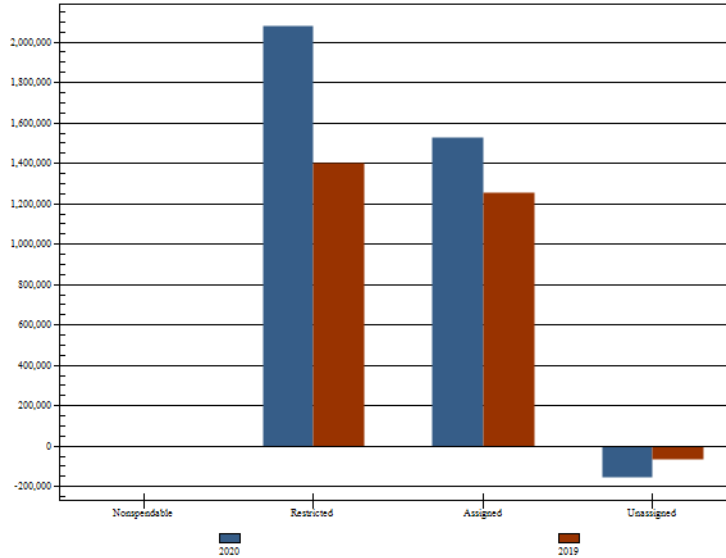
The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10.9 million, while total fund balance increased to \$12.1 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 74 percent of total General Fund expenditures, while total fund balance represents approximately 82 percent of that same amount.

The fund balance of the County’s General Fund increased \$195,259 during the current fiscal year. The increase was due to the dramatic decrease in spending as the Board of Supervisors adopted austerity measures than the budget originally prepared in preparation for the uncertainty of revenues due to COVID.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS - Continued

Components of Fund Balance - Other Governmental Funds
June 30, 2020 and 2019



The Health Services Fund, a major fund, had a decrease in fund balance during the current year of \$(38,347) to bring the year end fund balance to \$761,176. The change was due to COVID related expenses in the second half of the fiscal year.

The Fair Fund, a major fund, had a decrease in fund balance during the current year of \$(17,257) to bring the year end fund balance to a deficit of \$(147,820). The change was for additional expenditures related to the 100th Anniversary of the Greenlee County Fair.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Intergovernmental revenues were \$269,274 less than budgeted, due to unrealized revenue projections primarily from State Shared Transaction Privilege Tax.
- Public safety – probation expenditures and public safety – sheriff expenditures were less than the budgeted, \$342,756 and \$360,479, due to staffing vacancies.
- General Service expenditures were \$293,269 less than what was budgeted. Budgeted merit increases, benefit pay-out and an anticipated increase in basic liability insurance premium did not occur during the fiscal year 2020.
- Ground and maintenance expenditures were \$139,932 less than the budgeted amount because of anticipated expenditures not incurred due to projects being shelved or paused during the pandemic.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The County's investment in capital assets as of June 30, 2020 totaled \$10.4 million (net of accumulated depreciation). This investment includes land, infrastructure, buildings, improvements, machinery, equipment, and construction in progress. The total decrease in capital assets for the current fiscal year was approximately 4.66 percent.

The following schedule presents a summary of capital asset balances (net of accumulated depreciation) as of June 30, 2020 and 2019.

	2020	2019, as restated
Land	\$ 283,992	\$ 258,535
Land improvements	907,696	1,057,389
Infrastructure	1,334,618	1,373,760
Buildings and improvements	3,952,390	4,034,282
Machinery and equipment	3,941,279	4,070,894
Construction in progress	-	134,405
Total capital assets, net	<u>\$ 10,419,975</u>	<u>\$ 10,929,265</u>

Major capital asset events during the current fiscal year included vehicles for the Public Works department, improvements to county parks as listed in the Capital Improvement Plan and as specifically approved by the Board, and the installation of new security camera and lights for the County Jail.

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 \$1.2 million in capital lease long-term debt outstanding, with \$389,446 due within one year. This represents a net decrease of \$(76,999) due to the inception of \$313,326 in new leases offset by the principal payments totaling \$293,269.

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

Greenlee County, Arizona

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2020 budget was adopted at 3.99% increase in the General Fund and an overall budget increase of 5.71%. The increase in the General Fund budget was due mainly to the 5.99% increase in healthcare costs, the ongoing mandatory pension contributions, salary adjustments to ensure compliance with minimum wage law, and a proposed landfill project. The County continued to use conservative revenue projections to ensure a sustainable budget and continued to lobby the state legislature for permanent financial assistance for the Elected Officials Retirement Plan, Public Safety Retirement System sustainability, transportation funding and elimination of state imposed cost shifts.

The fiscal year 2021 budget was adopted at 1.20% decrease in the general fund, and the overall budget decreased 2.21%. The decrease in the general fund budget is due mainly to the uncertainty surrounding the impacts of the outbreak of coronavirus disease and its impacts on revenues. Expenditures were accordingly adjusted downward with no wage increases, individual review of each vacancy and all expenditures exceeding \$2,000, and reduced capital expenditures. Some expenses such as purchasing new vehicles were postponed to the following fiscal year. The predictions for the mining industry indicated that the County should plan for diminishing sales and severance tax collections. Therefore, the County used extremely conservative estimates in developing the budget. Due to previous planning, the County did not have to implement any reductions in the County workforce. A shortened legislative session due to COVID-19 mitigated concerns regarding potential cost shifts from the State.

The County's operations may be affected by the recent and ongoing outbreak of the Coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The disruption which may be caused by the outbreak is uncertain; however, it may result in an adverse impact on the County's financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the County's revenue streams, absenteeism in the workforce, unavailability of services and supplies used in operations, and a decline in value of assets held by the County, including inventories, property and equipment, and marketable securities.

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.

BASIC FINANCIAL STATEMENTS

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Greenlee County, Arizona
STATEMENT OF NET POSITION
June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 17,422,353
Property taxes receivable	16,230
Accounts receivable	88,902
Due from governmental entities	651,203
Other assets	253,469
Capital assets, non-depreciable	283,992
Capital assets, depreciable (net)	<u>10,135,983</u>
Total assets	<u>28,852,132</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and other postemployment benefits	<u>3,284,275</u>
LIABILITIES	
Accounts payable	1,497,144
Accrued payroll and employee benefits	318,191
Unearned revenues	225,967
Noncurrent liabilities	
Due within 1 year	825,046
Due in more than 1 year	<u>20,274,910</u>
Total liabilities	<u>23,141,258</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and other postemployment benefits	<u>3,072,079</u>
NET POSITION	
Net investment in capital assets	9,224,381
Restricted for:	
Information systems	218,669
Judicial activities	1,076,388
Law enforcement activities	326,486
Jail facilities and operations	207,912
Public health services	980,245
Waste tire program	83,891
Fair and racing program	28,831
Airport improvements	100,371
Roads and schools	1,135,600
Flood control	338,480
Environmental programs	373
Election	2,039
Unrestricted (deficit)	<u>(7,800,596)</u>
Total net position	<u>\$ 5,923,070</u>

See accompanying notes to financial statements.

Greenlee County, Arizona
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 6,847,778	\$ 210,247	\$ 1,891,350		\$ (4,746,181)
Public safety	6,108,288	100,578	1,249,239		(4,758,471)
Highways and streets	2,498,514		1,292,432		(1,206,082)
Sanitation	957,163	491,325			(465,838)
Health and welfare	2,294,776	18,575	616,617		(1,659,584)
Culture and recreation	516,658	91,354	104,514		(320,790)
Education	736,622		669,633		(66,989)
Economic development	169,651				(169,651)
Interest on long-term debt	57,433				(57,433)
Total governmental activities	<u>\$ 20,186,883</u>	<u>\$ 912,079</u>	<u>\$ 5,823,785</u>		<u>(13,451,019)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	3,225,125
Property taxes, levied for public health services	1,090,335
Property taxes, levied for flood control	113,264
County sales taxes for general purposes	1,487,510
Other taxes	14,400
State shared sales tax	5,253,658
State shared vehicle license tax	446,074
Grants and contributions not restricted to specific programs	3,160,165
Investment earnings	128,281
Miscellaneous	<u>176,268</u>
Total general revenues	<u>15,095,080</u>
Change in net position	1,644,061

Net position, July 1, 2019, as restated	<u>4,279,009</u>
Net position, June 30, 2020	<u>\$ 5,923,070</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Health Services Fund	Fair Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 12,331,427	\$ 861,452	\$ 31,729	\$ 4,197,745	\$ 17,422,353
Property taxes receivable	9,865	3,363		3,002	16,230
Accounts receivable	88,902				88,902
Due from governmental entities	449,185	33,901		168,117	651,203
Due from other funds	208,087	36,231			244,318
Other assets	253,469				253,469
Total assets	<u>\$ 13,340,935</u>	<u>\$ 934,947</u>	<u>\$ 31,729</u>	<u>\$ 4,368,864</u>	<u>\$ 18,676,475</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 980,520	\$ 138,431	\$ 2,825	\$ 375,368	\$ 1,497,144
Accrued payroll and employee benefits	219,237	33,262	2,436	63,256	318,191
Unearned revenue				225,967	225,967
Due to other funds			174,288	70,030	244,318
Total liabilities	<u>1,199,757</u>	<u>171,693</u>	<u>179,549</u>	<u>734,621</u>	<u>2,285,620</u>
Deferred inflows of resources:					
Unavailable revenues - property taxes	<u>16,689</u>	<u>2,078</u>		<u>1,731</u>	<u>20,498</u>
Total deferred inflows of resources	<u>16,689</u>	<u>2,078</u>		<u>1,731</u>	<u>20,498</u>
Fund balances (deficit):					
Restricted		761,176		3,738,109	4,499,285
Assigned	1,198,695				1,198,695
Unassigned	<u>10,925,794</u>		<u>(147,820)</u>	<u>(105,597)</u>	<u>10,672,377</u>
Total fund balances (deficits)	<u>12,124,489</u>	<u>761,176</u>	<u>(147,820)</u>	<u>3,632,512</u>	<u>16,370,357</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,340,935</u>	<u>\$ 934,947</u>	<u>\$ 31,729</u>	<u>\$ 4,368,864</u>	<u>\$ 18,676,475</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

June 30, 2020

Fund balances - total governmental funds		\$ 16,370,357
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 34,390,631	
Less accumulated depreciation	<u>(23,970,656)</u>	10,419,975
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	3,284,275	
Deferred inflows of resources related to pensions	<u>(3,072,079)</u>	212,196
Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds		20,498
Some liabilities, including capital leases, compensated absences, and net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital leases payable	(1,195,594)	
Compensated absences payable	(431,415)	
Landfill closure and postclosure care costs payable	(1,497,907)	
Net pension and OPEB liability	<u>(17,975,040)</u>	<u>(21,099,956)</u>
Net position of governmental activities		\$ <u>5,923,070</u>

See accompanying notes to financial statements.

Greenlee County, Arizona
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year ended June 30, 2020

	General Fund	Health Services Fund	Fair Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,225,125	\$ 1,090,335		\$ 113,264	\$ 4,428,724
Taxes	1,487,510			14,400	1,501,910
Licenses and permits	1,610				1,610
Intergovernmental	8,378,381	616,617	\$ 70,000	3,559,963	12,624,961
Charges for services	657,303	11,616	54,954	97,986	821,859
Fines and forfeits	87,735			875	88,610
Investment earnings	97,106	4,355	189	26,631	128,281
Contributions	1,802,010			326,883	2,128,893
Miscellaneous	<u>65,984</u>	<u>52,678</u>	<u>5,260</u>	<u>52,346</u>	<u>176,268</u>
Total revenues	15,802,764	1,775,601	130,403	4,192,348	21,901,116
EXPENDITURES					
Current:					
General government	7,551,408			718,881	8,270,289
Public safety	4,317,228	153,892		1,218,495	5,689,615
Highways and streets	51,317			1,964,810	2,016,127
Sanitation	746,712				746,712
Health and welfare	216,934	2,016,056		6,515	2,239,505
Culture and recreation	148,765		297,660	63,363	509,788
Education	305,586			428,231	733,817
Economic development	169,651				169,651
Capital outlay	894,831			179,135	1,073,966
Debt service:					
Principal retirement	390,325				390,325
Interest and fiscal charges	<u>57,433</u>				<u>57,433</u>
Total expenditures	<u>14,850,190</u>	<u>2,169,948</u>	<u>297,660</u>	<u>4,579,430</u>	<u>21,897,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>952,574</u>	<u>(394,347)</u>	<u>(167,257)</u>	<u>(387,082)</u>	<u>3,888</u>
OTHER FINANCING SOURCES (USES)					
Capital lease agreements	313,326				313,326
Transfers in		356,000	150,000	564,641	1,070,641
Transfers out	<u>(1,070,641)</u>				<u>(1,070,641)</u>
Total other financing sources (uses)	<u>(757,315)</u>	<u>356,000</u>	<u>150,000</u>	<u>564,641</u>	<u>313,326</u>
Net change in fund balances	195,259	(38,347)	(17,257)	177,559	317,214
Fund balances (deficit), beginning of year, as restated	<u>11,929,230</u>	<u>799,523</u>	<u>(130,563)</u>	<u>3,454,953</u>	<u>16,053,143</u>
Fund balances (deficit), end of year	<u>\$ 12,124,489</u>	<u>\$ 761,176</u>	<u>\$ (147,820)</u>	<u>\$ 3,632,512</u>	<u>\$ 16,370,357</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2020

Net change in fund balances - total governmental funds \$ 317,214

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

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

Capital outlay	\$ 1,073,966	
Depreciation expense	<u>(1,448,851)</u>	(374,885)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities (70,126)

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets. (134,450)

County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pension/OPEB, is reported in the Statement of Activities.

Pension/OPEB expense	259,493	
Pension/OPEB contributions	<u>1,681,197</u>	1,940,690

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, these payments reduce long-term liabilities in the Statement of Net Position. This amount is the effect of the difference in the treatment of repayments of long-term debt and related items.

Principal repaid	390,325	
Capital leases	<u>(313,326)</u>	76,999

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 and liabilities are reported regardless of when the financial resources are available.

Increase in compensated absences	(14,760)	
Increase in landfill closure and postclosure care costs	<u>(96,621)</u>	<u>(111,381)</u>

Change in net position of governmental activities \$ 1,644,061

See accompanying notes to financial statements.

Greenlee County, Arizona

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	<u>Investment Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 6,149,681	\$ 38,683
Total assets	<u>6,149,681</u>	<u>38,683</u>
LIABILITIES		
Deposits held for others	<u> </u>	<u>38,683</u>
Total liabilities	<u> </u>	<u>\$ 38,683</u>
NET POSITION		
Held in trust for investment trust participants	<u>\$ 6,149,681</u>	

See accompanying notes to financial statements.

Greenlee County, Arizona

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2020

	<u>Investment Trust</u>
ADDITIONS:	
Contributions from participants	\$ <u>27,575,258</u>
Total additions	<u>27,575,258</u>
DEDUCTIONS:	
Distributions to participants	<u>27,706,209</u>
Total deductions	<u>27,706,209</u>
Change in net position	(130,951)
Net position, beginning of year, as restated	<u>6,280,632</u>
Net position, end of year	<u>\$ <u>6,149,681</u></u>

See accompanying notes to financial statements.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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).

The County's significant accounting policies are described below.

A. Reporting Entity

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

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

The following table describes the County’s component units:

<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, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
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.

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 (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Fund Financial Statements - Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental 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:

General Fund - This fund accounts for all financial resources of the County, except those required to be accounted for in other funds.

Health Services Fund - This 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.

Fair Fund - This fund accounts for monies available from the grants and charges to be used for the Greenlee County Fair and other events at the County Fairgrounds.

Additionally, the County reports the following fiduciary funds:

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

Agency Fund - This fund accounts 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. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are 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.

D. Cash and Investments

All investments are stated at fair value.

E. 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.

F. Capital Assets

Capital assets are recorded at actual cost or estimated historical cost if historical records are not available. Donated assets are recorded at acquisition value.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

	<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

G. Deferred Outflows and Inflows of Resources

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

H. Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the 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.

I. Fund Balance Classifications

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 are composed of interest, dividends, and net changes in the fair value of applicable investments.

K. Compensated Absences

Compensated absences payable consists 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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances - At June 30, 2020, the following non-major funds reported deficits in fund balance:

Fund	Deficit
Non-Major Governmental Funds:	
Superior court clerk - Child support enforcement	19,550
Drug gang & violent crime	15,014
Greenlee Graham field trainer	9,460
COVID-19 Grants	34,976

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

Violations of finance-related legal and contractual provision – The actual expenditures of the Fair fund exceeded the budgeted expenditure by \$27,660 during the fiscal year 2020. The County Finance Department will closely monitor the overage and discuss with the department for budgetary control. In the future, material unbudgeted expenditures will be referred to the Board of Supervisors for approval of a budget transfer from contingency or other appropriate funds before the end of each fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND CASH EQUIVALENTS

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, or instrumentalities; specified state and local government bonds, notes and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes and other evidences of indebtedness that are denominated in United States dollars and certain open-ended and close-ended 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.

Credit Risk - Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Specified Bonds, debentures, notes and other evidences of indebtedness that are denominated in 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 investor's service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

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

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

Interest Rate Risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 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.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3 - CASH AND CASH EQUIVALENTS - Continued

Deposits - At June 30, 2020, the carrying amount of the County's deposits was \$23,601,217 and the bank balance was \$24,009,810.

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	\$ 9,500
Amount of deposits	<u>23,601,217</u>
Total	<u>\$23,610,717</u>
 <u>Statements of Net Position</u>	
Governmental activities	\$17,422,353
Investment Trust Fund	6,149,681
Agency Fund	<u>38,683</u>
Total	<u>\$23,610,717</u>

NOTE 4 - RECEIVABLES

Amounts due from governmental entities at June 30, 2020, as reported in the Statement of Net Position, include \$101,394 in Highway User Revenues, \$20,833 in state shared auto lieu taxes, \$91,808 in County sales tax, \$317,717 in state shared sales tax, \$11,654 in County jail tax and \$107,797 in grants and assistance.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>July 1, 2019 as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 258,535	\$ 25,457		\$ 283,992
Construction in progress	<u>134,405</u>		\$ (134,405)	
Total capital assets not being depreciated	<u>392,940</u>	<u>25,457</u>	<u>(134,405)</u>	<u>283,992</u>
Capital assets being depreciated:				
Land improvements	5,720,252			5,720,252
Infrastructure	1,486,387			1,486,387
Buildings and improvements	11,845,499	116,487		11,961,986
Machinery and equipment	<u>14,005,992</u>	<u>932,022</u>		<u>14,938,014</u>
Total	<u>33,058,130</u>	<u>1,048,509</u>		<u>34,106,639</u>
Less accumulated depreciation for:				
Land improvements	(4,662,863)	(149,693)		(4,812,556)
Infrastructure	(112,627)	(39,142)		(151,769)
Buildings and improvements	(7,811,217)	(198,379)		(8,009,596)
Machinery and equipment	<u>(9,935,098)</u>	<u>(1,061,637)</u>		<u>(10,996,735)</u>
Total	<u>(22,521,805)</u>	<u>(1,448,851)</u>		<u>(23,970,656)</u>
Total capital assets being depreciated, net	<u>10,536,325</u>	<u>(400,342)</u>		<u>10,135,983</u>
Governmental activities capital assets, net	<u>\$ 10,929,265</u>	<u>\$ (374,885)</u>	<u>\$ (134,405)</u>	<u>\$ 10,419,975</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 421,469
Public safety	212,293
Highways and streets	757,969
Health and welfare	50,250
Culture and recreation	<u>6,870</u>
Total	<u>\$ 1,448,851</u>

See Note 13 for details regarding restatement of capital asset activity as of July 1, 2019.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6 - LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank, dba National Bank of Arizona to cover cash flow needs. This line of credit has a \$3,500,000 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(7). 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, 2020. The interest rate is at a rate per annum equal to sixty five 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, 2020:

	<u>Beginning Balance</u>	<u>Drawdowns</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Interest Payments</u>
Investment Trust Fund	\$ -	\$3,661,406	\$3,661,406	\$ -	\$ 10,840
Total	<u>\$ -</u>	<u>\$3,661,406</u>	<u>\$3,661,406</u>	<u>\$ -</u>	<u>\$ 10,840</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, 2020:

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ 1,272,593	\$ 313,326	\$ 390,325	\$ 1,195,594	\$ 389,446
Compensated absences payable	416,655	436,246	421,486	431,415	431,415
Landfill closure and postclosure care costs payable	1,401,286	96,621		1,497,907	4,185
Net pension and other postemployment benefits liability	<u>19,858,334</u>		<u>1,883,294</u>	<u>17,975,040</u>	
Total	<u>\$22,948,868</u>	<u>\$ 846,193</u>	<u>\$2,695,105</u>	<u>\$ 21,099,956</u>	<u>\$ 825,046</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM LIABILITIES - Continued

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.

The assets acquired through capital leases are as follows:

Assets:	
Vehicles, furniture, and equipment	\$ 2,979,723
Less accumulated depreciation	<u>(1,937,780)</u>
Carrying value	<u>\$ 1,041,943</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2020, were as follows:

Year ending June 30:	
2021	\$ 433,403
2022	341,708
2023	240,186
2024	165,689
2025	<u>119,151</u>
Total minimum payments required	1,300,137
Less amount representing interest	<u>(104,543)</u>
Present value of minimum lease payments	<u>\$ 1,195,594</u>

Capital lease debt service payments are paid out of the General Fund.

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 the government-wide financial statements in each period that the County operates the landfill. These costs will be paid from the Landfill Fund.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LONG-TERM LIABILITIES - Continued

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,497,907 reported as landfill closure and postclosure care liability at June 30, 2020, represents the cumulative amount reported to date based on the use of 85.52% of the estimated capacity of the landfills less expenditures already paid as follows:

Landfill	Estimated Capacity Used to Date
Blue	100%
Loma Linda	90%
Loma Linda Construction and Demolition	77%

The County will recognize the remaining estimated cost of closure and post closure care of \$265,063 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 2020. The County expects to close the Loma Linda Landfill in or after the year 2025 and expects to close the Loma Linda Construction and Demolition Landfill in or after the year 2025. The actual costs may differ due to landfill expansions, inflation, changes in technology, or changes in regulations. The estimated remaining service life for each is 7 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 2020, the County paid for compensated absences as follows: 71 percent from the general fund, 12 percent from major funds, and 17 percent from other funds.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2020, were as follows:

	General Fund	Health Services Fund	Fair Fund	Non-Major Governmental Funds	Total
Fund balances (deficit):					
Restricted for:					
Information systems				\$ 218,669	\$ 218,669
Judicial activities				1,076,388	1,076,388
Law enforcement				326,486	326,486
Jail facilities and operations				207,912	207,912
Waste tire program				83,891	83,891
Fair and racing program				28,831	28,831
Airport improvement				100,371	100,371
Public health services		\$ 761,176		219,069	980,245
Roads and schools				1,135,600	1,135,600
Flood control				338,480	338,480
Environmental programs				373	373
Election				2,039	2,039
Total restricted		<u>761,176</u>		<u>3,738,109</u>	<u>4,499,285</u>
Assigned to:					
Information systems	\$ 2,510				2,510
Judicial activities	145,851				145,851
Law enforcement	14,661				14,661
Jail facilities and operations	18,048				18,048
Public health services	5,445				5,445
Landfill closure and development	932,236				932,236
Wellness program	79,944				79,944
Total assigned	<u>1,198,695</u>				<u>1,198,695</u>
Unassigned	<u>10,925,794</u>		\$ (147,820)	(105,597)	<u>10,672,377</u>
Total fund balances (deficits)	<u>\$ 12,124,489</u>	<u>\$ 761,176</u>	<u>\$ (147,820)</u>	<u>\$ 3,632,512</u>	<u>\$ 16,370,357</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 13 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; cyber security; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$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.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties with workers' compensation coverage, as 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 nine member entities. The pool provides member entities with health, prescription, dental, vision, life, short term disability and accidental death benefits for the entities' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and dependents and requires its employees to contribute a portion of that premium.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

<u>Statement of Net Position and Statement of Activities</u>	
Net pension and OPEB liability/(asset)	\$ 17,975,040
Deferred outflows of resources related to pensions and OPEB	3,284,275
Deferred inflows of resources related to pensions and OPEB	3,072,079
Pension and OPEB expense	(259,493)

The County's accrued payroll and employee benefits includes \$61,428 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2020.

The County reported \$1,681,197 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS pension, CORP-AOC pension, PSPRS - Sheriff pension and OPEB, and EORP pension and OPEB plans are described below. The PSPRS County Investigators pension and OPEB, ASRS OPEB, CORP-AOC OPEB, PSPDCRP, and EODCRS plans are not described due to their relative insignificance to the County's financial statements.

A. Arizona State Retirement System

Plan Description - The County's employees that are 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. 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.

Benefits Provided - The ASRS provides retirement 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:

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment 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 retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended, June 30, 2020, statutes required active ASRS members to contribute at the actuarially determined rate of 11.94 percent for retirement of the members' annual covered payroll and statutes required the County to contribute at the actuarially determined rate of 11.45 percent for retirement of the active members' annual covered payroll. The County's contributions to the pension plan for the year ended June 30, 2020, were \$728,987.

During fiscal year 2020, the County paid for ASRS pension as follows: 63 percent from the General Fund, 15 percent from major funds, and 22 percent from other funds.

Liability - At June 30, 2020, the County reported \$7,936,415 in liabilities for its proportionate share of ASRS' net pension liability.

The net liability was measured as of June 30, 2019. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

The County's proportion of the net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The County's proportion measured as of June 30, 2019 was 0.05440 percent, which was a decrease of 0.00379 percent from the prior year.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Expense - For the year ended June 30, 2020, the County recognized \$747,457 in pension expense for ASRS.

Deferred Outflows/Inflows of Resources - For the year ended June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 147,254	\$ 19,902
Changes of assumptions or other inputs	69,136	315,224
Net difference between projected and actual earnings on pension plan investments		198,721
Changes in proportion and differences between County contributions and proportionate share of contributions	100,300	490,112
County contributions subsequent to the measurement date	<u>728,987</u>	
Total	<u>\$ 1,045,677</u>	<u>\$ 1,023,959</u>

The amounts reported as 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as expenses as follows:

Year ending June 30,	Pension
2021	\$ (284,257)
2022	(447,914)
2023	(30,822)
2024	52,999
2025	878
Thereafter	1,847

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

ASRS	
Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions
Inflation	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP for pensions

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

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

Discount Rate - The discount rate used to measure the ASRS total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

ASRS	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net pension liability	\$ 11,383,918	\$ 7,936,415	\$ 5,053,151

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

Plan Descriptions - The County's Sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the County's financial statements.

Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP) or the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The CORP administers a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan). Employees who were CORP members before July, 1 2018, participate in CORP, and AOC probation and surveillance officers who became members on or after July 1, 2018, participate in CORP or PSPDCRP. Juvenile detention officers who became members on or after July 1, 2018 participate in PSPDCRP. The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

PSPRS

	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
Retirement and Disability:		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit:		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CORP

	Initial membership date:		
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2018	AOC probation and surveillance officers: On or after July 1, 2018
Retirement and Disability:			
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62	10 years, age 52.5* 10 or more years, age 55
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years	
Benefit percent			
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	2.5% per year of credited service, not to exceed 80%	1.25% to 2.25% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service	
Total and permanent disability retirement	50% or normal retirement if more than 25 years of credited service		
Ordinary Disability Retirement	2.5% per year of credited service		
Survivor Benefit:			
Retired Members	80% of retired member's pension benefit		
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.		

*With actuarially reduced benefits.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

Employees Covered by Benefit Terms - At June 30, 2020, the following employees were covered by the agent plans' benefit terms:

	PSPRS - Sheriff	
	Pension	OPEB
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	5	0
Active employees	12	12
Total	24	19

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

	Active member - pension	County - pension	County - health
PSPRS - Sheriff	7.65%	39.25%	0%
CORP - AOC	8.41% or 10.18%	30.71% or 27.91%	0.53% or 0.46%

For the agent plan, the contributions to the pension plans for the year ended June 30, 2020 were:

	Pension	Health
PSPRS - Sheriff	\$ 384,003	\$ -
CORP - AOC	76,716	-

During the fiscal year 2020, the County paid for PSPRS and CORP pension and contributions as follows: 82.4 percent from the General Fund, and 17.6 percent from other non-major funds.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Liability - At June 30, 2020, Greenlee County, Arizona reported the following net pension assets and liabilities:

	Net pension liability	Net OPEB (asset) liability
PSPRS - Sheriff	\$ 2,669,188	\$ (175,843)
CORP - AOC	674,420	5,809

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

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

PSPRS and CORP

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

PSPRS and CORP Asset Class	Target Allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	<u>16%</u>	4.75%
Total	<u>100%</u>	

Discount Rates - At June 30, 2019, the discount rate used to measure the PSPRS and CORP total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Changes in the Net Pension/OPEB Liability -

PSPRS - Sheriff:	Pension			OPEB		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)	
Balances at June 30, 2019	\$ 7,321,143	\$ 4,261,574	\$ 3,059,569	\$ 142,854	\$ 281,877	\$ (139,023)
Changes for the year:						
Service cost	181,679		181,679	3,288		3,288
Interest on the total liability	541,988		541,988	10,633		10,633
Changes of benefit terms						
Differences between expected and actual experience in the measurement of the liability	(513,657)		(513,657)	(36,971)		(36,971)
Changes of assumptions or other inputs	92,057		92,057	1,098		1,098
Contributions—employer		395,675	(395,675)			
Contributions—employee		78,797	(78,797)			
Net investment income		232,949	(232,949)		15,129	(15,129)
Benefit payments, including refunds of employee contributions	(357,308)	(357,308)		(4,911)	(4,911)	
Administrative expense		(5,042)	5,042		(261)	261
Other changes		(9,931)	9,931			
Net changes	(55,241)	335,140	(390,381)	(26,863)	9,957	(36,820)
Balances at June 30, 2020	\$ 7,265,902	\$ 4,596,714	\$ 2,669,188	\$ 115,991	\$ 291,834	\$ (175,843)

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the participating counties' actual contributions for the year ended June 30, 2019. The County's proportion measured as of June 30, 2019, was .159909 percent, which was a decrease of .073595 percent from its proportion measured as of June 30, 2018.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Sensitivity of the Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate - The following table presents the County's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the County's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.3 percent) or 1 percentage-point higher (8.3 percent) than the current rate:

	<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
PSPRS - Sheriff:			
Net pension liability	\$ 3,601,869	\$ 2,669,188	\$ 1,906,385
Net OPEB (asset)	(162,153)	(175,843)	(187,316)
CORP - AOC:			
County's proportionate share of net pension liability	866,836	674,420	518,135
County's proportionate share of net OPEB liability	8,559	5,809	3,494

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

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

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS - Sheriff	\$ 583,513	\$ (8,515)
CORP - AOC (County's proportionate share)	7,072	-

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

	<u>Pension</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 427,856	\$ 540,823
Changes of assumptions or other inputs	292,814	-
Net difference between projected and actual earnings on plan investments	72,798	-
County contributions subsequent to the measurement date	384,003	-
Total	<u>\$ 1,177,471</u>	<u>\$ 540,823</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

PSPRS - Sheriff	Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,184	\$ 31,692
Changes of assumptions or other inputs	942	2,869
Net difference between projected and actual earnings on plan investments	933	-
Total	<u>\$ 20,059</u>	<u>\$ 34,561</u>

CORP - AOC	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,323	\$ 22,612
Changes of assumptions or other inputs	43,483	2,110
Net difference between projected and actual earnings on pension plan investments	12,685	
Changes in proportion and differences between County contributions and proportionate share of contributions	27,038	331,630
County contributions subsequent to the measurement date	76,716	
Total	<u>\$ 208,245</u>	<u>\$ 356,352</u>

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

Year ending June 30,	PSPRS - Sheriff		CORP - AOC
	Pension	Health	Pension
2021	\$ 139,305	\$ (1,996)	\$ (56,785)
2022	72,852	(1,998)	(63,019)
2023	105,460	64	(71,311)
2024	(64,972)	(170)	(32,244)
2025		(5,277)	(1,464)
Thereafter		(5,125)	

C. Elected Officials Retirement Plan

Plan Description - Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB)

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

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

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service	75% with 10 or more years of service
	40% with 5 to 10 years of service 20% with less than 5 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 actuarially reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effect on the plan.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

Contributions - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2020, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute at the actuarially determined rate of 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. The County's contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2020, were \$491,491 and \$0, respectively. During fiscal year 2020, the County's general fund paid for EORP pension contributions.

Liability - At June 30, 2020, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 7,026,319
State's proportionate share of the EORP net pension liability associated with the County	<u>660,401</u>
Total	<u>\$ 7,686,720</u>

The County also reported an asset of \$161,268 for its proportionate share of EORP's net OPEB asset.

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

	Proportion June 30, 2019		Increase (decrease) from June 30, 2018	
Pension	1.05	%	1.26	%
Health insurance premium benefit	1.64	%	1.48	%

Expense - For the year ended June 30, 2020, the Country recognized the pension and OPEB expense for EORP of \$(1,543,109) and \$0, respectively, and revenue of \$(45,911) for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

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

EORP	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 156,653	\$ 6,664
Changes of assumptions or other inputs	22,089	199,670
Net difference between projected and actual earnings on plan investments	47,803	-
Changes in proportion and differences between County contributions and proportionate share of contributions	108,721	897,834
County contributions subsequent to the measurement date	491,491	-
Total	<u>\$ 826,757</u>	<u>\$ 1,104,168</u>

EORP-Health Insurance Premium Benefit	Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,166	\$ 1,664
Changes of assumptions or other inputs	363	-
Net difference between projected and actual earnings on plan investments	537	-
Changes in proportion and differences between County contributions and proportionate share of contributions	-	10,552
Total	<u>\$ 6,066</u>	<u>\$ 12,216</u>

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

<u>Year ending June 30,</u>	<u>Pension</u>	<u>Health</u>
2021	\$ (782,446)	\$ (5,740)
2022	(12,191)	(3,816)
2023	13,349	1,743
2024	12,386	1,663

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

EORP	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
County's proportionate share of the net pension liability	\$8,046,192	\$7,026,319	\$6,157,661
County's proportionate share of the net OPEB (asset)	\$(142,205)	\$(161,268)	\$(177,849)

Plan fiduciary net position - Detailed information about the plan's fiduciary net position is available in the separately issued EORP financial report.

NOTE 11 - INTERFUND BALANCES AND ACTIVITY

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

<u>Transfers to</u>	<u>Transfers from General Fund</u>
Health Services Fund	\$ 356,000
Fair Fund	150,000
Non-Major Governmental Funds	<u>564,641</u>
Total	<u>\$ 1,070,641</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.

Interfund receivables and payables - Interfund balances for the year ended June 30, 2020 were as follows:

<u>Due from</u>	<u>Due to</u>		
	<u>Fair Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total</u>
General Fund	\$ 174,288	\$ 33,799	\$ 208,087
Health Services Fund		<u>36,231</u>	<u>36,231</u>
Total	<u>\$ 174,288</u>	<u>\$ 70,030</u>	<u>\$ 244,318</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

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 \$198,073 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 Fiduciary Net Position	
Assets	\$ 23,412,590
Liabilities	<u>-</u>
Net Position	<u>\$ 23,412,590</u>
Net position held for:	
Internal participants	\$ 17,262,963
External participants	<u>6,149,627</u>
Total net position	<u>\$ 23,412,590</u>
Statement of Changes in Fiduciary Net Position	
Total additions	\$ 55,329,657
Total deductions	<u>(53,893,872)</u>
Net increase	1,435,785
Net position:	
July 1, 2019	<u>21,976,805</u>
June 30, 2020	<u>\$ 23,412,590</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 13 - PRIOR PERIOD ADJUSTMENT

Net position and fund balances as of July 1, 2019, were restated, as follows, to properly record cash in the General Fund that was erroneously included as fiduciary monies in the Investment Trust Fund in the prior year and also to correct errors in fixed assets and landfill receivable balances.

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Investment Trust Fund</u>
Net position/fund balances as previously reported at June 30, 2019	\$ 3,992,749	\$ 11,737,285	\$ 6,446,597
Prior period adjustment - error correction on landfill receivable balance	25,980	25,980	-
Prior period adjustment - error correction on fixed assets	94,315	-	-
Prior period adjustment - cash reclassification	<u>165,965</u>	<u>165,965</u>	<u>(165,965)</u>
Total prior period adjustment	<u>286,260</u>	<u>191,945</u>	<u>(165,965)</u>
Net position/fund balances as restated, July 1, 2019	<u>\$ 4,279,009</u>	<u>\$ 11,929,230</u>	<u>\$ 6,280,632</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2020

	Original and Final Budget Amounts	Non-GAAP Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 3,191,565	\$ 3,225,125	\$ 33,560
Taxes	1,420,000	1,487,510	67,510
License and permits	40,940	1,610	(39,330)
Intergovernmental revenue	8,647,655	8,378,381	(269,274)
Charges for services	91,000	165,978	74,978
Fines and forfeits	107,500	87,735	(19,765)
Investment earnings	12,000	97,106	85,106
Contributions	1,800,000	1,802,010	2,010
Miscellaneous	<u>101,000</u>	<u>65,984</u>	<u>(35,016)</u>
Total revenues	<u>15,411,660</u>	<u>15,311,439</u>	<u>(100,221)</u>
Expenditures			
General government			
Board of supervisors	572,747	516,105	56,642
Airport	16,950	4,493	12,457
Assessor	461,992	453,215	8,777
Attorney	636,551	560,287	76,264
Constable no. 1	37,247	36,166	1,081
Constable no. 2	45,718	42,952	2,766
Contingency	100,000		100,000
County administration	529,412	460,397	69,015
Elections	124,660	94,824	29,836
Fleet	383,226	410,519	(27,293)
Information systems	999,829	872,544	127,285
General services	1,814,510	1,521,241	293,269
Ground and maintenance	799,241	659,309	139,932
Justice of the peace no. 1	260,546	198,906	61,640
Justice of the peace no. 2	253,363	237,522	15,841
Planning and zoning	61,500	23,024	38,476
Public fiduciary	73,185	67,842	5,343
Recorder	257,902	248,076	9,826
Superior court	966,288	924,535	41,753
Treasurer	278,620	268,199	10,421
Voter registration	<u>23,000</u>	<u>14,450</u>	<u>8,550</u>
Total general government	<u>8,696,487</u>	<u>7,614,606</u>	<u>1,081,881</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2020

	Original and Final Budget Amounts	Non-GAAP Actual Amounts	Variance Positive (Negative)
(continued)			
Public safety			
Emergency services	205,759	245,114	(39,355)
Probation	343,250	494	342,756
Sheriff	<u>4,441,260</u>	<u>4,080,781</u>	<u>360,479</u>
Total public safety	<u>4,990,269</u>	<u>4,326,389</u>	<u>663,880</u>
Health and welfare - AHCCCS/ALTCS payments	<u>216,900</u>	<u>216,678</u>	<u>222</u>
Culture and recreation			
County library	35,088	68,596	(33,508)
Parks and recreation	<u>98,733</u>	<u>80,131</u>	<u>18,602</u>
Total culture and recreation	<u>133,821</u>	<u>148,727</u>	<u>(14,906)</u>
Education			
School superintendent	282,602	278,005	4,597
U of A extension service	<u>27,582</u>	<u>27,581</u>	<u>1</u>
Total education	<u>310,184</u>	<u>305,586</u>	<u>4,598</u>
Economic development	<u>210,000</u>	<u>169,651</u>	<u>40,349</u>
Capital outlay	<u>1,500,000</u>	<u>409,135</u>	<u>1,090,865</u>
Total expenditures	<u>16,057,661</u>	<u>13,190,772</u>	<u>2,866,889</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(646,001)</u>	<u>2,120,667</u>	<u>2,766,668</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	100,000		(100,000)
Transfer out	<u>(1,729,592)</u>	<u>(1,070,641)</u>	<u>658,951</u>
Total other financing uses	<u>(1,629,592)</u>	<u>(1,070,641)</u>	<u>558,951</u>
Net changes in fund balance	(2,275,593)	1,050,026	3,325,619
Fund balance, July 1, 2019, as restated	<u>11,929,230</u>	<u>11,929,230</u>	
Fund balance, June 30, 2020	<u>\$ 9,653,637</u>	<u>\$ 12,979,256</u>	<u>\$ 3,325,619</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE - HEALTH SERVICES FUND

Year ended June 30, 2020

	Original and Final Budget Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 1,088,083	\$ 1,090,335	\$ 2,252
Intergovernmental revenue	737,310	616,617	(120,693)
Charges for services		11,616	11,616
Investment earnings		4,355	4,355
Rents		<u>52,678</u>	<u>52,678</u>
Total revenues	<u>1,825,393</u>	<u>1,775,601</u>	<u>(49,792)</u>
Expenditures			
Current:			
Public safety		153,892	(153,892)
Health and welfare	<u>2,428,841</u>	<u>2,016,056</u>	<u>412,785</u>
Total expenditures	<u>2,428,841</u>	<u>2,169,948</u>	<u>258,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(603,448)</u>	<u>(394,347)</u>	<u>209,101</u>
Other financing sources (uses)			
Transfer in	<u>356,000</u>	<u>356,000</u>	_____
Total other financing sources (uses)	<u>356,000</u>	<u>356,000</u>	_____
Net changes in fund balance	(247,448)	(38,347)	209,101
Fund balance, July 1, 2019	<u>799,523</u>	<u>799,523</u>	_____
Fund balance, June 30, 2020	<u>\$ 552,075</u>	<u>\$ 761,176</u>	<u>\$ 209,101</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE - FAIR FUND

Year ended June 30, 2020

	Original and Final Budget Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Intergovernmental revenue	\$ 150,000	\$ 70,000	\$ (80,000)
Charges for services		54,954	54,954
Investment earnings		189	189
Miscellaneous		<u>5,260</u>	<u>5,260</u>
Total revenues	<u>150,000</u>	<u>130,403</u>	<u>(19,597)</u>
Expenditures:			
Current:			
Culture and recreation	<u>270,000</u>	<u>297,660</u>	<u>(27,660)</u>
Total expenditures	<u>270,000</u>	<u>297,660</u>	<u>(27,660)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,000)</u>	<u>(167,257)</u>	<u>(47,257)</u>
Other financing sources (uses)			
Transfer in	<u>150,000</u>	<u>150,000</u>	
Total other financing uses	<u>150,000</u>	<u>150,000</u>	
Net changes in fund balance	30,000	(17,257)	(47,257)
Fund balance, July 1, 2019	<u>(130,563)</u>	<u>(130,563)</u>	
Fund balance, June 30, 2020	<u>\$ (100,563)</u>	<u>\$ (147,820)</u>	<u>\$ (47,257)</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION/OPEB
LIABILITY - COST-SHARING PENSION PLANS

June 30, 2020

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %	0.05 %	Information not available
County's proportionate share of the net pension liability	\$ 7,936,415	\$ 8,294,942	\$ 8,983,928	\$ 9,127,738	\$ 8,451,877	\$ 7,421,858	
County's covered payroll	\$ 5,737,661	\$ 6,307,981	\$ 5,812,078	\$ 5,311,705	\$ 4,839,651	\$ 4,521,505	
County's proportionate share of the net pension liability as a percentage of its covered payroll	138.32 %	131.50 %	154.57 %	171.84 %	174.64 %	164.15 %	
Plan fiduciary net position as a percentage of the total pension liability	73.24 %	73.40 %	69.92 %	67.06 %	68.35 %	69.49 %	

CORP - AOC Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	0.15 %	0.23 %	0.29 %	0.26 %	0.26 %	0.29 %	Information not available
County's proportionate share of the net pension liability	\$ 674,420	\$ 852,612	\$ 1,164,581	\$ 728,597	\$ 620,393	\$ 650,481	
County's covered payroll	\$ 371,104	\$ 279,932	\$ 362,136	\$ 291,346	\$ 285,739	\$ 311,381	
County's proportionate share of the net pension liability as a percentage of its covered payroll	181.73 %	304.58 %	321.59 %	250.08 %	217.12 %	208.90 %	
Plan fiduciary net position as a percentage of the total pension liability	51.99 %	53.72 %	49.21 %	54.81 %	57.89 %	58.59 %	

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION/OPEB
LIABILITY - COST-SHARING PENSION PLANS

June 30, 2020

EORP - Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	1.05 %	1.26 %	1.01 %	0.99 %	0.94 %	0.93 %	Information not available
County's proportionate share of the net pension liability	\$ 7,026,319	\$ 7,943,505	\$ 12,199,806	\$ 9,409,348	\$ 7,311,329	\$ 6,222,698	
State's proportionate share of the net pension liability associated with the County	<u>660,401</u>	<u>1,361,068</u>	<u>2,559,564</u>	<u>1,942,787</u>	<u>2,279,368</u>	<u>1,907,937</u>	
Total	<u>\$ 7,686,720</u>	<u>\$ 9,304,573</u>	<u>\$ 14,759,370</u>	<u>\$ 11,352,135</u>	<u>\$ 9,590,697</u>	<u>\$ 8,130,635</u>	
County's covered payroll	\$ 880,090	\$ 1,008,209	\$ 799,934	\$ 749,936	\$ 758,591	\$ 841,387	
County's proportionate share of the net pension liability as a percentage of its covered payroll	798.36 %	787.88 %	1,525.10 %	1,254.69 %	963.80 %	739.58 %	
Plan fiduciary net position as a percentage of the total pension liability	30.14 %	30.36 %	19.66 %	23.42 %	28.32 %	31.91 %	

EORP-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)			2017 through 2010
	2020 (2019)	2019 (2018)	2018 (2017)	
County's proportion of the net OPEB asset	1.64 %	1.48 %	1.46 %	Information not available
County's proportionate share of the net OPEB asset	\$ 161,268	\$ 153,272	\$ 132,786	
County's covered payroll	\$ 880,090	\$ 1,008,209	\$ 799,934	
County's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	18.32 %	15.20 %	16.60 %	
Plan fiduciary net position as a percentage of the total OPEB liability	169.72 %	177.16 %	164.84 %	

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF COUNTY PENSION/OPEB CONTRIBUTIONS
ALL PENSION PLANS

June 30, 2020

ASRS - Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 through 2011</u>
Statutorily required contribution	\$ 728,987	\$ 677,044	\$ 687,570	\$ 626,542	\$ 576,320	\$ 527,038	\$ 483,801	
Contribution in relation to the statutorily required contribution	<u>728,987</u>	<u>677,044</u>	<u>687,570</u>	<u>626,542</u>	<u>576,320</u>	<u>527,038</u>	<u>483,801</u>	Information not available
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 6,019,727	\$ 5,737,661	\$ 6,307,981	\$ 5,812,078	\$ 5,311,705	\$ 4,839,651	\$ 4,521,505	
Contributions as a percentage of covered payroll	12.11 %	11.80 %	10.90 %	10.78 %	10.85 %	10.89 %	10.70 %	

PSPRS - Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013 through 2011</u>
Actuarially required contribution	\$ 384,003	\$ 412,129	\$ 253,165	\$ 253,830	\$ 238,095	\$ 165,012	\$ 160,337	
Contribution in relation to the actuarially required contribution	<u>384,003</u>	<u>412,129</u>	<u>125,659</u>	<u>253,830</u>	<u>238,095</u>	<u>165,012</u>	<u>160,337</u>	Information not available
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$ 127,506</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 1,117,683	\$ 1,072,318	\$ 936,772	\$ 1,054,988	\$ 1,011,019	\$ 940,239	\$ 846,389	
Contributions as a percentage of covered payroll	34.36 %	38.43 %	13.41 %	24.06 %	23.55 %	17.55 %	18.94 %	

PSPRS - Health insurance premium benefit

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016 through 2011</u>
Actuarially required contribution	\$ -	\$ -	\$ -	\$ -	
Contribution in relation to the actuarially required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	Information not available
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 1,117,683	\$ 1,072,318	\$ 936,772	\$ 1,054,988	
Contributions as a percentage of covered payroll	0.00 %	0.00 %	0.00 %	0.00 %	

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF COUNTY PENSION/OPEB CONTRIBUTIONS
ALL PENSION PLANS

June 30, 2020

CORP - AOC - Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	2013 through 2011
Statutorily required contribution	\$ 76,716	\$ 64,349	\$ 63,294	\$ 72,717	\$ 55,647	\$ 42,518	\$ 45,088	
Contribution in relation to the statutorily required contribution	<u>76,716</u>	<u>64,349</u>	<u>63,294</u>	<u>72,717</u>	<u>55,647</u>	<u>42,518</u>	<u>45,088</u>	Information not available
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 571,084	\$ 371,104	\$ 279,932	\$ 362,136	\$ 291,346	\$ 285,739	\$ 311,381	
Contributions as a percentage of covered payroll	13.43 %	17.34 %	22.61 %	20.08 %	19.10 %	14.88 %	14.48 %	

EORP - Pension

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	2013 through 2011
Statutorily required contribution	\$ 491,491	\$ 362,621	\$ 193,544	\$ 181,863	\$ 176,235	\$ 178,269	\$ 197,726	
Contribution in relation to the statutorily required contribution	<u>491,491</u>	<u>362,621</u>	<u>25,997</u>	<u>181,863</u>	<u>176,235</u>	<u>178,269</u>	<u>197,726</u>	Information not available
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$ 167,547</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 800,083	\$ 880,090	\$ 1,008,209	\$ 799,934	\$ 749,936	\$ 758,591	\$ 841,387	
Contributions as a percentage of covered payroll	61.43 %	41.20 %	2.58 %	22.73 %	23.50 %	23.50 %	23.50 %	

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

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF CHANGES IN THE COUNTY'S PENSION/OPEB LIABILITY
AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
June 30, 2020

PSPRS - Sheriff Pension

	Reporting Fiscal Year (Measurement Date)						2014 through 2011
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability:							Information not available
Service cost	\$ 181,679	\$ 166,566	\$ 160,116	\$ 171,279	\$ 170,932	\$ 140,956	
Interest on the total pension liability	541,988	500,806	415,416	411,203	391,023	315,179	
Changes of benefit terms			68,497	77,036		100,080	
Differences between expected and actual experience in the measurement of the pension liability	(513,657)	147,053	685,944	(293,002)	(114,998)	16,756	
Changes of assumptions or other inputs	92,057		234,218	204,433		543,017	
Benefit payments, including refunds of employee contributions							
	<u>(357,308)</u>	<u>(355,289)</u>	<u>(322,025)</u>	<u>(207,444)</u>	<u>(172,679)</u>	<u>(156,937)</u>	
Net change in total pension liability	(55,241)	459,136	1,242,166	363,505	274,278	959,051	
Total pension liability—beginning	<u>7,321,143</u>	<u>6,862,007</u>	<u>5,619,841</u>	<u>5,256,336</u>	<u>4,982,058</u>	<u>4,023,007</u>	
Total pension liability—ending (a)	<u>\$ 7,265,902</u>	<u>\$ 7,321,143</u>	<u>\$ 6,862,007</u>	<u>\$ 5,619,841</u>	<u>\$ 5,256,336</u>	<u>\$ 4,982,058</u>	
Plan fiduciary net position:							
Contributions—employer	\$ 395,675	\$ 238,915	\$ 198,711	\$ 234,075	\$ 165,012	\$ 160,337	
Contributions—employee	78,797	76,777	91,411	116,399	103,877	94,828	
Net investment income	232,949	281,707	420,406	20,853	120,579	389,564	
Benefit payments, including refunds of employee contributions	(357,308)	(355,289)	(322,025)	(207,444)	(172,679)	(156,937)	
Hall/Parker settlement		(127,506)					
Administrative expense	(5,042)	(4,988)	(4,120)	(3,401)	(3,316)	(3,137)	
Other changes	<u>(9,931)</u>	<u>55</u>	<u>200,342</u>	<u>(40,326)</u>	<u>(2,680)</u>	<u>-</u>	
Net change in plan fiduciary net position	335,140	109,671	584,725	120,156	210,793	484,655	
Plan fiduciary net position—beginning	4,261,613	4,151,942	3,567,217	3,447,061	3,236,268	2,751,613	
Adjustment to beginning of year	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Plan fiduciary net position—ending (b)	<u>\$ 4,596,714</u>	<u>\$ 4,261,613</u>	<u>\$ 4,151,942</u>	<u>\$ 3,567,217</u>	<u>\$ 3,447,061</u>	<u>\$ 3,236,268</u>	
County's net pension liability - ending (a) - (b)	\$ 2,669,188	\$ 3,059,530	\$ 2,710,065	\$ 2,052,624	\$ 1,809,275	\$ 1,745,790	
Plan fiduciary net position as a percentage of the total pension liability	63.26 %	58.21 %	60.51 %	63.48 %	65.58 %	64.96 %	
Covered payroll	\$ 1,072,318	\$ 936,772	\$ 1,054,988	\$ 1,011,019	\$ 940,239	\$ 846,389	
County's net pension liability as a percentage of covered payroll	248.92 %	326.60 %	256.88 %	203.03 %	192.43 %	206.26 %	

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF CHANGES IN THE COUNTY'S PENSION/OPEB LIABILITY
AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
June 30, 2020

PSPRS - Sheriff OPEB	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2011
Total OPEB liability:				
Service cost	\$ 3,288	\$ 3,461	\$ 3,079	Information not available
Interest on the total OPEB liability	10,633	8,125	7,763	
Changes of benefit terms			(3)	
Differences between expected and actual experience in the measurement of the OPEB liability	(36,971)	24,965	2,578	
Changes of assumptions or other inputs	1,098		(4,774)	
Benefit payments, including refunds of employee contributions	<u>(4,911)</u>	<u>(3,522)</u>	<u>(1,581)</u>	
Net change in total OPEB liability	(26,863)	33,029	7,062	
Total OPEB liability—beginning	<u>142,854</u>	<u>109,825</u>	<u>102,763</u>	
Total OPEB liability—ending (a)	<u>\$ 115,991</u>	<u>\$ 142,854</u>	<u>\$ 109,825</u>	
Plan fiduciary net position:				
Contributions—employer	\$ -	\$ (39)	\$ -	
Contributions—employee	-	-	-	
Net investment income	15,129	18,582	28,277	
Benefit payments, including refunds of employee contributions	(4,911)	(3,522)	(1,581)	
Administrative expense	(261)	(283)	(250)	
Other changes	<u>-</u>	<u>(1)</u>	<u>-</u>	
Net change in plan fiduciary net position	9,957	14,737	26,446	
Plan fiduciary net position—beginning	281,838	267,101	240,655	
Adjustment to beginning of year	39	-	-	
Plan fiduciary net position—ending (b)	<u>\$ 291,834</u>	<u>\$ 281,838</u>	<u>\$ 267,101</u>	
County's net OPEB (asset) liability - ending (a) - (b)	\$ (175,843)	\$ (138,984)	\$ (157,276)	
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	251.60 %	197.29 %	243.21 %	
Covered payroll	\$1,072,318	\$ 936,772	\$1,054,988	
County's net OPEB (asset) liability as a percentage of covered payroll	(16.40)%	(14.84)%	(14.91)%	

See the accompanying notes to this schedule.

Greenlee County, Arizona

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The following schedule reconciles the statement of revenues, expenditures, and changes in the fund balances to the budgetary comparison schedule:

General Fund

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Fund Balances, July 1, 2019, as restated</u>	<u>Fund Balances, June 30, 2020</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 15,802,764	\$ 14,850,190	\$ (757,315)	\$ 11,929,230	\$ 12,124,489
Present value of net minimum capital lease payments	-	(313,326)	(313,326)	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Activity budgeted as special revenue funds	<u>(491,325)</u>	<u>(1,346,092)</u>	<u>-</u>	<u>-</u>	<u>854,767</u>
Budgetary comparison schedule	<u>\$ 15,311,439</u>	<u>\$ 13,190,772</u>	<u>\$ (1,070,641)</u>	<u>\$ 11,929,230</u>	<u>\$ 12,979,256</u>

Greenlee County, Arizona

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

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

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Fleet	\$ 27,293
Emergency services	39,355
County library	33,508
Fair fund	27,660

The excesses were primarily the result of unexpected expenditures or expenditures made as a result of unanticipated revenues, or both. When departments exceed their annual budget, the County Finance Department closely monitors departmental spending and discusses the overage with the departments to improve the accuracy of the budget and improve budget control. Material unbudgeted expenditures will be referred to the Board of Supervisors for approval of a budget transfer from contingency or other appropriate funds.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

NOTE 4 - ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period as of the 2018 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

NOTE 5 - FACTORS THAT AFFECT TRENDS

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

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