

Greenlee County, Arizona

Annual Financial Report

June 30, 2018

Greenlee County, Arizona
ANNUAL FINANCIAL REPORT
Year ended June 30, 2018

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Independent Auditors' Report

The Auditor General of the State of Arizona

Honorable 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 the aggregate remaining fund information of Greenlee County, Arizona ("County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of the County as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Empahsis of Matter

As discussed in note 1 to the financial statements, for the year ended June 30, 2018, the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 7 through 18, the Budgetary Comparison Schedules on pages 66 through 69, Schedule of the County's Proportionate Share of the Net Pension/OPEB Liability—Cost-Sharing Plans on pages 70 through 71, Schedule of County Pension/OPEB Contributions – All Plans on pages 72 through 73, Schedule of Changes in the County's Net Pension/OPEB Liability and Related Ratios—Public Safety Personnel Retirement System on pages 74 through 75, and Notes to Required Supplementary Information on pages 76 through 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Walker & Armstrong, LLP

Phoenix, Arizona
March 28, 2019

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

Greenlee County, Arizona

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2018

As management of Greenlee County, Arizona (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended 2018. Please read it in conjunction with the County's basic financial statements, which begin on page 21.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the County exceeded its liabilities and deferred outflows at the close of the most recent fiscal year by \$0.4 million (*net position*).
- The County's total net position decreased \$1,240,710, which represents a 38 percent increase from the prior fiscal year decrease in net position, primarily due to increased pension expenses over the prior year charged to general government and public safety.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$14.4 million, an increase of \$28,185 in comparison with the prior year. Approximately 72 percent of this amount (\$10.4 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 \$11.1 million, or approximately 71 percent of total General Fund expenditures.
- The County's total outstanding long-term debt increased by \$3.3 million during the current fiscal year primarily due to an increase in the liability for pensions.
- The 2018 beginning net position was restated on the financial statements for the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for government-wide financial statements.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

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

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

The government-wide financial statements can be found on pages 21 and 22 of this report.

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

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

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

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2018

OVERVIEW OF FINANCIAL STATEMENTS - Continued

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

The basic governmental fund financial statements can be found on pages 23 through 26 of this report.

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

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

The fiduciary fund financial statements can be found on pages 27 and 28 of this report.

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

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

Greenlee County, Arizona
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position - As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$0.4 million at the close of the most recent fiscal year.

The following table presents a summary of the County’s net position for the fiscal years ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 14,936,115	\$ 15,000,843
Capital assets, net	<u>10,844,822</u>	<u>7,906,922</u>
Total assets, net	<u>25,780,937</u>	<u>22,907,765</u>
Deferred outflows of resources	<u>3,711,090</u>	<u>5,022,091</u>
Long-term liabilities outstanding	27,554,314	24,242,515
Other liabilities	<u>533,982</u>	<u>626,132</u>
Total liabilities	<u>28,088,296</u>	<u>24,868,647</u>
Deferred inflows of resources	<u>1,033,173</u>	<u>1,692,863</u>
Net investment in capital assets	9,905,574	6,692,055
Restricted	2,224,939	1,284,054
Unrestricted (deficit)	<u>(11,759,955)</u>	<u>(6,607,763)</u>
Total net position	<u>\$ 370,558</u>	<u>\$ 1,368,346</u>

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

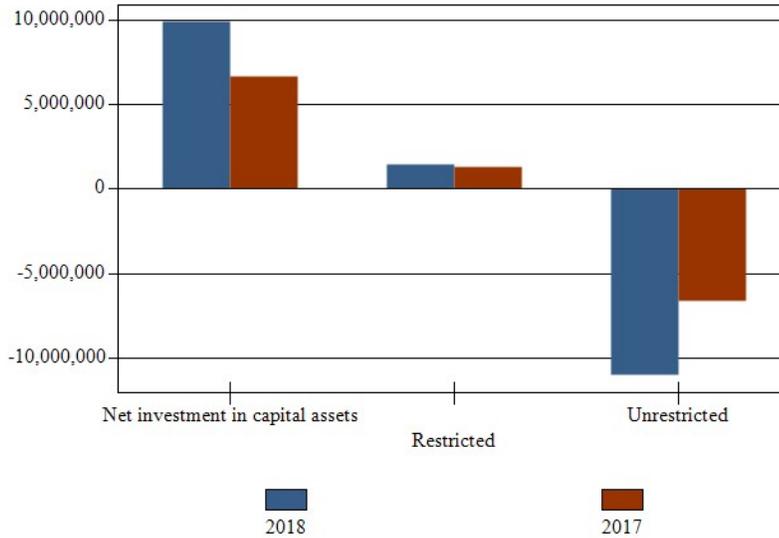
An additional portion of the County’s net position represents resources that are subject to external restrictions on how they may be used. These resources are restricted for the following purposes: information systems, judicial activities, law enforcement activities, jail facilities and operations, waste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

At the end of the current fiscal year the County reported positive balances in two categories of net position. Unrestricted net position, which is normally used to meet the County’s mission reported a deficit of \$11.0 million. The deficit is due to the reporting of pension liabilities in the financial statements. The same situation held true for the prior fiscal year.

Greenlee County, Arizona
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Net Position - Comparison
June 30, 2018 and 2017



During the current fiscal year, net position decreased \$1.2 million from the prior fiscal year for an ending balance of \$0.4 million.

The County’s financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant transactions that have had an impact on the Statement of Net Position for the fiscal year ended June 30, 2018:

- The principal retirement of \$771,469 of capital leases.
- The inception of \$495,850 of capital leases.
- The addition of \$3.6 million of pension liabilities.

Greenlee County, Arizona

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Changes in net position - The County's total revenues for the fiscal year ended June 30, 2018 were \$23.2 million. The total cost of all programs and services was \$24.4 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Statement of Activities - Governmental Activities

	Year Ended June 30,	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 809,461	\$ 840,184
Operating grants and contributions	5,612,625	4,757,689
Capital grants and contributions	1,155,795	
General revenues:		
Property taxes	4,068,774	3,831,962
County sales taxes for general purposes	1,331,143	984,583
Other taxes	14,400	14,832
Share of state sales taxes	6,311,813	5,568,109
Share of state vehicle license tax	397,779	364,997
Grants and contributions not restricted to specific programs	3,142,898	2,750,973
Other	<u>327,274</u>	<u>380,251</u>
Total revenues	<u>23,171,962</u>	<u>19,493,580</u>
Expenses:		
General government	11,905,954	9,877,235
Public safety	6,132,831	5,620,108
Highways and streets	2,296,538	2,305,515
Sanitation	420,149	341,405
Health and welfare	2,088,644	2,232,707
Culture and recreation	435,718	415,461
Education	975,315	532,537
Economic development	119,125	124,228
Interest on long-term debt	<u>38,398</u>	<u>43,979</u>
Total expenses	<u>24,412,672</u>	<u>21,493,175</u>
Change in net position	(1,240,710)	(1,999,595)
Net position, beginning, restated	<u>1,611,268</u>	<u>3,367,941</u>
Net position, ending	<u>\$ 370,558</u>	<u>\$ 1,368,346</u>

Greenlee County, Arizona

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

The following are significant transactions that have had an impact on the change in net position during the fiscal year ended June 30, 2018.

- Operating grants and contributions increased \$854,936 primarily due to increase in National Forest fees.
- Capital grants and contributions of \$1,155,795 was due to capital contribution received from the Arizona Department of Transportation.
- Property taxes increased by \$236,812 due to increase in the overall property tax levy.
- County sales taxes for general purposes increased by \$346,560 due to increased mining operations in the County.
- State shared sales tax increased by \$743,704 due to an increase in the price of copper.
- Grants and contributions not restricted for specific programs increased \$391,925 primarily due to an increase in Payment In Lieu of Taxes from federal government.
- General government expenses increased \$2.0 million primarily due to increased pension expenses.
- The increase of \$0.5 million in the public safety expenditures was a result of the first full year for the new sheriff, an increase in the number of personnel, an increase in the pension contribution for certified personnel, and a significant healthcare premium increase.
- The increase of \$442,778 in the education was mainly due to increased federal funding available.

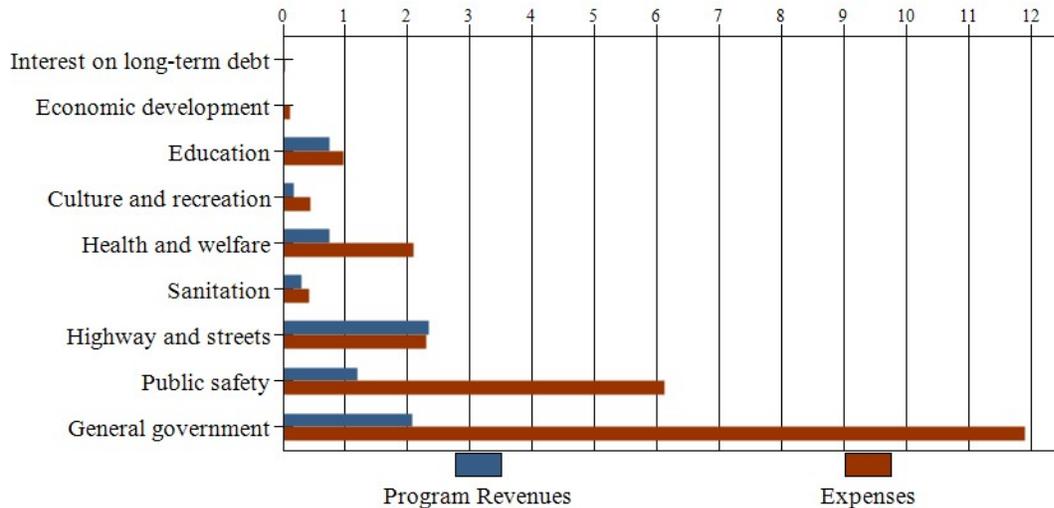
The following table presents the cost of the County’s major functional activities. The table also shows each function’s net cost (total cost less charges for services generated by the activities and intergovernmental aid and contributions provided for specific programs). The net cost shows the financial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

Governmental Activities	2018		2017	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	\$ 11,905,954	\$ (9,833,873)	\$ 9,877,235	\$ (7,906,262)
Public safety	6,132,831	(4,942,081)	5,620,108	(4,352,001)
Highway and streets	2,296,538	44,173	2,305,515	(1,173,169)
Sanitation	420,149	(120,544)	341,405	(26,748)
Health and welfare	2,088,644	(1,334,487)	2,232,707	(1,495,544)
Culture and recreation	435,718	(269,316)	415,461	(297,290)
Education	975,315	(221,140)	532,537	(476,081)
Economic development	119,125	(119,125)	124,228	(124,228)
Interest on long-term debt	38,398	(38,398)	43,979	(43,979)
Total	<u>\$ 24,412,672</u>	<u>\$ (16,834,791)</u>	<u>\$ 21,493,175</u>	<u>\$ (15,895,302)</u>

Greenlee County, Arizona
 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
 Year ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

Expenses and Program Revenues - by category (in millions)
 Year ended June 30, 2018



- The cost of all governmental activities this year was \$24.4 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$7.6 million.
- Net cost of governmental activities of \$16.8 million was financed by general revenues, which are made up primarily of taxes of \$5.4 million, shared state tax revenues of \$6.7 million, and grants and contributions not restricted to specific programs of \$3.1 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

Greenlee County, Arizona

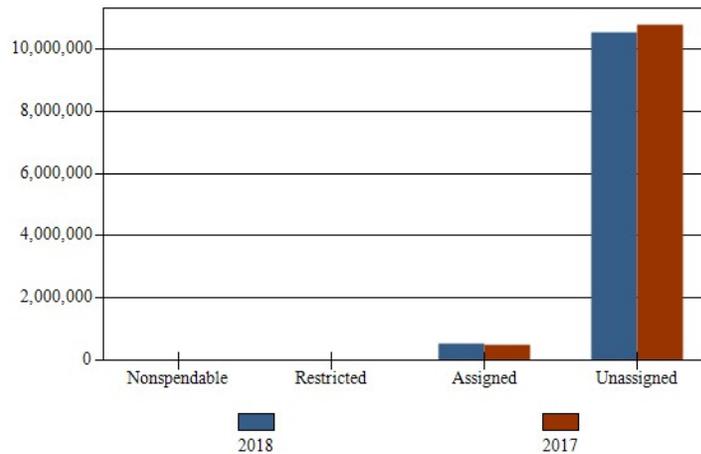
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2018

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS - Continued

At June 30, 2018, the County’s governmental funds reported a combined fund balance of \$14.4 million, an increase of \$28,185 in comparison with the prior year. Approximately 72 percent of this amount (\$10.4 million) constitutes *unassigned fund balance*, which is available for spending at the County’s discretion. The remainder of the fund balance is either restricted or assigned to indicate that it is (1) restricted for particular purposes (\$2,224,939) or (2) assigned for particular purposes (\$1,749,265).

Components of Fund Balance - General Fund
June 30, 2018 and 2017



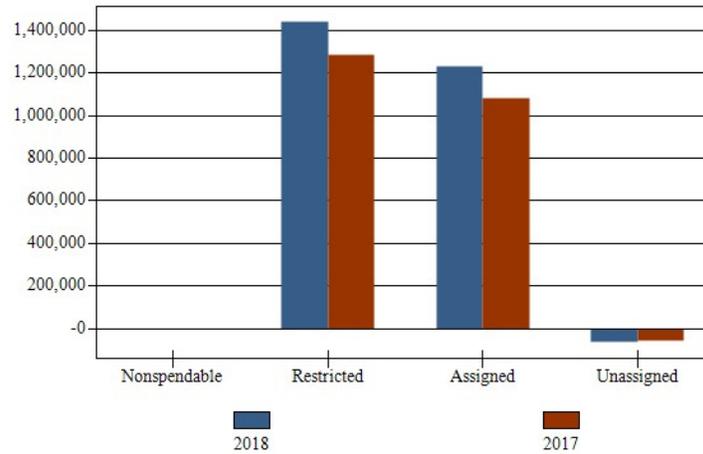
The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$10.5 million, while total fund balance increased to \$11.1 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 68 percent of total General Fund expenditures, while total fund balance represents approximately 71 percent of that same amount.

The fund balance of the County’s General Fund decreased \$237,813 during the current fiscal year. The decrease was due primarily to an increase in tax revenues and intergovernmental revenues offset by an increase in capital outlay expenditures.

Greenlee County, Arizona
 MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
 Year ended June 30, 2018

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS - Continued

Components of Fund Balance - Other Governmental Funds
 June 30, 2018 and 2017



The Health Services Fund, a major fund, had a decrease in fund balance during the current year of \$4,628 to bring the year end fund balance to \$782,996. The Health Services Fund revenues decreased by \$187,291, and expenditures decreased \$183,025. The decrease in revenues can be attributed to a decrease in property taxes because of a decrease in the Public Health Services District’s property tax rate of 0.05 cents.

The Fair Fund, a major fund, had a decrease in fund balance during the current year of \$32,886 to bring the year end fund balance to a deficit of \$68,490.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Intergovernmental revenues exceeded estimates by \$1,460,651 due to the increase in state shared sales tax revenues and Payment In-Lieu of Taxes revenue.
- Sales tax revenues exceeded estimates by \$313,143 due to the increase in increased mining operations.
- Public safety – probation expenditures were \$417,926 less than budgeted, and public safety – sheriff expenditures were \$456,249 less than budgeted due to staffing vacancies.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets - The County’s investment in capital assets as of June 30, 2018 totaled \$10.8 million (net of accumulated depreciation). This investment includes land, infrastructure, buildings, improvements, machinery, equipment, and construction in progress. The total increase in capital assets for the current fiscal year was approximately 37 percent.

Greenlee County, Arizona

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Year ended June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued

The following schedule presents a summary of capital asset balances (net of accumulated depreciation) as of June 30, 2018 and 2017.

	2018	2017
Land	\$ 258,535	\$ 252,776
Infrastructure	1,788,787	588,966
Land improvements	955,403	1,221,532
Buildings and improvements	2,075,270	1,434,643
Machinery and equipment	3,548,190	3,806,613
Construction in progress	2,218,637	602,392
Total capital assets, net	<u>\$ 10,844,822</u>	<u>\$ 7,906,922</u>

Major capital asset events during the current fiscal year included South Annex Project, Campbell Blue bridge, vehicles and equipment for the Sheriff and Public works departments totaling \$4.7 million and total depreciation expense for the year of \$1.5 million.

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 \$0.9 million in capital lease long-term debt outstanding, with \$318,419 due within one year. This represents a net decrease of \$275,619 due to the inception of \$495,850 in new leases offset by the principal payments totaling \$771,469.

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

In fiscal year 2018, the General Fund budget was 3.25% higher than the previous year and the total budget exceeded the previous year's budget by 4.75% due mainly to the construction of the South Annex facility. This was replacing a 31 year old facility that could no longer meet the needs of the County. The County assessed valuation increased by just under \$17 million. The primary property tax rate increased by .0770 cents while the tax rate for the Flood Control District increased by .1408 cents and the Public Health Services District tax rate decreased by .05 cents. The County continued to absorb the cost shifts enacted by the State legislature without a reduction in services. The increased pension and health care costs remain as priority issues for our County. State shared sales/severance taxes have remained stable with the overall collections coming in higher than anticipated. The mine continues to expand operations and the price of copper has increased over the past year.

The fiscal year 2019 budget was adopted at 8.9% increase in the General Fund and an overall budget decrease of 2.34%. The increase in the General Fund budget was due mainly to the 10% increase in healthcare costs and the significant increase in the mandatory pension contributions. The overall budget decreased due to the near completion of the South Annex project. The County continues to use conservative revenue projects to ensure a sustainable budget and continues to lobby the state legislature for permanent financial assistance for the Elected Officials Retirement Plan.

Greenlee County, Arizona
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Year ended June 30, 2018

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Greenlee County, Arizona
STATEMENT OF NET POSITION
June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 13,895,602
Property taxes receivable	19,182
Due from governmental entities	777,393
Other assets	243,938
Capital assets, non-depreciable	2,477,172
Capital assets, depreciable (net)	<u>8,367,650</u>
Total assets	<u>25,780,937</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions and other postemployment benefits	<u>3,711,090</u>
LIABILITIES	
Accounts payable	282,482
Accrued payroll and employee benefits	239,263
Unearned revenues	12,237
Noncurrent liabilities	
Due within 1 year	720,846
Due in more than 1 year	<u>26,833,468</u>
Total liabilities	<u>28,088,296</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions and other postemployment benefits	<u>1,033,173</u>
NET POSITION	
Net investment in capital assets	9,905,574
Restricted for:	
Information systems	48,902
Judicial activities	624,310
Law enforcement activities	167
Jail facilities and operations	39,655
Waste tire program	84,596
Fair and racing program	26,208
Airport improvements	204,540
Health services	782,996
Roads and schools	413,565
Unrestricted (deficit)	<u>(11,759,955)</u>
Total net position	<u>\$ 370,558</u>

See accompanying notes to financial statements.

Greenlee County, Arizona
STATEMENT OF ACTIVITIES
Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental activities:					
General government	\$ 11,905,954	\$ 248,221	\$ 1,823,860		\$ (9,833,873)
Public safety	6,132,831	113,690	1,077,060		(4,942,081)
Highways and streets	2,296,538		1,184,916	\$ 1,155,795	44,173
Sanitation	420,149	299,605			(120,544)
Health and welfare	2,088,644	19,658	734,499		(1,334,487)
Culture and recreation	435,718	103,036	63,366		(269,316)
Education	975,315	25,251	728,924		(221,140)
Economic development	119,125				(119,125)
Interest on long-term debt	38,398				(38,398)
Total governmental activities	<u>\$ 24,412,672</u>	<u>\$ 809,461</u>	<u>\$ 5,612,625</u>	<u>\$ 1,155,795</u>	<u>(16,834,791)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	3,068,220
Property taxes, levied for public health services	876,869
Property taxes, levied for flood control	123,685
County sales taxes for general purposes	1,331,143
Other taxes	14,400
State shared sales tax	6,311,813
State shared vehicle license tax	397,779
Grants and contributions not restricted to specific programs	3,142,898
Investment earnings	16,914
Gain on disposal of capital assets	46,302
Miscellaneous	<u>264,058</u>
Total general revenues	<u>15,594,081</u>
Change in net position	(1,240,710)

Net position, July 1, 2017, restated	<u>1,611,268</u>
Net position, June 30, 2018	<u>\$ 370,558</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Health Services Fund	Fair Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 10,607,412	\$ 623,694	\$ 40,198	\$ 2,624,298	\$ 13,895,602
Property taxes receivable	13,093	4,022		2,067	19,182
Due from governmental entities	460,895	165,913		150,585	777,393
Due from other funds	167,922	34,966		23,797	226,685
Other assets	243,938				243,938
Total assets	<u>\$ 11,493,260</u>	<u>\$ 828,595</u>	<u>\$ 40,198</u>	<u>\$ 2,800,747</u>	<u>\$ 15,162,800</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 202,479	\$ 16,509	\$ 2,735	\$ 60,759	\$ 282,482
Accrued payroll and employee benefits	162,640	25,559	2,039	49,025	239,263
Unearned revenue				12,237	12,237
Due to other funds	<u>58,763</u>	<u></u>	<u>103,914</u>	<u>64,008</u>	<u>226,685</u>
Total liabilities	<u>423,882</u>	<u>42,068</u>	<u>108,688</u>	<u>186,029</u>	<u>760,667</u>
Deferred inflows of resources:					
Unavailable revenues - property taxes	<u>11,328</u>	<u>3,531</u>	<u></u>	<u>1,691</u>	<u>16,550</u>
Total deferred inflows of resources	<u>11,328</u>	<u>3,531</u>	<u></u>	<u>1,691</u>	<u>16,550</u>
Fund balances (deficits):					
Restricted		782,996		1,441,943	2,224,939
Assigned	515,785			1,233,480	1,749,265
Unassigned	<u>10,542,265</u>	<u></u>	<u>(68,490)</u>	<u>(62,396)</u>	<u>10,411,379</u>
Total fund balances (deficits)	<u>11,058,050</u>	<u>782,996</u>	<u>(68,490)</u>	<u>2,613,027</u>	<u>14,385,583</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,493,260</u>	<u>\$ 828,595</u>	<u>\$ 40,198</u>	<u>\$ 2,800,747</u>	<u>\$ 15,162,800</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

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

June 30, 2018

Fund balances - total governmental funds \$ 14,385,583

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Governmental capital assets	\$ 32,198,636	
Less accumulated depreciation	<u>(21,353,814)</u>	10,844,822

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions/OPEB	3,711,090	
Deferred inflows of resources related to pensions/OPEB	<u>(1,033,173)</u>	2,677,917

Some receivables are not available to pay for current-period expenditures and, therefore, are unavailable in the funds 16,550

Some liabilities, including capital leases, compensated absences, and net pension/OPEB liabilities are not due and payable in the current period and therefore, are not reported in the funds.

Capital leases payable	(939,248)	
Compensated absences payable	(398,562)	
Landfill closure and postclosure care costs payable	(1,315,400)	
Net pension and OPEB liability	<u>(24,901,104)</u>	<u>(27,554,314)</u>

Net position of governmental activities \$ 370,558

See accompanying notes to financial statements.

Greenlee County, Arizona

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year ended June 30, 2018

	General Fund	Health Services Fund	Fair Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,068,220	\$ 876,869		\$ 123,685	\$ 4,068,774
Taxes	1,331,143			14,400	1,345,543
Licenses and permits	3,218				3,218
Intergovernmental	9,338,234	708,696	\$ 40,000	3,488,948	13,575,878
Charges for services	470,296	11,616	54,591	164,079	700,582
Fines and forfeits	105,661				105,661
Investment income	13,241	655	59	2,959	16,914
Contributions	1,863,637			25,600	1,889,237
Miscellaneous	101,363	31,720	14,523	116,452	264,058
Total revenues	16,295,013	1,629,556	109,173	3,936,123	21,969,865
EXPENDITURES					
Current:					
General government	6,684,938			328,396	7,013,334
Public safety	3,724,572	154,909		1,653,316	5,532,797
Highways and streets	51,113			1,891,560	1,942,673
Sanitation	325,899				325,899
Health and welfare	247,336	1,820,507		6,000	2,073,843
Culture and recreation	129,357		261,609	25,537	416,503
Education	263,759			710,175	973,934
Economic development	118,677				118,677
Capital outlay	3,167,815	3,070	450	58,668	3,230,003
Debt service:					
Principal retirement	771,469				771,469
Interest and fiscal charges	38,398				38,398
Total expenditures	15,523,333	1,978,486	262,059	4,673,652	22,437,530
Excess (deficiency) of revenues over (under) expenditures	771,680	(348,930)	(152,886)	(737,529)	(467,665)
OTHER FINANCING SOURCES (USES)					
Capital lease agreements	495,850				495,850
Transfers in	11,698	356,000	120,000	1,041,041	1,528,739
Transfers out	(1,517,041)	(11,698)			(1,528,739)
Total other financing sources (uses)	(1,009,493)	344,302	120,000	1,041,041	495,850
Net change in fund balances	(237,813)	(4,628)	(32,886)	303,512	28,185
Fund balances (deficits), beginning of year	11,295,863	787,624	(35,604)	2,309,515	14,357,398
Fund balances (deficits), end of year	\$ 11,058,050	\$ 782,996	\$ (68,490)	\$ 2,613,027	\$ 14,385,583

See accompanying notes to financial statements.

Greenlee County, Arizona

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

Year ended June 30, 2018

Net change in fund balances - total governmental funds		\$ 28,185
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 4,697,495	
Depreciation expense	<u>(1,500,042)</u>	3,197,453
Collections of revenues in the governmental funds exceeded revenues reported in the statement of activities.		(763)
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets.		(259,553)
County pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension/OPEB liability is measured a year before the County's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pension/OPEB, is reported in the Statement of Activities.		
Pension/OPEB expense	(6,259,506)	
County proportionate share of the State's appropriation to EORP	879,956	
Pension/OPEB contributions	<u>902,520</u>	(4,477,030)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, these payments reduce long-term liabilities in the Statement of Net Position. This amount is the effect of the difference in the treatment of repayments of long-term debt and related items.		
Principal repaid	771,469	
Capital leases	<u>(495,850)</u>	275,619
Under the modified accrual basis accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.		
Decrease in compensated absences	5,424	
Decrease in claims and judgments	90,520	
Increase in landfill closure and postclosure care costs	<u>(100,565)</u>	<u>(4,621)</u>
Change in net position of governmental activities		<u>\$ (1,240,710)</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2018

	<u>Investment Trust</u>	<u>Agency</u>
ASSETS		
Cash and cash equivalents	\$ 4,784,530	\$ 49,102
Total assets	<u>4,784,530</u>	<u>49,102</u>
LIABILITIES		
Deposits held for others		49,102
Total liabilities		<u>\$ 49,102</u>
NET POSITION		
Held in trust for investment trust participants	<u>\$ 4,784,530</u>	

See accompanying notes to financial statements.

Greenlee County, Arizona

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2018

	<u>Investment Trust</u>
ADDITIONS:	
Contributions	\$ 24,770,975
Total additions	<u>24,770,975</u>
DEDUCTIONS:	
Distributions to participants	<u>26,303,795</u>
Total deductions	<u>26,303,795</u>
Change in net position	(1,532,820)
Net position, beginning of year	<u>6,317,350</u>
Net position, end of year	<u>\$ 4,784,530</u>

See accompanying notes to financial statements.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Greenlee County, Arizona’s accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

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

The County's significant accounting policies are described below.

A. Reporting Entity

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

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

The following table describes the County’s component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Greenlee County Flood Control District	A tax-levying district that provides flood control systems; the County’s Board of Supervisors serves as the board of directors, and County management has operational responsibility for the district.	Blended	Not available

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

B. Basis of Presentation

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

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

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

The County reports the following major governmental funds:

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

Health Services - This fund accounts for the activity of the Greenlee County Public Health Services District, including the receipt and expenditure of property taxes, public health grants, environmental safety programs, home health programs, inmate health care, animal control, and ambulance services.

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

Additionally, the County reports the following fiduciary funds:

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

Agency Fund - This fund accounts for assets the County holds as an agent for other parties.

C. Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Agency Funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

D. Cash and Investments

All investments are stated at fair value.

E. Property Tax Calendar

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

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

F. Capital Assets

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

G. Deferred Outflows and Inflows of Resources

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

H. Postemployment benefits

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

I. Fund Balance Classifications

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

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

J. Investment Earnings

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

K. Compensated Absences

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

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

Employees may accumulate compensatory time up to 240 hours for Sheriff deputies and jailors and up to 120 hours for other employees and is payable at termination. An eligible employee who had 120 hours, 240 hours for Sheriff deputies and jailors, of compensatory time accrued is

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances - At June 30, 2018, the following major and non-major funds reported deficits in fund balance:

Fund	Deficit
Major Governmental Fund:	
Fair Fund	\$ 68,490
Non-Major Governmental Funds:	
Superior court clerk	11,379
Drug gang & violent crime	11,281
Greenlee Graham Field Trainer	9,461
Superior court clerk	32
Flood disaster Fund	986
Sheriff - GOHS Selective Traffic Enforcement	125
Probation - General Fund	23,874
Probation - State aid enhancement	1,086
Probation - Juvenile standard probation	1,147
Probation - Diversion Consequences	104
Probation - Judicial collection enhancement fund	2,911

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS - Continued

Deposits - At June 30, 2018, the carrying amount of the County's deposits was \$18,719,734 and the bank balance was \$20,098,634.

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

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

<u>Cash and Deposits</u>	
Cash on hand	\$ 9,500
Amount of deposits	<u>18,719,734</u>
Total	<u>\$ 18,729,234</u>
 <u>Statements of Net Position</u>	
Governmental activities	\$ 13,895,602
Investment Trust Fund	4,784,530
Agency Fund	<u>49,102</u>
Total	<u>\$ 18,729,234</u>

NOTE 4 - RECEIVABLES

Amounts due from governmental entities at June 30, 2018, as reported in the Statement of Net Position, include \$87,624 in Highway User Revenues, \$29,770 in state shared auto lieu taxes, \$148,138 in County sales tax, \$230,703 in state shared sales tax, \$14,670 in County jail tax and \$266,488 in grants and assistance.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 5 - CAPITAL ASSETS

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

Governmental activities:	July 1, 2017	Increases	Decreases	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 252,776	\$ 5,759		\$ 258,535
Construction in progress	<u>602,392</u>	<u>2,840,366</u>	<u>\$ (1,224,121)</u>	<u>2,218,637</u>
Total capital assets not being depreciated	<u>855,168</u>	<u>2,846,125</u>	<u>(1,224,121)</u>	<u>2,477,172</u>
Capital assets being depreciated:				
Land improvements	5,360,832			5,360,832
Infrastructure	617,798	1,224,121		1,841,919
Buildings and improvements	8,882,666	827,182	(4,666)	9,705,182
Machinery and equipment	<u>12,549,419</u>	<u>1,024,188</u>	<u>(760,076)</u>	<u>12,813,531</u>
Total	<u>27,410,715</u>	<u>3,075,491</u>	<u>(764,742)</u>	<u>29,721,464</u>
Less accumulated depreciation for:				
Land improvements	(4,139,300)	(266,129)		(4,405,429)
Infrastructure	(28,832)	(24,300)		(53,132)
Buildings and improvements	(7,448,023)	(181,889)		(7,629,912)
Machinery and equipment	<u>(8,742,806)</u>	<u>(1,027,724)</u>	<u>505,189</u>	<u>(9,265,341)</u>
Total	<u>(20,358,961)</u>	<u>(1,500,042)</u>	<u>505,189</u>	<u>(21,353,814)</u>
Total capital assets being depreciated, net	<u>7,051,754</u>	<u>1,575,449</u>	<u>(259,553)</u>	<u>8,367,650</u>
Governmental activities capital assets, net	<u>\$ 7,906,922</u>	<u>\$ 4,421,574</u>	<u>\$ (1,483,674)</u>	<u>\$ 10,844,822</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 796,193
Public safety	108,475
Highways and streets	556,288
Health and welfare	19,423
Culture and recreation	19,215
Economic development	448
Total	<u>\$ 1,500,042</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank, dba National Bank of Arizona to cover cash flow needs. This line of credit has a \$3,500,000 limit with interest payable at the same time as principal, which is contingent on the County’s receipt of “nonrestricted operating revenues” as defined by A.R.S. §11-604.01(7). The credit line is secured by “nonrestricted operating revenues” received by the County Treasurer. Any unpaid principal and interest became due on the maturity date of June 30, 2018. The interest rate is at a rate per annum equal to sixty five percent of the bank’s prime rate provided that in no event shall the interest rate exceed ten percent per annum. The schedule presented below is a summation of the activity related to the line of credit during the fiscal year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Drawdowns</u>	<u>Principal Payments</u>	<u>Ending Balance</u>	<u>Interest Payments</u>
Investment Trust Fund		\$ 4,737,284	\$ 4,737,284		\$ 17,892
Total	<u>\$</u>	<u>\$ 4,737,284</u>	<u>\$ 4,737,284</u>	<u>\$</u>	<u>\$ 17,892</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, 2018:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ 1,214,867	\$ 495,850	\$ 771,469	\$ 939,248	\$ 318,419
Compensated absences payable	403,986	428,745	434,169	398,562	398,562
Claims and judgments	90,520		90,520		
Landfill closure and postclosure care costs payable	1,214,835	100,565		1,315,400	3,865
Net pension and other postemployment benefits liability	<u>21,318,307</u>	<u>3,582,797</u>		<u>24,901,104</u>	
Total	<u>\$ 24,242,515</u>	<u>\$ 4,607,957</u>	<u>\$ 1,296,158</u>	<u>\$ 27,554,314</u>	<u>\$ 720,846</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - Continued

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

The assets acquired through capital leases are as follows:

Assets:	
Vehicles, furniture, and equipment	\$ 4,337,111
Less accumulated depreciation	<u>(2,012,368)</u>
Carrying value	<u>\$ 2,324,743</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2018, were as follows:

Year ending June 30:	
2019	\$ 344,196
2020	253,401
2021	227,571
2022	135,876
2023	<u>34,354</u>
Total minimum payments required	995,398
Less amount representing interest	<u>(56,150)</u>
Present value of minimum lease payments	<u>\$ 939,248</u>

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - Continued

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$1,315,400 reported as landfill closure and postclosure care liability at June 30, 2018, represents the cumulative amount reported to date based on the use of 79.35% of the estimated capacity of the landfills less expenditures already paid as follows:

Landfill	Estimated Capacity Used to Date
Blue	100%
Loma Linda	86%
Loma Linda Construction and Demolition	68%

The County will recognize the remaining estimated cost of closure and post closure care of \$342,296 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2018. The County expects to close the Loma Linda Landfill in or after the year 2025 and expects to close the Loma Linda Construction and Demolition Landfill in or after the year 2025. The actual costs differ due to landfill expansions, inflation, changes in technology, or changes in regulations. The estimated remaining service life for each is 8 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 2018, the County paid for compensated absences as follows: 65 percent from the General Fund, 10 percent from major funds, and 25 percent from other funds.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS

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

	General Fund	Health Services Fund	Fair Fund	Non-Major Governmental Funds	Total
Fund balances (deficits):					
Restricted for:					
Information systems				\$ 48,902	\$ 48,902
Judicial activities				624,310	624,310
Law enforcement				167	167
Jail facilities and operations				39,655	39,655
Waste tire program				84,596	84,596
Fair and racing program				26,208	26,208
Airport improvement				204,540	204,540
Public health services		\$ 782,996			782,996
Roads and schools				413,565	413,565
Total restricted		<u>782,996</u>		<u>1,441,943</u>	<u>2,224,939</u>
Assigned to:					
Information systems	\$ 18,745			119,900	138,645
Judicial activities	136,501			197,736	334,237
Law enforcement	2,620			44,076	46,696
Jail facilities and operations				39,039	39,039
Election				1,955	1,955
Public health services	129			91,413	91,542
Landfill closure and development	326,969				326,969
Highways and streets				503,046	503,046
Wellness program	30,821				30,821
Flood control				221,165	221,165
Waste tire program				14,783	14,783
Environmental programs				367	367
Total assigned	<u>515,785</u>			<u>1,233,480</u>	<u>1,749,265</u>
Unassigned	<u>10,542,265</u>		\$ (68,490)	<u>(62,396)</u>	<u>10,411,379</u>
Total fund balances (deficits)	<u>\$11,058,050</u>	<u>\$ 782,996</u>	<u>\$ (68,490)</u>	<u>\$ 2,613,027</u>	<u>\$ 14,385,583</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - RISK MANAGEMENT

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 12 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$1,500 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period.

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

The Arizona Local Government Employee Benefit Trust is a public entity risk pool currently composed of nine member entities. The pool provides member entities with health, prescription, dental, vision, life, short term disability and accidental death benefits for the entities' employees and their dependents. The County is responsible for paying a premium based on enrolled employees and dependents and requires its employees to contribute a portion of that premium.

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

<u>Statement of Net Position and Statement of Activities</u>	
Net pension and OPEB liability/asset	\$ 24,901,104
Deferred outflows of resources related to pensions and OPEB	3,711,090
Deferred inflows of resources related to pensions and OPEB	1,033,173
Pension and OPEB expense	6,259,506

The County's accrued payroll and employee benefits includes \$56,012 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018.

The County reported \$902,520 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

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

A. Arizona State Retirement System

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

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

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

*With actuarially reduced benefits.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

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

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended, June 30, 2018, statutes required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll and statutes required the County to contribute at the actuarially determined rate of 11.50 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The County's contributions to the pension, health insurance premium, and long-term disability plans for the year ended June 30, 2018, were \$651,696, \$26,307, and \$9,567, respectively.

During fiscal year 2018, the County paid for ASRS contributions as follows: 62 percent from the General Fund, 16 percent from major funds, and 22 percent from other funds.

Liability - At June 30, 2018, the County reported \$8,983,928 in liabilities for its proportionate share of ASRS' net pension/OPEB asset or liability.

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The County's proportion of the net asset or net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017 was 0.05 percent, which was the same proportion as in the prior year.

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

Expense - For the year ended June 30, 2018, the County \$705,308 in pension and OPEB expense for ASRS.

Deferred Outflows/Inflows of Resources - For the year ended June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

ASRS

	<u>Pension/OPEB</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 269,713
Changes of assumptions or other inputs	\$ 390,664	268,959
Net difference between projected and actual earnings on pension plan investments	64,576	39,015
Changes in proportion and differences between County contributions and proportionate share of contributions	310,384	6,398
County contributions subsequent to the measurement date	<u>687,570</u>	
Total	<u>\$ 1,453,194</u>	<u>\$ 584,085</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

<u>Year ending June 30,</u>	<u>Pension/OPEB</u>
2019	\$ (162,520)
2020	448,246
2021	112,489
2022	(216,676)

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

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

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

ASRS Asset Class	Target Allocation	Long-Term Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the ASRS total pension/OPEB liability was 8.0 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Proportionate Share of the Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8.0 percent, as well as what the proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension/OPEB liability	\$ 11,662,949	\$ 8,983,928	\$ 6,777,517

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

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

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

	<u>PSPRS -Sheriff</u>	
	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	6	
Active employees	13	13
Total	<u>26</u>	<u>20</u>

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

	<u>Active member - pension</u>	<u>County - pension</u>	<u>County - health</u>
PSPRS - Sheriff	7.65% - 11.65%	28.26%	0%
PSPRS - Tier 3 Risk Pool	9.94%	9.68%	.26%
CORP - AOC	8.41%	22.51%	.83%

Also, statute required the County to contribute at the actuarially determined rate of 20.86 percent (20.69 percent for pension and 0.17 percent for health insurance premium benefit) of the annual covered payroll of county sheriff employees who were PSPRS Tier 3 Risk Pool members, in addition to the County's required contributions to the PSPRS Tier 3 Risk Pool for these county sheriff employee.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

	<u>Pension</u>	<u>Health insurance premium benefit</u>
PSPRS - Sheriff	\$ 125,659	\$
CORP - AOC	63,294	

During the fiscal year 2018, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 78 percent from the General Fund, and 22 percent from other non-major funds.

Liability - At June 30, 2018, Greenlee County, Arizona reported the following net pension liabilities:

	<u>Net pension/OPEB liability</u>	<u>Net OPEB (asset)</u>
PSPRS - Sheriff	\$ 2,710,065	\$ (157,276)
CORP - AOC	1,164,581	

The net assets or liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP - AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

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

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

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Changes In The Net Pension/OPEB Liability -

PSPRS - Sheriff:	Pension		
	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension	Fiduciary	(Asset)
Liability	Net Position	Liability	
(a)	(b)	(a) - (b)	
Balances at June 30, 2017	\$ 5,619,841	\$ 3,567,217	\$ 2,052,624
Changes for the year:			
Service cost	160,116		160,116
Interest on the total liability	415,416		415,416
Changes of benefit terms	68,497		68,497
Differences between expected and actual experience in the measurement of the liability	685,944		685,944
Changes of assumptions or other inputs	234,218		234,218
Contributions—employer		198,711	(198,711)
Contributions—employee		91,411	(91,411)
Net investment income		420,406	(420,406)
Benefit payments, including refunds of employee contributions	(322,025)	(322,025)	
Administrative expense		(4,120)	4,120
Other changes		200,342	(200,342)
Net changes	1,242,166	584,725	657,441
Balances at June 30, 2018	\$ 6,862,007	\$ 4,151,942	\$ 2,710,065

PSPRS - Sheriff:	Health insurance premium benefit		
	Increase (Decrease)		
	Total	Plan	Net OPEB
	OPEB	Fiduciary	(Asset)
Liability	Net Position	Liability	
(a)	(b)	(a) - (b)	
Balances at June 30, 2017	\$ 102,763	\$ 240,655	\$ (137,892)
Changes for the year:			
Service cost	3,079		3,079
Interest on the total liability	7,763		7,763
Changes of benefit terms	(3)		(3)
Differences between expected and actual experience in the measurement of the liability	2,578		2,578
Changes of assumptions or other inputs	(4,774)		(4,774)
Contributions—employer			
Contributions—employee			
Net investment income		28,277	(28,277)
Benefit payments, including refunds of employee contributions	(1,581)	(1,581)	
Administrative expense		(250)	250
Other changes			
Net changes	7,062	26,446	(19,384)
Balances at June 30, 2018	\$ 109,825	\$ 267,101	\$ (157,276)

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

The County's proportion of the CORP AOC net pension and OPEB liabilities was based on the County's actual contributions to the plans relative to the participating counties' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2016, was .286048 percent, which was a decrease of .0003778 from its proportion measured as of June 30, 2016.

Sensitivity of the Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate - The following table presents the County's net pension liabilities calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.4 percent) or 1-percentage-point higher (8.4 percent) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PSPRS - Sheriff:			
Net pension liability	\$ 3,605,116	\$ 2,710,065	\$ 1,978,762
Net OPEB (asset) liability	(142,748)	(157,276)	(169,318)
CORP - AOC:			
County's proportionate share of net pension/OPEB liability	\$ 1,505,854	\$ 1,164,581	\$ 888,444

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

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

	Pension/OPEB expense	OPEB expense
PSPRS - Sheriff	\$ 363,925	\$ (9,242)
CORP - AOC	466,715	

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Deferred Outflows/Inflows of Resources - At June 30, 2018, Greenlee County, Arizona reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Sheriff

	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 578,029	\$ 259,819
Changes of assumptions or other inputs	534,008	
Net difference between projected and actual earnings on pension plan investments	57,770	
County contributions subsequent to the measurement date	125,659	
Total	<u>\$ 1,295,466</u>	<u>\$ 259,819</u>

PSPRS - Sheriff

	Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,235	
Changes of assumptions or other inputs		\$ 4,139
Net difference between projected and actual earnings on pension plan investments		8,238
County contributions subsequent to the measurement date		
Total	<u>\$ 2,235</u>	<u>\$ 12,377</u>

CORP - AOC

	Pension/OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,509	\$ 41,070
Changes of assumptions or other inputs	111,432	6,712
Net difference between projected and actual earnings on pension plan investments	13,683	
Changes in proportion and differences between County contributions and proportionate share of contributions	55,203	30,452
County contributions subsequent to the measurement date	63,294	
Total	<u>\$ 254,121</u>	<u>\$ 78,234</u>

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

Year ending June 30,	PSPRS - Sheriff		CORP - AOC
	Pension	Health	Pension/OPEB
2019	\$ 226,115	\$ (2,351)	\$ 41,492
2020	257,968	(2,351)	38,754
2021	170,587	(2,351)	23,765
2022	104,134	(2,351)	9,848
2023	149,148	(294)	(1,266)
Thereafter	2,036	(444)	

C. Elected Officials Retirement Plan

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

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

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability:		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of credited service, not to exceed 80%	3% per year of credited service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit:		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

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

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Contributions - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2018, statute required members to contribute 7 or 13 percent of the EORP members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS and EODCRS for these elected officials and judges. During fiscal year 2018, the County's General Fund paid for EORP pension contributions.

Liability - At June 30, 2018, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$	12,332,592
State's proportionate share of the EORP net pension liability associated with the County		<u>2,559,564</u>
Total	\$	<u>14,892,156</u>

The County also reported an asset of \$132,786 for its proportionate share of EORP's net OPEB asset.

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

The County's proportion of net pension liability was based on the County's actual contributions to the pension plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion of the net OPEB asset was based on the County's present value of benefits relative to the total of all participating employer's present value of benefits for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017 was 1.1 percent, which was an increase of .02 from its proportion measured as of June 30, 2016 of the net pension liability and 1.45 percent of the net OPEB asset.

Expense - For the year ended June 30, 2018, the County recognized the pension and OPEB expense for EORP of \$4,732,800 and \$0, respectively, and revenue of \$879,956 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

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

EORP	Pension	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 106,896
Changes of assumptions or other inputs	\$ 481,365	
Net difference between projected and actual earnings on pension plan investments	75,589	
Changes in proportion and differences between County contributions and proportionate share of contributions	134,335	
County contributions subsequent to the measurement date	25,997	
Total	\$ 717,286	\$ 106,896
EORP	Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,458	
Changes of assumptions or other inputs	1,825	
Net difference between projected and actual earnings on pension plan investments		\$ 11,257
Total	\$ 8,283	\$ 11,257

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	Pension	OPEB
2019	\$ 491,996	\$ 3,144
2020	96,821	(489)
2021	19,973	(2,814)
2022	(24,396)	(2,814)

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.50% for pensions/not applicable for OPEB
Price inflation	2.50% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

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

The long-term expected rate of return on EORP plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class for all pension plans are summarized in the following table:

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - Continued

Discount Rate - At June 30, 2017, the discount rates used to measure the EORP total pension and total OPEB liability was 3.91 percent and 7.4 percent, respectively, which was an increase of 0.23 for pension and a decrease of 0.1 for OPEB from the discount rates used as of June 30, 2016. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the statutorily set rates and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for this plan, the long-term expected rate of return on pension plan investments of 7.40 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026. The OPEB plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

EORP	1% Decrease	Current Discount Rate	1% Increase
Rate - Pension	2.91%	3.91%	4.91%
County's proportionate share of the net pension liability	\$14,568,048	\$12,332,592	\$10,509,429
Rate - OPEB	6.40%	7.40%	8.40%
County's proportionate share of the net OPEB (asset)	\$(115,091)	\$(132,786)	\$(148,052)

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

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - INTERFUND BALANCES AND ACTIVITY

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

Transfers from	Transfers to		
	General Fund	Health Services Fund	Total
General Fund		\$ 11,698	\$ 11,698
Health Services Fund	\$ 356,000		356,000
Fair Fund	120,000		120,000
Non-Major Governmental Funds	1,041,041		1,041,041
Total	\$ 1,517,041	\$ 11,698	\$ 1,528,739

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

Interfund receivables and payables - Interfund balance for the year ended June 30, 2018 were as follows:

Due from	Due to			Total
	General Fund	Fair Fund	Non-Major Governmental Fund	
General Fund		\$ 103,914	\$ 64,008	\$ 167,922
Health Services Fund	\$ 34,966			34,966
Non-Major Governmental Funds	23,797			23,797
Total	\$ 58,763	\$ 103,914	\$ 64,008	\$ 226,685

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, 2018.

Greenlee County, Arizona

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - COUNTY TREASURER'S INVESTMENT POOL - Continued

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 \$149,617 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	\$ 18,568,966
Liabilities	<u>-</u>
Net Position	<u>\$ 18,568,966</u>
Net position held in trust for:	
Internal participants	\$ 13,735,334
External participants	<u>4,833,632</u>
Total net position held in trust	<u>\$ 18,568,966</u>
Statement of Changes in Net Position	
Total additions	\$ 50,864,886
Total deductions	<u>(52,066,780)</u>
Net decrease	<u>(1,201,894)</u>
Net position held in trust	
July 1, 2017	<u>19,770,860</u>
June 30, 2018	<u>\$ 18,568,966</u>

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017, has been restated to \$1,611,268 for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, as amended by GASB Statement No. 85, *Omnibus 2017*.

	Governmental Activities
Net position as previously reported at June 30, 2017	\$ 1,368,346
Prior period adjustment due to the implementation of GASB 75	<u>242,922</u>
Total prior period adjustment	<u>242,922</u>
Net position as restated, July 1, 2017	<u>\$ 1,611,268</u>

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2018

	Original and Final Budget Amounts	Non-GAAP Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 3,061,861	\$ 3,068,220	\$ 6,359
Sales taxes	1,018,000	1,331,143	313,143
License and permits	40,500	3,218	(37,282)
Intergovernmental revenue	7,877,583	9,338,234	1,460,651
Charges for services	127,000	170,691	43,691
Fines and forfeits	94,000	105,661	11,661
Investment income	2,530	13,241	10,711
Contributions	1,800,000	1,863,637	63,637
Miscellaneous	<u>150,000</u>	<u>101,363</u>	<u>(48,637)</u>
Total revenues	<u>14,171,474</u>	<u>15,995,408</u>	<u>1,823,934</u>
Expenditures			
General government			
Board of supervisors	443,104	433,882	9,222
Airport	16,950	8,228	8,722
Assessor	412,955	350,267	62,688
Attorney	606,209	584,050	22,159
Constable no. 1	30,510	19,140	11,370
Constable no. 2	31,528	35,070	(3,542)
Contingency	100,000	90,520	9,480
County administration	506,834	462,501	44,333
Elections	127,724	132,000	(4,276)
Fleet	341,096	362,145	(21,049)
Information systems	773,928	823,094	(49,166)
General services	1,471,402	1,303,790	167,612
Ground and maintenance	668,899	489,846	179,053
Justice of the peace no. 1	235,943	197,437	38,506
Justice of the peace no. 2	224,960	200,191	24,769
Planning and zoning	61,500	38,564	22,936
Public fiduciary	71,743	74,165	(2,422)
Recorder	228,642	229,353	(711)
Superior court	868,900	780,488	88,412
Treasurer	228,943	226,788	2,155
Voter registration	<u>23,000</u>	<u>11,182</u>	<u>11,818</u>
Total general governments	<u>7,474,770</u>	<u>6,852,701</u>	<u>622,069</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2018

(continued)	Original and Final Budget Amounts	Non-GAAP Actual Amounts	Variance Positive (Negative)
Public safety			
Emergency services	\$ 200,014	\$ 205,610	\$ (5,596)
Probation	418,000	74	417,926
Sheriff	3,975,137	3,518,888	456,249
Total public safety	<u>4,593,151</u>	<u>3,724,572</u>	<u>868,579</u>
Health and welfare - AHCCCS/ALTCS payments	<u>247,300</u>	<u>247,336</u>	<u>(36)</u>
Culture and recreation			
County library	32,440	65,501	(33,061)
Parks and recreation	94,398	63,856	30,542
Total culture and recreation	<u>126,838</u>	<u>129,357</u>	<u>(2,519)</u>
Education			
School superintendent	246,263	241,452	4,811
U of A extension service	22,307	22,307	
Total education	<u>268,570</u>	<u>263,759</u>	<u>4,811</u>
Economic development	<u>150,000</u>	<u>118,677</u>	<u>31,323</u>
Capital outlay		<u>37,428</u>	<u>(37,428)</u>
Total expenditures	<u>12,860,629</u>	<u>11,373,830</u>	<u>1,486,799</u>
Excess of revenues over expenditures	<u>1,310,845</u>	<u>4,621,578</u>	<u>3,310,733</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	375,000	11,697	(363,303)
Transfer out	<u>(1,921,486)</u>	<u>(1,517,040)</u>	<u>404,446</u>
Total other financing uses	<u>(1,546,486)</u>	<u>(1,505,343)</u>	<u>41,143</u>
Net changes in fund balance	(235,641)	3,116,235	3,351,876
Fund balance, July 1, 2017	<u>7,158,358</u>	<u>7,158,358</u>	
Fund balance, June 30, 2018	<u>\$ 6,922,717</u>	<u>\$ 10,274,593</u>	<u>\$ 3,351,876</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE – HEALTH SERVICES FUND

Year ended June 30, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Property taxes	\$ 882,254	\$ 876,869	\$ (5,385)
Intergovernmental revenue	728,709	708,696	(20,013)
Charges for services		11,616	11,616
Investment income		655	655
Rents		31,720	31,720
Total revenues	<u>1,610,963</u>	<u>1,629,556</u>	<u>18,593</u>
Expenditures			
Current:			
Public safety		154,909	(154,909)
Health and welfare	2,221,139	1,820,507	400,632
Capital outlay		<u>3,070</u>	<u>(3,070)</u>
Total expenditures	<u>2,221,139</u>	<u>1,978,486</u>	<u>242,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(610,176)</u>	<u>(348,930)</u>	<u>261,246</u>
Other financing sources (uses)			
Transfer in	356,000	356,000	
Transfer out		<u>(11,698)</u>	<u>(11,698)</u>
Total other financing sources (uses)	<u>356,000</u>	<u>344,302</u>	<u>(11,698)</u>
Net changes in fund balance	(254,176)	(4,628)	249,548
Fund balance, July 1, 2017	<u>787,624</u>	<u>787,624</u>	
Fund balance, June 30, 2018	<u>\$ 533,448</u>	<u>\$ 782,996</u>	<u>\$ 249,548</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

BUDGETARY COMPARISON SCHEDULE – FAIR FUND

Year ended June 30, 2018

	Original and Final Budget Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Intergovernmental revenue	\$ 150,000	\$ 40,000	\$ (110,000)
Charge for services		54,591	54,591
Investment income		59	59
Miscellaneous		14,523	14,523
Total revenues	<u>150,000</u>	<u>109,173</u>	<u>(40,827)</u>
Expenditures:			
Current:			
Highways and streets	270,000	261,594	8,406
Capital outlay		450	(450)
Total expenditures	<u>270,000</u>	<u>262,044</u>	<u>7,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(120,000)</u>	<u>(152,871)</u>	<u>(32,871)</u>
Other financing sources (uses)			
Transfer in	<u>120,000</u>	<u>120,000</u>	
Total other financing uses	<u>120,000</u>	<u>120,000</u>	
Net changes in fund balance		(32,871)	(32,871)
Fund balance, July 1, 2017	<u>(35,604)</u>	<u>(35,604)</u>	
Fund balance, June 30, 2018	<u>\$ (35,604)</u>	<u>\$ (68,475)</u>	<u>\$ (32,871)</u>

See the accompanying notes to this schedule.

Greenlee County, Arizona

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

June 30, 2018

ASRS	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension/OPEB liability	0.05%	0.05%	0.05%	0.05%	
County's proportionate share of the net pension/OPEB liability	\$ 8,983,928	\$ 9,127,738	\$ 8,451,877	\$ 7,421,858	Information not available
County's covered payroll	\$ 5,812,078	\$ 5,311,705	\$ 4,839,651	\$ 4,521,505	
County's proportionate share of the net pension/OPEB liability as a percentage of its covered payroll	154.57%	171.84%	174.64%	164.15%	
Plan fiduciary net position as a percentage of the total pension/OPEB liability	69.92%	67.06%	68.35%	69.49%	

CORP - AOC	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension/OPEB liability	0.29%	0.26%	0.26%	0.29%	
County's proportionate share of the net pension/OPEB liability	\$ 1,164,581	\$ 728,597	\$ 620,393	\$ 650,481	Information not available
County's covered payroll	\$ 362,136	\$ 291,346	\$ 285,739	\$ 311,381	
County's proportionate share of the net pension/OPEB liability as a percentage of its covered payroll	321.59%	250.08%	217.12%	208.90%	
Plan fiduciary net position as a percentage of the total pension/OPEB liability	49.21%	54.81%	57.89%	58.59%	

EORP - Pension	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
County's proportion of the net pension liability	1.10%	0.99%	0.94%	0.93%	
County's proportionate share of the net pension liability	\$ 12,199,806	\$ 9,409,348	\$ 7,311,329	\$ 6,222,698	Information not available
State's proportionate share of the net pension liability associated with the County	<u>2,559,564</u>	<u>1,942,787</u>	<u>2,279,368</u>	<u>1,907,937</u>	
Total	<u>\$ 14,759,370</u>	<u>\$ 11,352,135</u>	<u>\$ 9,590,697</u>	<u>\$ 8,130,635</u>	
County's covered payroll	\$ 799,934	\$ 749,936	\$ 758,591	\$ 841,387	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1,525.10%	1,254.69%	963.80%	739.58%	
Plan fiduciary net position as a percentage of the total pension liability	19.66%	23.42%	28.32%	31.91%	

See the accompanying notes to this schedule.

Greenlee County, Arizona

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

June 30, 2018

EORP – Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
County's proportion of the net OPEB asset	1.45%	
County's proportionate share of the net OPEB asset	\$ 132,786	Information not available
County's covered payroll	\$ 799,934	
County's proportionate share of the net OPEB asset as a percentage of its covered payroll	16.6%	
Plan fiduciary net position as a percentage of the total OPEB liability	164.84%	

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF COUNTY PENSION/OPEB CONTRIBUTIONS
ALL PLANS

June 30, 2018

	2018	2017	2016	2015	2014	2013 through 2009
ASRS						
Statutorily required contribution	\$ 687,570	\$ 626,542	\$ 576,320	\$ 527,038	\$ 483,801	
Contribution in relation to the statutorily required contribution	<u>687,570</u>	<u>626,542</u>	<u>576,320</u>	<u>527,038</u>	<u>483,801</u>	Information not available
Contribution deficiency (excess)	\$	\$	\$	\$	\$	
County's covered payroll	\$ 6,307,981	\$ 5,812,078	\$ 5,311,705	\$ 4,839,651	\$ 4,521,505	
Contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%	10.70%	
PSPRS – Pension						
Actuarially required contribution	\$ 253,165	\$ 253,830	\$ 238,095	\$ 165,012	\$ 160,337	
Contribution in relation to the actuarially required contribution	<u>125,659</u>	<u>253,830</u>	<u>238,095</u>	<u>165,012</u>	<u>160,337</u>	Information not available
Contribution deficiency (excess)	\$ 127,506	\$	\$	\$	\$	
County's covered payroll	\$ 936,772	\$ 1,054,988	\$ 1,011,019	\$ 940,239	\$ 846,389	
Contributions as a percentage of covered payroll	13.41%	24.06%	23.55%	17.55%	18.94%	
PSPRS – Health insurance premium benefit						
Actuarially required contribution	\$	\$				2016 through 2009
Contribution in relation to the actuarially required contribution						Information not available
Contribution deficiency (excess)	\$	\$				
County's covered payroll	\$ 936,772	\$ 1,054,988				
Contributions as a percentage of covered payroll	0.00%	0.00%				

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF COUNTY PENSION/OPEB CONTRIBUTIONS
ALL PLANS

June 30, 2018

CORP - AOC

	2018	2017	2016	2015	2014	2013 through 2009
Statutorily required contribution	\$ 63,294	\$ 72,717	\$ 55,647	\$ 42,518	\$ 45,088	
Contribution in relation to the statutorily required contribution	<u>63,294</u>	<u>72,717</u>	<u>55,647</u>	<u>42,518</u>	<u>45,088</u>	Information not available
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 279,932	\$ 362,136	\$ 291,346	\$ 285,739	\$ 311,381	
Contributions as a percentage of covered payroll	22.61%	20.08%	19.10%	14.88%	14.48%	

EORP

	2018	2017	2016	2015	2014	2013 through 2009
Statutorily required contribution	\$ 193,544	\$ 181,863	\$ 176,235	\$ 178,269	\$ 197,726	
Contribution in relation to the statutorily required contribution	<u>25,997</u>	<u>181,863</u>	<u>176,235</u>	<u>178,269</u>	<u>197,726</u>	Information not available
Contribution deficiency (excess)	<u>\$ 167,547</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
County's covered payroll	\$ 1,008,209	\$ 799,934	\$ 749,936	\$ 758,591	\$ 841,387	
Contributions as a percentage of covered payroll	2.58%	22.73%	23.50%	23.50%	23.50%	

The County was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2018 or 2017. Information for fiscal years 2016 through 2009 is not available.

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF CHANGES IN THE COUNTY'S PENSION/OPEB LIABILITY
AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
June 30, 2018

PSPRS - Sheriff Pension	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability:					Information not available
Service cost	\$ 160,116	\$ 171,279	\$ 170,932	\$ 140,956	
Interest on the total pension liability	415,416	411,203	391,023	315,179	
Changes of benefit terms	68,497	77,036		100,080	
Differences between expected and actual experience in the measurement of the pension liability	685,944	(293,002)	(114,998)	16,756	
Changes of assumptions or other inputs	234,218	204,433		543,017	
Benefit payments, including refunds of employee contributions	<u>(322,025)</u>	<u>(207,444)</u>	<u>(172,679)</u>	<u>(156,937)</u>	
Net change in total pension liability	1,242,166	363,505	274,278	959,051	
Total pension liability—beginning	<u>5,619,841</u>	<u>5,256,336</u>	<u>4,982,058</u>	<u>4,023,007</u>	
Total pension liability—ending (a)	<u>\$ 6,862,007</u>	<u>\$ 5,619,841</u>	<u>\$ 5,256,336</u>	<u>\$ 4,982,058</u>	
Plan fiduciary net position:					
Contributions—employer	\$ 198,711	\$ 234,075	\$ 165,012	\$ 160,337	
Contributions—employee	91,411	116,399	103,877	94,828	
Net investment income	420,406	20,853	120,579	389,564	
Benefit payments, including refunds of employee contributions	<u>(322,025)</u>	<u>(207,444)</u>	<u>(172,679)</u>	<u>(156,937)</u>	
Administrative expense	(4,120)	(3,401)	(3,316)	(3,137)	
Other changes	<u>200,342</u>	<u>(40,326)</u>	<u>(2,680)</u>	<u>-</u>	
Net change in plan fiduciary net position	584,725	120,156	210,793	484,655	
Plan fiduciary net position—beginning	<u>3,567,217</u>	<u>3,447,061</u>	<u>3,236,268</u>	<u>2,751,613</u>	
Plan fiduciary net position—ending (b)	<u>\$ 4,151,942</u>	<u>\$ 3,567,217</u>	<u>\$ 3,447,061</u>	<u>\$ 3,236,268</u>	
County's net pension liability - ending (a) - (b)	\$ 2,710,065	\$ 2,052,624	\$ 1,809,275	\$ 1,745,790	
Plan fiduciary net position as a percentage of the total pension liability	60.51%	63.48%	65.58%	64.96%	
Covered payroll	\$ 1,054,988	\$ 1,011,019	\$ 940,239	\$ 846,389	
County's net pension liability as a percentage of covered payroll	256.88%	203.03%	192.43%	206.26%	

See the accompanying notes to this schedule.

Greenlee County, Arizona

SCHEDULE OF CHANGES IN THE COUNTY'S PENSION/OPEB LIABILITY
AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
June 30, 2018

PSPRS - Sheriff OPEB	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
Total OPEB liability:		
Service cost	\$ 3,079	Information
Interest on the total pension liability	7,763	not
Changes of benefit terms	(3)	available
Differences between expected and actual experience in the measurement of the pension liability	2,578	
Changes of assumptions or other inputs	(4,774)	
Benefit payments, including refunds of employee contributions	<u>(1,581)</u>	
Net change in total OPEB liability	7,062	
Total OPEB liability—beginning	<u>102,763</u>	
Total OPEB liability—ending (a)	<u>\$ 109,825</u>	
Plan fiduciary net position:		
Contributions—employer	\$	
Contributions—employee		
Net investment income	28,277	
Benefit payments, including refunds of employee contributions	(1,581)	
Administrative expense	(250)	
Other changes		
Net change in plan fiduciary net position	<u>26,446</u>	
Plan fiduciary net position—beginning	<u>240,655</u>	
Plan fiduciary net position—ending (b)	<u>\$ 267,101</u>	
County's net OPEB (asset) - ending (a) - (b)	\$ (157,276)	
Plan fiduciary net position as a percentage of the total OPEB liability	243.21%	
Covered payroll	\$ 1,054,988	
County's net OPEB liability as a percentage of covered payroll	(14.91)%	

See the accompanying notes to this schedule.

Greenlee County, Arizona

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

<u>General Fund</u>	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Total Other</u> <u>Financing</u> <u>Sources</u> <u>(Uses)</u>	<u>Fund</u> <u>Balances,</u> <u>July 1, 2017</u>	<u>Fund</u> <u>Balances,</u> <u>June 30, 2018</u>
Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 16,295,013	\$ 15,523,333	\$ (1,009,493)	\$ 11,295,863	\$ 11,058,050
Present value of net minimum capital lease payments	-	(495,850)	(495,850)	-	-
Activity budgeted as special revenue funds	<u>(299,605)</u>	<u>(3,653,653)</u>	<u>-</u>	<u>(4,137,505)</u>	<u>(783,457)</u>
Budgetary comparison schedule	<u>\$ 15,995,408</u>	<u>\$ 11,373,830</u>	<u>\$ (1,505,343)</u>	<u>\$ 7,158,358</u>	<u>\$ 10,274,593</u>

Greenlee County, Arizona

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2018, the County had expenditures in the General Fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

<u>Fund/Department</u>	<u>Excess</u>
Constable no. 2	\$ 3,542
Elections	4,276
Fleet	21,049
Information systems	49,166
Public fiduciary	2,422
Recorder	711
Emergency services	5,596
Health and welfare	36
County library	33,061

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. Overall, the County's total expenditures on a budgetary basis did not exceed budgeted appropriations. Each year, the County bases the adopted budget amounts on conservative current and budget year projections and past historical trends. Any excesses of appropriations are discussed with department heads to determine if adjustments will be made in future budgets. In addition, the County requires all capital expenditures to be approved by the Board, regardless of their inclusion in the budget, enabling the County to review the availability of funds for all purchases throughout the year.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

NOTE 4 - ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period as of the 2016 actuarial valuation	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

NOTE 5 - FACTORS THAT AFFECT TRENDS

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