

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
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<u>TABLE OF CONTENTS</u>	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information – Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Statements	
Statement of Net Position	20
Statement of Activities	21
Fund Statements	
Governmental Funds	
Balance Sheet	22
Reconciliation of the Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures, and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	28
Fiduciary Funds	
Statement of Net Position	29
Statement of Changes in Net Position	30
Notes to Financial Statements	31
Other Required Supplementary Information	
Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	
General Fund	54
HURF Fund	56
Health Services Fund	57
Flood Disaster Fund	58
Notes to Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	59
Schedule of Agent Retirement Plan's Funding Progress	62

Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County, Arizona (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 17, the Budgetary Comparison Schedules on pages 54 through 61, and the Schedule of Agent Retirement Plans' Funding Progress on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



April 8, 2015

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, 2014**

As management of Greenlee County, Arizona (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2014. Please read it in conjunction with the County's basic financial statements, which begin on page 20.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$17.4 million (*net position*). Of this amount, \$9.2 million represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased \$976,926, which represents a six percent increase from the prior fiscal year, because of increased tax revenues during the year as a result of an overall improvement in the state economy and an increase in activity at the Morenci Mine.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$11.5 million, an increase of \$951,982 in comparison with the prior year. Approximately 82 percent of this amount (\$9.4 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 \$10.5 million, or approximately 89 percent of total General Fund expenditures.
- The County's total outstanding long-term debt increased by \$57,209 during the current fiscal year primarily due to an increase in the amount of liability for landfill closure and postclosure costs.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$17.4 million at the close of the most recent fiscal year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following table presents a summary of the County's net position for the fiscal years ended June 30, 2014 and 2013.

	As of <u>June 30, 2014</u>	As of <u>June 30, 2013</u>
Current assets	\$ 12,162,703	\$ 11,391,206
Capital assets, net	9,383,557	9,294,577
Total assets	<u>21,546,260</u>	<u>20,685,783</u>
Long-term liabilities outstanding	3,530,618	3,473,409
Other liabilities	655,244	828,902
Total liabilities	<u>4,185,862</u>	<u>4,302,311</u>
Net position:		
Net investment in capital assets	7,249,260	7,182,104
Restricted	873,555	785,963
Unrestricted	9,237,583	8,415,405
Total net position	<u>\$ 17,360,398</u>	<u>\$ 16,383,472</u>

The largest portion of the County's net position is unrestricted (53 percent). The next largest portion of the County's net position (42 percent) 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.

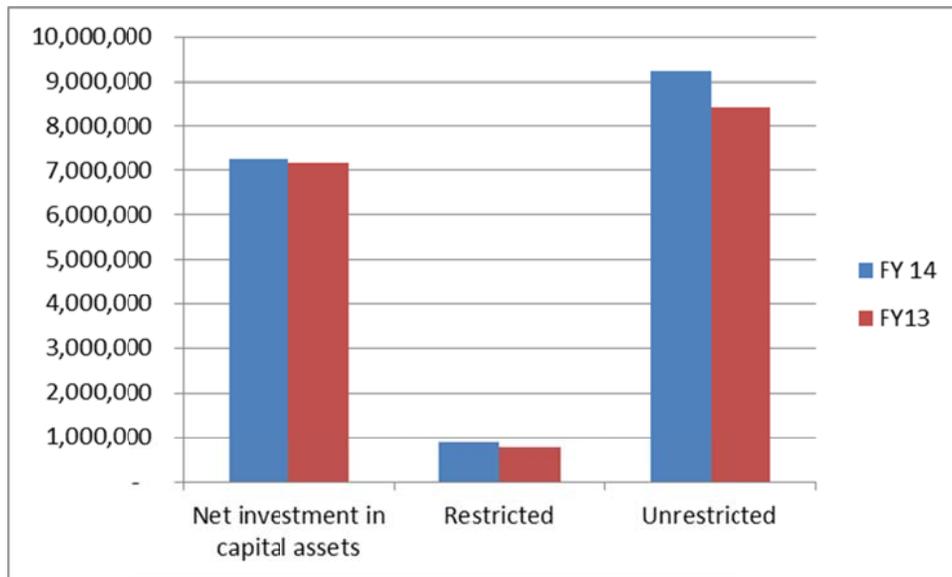
An additional portion of the County's net position (5 percent) represents resources that are subject to external restrictions on how they may be used. These resources are restricted for the following purposes: information systems, judicial activities, law enforcement activities, jail facilities and operations, waste tire program, fair and racing program and roads and schools.

At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position. The same situation held true for the prior fiscal year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

**Net Position
June 30, 2014 and 2013**



During the current fiscal year, net position increased \$976,926 from the prior fiscal year for an ending balance of \$17.4 million. This was primarily a result of increased tax revenues during the year due to an overall improvement in the state economy and an increase in activity at the Morenci Mine.

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, 2014.

- The principal retirement of \$912,244 of capital leases.
- The inception of \$934,068 of capital leases.
- The addition of \$1.5 million in capital assets including the construction of a Blue River Road, lease purchases of heavy machinery and vehicles, and acquisition of radio and communications system.
- The depreciation of capital assets of \$1.5 million.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net position. The County's total revenues for the fiscal year ended June 30, 2014 were \$19.8 million. The total cost of all programs and services was \$18.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and 2013.

	<u>Fiscal Year Ended June 30, 2014</u>	<u>Fiscal Year Ended June 30, 2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,023,456	\$ 1,058,349
Operating grants and contributions	4,970,240	4,390,735
Capital grants and contributions	138,275	406,569
General revenues:		
Property taxes	3,256,209	3,156,791
County sales taxes for general purposes	2,345,102	2,088,094
Other taxes	14,400	14,400
Share of state sales taxes	5,091,702	4,983,640
Share of state vehicle license tax	499,118	317,864
Grants and contributions not restricted to specific programs	2,044,890	1,983,176
Other	376,428	331,149
Total revenues	<u>19,759,820</u>	<u>18,730,767</u>
Expenses:		
General government	6,884,853	6,359,862
Public safety	5,164,846	5,232,613
Highways and streets	3,177,431	2,292,240
Sanitation	341,682	408,570
Health and welfare	1,963,867	1,952,165
Culture and recreation	330,459	383,928
Education	753,443	784,409
Economic development	46,006	14,481
Interest on long-term debt	120,307	110,762
Total expenses	<u>18,782,894</u>	<u>17,539,030</u>
Change in net position	976,926	1,191,737
Net position, beginning	<u>16,383,472</u>	<u>15,191,735</u>
Net position, ending	<u>\$17,360,398</u>	<u>\$ 16,383,472</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following are significant transactions that have had an impact on the change in net position during the fiscal year ended June 30, 2014.

- Charges for services decreased \$34,893 primarily due to a decrease in landfill charges.
- Capital grants and contributions decreased by \$268,294 primarily due to a grant received in the prior year for an upgrade of the election system.
- Operating grants and contributions increased \$579,505 primarily due to funds from the State to cover flooding emergencies.
- Property taxes increased by \$99,418 due to an increase in primary property tax levy.
- County sales taxes for general purposes increased by \$257,008 due to an overall improvement in the economy.
- State shared sales tax increased by \$108,062 due to an overall improvement in the economy.
- State shared vehicle license tax increase by \$181,254 due to an overall improvement in the economy.
- Grants and contributions not restricted to specific programs increased \$61,714 primarily due to an increase in National Forest Fees funding.
- General government expenses increased \$524,991 primarily due to costs associated with across the board salary increases and increases in healthcare premiums.
- Highways and streets expenses increased \$885,191 primarily due to road repairs related to the flooding emergencies incurred during the year.

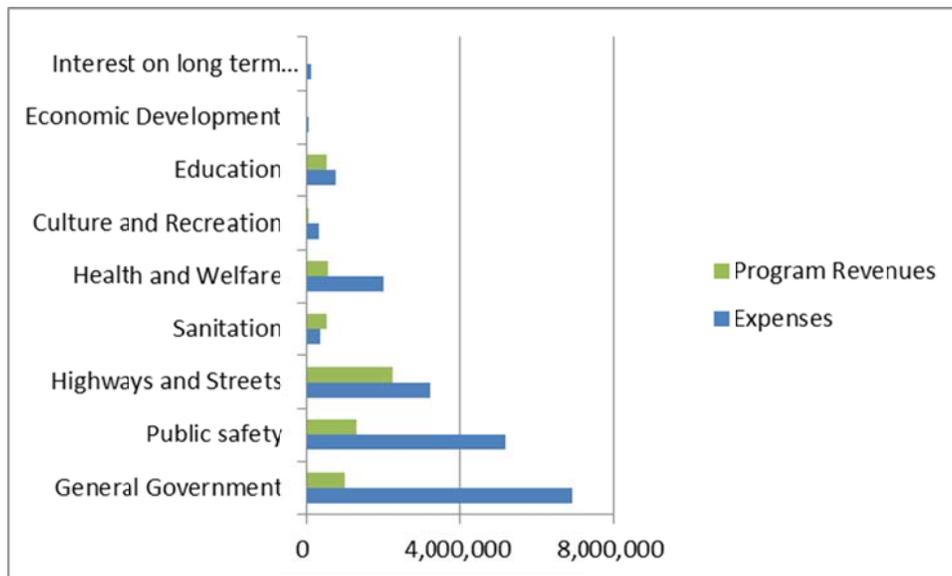
**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

	Year Ended June 30, 2014		Year Ended June 30, 2013	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	\$ 6,884,853	\$ (5,903,832)	\$ 6,359,862	\$ (5,078,806)
Public safety	5,164,846	(3,889,331)	5,232,613	(3,816,285)
Highways and streets	3,177,431	(966,607)	2,292,240	(996,087)
Sanitation	341,682	175,862	408,570	205,782
Health and welfare	1,963,867	(1,395,990)	1,952,165	(1,372,309)
Culture and recreation	330,459	(266,730)	383,928	(260,747)
Education	753,443	(237,982)	784,409	(239,682)
Economic development	46,006	(46,006)	14,481	(14,481)
Interest on long-term debt	120,307	(120,307)	110,762	(110,762)
Total	\$18,782,894	\$(12,650,923)	\$17,539,030	\$(11,683,377)

Expenses and Program Revenues



**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

- The cost of all governmental activities this year was \$18.8 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$6.1 million.
- Net cost of governmental activities of \$12.7 million was financed by general revenues, which are made up primarily of taxes of \$5.6 million, shared state tax revenues of \$5.6 million, and grants and contributions not restricted to specific programs of \$2.0 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

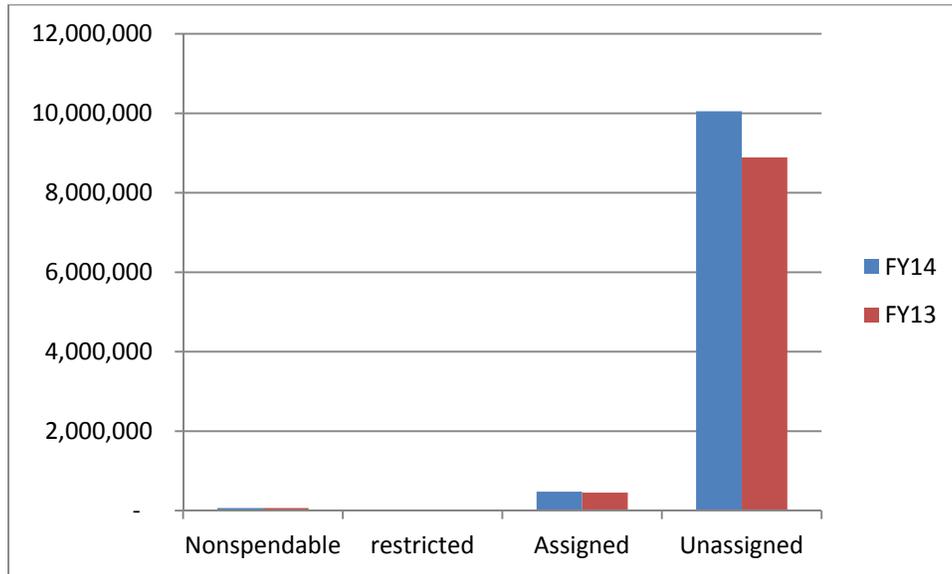
Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure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

At June 30, 2014, the County's governmental funds reported a combined fund balance of \$11.5 million, an increase of \$951,982 in comparison with the prior year. Approximately 82 percent of this amount (\$9.4 million) constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$66,930), 2) restricted for particular purposes (\$873,555), or 3) assigned for particular purposes (\$1,160,878).

**GREENLEE COUNTY, ARIZONA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS (Cont’d)

Components of Fund Balance – General Fund



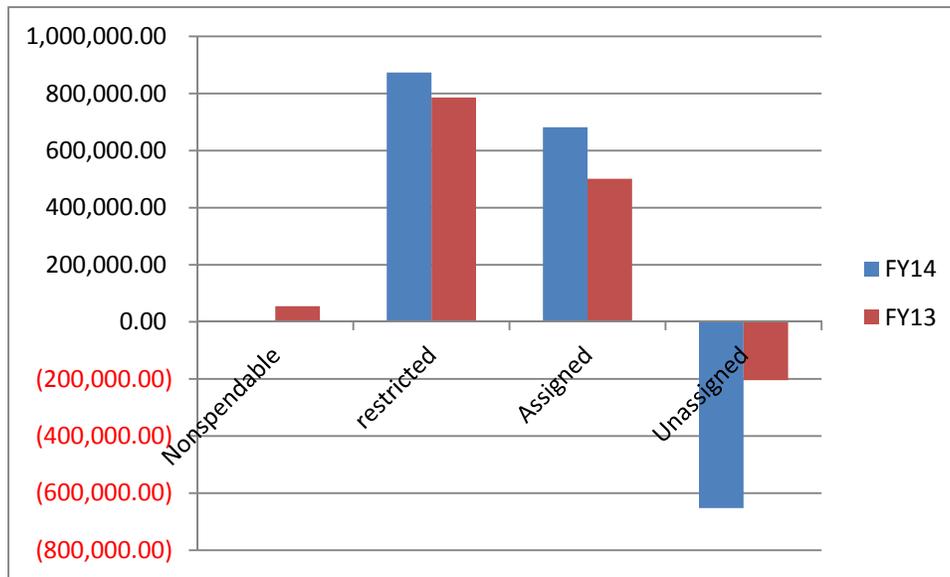
The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10 million, while total fund balance increased to \$10.6 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 85 percent of total General Fund expenditures, while total fund balance represents approximately 84 percent of that same amount.

The fund balance of the County’s General Fund increased \$1.2 million during the current fiscal year. The increase was due to increases in property tax revenues and County sales tax revenues.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Concl'd)

**Components of Fund Balance
Other Governmental Funds**



The HURF Fund, a major fund, had a \$206,599 increase in fund balance during the current fiscal year which put the overall fund balance at \$352,524 as of the fiscal year end. The fund revenues increased by \$64,846, and expenditures decreased \$645,923. The decrease in expenditures can be attributed to significant equipment repair costs incurred in the prior year.

The Health Services Fund, another major fund, had a decrease in fund balance during the current year of \$195,140 to bring the year end fund balance to a negative \$201,040. The Health Services Fund revenues decreased by \$20,992, and expenditures increased \$66,236. The decrease in revenues can be attributed to a decrease in grant funding. The increase in expenditures was primarily the result of the acquisition of an ambulance via a capital lease agreement.

The Flood Disaster Fund, another major fund, had a decrease in fund balance during the current year of \$262,464 to bring the year end fund balance to a negative \$336,014. The Flood disaster revenues increased by \$554,836 and expenditures increased by \$964,745. The increase in both the revenues and expenditures was the result of flooding in the area and the state assistance related to the flood.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Tax revenues exceeded estimates by \$505,941 due primarily to conservative estimates for County sales taxes.
- Intergovernmental revenues exceeded estimates by \$1,301,697 due primarily to conservative estimates for state shared sales taxes.
- Ground and maintenance expenditures were \$218,520 less than budgeted due primarily to anticipated capital expenditures not being incurred.
- General services expenditures were \$106,092 less than budgeted primarily due to anticipated expenditures not being incurred.
- Public safety – probation expenditures were \$348,500 less than budgeted primarily due to anticipated expenditures not being incurred.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's investment in capital assets as of June 30, 2014 amounts to \$9.4 million (net of accumulated depreciation). This investment includes land, buildings, improvements, machinery, equipment, and construction in progress. The total increase in capital assets for the current fiscal year was approximately 1 percent.

The following schedule presents a summary of capital asset balances (net of accumulated depreciation) as of June 30, 2014 and 2013.

	As of <u>June 30, 2014</u>	As of <u>June 30, 2013</u>
Land	\$ 233,654	\$ 233,654
Infrastructure	259,052	
Land improvements	1,878,805	1,972,250
Buildings and improvements	1,458,276	2,014,701
Machinery and equipment	4,681,103	4,523,019
Construction in progress	872,667	550,953
Total	<u>\$ 9,383,557</u>	<u>\$ 9,294,577</u>

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

- Infrastructure which consisted of a road and a spillway in the amount of \$262,266.
- Heavy machinery acquired through lease purchase agreements for a total cost of \$147,447.
- Ambulance acquired through lease purchase agreements for a total cost of \$153,839.
- Vehicles acquired through lease purchase agreements for a total cost of \$205,712.
- Total depreciation expense for the year of \$1.5 million.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

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

Long-term Debt. At the end of the current fiscal year, the County had \$2.1 million in capital lease long-term debt outstanding, \$888,519 due within one year. This represents a net increase of \$21,824 due to the inception of \$934,068 in new leases, and the principal retirement of \$912,244.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2013-14 General Fund budget was 4 percent higher than the previous year, and the total budget exceeded the previous year's budget by 6.9 percent. The County assessed valuation decreased by \$29.1 million. The primary property tax rate increased by \$0.11 while the tax rates for the flood control district increased by \$.02 and public health services increased by \$.02. The County continued to absorb the cost shifts enacted by the legislature without a reduction in services including funding the loss to the HURF Fund due to the shift of allocations in the state shared highway user revenue fund monies. State shared sales/severance tax was above the budgeted amount due to the very strong copper market.

For fiscal year 2014-15, the County adopted a budget that reflects a 8.9 percent increase in the General Fund and a 18.8 percent overall increase primarily due to an increase in capital projects, health care and an increase in wages for all employees. The copper market remains strong, and the \$2.0 billion expansion at the Morenci mine has proceeded as anticipated. This has resulted in a very low unemployment rate throughout the County. The County continues to use conservative revenue projections to ensure a sustainable budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

**GREENLEE COUNTY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 10,320,933
Property taxes receivable	10,112
Accounts receivable	262,141
Due from governmental entities	1,380,654
Prepaid items and other assets	188,863
Total current assets	12,162,703
Noncurrent assets:	
Capital assets, non-depreciable	1,106,321
Capital assets, depreciable (net)	8,277,236
Total noncurrent assets	9,383,557
Total assets	21,546,260
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	244,708
Accrued payroll and employee benefits	405,571
Unearned revenues	4,965
Current portion of long-term obligations	1,228,112
Total current liabilities	1,883,356
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	2,302,506
Total noncurrent liabilities	2,302,506
Total liabilities	4,185,862
<u>NET POSITION</u>	
Net investment in capital assets	7,249,260
Restricted for:	
Information systems	41,297
Judicial activities	544,256
Law enforcement activities	10,010
Jail facilities and operations	93,124
Waste tire program	169,514
Fair and racing program	15,336
Roads and schools	18
Unrestricted	9,237,583
Total net position	\$ 17,360,398

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 6,884,853	\$ 294,666	\$ 686,355		\$ (5,903,832)
Public safety	5,164,846	154,585	1,120,930		(3,889,331)
Highways and streets	3,177,431		2,072,549	138,275	(966,607)
Sanitation	341,682	501,976	15,568		175,862
Health and welfare	1,963,867	8,500	559,377		(1,395,990)
Culture and recreation	330,459	63,729			(266,730)
Education	753,443		515,461		(237,982)
Economic development	46,006				(46,006)
Interest on long-term debt	120,307				(120,307)
Total governmental activities	<u>\$ 18,782,894</u>	<u>\$ 1,023,456</u>	<u>\$ 4,970,240</u>	<u>\$ 138,275</u>	<u>(12,650,923)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	2,465,563
Property taxes, levied for public health services	698,896
Property taxes, levied for flood control	91,750
County sales taxes for general purposes	2,345,102
Other taxes	14,400
Share of state sales tax	5,091,702
Share of state vehicle license tax	499,118
Grants and contributions not restricted to specific programs	2,044,890
Investment earnings	7,659
Miscellaneous	368,769

Total general revenues 13,627,849

Changes in net position 976,926

Net position, beginning of year 16,383,472

Net position, end of year \$ 17,360,398

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

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General</u>	<u>HURF</u>	<u>Health Services</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,806,857	\$ 231,006	\$ 24,972
Property taxes receivable	8,316		1,529
Accounts receivable	160,477	101,664	
Due from governmental entities	642,776	83,564	76,207
Due from other funds	1,402,411		
Prepaid items and other assets	188,863		
Total assets	<u><u>\$ 11,209,700</u></u>	<u><u>\$ 416,234</u></u>	<u><u>\$ 102,708</u></u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 176,971	\$ 15,014	\$ 17,077
Accrued payroll and employee benefits	264,146	48,696	41,814
Due to other funds	165,490		243,425
Unearned revenues			
Total liabilities	<u>606,607</u>	<u>63,710</u>	<u>302,316</u>
Deferred inflows of resources:			
Unavailable revenues - property taxes	<u>6,120</u>		<u>1,432</u>
Fund balances (deficits):			
Nonspendable	66,930		
Restricted			
Assigned	479,097	352,524	
Unassigned	10,050,946		(201,040)
Total fund balances	<u>10,596,973</u>	<u>352,524</u>	<u>(201,040)</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 11,209,700</u></u>	 <u><u>\$ 416,234</u></u>	 <u><u>\$ 102,708</u></u>

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

Flood Disaster	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 1,258,098	\$ 10,320,933
	267	10,112
522,706	55,401	262,141
	22,687	1,380,654
		1,425,098
		188,863
<u>\$ 522,706</u>	<u>\$ 1,336,453</u>	<u>\$ 13,587,801</u>
\$	\$ 35,646	\$ 244,708
	50,915	405,571
858,720	157,463	1,425,098
	4,965	4,965
<u>858,720</u>	<u>248,989</u>	<u>2,080,342</u>
	63	7,615
		66,930
	873,555	873,555
	329,257	1,160,878
(336,014)	(115,411)	9,398,481
<u>(336,014)</u>	<u>1,087,401</u>	<u>11,499,844</u>
<u>\$ 522,706</u>	<u>\$ 1,336,453</u>	<u>\$ 13,587,801</u>

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GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30,2014

Fund balances - total governmental funds		\$11,499,844
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 26,536,192	
Accumulated depreciation	<u>(17,152,635)</u>	9,383,557
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.</p>		
		7,615
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Capital leases payable	(2,134,297)	
Compensated absences payable	(335,933)	
Landfill closure and postclosure care costs payable	<u>(1,060,388)</u>	<u>(3,530,618)</u>
Net position of governmental activities		<u><u>\$17,360,398</u></u>

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>HURF</u>	<u>Health Services</u>
Revenues:			
Taxes	\$ 4,209,092	\$	\$ 701,469
Licenses and permits	3,793		
Intergovernmental	7,987,958	982,217	539,820
Charges for services	504,471		10,784
Fines and forfeits	191,210	110	
Investment income	6,276	211	129
Contributions	1,203,875		
Rents	1,229		
Miscellaneous	260,042	30,841	26,334
Total revenues	<u>14,367,946</u>	<u>1,013,379</u>	<u>1,278,536</u>
Expenditures:			
Current -			
General government	5,667,712		
Public safety	3,248,522		137,028
Highways and streets	7,385	1,812,867	117
Sanitation	299,195		
Health and welfare	326,721		1,603,611
Culture and recreation	78,254		
Education	242,126		
Economic development	45,558		
Capital outlay	1,023,963	491,965	157,644
Debt service -			
Principal retirement	848,459		63,785
Interest and fiscal charges	98,977		21,330
Total expenditures	<u>11,886,872</u>	<u>2,304,832</u>	<u>1,983,515</u>
Excess (deficiency) of revenues over expenditures	<u>2,481,074</u>	<u>(1,291,453)</u>	<u>(704,979)</u>
Other financing sources (uses):			
Transfers in	212,674	1,250,000	356,000
Transfers out	(1,838,956)	(200,000)	
Capital lease agreements	332,177	448,052	153,839
Total other financing sources (uses):	<u>(1,294,105)</u>	<u>1,498,052</u>	<u>509,839</u>
Changes in fund balances	<u>1,186,969</u>	<u>206,599</u>	<u>(195,140)</u>
Fund balances (deficits), beginning of year	9,410,004	145,925	(5,900)
Fund balances (deficits), end of year	<u>\$ 10,596,973</u>	<u>\$ 352,524</u>	<u>\$ (201,040)</u>

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

<u>Flood Disaster</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 108,276	\$ 5,018,837
		3,793
543,199	2,176,402	12,229,596
	217,099	732,354
	792	192,112
6	1,037	7,659
	5	1,203,880
	4,071	5,300
11,658	44,241	373,116
<u>554,863</u>	<u>2,551,923</u>	<u>19,766,647</u>
192	420,098	6,088,002
3,572	1,318,382	4,707,504
698,715	45,234	2,564,318
		299,195
	6,033	1,936,365
	231,376	309,630
	511,951	754,077
		45,558
262,266	75,695	2,011,533
		912,244
		120,307
<u>964,745</u>	<u>2,608,769</u>	<u>19,748,733</u>
<u>(409,882)</u>	<u>(56,846)</u>	<u>17,914</u>
147,418	458,515	2,424,607
	(385,651)	(2,424,607)
		934,068
<u>147,418</u>	<u>72,864</u>	<u>934,068</u>
<u>(262,464)</u>	<u>16,018</u>	<u>951,982</u>
(73,550)	1,071,383	10,547,862
<u>\$ (336,014)</u>	<u>\$ 1,087,401</u>	<u>\$ 11,499,844</u>

GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds \$951,982

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

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

Expenditures for capitalized assets	\$ 1,584,233	
Current year depreciation	<u>(1,495,253)</u>	88,980

Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities.	(6,827)
--	---------

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt issued or incurred	(934,068)	
Principal repaid	<u>912,244</u>	(21,824)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences	(218)	
Increase in landfill closure and postclosure care costs	<u>(35,167)</u>	<u>(35,385)</u>

Change in net position in governmental activities \$ 976,926

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014**

	Investment Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,172,825	\$ 8,972
Total assets	5,172,825	8,972
<u>LIABILITIES</u>		
Deposits held for others		\$ 8,972
Total liabilities		\$ 8,972
<u>NET POSITION</u>		
Held in trust	\$ 5,172,825	

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2014**

	<u>Investment Trust</u>
Additions:	
Investment income	\$ 5,046
Contributions from participants	18,546,231
Total additions	<u>18,551,277</u>
Deductions:	
Distributions to participants	19,098,919
Total deductions	<u>19,098,919</u>
Changes in net position	<u>(547,642)</u>
Net position, beginning of year	5,720,467
Net position, end of year	<u>\$ 5,172,825</u>

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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).

During the year ended June 30, 2014, the County implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, certain other items that were previously reported as assets and liabilities as revenues and expenses.

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

A. Reporting Entity

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

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

The following table describes the County’s component units:

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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:

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

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

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Revenue Fund and other assigned revenue sources for maintenance and construction of roadways.
- The *Health Services Fund* accounts for the activity of the Greenlee County Public Health Services District, including the receipt and expenditure of property taxes, public health grants, environmental safety programs, home health programs, inmate health care, animal control, and ambulance services.
- The *Flood Disaster Fund* accounts for the receipt and expenditure of the state and federal assistance for maintenance and construction of roadways after flood disasters.

The County also reports the following fiduciary fund types:

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

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

C. Basis of Accounting

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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

E. Inventories

Inventories of the governmental funds and governmental activities consist of expendable supplies held for consumption and are recorded as expenditures or expenses at the time of purchase; and because the amounts on hand at June 30, 2014 were immaterial, they are not included on the balance sheet or the statement of net position.

F. Prepaid Items

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Property Tax Calendar

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

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

H. Capital Assets

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

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

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

I. Fund Balance Classifications

The governmental fund's fund balances are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications. The Board of Supervisors may commit fund balance for specific purposes by a formal action by resolution.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

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

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

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

J. Investment Earnings

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

K. Compensated Absences

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

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

Accordingly, vacation benefits and compensatory time are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year end.

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

L. Estimates

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

M. Deferred Inflows of Resources

The balance sheet includes a separate section for deferred inflows of resources that represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances – At June 30, 2014, the following non-major and major funds reported deficits in fund balance:

<u>Fund</u>	<u>Deficit</u>
Non-Major Governmental Funds:	
State Crime Victim Compensation	\$ 1,521
Casa Special Advocate Program	6,143
ACJC-State Victim Assistance	10,641
Sheriff's ACJC Drug Grant	17,865
SCAAP Program	500
Spay/Neuter	20
Stone Garden	4,217
Greenlee Graham Field Trainer	7,646
Fair Fund	39,204
WFHF Grant	8,842
Homeland Security SACNET	691
Drug enforcement	1,038
JTSF	328
State AID Enhancement	5,435
Diversion Consequences	364
Juvenile Standard Probation	2,612
Adult Int Probation Supervision	8,344
Major Funds:	
Health Services	201,040
Flood Disaster	336,014

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

Expenditures in Excess of Appropriations – For the fiscal year ended June 30, 2014, expenditures exceeded final budget amounts in the general fund at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Excess</u>
Board of Supervisors	\$ 18,067
Fleet	27,840
Public Fiduciary	6,912
Emergency Services	80,694
County Administration	7,869
Superior Court	1,789
Justice of the Peace #2	2,366
Fund	
HURF	\$ 324,832
Health Services	114,319
Flood Disaster	964,745

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Concl'd)

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Credit Risk

Statutes have the following requirements for credit risk:

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

Custodial Credit Risk

Statutes require collateral for deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

Concentration of Credit Risk

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 – DEPOSITS AND INVESTMENTS (Concl'd)

Interest Rate Risk

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

Foreign Currency Risk

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

Deposits – At June 30, 2014, the carrying amount of the County’s deposits was \$15,488,249 and the bank balance was \$16,281,458. The County does not have a formal policy regarding custodial credit risk.

At June 30, 2014, the County’s bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the pledging financial institution’s trust department or agent but not in the County’s name	<u>\$15,704,856</u>
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A reconciliation of cash and deposits to amounts shown on the Statements of Net Position follows.

<u>Cash and deposits</u>	
Cash on hand	\$ 14,481
Amount of deposits	<u>15,488,249</u>
Total	<u>\$15,502,730</u>
 <u>Statements of Net Position</u>	
Government activities	\$10,320,933
Investment Trust Fund	5,172,825
Agency Funds	<u>8,972</u>
Total	<u>\$15,502,730</u>

NOTE 4 – RECEIVABLES

Amounts due from other governments at June 30, 2014, as reported in the Statement of Net Position, include \$77,229 in Highway User Revenues, \$17,692 in state shared auto lieu taxes, \$175,425 in County sales tax, \$397,060 in state shared sales tax, \$522,706 in disaster assistance and \$190,542 in grants and assistance.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows.

<u>Governmental Activities</u>	<u>Balance July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress	<u>550,953</u>	<u>676,995</u>	<u>(355,281)</u>	<u>872,667</u>
Total capital assets not being depreciated	<u>784,607</u>	<u>676,995</u>	<u>(355,281)</u>	<u>1,106,321</u>
Capital assets being depreciated:				
Land improvements	5,161,193	184,991		5,346,184
Infrastructure		262,266		262,266
Buildings and improvements	8,314,095		(269,657)	8,044,438
Machinery and equipment	<u>10,692,064</u>	<u>1,084,919</u>		<u>11,776,983</u>
Total	<u>24,167,352</u>	<u>1,532,176</u>	<u>(269,657)</u>	<u>25,429,871</u>
Less accumulated depreciation for:				
Land improvements	(3,188,943)	(278,436)		(3,467,379)
Infrastructure		(3,214)		(3,214)
Buildings and improvements	(6,299,394)	(286,768)		(6,586,162)
Machinery and equipment	<u>(6,169,045)</u>	<u>(926,835)</u>		<u>(7,095,880)</u>
Total	<u>(15,657,382)</u>	<u>(1,495,253)</u>		<u>(17,152,635)</u>
Total capital assets being depreciated, net	<u>8,509,970</u>	<u>36,923</u>	<u>(269,657)</u>	<u>8,277,236</u>
Governmental activities capital assets, net	<u>\$ 9,294,577</u>	<u>\$ 713,918</u>	<u>\$ (624,938)</u>	<u>\$ 9,383,557</u>

Depreciation expense was charged to functions as follows.

Governmental activities:	
General government	\$ 527,947
Public safety	358,820
Highways and streets	550,083
Sanitation	13,309
Health and welfare	23,648
Culture and recreation	20,998
Economic development	448
Total governmental activities depreciation expense	<u>\$1,495,253</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6 – LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank to cover cash flow needs. This line of credit has a \$1,800,000 limit with interest payable at the same time as principal, which is contingent on the County’s receipt of “nonrestricted operating revenues” as defined by A.R.S. §11-604.01. The credit line is secured by “nonrestricted operating revenues” received by the County Treasurer. Any unpaid principal and interest became due on the maturity date of June 30, 2014. The interest rate is at a rate per annum equal to sixty percent of the bank’s prime rate provided that in no event shall the interest rate exceed ten percent per annum. The schedule presented below is a summation of the activity related to the line of credit during the fiscal year ended June 30, 2014.

	<u>Beginning Balance</u>	<u>Drawdowns</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Interest Payments</u>
Governmental activities	\$	\$ 330,464	\$ 330,464	\$	\$ 538
Investment Trust Fund		2,255,747	2,255,747		3,684
Total	<u>\$</u>	<u>\$ 2,586,211</u>	<u>\$ 2,586,211</u>	<u>\$</u>	<u>\$ 4,222</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, 2014.

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ 2,112,473	\$ 934,068	\$ 912,244	\$ 2,134,297	\$ 888,519
Compensated absences payable	335,715	380,351	380,133	335,933	335,933
Landfill closure and postclosure care costs payable	<u>1,025,221</u>	<u>39,178</u>	<u>4,011</u>	<u>1,060,388</u>	<u>3,660</u>
Total governmental activities long-term liabilities	<u>\$ 3,473,409</u>	<u>\$ 1,353,597</u>	<u>\$ 1,296,388</u>	<u>\$ 3,530,618</u>	<u>\$ 1,228,112</u>

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7 – LONG-TERM LIABILITIES (Cont'd)

The assets acquired through capital leases are as follows.

	Governmental Activities
Asset:	
Buildings and improvements	\$ 28,073
Machinery and equipment	5,223,133
Less: accumulated depreciation	(1,594,829)
Carrying value	\$ 3,656,377

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2014:

	Governmental Activities
Year Ending June 30:	
2015	\$ 907,042
2016	547,336
2017	437,764
2018	339,406
2019	30,080
Total minimum lease payments	2,261,628
Less: amount representing interest	(127,331)
Present value of net minimum lease payments	\$ 2,134,297

The \$2,134,297 present value of net minimum lease payments above does not include \$214,841 of authorized lease proceeds not drawn down by the County for capital needs as of June 30, 2014. Capital lease debt service payments are paid out of the General, Health Service and HURF Funds.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 – LONG-TERM LIABILITIES (Concl'd)

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,060,388 reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of the estimated capacity of the landfills less expenditures already paid as follows:

Landfill	Estimated Capacity Used to Date
Blue	100%
Loma Linda	78%
Loma Linda Construction and Demolition	50%

The County will recognize the remaining estimated cost of closure and post closure care of \$500,898 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 2014. The County expects to close the Loma Linda Landfill in the year 2025 and the Loma Linda Construction and Demolition Landfill in the year 2025, and the actual costs may be higher because of inflation, changes in technology, or changes in regulations. The estimated remaining service life for each is 10 years. The Blue Landfill was closed in March 2006.

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

Compensated Absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2014, the County paid for compensated absences as follows: 54 percent from the General Fund, 25 percent from major funds, and 21 percent from other funds.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 8 – FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2014, were as follows:

	General Fund	HURF Fund	Health Services Fund	Flood Disaster Fund	Non-Major Governmental Funds	Total
Fund balances (deficits):						
Nonspendable:						
Prepaid items	\$ 66,930	\$	\$	\$	\$	\$ 66,930
Total nonspendable	<u>66,930</u>					<u>66,930</u>
Restricted for:						
Information systems					41,297	41,297
Judicial activities					544,256	544,256
Law enforcement					10,010	10,010
Jail facilities and operations					93,124	93,124
Waste tire program					169,514	169,514
Fair and racing program					15,336	15,336
Roads and schools					18	18
Total restricted					<u>873,555</u>	<u>873,555</u>
Assigned to:						
Information systems					8,052	8,052
Judicial activities	137,442				141,792	279,234
Law enforcement	3,397				2,339	5,736
Jail facilities and operations					652	652
Elections programs					2,331	2,331
Public health services	125				88,918	89,043
Landfill closure/ development	327,333					327,333
Highways and streets		352,524				352,524
Wellness program	10,800					10,800
Airport improvements					24,770	24,770
Flood control					47,530	47,530
Waste tire program					12,524	12,524
Environmental programs					349	349
Total assigned	<u>479,097</u>	<u>352,524</u>			<u>329,257</u>	<u>1,160,878</u>
Unassigned	<u>10,050,946</u>		<u>(201,040)</u>	<u>(336,014)</u>	<u>(115,411)</u>	<u>9,398,481</u>
Total fund balances (deficits)	<u>\$ 10,596,973</u>	<u>\$ 352,524</u>	<u>\$ (201,040)</u>	<u>\$ (336,014)</u>	<u>\$ 1,087,401</u>	<u>\$ 11,499,844</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 – RISK MANAGEMENT

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$7,500 per occurrence for property claims and \$1,500 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as the law requires, and risk management services. The County is responsible for paying a premium, based on an experience-rating formula that allocates pool expenditures and liabilities among the members.

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

The Arizona Counties Property and Casualty Pool, the Arizona Local Government Employee Benefit Trust and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every five years. All pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

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, 2014

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – The County contributes to four pension and postemployment benefit plans, three of which are described below. The Corrections Officer Retirement Plan account for Attorneys are not described due to their relative insignificance to the County’s financial statements. The plans are component units of the State of Arizona, state statute establishes benefits and the plans generally provide retirement, long-term disability, and health insurance premium benefit, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month towards the retiree’s healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System (PSPRS)* administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a seven-member board, known as the Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan (EORP)* administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities who were plan members on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report is available on their Web site or may be obtained by writing or calling the applicable plan.

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910 (602) 255-5575
(602) 240-2000 or (800) 621-3778
www.azasrs.gov

PSPRS and EORP

3010 E. Camelback Rd., Suite 200
Phoenix, AZ 85016-4416
www.psprs.com

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the County’s contribution rates for the ASRS, PSPRS, and EORP.

Cost-Sharing Plans – For the year ended June 30, 2014, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and .24 percent for long-term disability) of the members’ annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members’ annual covered payroll.

Statute required active EORP members to contribute 13.00 percent of the members’ annual covered payroll; and the County was required by statute to remit a designated portion of certain court fees plus additional contributions. Through December 31, 2013, the additional contributions were at the rate of 25.94 percent as required by statute. Beginning January 1, 2014, the additional contributions were at the statutory rate of 23.5 percent. Both rates include the actuarially set rate of 1.56 percent for the plan’s health insurance premium benefit.

The County’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
ASRS:			
2014	\$ 482,256	\$ 27,042	\$ 10,817
2013	458,138	29,053	10,727
2012	410,652	26,212	10,162
		<u>Health Insurance Premium Benefit</u>	
Year ending June 30:			
EORP:			
2014	\$ 197,242	\$ 12,736	
2013	171,511	16,192	
2012	154,164	17,066	

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont’d)

Agent Plan – For the year ended June 30, 2014, statute required active PSPRS members to contribute 10.35 percent of the members’ annual covered payroll, and the County was required to contribute 18.75 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.25 percent of covered payroll.

Actuarial Methods and Assumptions – The contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plan as the County and plan’s members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plan’s members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2014 contribution requirements, are as follows.

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.0% - 9.0%
includes inflation at	5.0%

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Annual Pension/OPEB Cost – The County’s pension/OPEB cost for the agent plan for the year ended June 30, 2014, and related information follows.

	PSPRS	
	Pension	Health Insurance Premium Benefit
Annual pension/OPEB cost	\$ 158,698	\$ 11,028
Contributions made	158,698	11,028

Trend Information – Annual pension and OPEB cost information for the current and two preceding years follows for the agent plan.

Plan	Year Ended June 30	Annual Pension/ OPEB COST	Percentage of Annual Cost Contributed	Net Pension/ OPEB_Obligation
PSPRS				
Pension	2014	\$158,698	100%	\$ 0
Health insurance premium benefit	2014	11,028	100	0
Pension	2013	112,273	100	0
Health insurance premium benefit	2013	10,442	100	0
Pension	2012	90,580	100	0
Health insurance premium benefit	2012	10,734	100	0

Funded Status – The funded status of the plan as of June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS	
	Pension	Health Insurance Premium Benefit
Actuarial value of assets (a)	\$ 3,281,773	\$ 224,063
Actuarial accrued liability (b)	4,982,058	111,785
Unfunded actuarial accrued liability (funding excess) (b) – (a)	1,700,285	(112,278)
Funded ratio (a)/(b)	65.9%	200.4%
Annual covered payroll (c)	936,659	936,659
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a)/(c)	181.5%	(12.0%)

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

The actuarial methods and assumptions used for June 30, 2014, are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0% - 8.0%
includes inflation at	4.0%

NOTE 11 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2014 were as follows.

Payable from	Payable to		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ 165,490	\$	\$ 165,490
Health Services Fund	243,425		243,425
Flood Disaster Fund	858,720		858,720
Non-Major Governmental Funds	134,776	22,687	157,463
Total	<u>\$1,402,411</u>	<u>\$ 22,687</u>	<u>\$ 1,425,098</u>

The majority of interfund balances were loans from the General Fund to other funds throughout the fiscal year. All interfund balances are expected to be repaid within one year.

Interfund transfers – Interfund transfers for the year ended June 30, 2014 were as follows.

Transfer from	Transfer to					Total
	General Fund	HURF Fund	Health Services Fund	Flood Disaster Fund	Non-Major Governmental Funds	
General Fund	\$	\$ 900,000	\$ 356,000	\$ 147,418	\$ 435,538	\$ 1,838,956
HURF	200,000					200,000
Non-Major Governmental Funds	12,674	350,000			22,977	385,651
Total	<u>\$ 212,674</u>	<u>\$ 1,250,000</u>	<u>\$ 356,000</u>	<u>\$ 147,418</u>	<u>\$ 458,515</u>	<u>\$ 2,424,607</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 11 – INTERFUND BALANCES AND ACTIVITY (Concl'd)

The majority of interfund transfers result from interfund billing for services, products, or shared expenses. The General Fund also makes transfers to other funds to provide support for such items as matching funds for grants or to make up the shortfall of grant-funded programs that the County deems important.

NOTE 12 – COUNTY TREASURER’S INVESTMENT POOL

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

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 \$195,958 of deposits. Therefore, the deposit risks of the Treasurer’s investment pool are substantially the same as the County’s deposit risks. See Note 3 for disclosure of the County’s deposit risks.

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

Statement of Net Position	
Assets	\$ 15,311,213
Liabilities	
Net position	\$ 15,311,213
Net position held in trust for:	
Internal participants	\$ 10,138,388
External participants	5,172,825
Total net position held in trust	\$ 15,311,213
Statement of Changes in Net Position	
Total additions	\$ 37,737,863
Total deductions	37,866,582
Net decrease	(128,719)
Net position held in trust:	
July 1, 2013	15,439,932
June 30, 2014	\$ 15,311,213

OTHER REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2014

	Original & Final Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 3,703,151	\$ 4,209,092	\$ 505,941
Licenses and permits	4,000	3,793	(207)
Intergovernmental	6,684,976	7,986,673	1,301,697
Charges for services	121,000	95,024	(25,976)
Fines and forfeits	86,000	191,160	105,160
Investment income	10,005	5,260	(4,745)
Contributions	1,200,000	1,201,600	1,600
Rents		1,229	1,229
Miscellaneous	130,000	164,553	34,553
Total revenues	11,939,132	13,858,384	1,919,252
Expenditures:			
General government			
Board of supervisors	407,188	425,255	(18,067)
Airport	16,950	5,225	11,725
Assessor	350,300	333,065	17,235
Attorney	514,734	458,664	56,070
Constable no. 1	29,958	27,731	2,227
Constable no. 2	25,283	21,877	3,406
Contingency	100,000		100,000
County administration	380,191	388,060	(7,869)
Data processing	493,867	382,056	111,811
Elections	56,975	55,733	1,242
Fleet	249,508	277,348	(27,840)
General services	1,328,087	1,221,995	106,092
Ground and maintenance	596,665	378,145	218,520
Justice of the peace no. 1	207,822	161,803	46,019
Justice of the peace no. 2	177,422	179,788	(2,366)
Planning and zoning	61,500	3,557	57,943
Public fiduciary	52,233	59,145	(6,912)
Recorder	212,261	211,000	1,261
Superior court	817,240	819,029	(1,789)
Treasurer	210,984	209,098	1,886
Voter registration	17,000	11,185	5,815
Total general government	6,306,168	5,629,759	676,409
Public safety			
Emergency services	96,726	177,420	(80,694)
Probation	348,500		348,500
Sheriff	3,057,886	3,057,095	791
Total public safety	3,503,112	3,234,515	268,597

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2014
(Concluded)

	<u>Original & Final Budgeted Amounts</u>	<u>Non-GAAP Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Health and welfare - AHCCCS/ALTCS payments	346,500	327,786	18,714
Culture and recreation			
County library	30,714	29,207	1,507
Parks and recreation	87,829	48,729	39,100
Total culture and recreation	<u>118,543</u>	<u>77,936</u>	<u>40,607</u>
Education			
School superintendent	223,211	219,975	3,236
U of A extension services	22,307	22,307	
Total education	<u>245,518</u>	<u>242,282</u>	<u>3,236</u>
Economic development	100,000	45,558	54,442
Capital outlay		220,691	(220,691)
Total expenditures	<u>10,619,841</u>	<u>9,778,527</u>	<u>841,314</u>
Excess (deficiency) of revenues over expenditures	<u>1,319,291</u>	<u>4,079,857</u>	<u>2,760,566</u>
Other financing sources (uses):			
Transfers in	325,301	206,288	(119,013)
Transfers out	(3,508,405)	(3,884,779)	(376,374)
Proceeds from sale of capital assets	10,000		(10,000)
Total other financing sources (uses):	<u>(3,173,104)</u>	<u>(3,678,491)</u>	<u>(505,387)</u>
Changes in fund balances	<u>(1,853,813)</u>	<u>401,366</u>	<u>2,255,179</u>
Fund balances, beginning of year	3,802,990	8,295,778	4,492,788
Fund balances (deficits), end of year	<u>\$ 1,949,177</u>	<u>\$ 8,697,144</u>	<u>\$ 6,747,967</u>

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HURF
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 880,000	\$ 982,217	\$ 102,217
Fines and forfeits		110	110
Investment income		211	211
Miscellaneous		30,841	30,841
Total revenues	<u>880,000</u>	<u>1,013,379</u>	<u>133,379</u>
Expenditures:			
Current -			
Highways and streets	1,548,248	1,812,867	(264,619)
Capital outlay	431,752	491,965	(60,213)
Total expenditures	<u>1,980,000</u>	<u>2,304,832</u>	<u>(324,832)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,100,000)</u>	<u>(1,291,453)</u>	<u>(191,453)</u>
Other financing sources (uses):			
Transfers in	1,000,000	1,250,000	250,000
Transfers out		(200,000)	(200,000)
Capital lease agreements		448,052	448,052
Total other financing sources (uses):	<u>1,000,000</u>	<u>1,498,052</u>	<u>498,052</u>
Changes in fund balances	<u>(100,000)</u>	<u>206,599</u>	<u>306,599</u>
Fund balances, beginning of year		145,925	145,925
Fund balances (deficits), end of year	<u>\$ (100,000)</u>	<u>\$ 352,524</u>	<u>\$ 452,524</u>

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HEALTH SERVICES
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	\$ 699,728	\$ 701,469	\$ 1,741
Intergovernmental	476,348	539,820	63,472
Charges for services	11,080	10,784	(296)
Investment income		129	129
Miscellaneous	185,122	26,334	(158,788)
Total revenues	<u>1,372,278</u>	<u>1,278,536</u>	<u>(93,742)</u>
Expenditures:			
Current -			
Public safety	145,115	137,028	8,087
Highways and streets	124	117	7
Health and welfare	1,547,584	1,603,611	(56,027)
Capital outlay	176,373	157,644	18,729
Debt service -			
Principal retirement		63,785	(63,785)
Interest and fiscal charges		21,330	(21,330)
Total expenditures	<u>1,869,196</u>	<u>1,983,515</u>	<u>(114,319)</u>
Excess (deficiency) of revenues over expenditures	<u>(496,918)</u>	<u>(704,979)</u>	<u>(208,061)</u>
Other financing sources (uses):			
Transfers in	356,000	356,000	
Capital lease agreements		153,839	153,839
Total other financing sources (uses):	<u>356,000</u>	<u>509,839</u>	<u>153,839</u>
Changes in fund balances	<u>(140,918)</u>	<u>(195,140)</u>	<u>(54,222)</u>
Fund balances (deficits), beginning of year		(5,900)	(5,900)
Fund balances (deficits), end of year	<u>\$ (140,918)</u>	<u>\$ (201,040)</u>	<u>\$ (60,122)</u>

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FLOOD DISASTER
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$	\$ 543,199	\$ 543,199
Investment income		6	6
Miscellaneous		11,658	11,658
Total revenues		<u>554,863</u>	<u>554,863</u>
Expenditures:			
Current -			
General government		192	(192)
Public safety		3,572	(3,572)
Highways and streets		698,715	(698,715)
Capital outlay		262,266	(262,266)
Total expenditures		<u>964,745</u>	<u>(964,745)</u>
Excess (deficiency) of revenues over expenditures		<u>(409,882)</u>	<u>(409,882)</u>
Other financing sources (uses):			
Transfers in		147,418	147,418
Total other financing sources (uses):		<u>147,418</u>	<u>147,418</u>
Changes in fund balances		<u>(262,464)</u>	<u>(262,464)</u>
Fund balances (deficits), beginning of year		(73,550)	(73,550)
Fund balances (deficits), end of year	<u>\$</u>	<u>(336,014)</u>	<u>\$ (336,014)</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
JUNE 30, 2014**

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

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

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
JUNE 30, 2014**

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING (Concl'd)

The following schedule reconciles the total revenues, total expenditures, total other financing sources (uses), and fund balances as of July 1, 2013 and June 30, 2014 from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedule for the General Fund:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Fund Balances, July 1, 2013</u>	<u>Fund Balances, June 30, 2014</u>
<u>General Fund</u>					
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 14,367,946	\$ 11,886,872	\$ (1,294,105)	\$ 9,410,004	\$ 10,596,973
Present value of net minimum capital lease payments		(332,177)	(332,177)		
Activity budgeted as special revenue funds	(509,562)	(1,776,168)	(2,052,209)	(1,114,226)	(1,899,829)
Budgetary comparison schedule	<u>\$ 13,858,384</u>	<u>\$ 9,778,527</u>	<u>\$ (3,678,491)</u>	<u>\$ 8,295,778</u>	<u>\$ 8,697,144</u>

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE – BUDGET AND ACTUAL
 JUNE 30, 2014**

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2014, expenditures exceeded final budget amounts at the department level for the General Fund and at the fund level for all other funds as follows.

<u>Department</u>	<u>Excess</u>
Board of Supervisors	\$ 18,067
Fleet	27,840
Public Fiduciary	6,912
Emergency Services	80,694
County Administration	7,869
Superior Court	1,789
Justice of the Peace #2	2,366
<u>Fund</u>	
HURF	\$ 324,832
Health Services	114,319
Flood Disaster	964,745

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

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2014**

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b)-(a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b)-(a)/(c)
Pension						
6/30/14	\$3,281,773	\$4,982,058	\$ 1,700,285	65.9%	\$936,659	181.5%
6/30/13	3,285,266	4,023,007	737,741	81.7%	\$764,569	96.5%
6/30/12	3,112,726	3,790,393	677,667	82.1%	702,098	96.5%
Health Insurance Premium Benefit						
6/30/14	\$ 224,063	\$ 111,785	\$ (112,278)	200.4%	\$936,659	(12%)
6/30/13	-0-	110,681	110,681	0.0%	764,569	14.5%
6/30/12	-0-	103,531	103,531	0.0%	702,098	14.7%