

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004**

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
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Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, for the year ended June 30, 2004, to implement a new financial reporting model.

The Management's Discussion and Analysis on pages 5 through 13, the Budgetary Comparison Schedules on pages 46 through 51, and the Schedule of Agent Retirement Plan's Funding Progress on page 52, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information on page 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Greenlee County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Miller, Allen & Co., P.C.

November 24, 2008

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

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**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

As management of Greenlee County, Arizona (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. Please read it in conjunction with the County's basic financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for fiscal year 2003-04 as follows:

- The County's total net assets of governmental activities increased \$779,325 to \$5.2 million, representing an 17.7 percent increase from fiscal year 2002-03.
- General revenues from governmental activities accounted for \$6.9 million in revenue, or 60.3 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4.6 million or 39.7 percent of total governmental activities revenues.
- The County had \$10.7 million in expenses related to governmental activities; of which \$4.6 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$6.9 million were adequate to provide for the remaining costs of these programs.
- Among major governmental funds, the General Fund had \$7.3 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$6.2 million. The General Fund's fund balance increased from \$684,259 to \$945,992, due primarily to an increase in tax revenues resulting from a secondary tax override. The HURF Fund had revenues of \$918,843, which consisted mainly of intergovernmental revenues. The total expenditures were \$1.3 million. The fund balance of the HURF Fund increased by \$31,792 from the prior year due primarily to transfers in from other funds. The fund balance of the Debt Service Fund increased by \$349,577 due to transfers in from other funds.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the County's activities are presented in the following category:

- ***Governmental activities*** - Most of the County's basic services are included here, such as general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, education, and economic development. Taxes (property and sales), intergovernmental, and charges for services revenue finance most of these activities.

The government-wide financial statements can be found on pages 16-17 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Greenlee County maintains numerous 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 Fund, HURF Fund, Airport Improvement Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental funds financial statements can be found on pages 18-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support Greenlee County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary funds financial statements can be found on pages 25-26 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. The County adopts an annual budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balance – budget and actual has been provided for the General Fund, HURF Fund and Airport Improvement Fund as required supplementary information. Also, the required supplementary information presents certain information concerning Greenlee County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 46-52 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year of implementation of GASB Statement No. 34. Therefore, the schedules provided in the financial statements do not include prior-year information for comparative analysis. In future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$5.2 million as of June 30, 2004.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

By far the largest portion of the County's net assets (50.3 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, and machinery and equipment), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding.

The County uses these capital assets to provide services to its citizens, consequently, 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.

The County's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

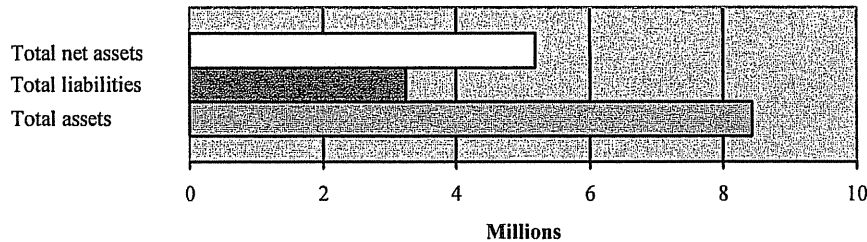
The following tables present a summary of the County's net assets at June 30, 2004.

	As of <u>June 30, 2004</u>
Current assets	\$ 3,799,052
Other assets	318,511
Capital assets, net	<u>4,315,315</u>
Total assets, net	<u>8,432,878</u>
Long-term liabilities outstanding	2,588,391
Other liabilities	<u>660,827</u>
Total liabilities	<u>3,249,218</u>
Net assets:	
Invested in capital assets, net of related debt	2,608,965
Restricted	1,213,843
Unrestricted	<u>1,360,852</u>
Total net assets	<u>\$ 5,183,660</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Governmental Activities



The following is a significant current year transaction that had an impact on the Statement of Net Assets.

- The addition of \$605,422 in capital assets through the addition of buildings, improvements, machinery and equipment, and construction in progress.

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2004, were \$11.5 million. The total cost of all programs and services was \$10.7 million. The following table presents a summary of revenues and expenses for the fiscal year ended June 30, 2004.

	<u>Fiscal Year Ended June 30, 2004</u>
Revenues:	
Program revenues:	
Charges for services	\$ 601,968
Operating grants and contributions	3,856,204
Capital grants and contributions	101,897
General revenues:	
Property taxes, levied for general purposes	2,946,795
County sales taxes for general purposes	713,917
Share of state sales taxes	1,975,745
Share of state vehicle license tax	227,372
Grants and contributions not restricted to specific programs	923,943
Investment earnings	16,779
Miscellaneous	124,866
Total revenues	<u><u>\$ 11,489,486</u></u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

	<u>Fiscal Year Ended June 30, 2004</u>
Expenses:	
General government	\$ 3,650,281
Public safety	3,033,278
Highway and streets	1,186,107
Sanitation	365,887
Health and welfare	1,420,984
Culture and recreation	407,415
Education	508,227
Economic development	10,453
Interest on long-term debt	127,529
Total expenses	<u>10,710,161</u>
Increase in net assets	<u>\$ 779,325</u>

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

	<u>2004 Total Expenses</u>	<u>2004 Net (Expense)</u>
Governmental Activities		
General government	\$ 3,650,281	\$ (3,002,877)
Public safety	3,033,278	(2,080,064)
Highway and streets	1,186,107	(4,792)
Sanitation	365,887	(50,134)
Health and welfare	1,420,984	(735,665)
Culture and recreation	407,415	(120,912)
Education	508,227	(17,666)
Economic development	10,453	(10,453)
Interest on long-term debt	127,529	(127,529)
Total	<u>\$ 10,710,161</u>	<u>\$ (6,150,092)</u>

- The cost of all governmental activities this year was \$10.7 million.
- The net cost of governmental activities of \$6.2 million was financed by general revenues, which are made up of primarily taxes and shared state revenues.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

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, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$3.4 million, an increase of \$596,855. Total fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the County's discretion.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$261,733 as a result of the significant increase in tax revenues. The fund balance of the HURF Fund showed an increase of \$31,792 as a result of transfers in from other funds. The fund balance of the Debt Service Fund increased by \$349,577 as a result of transfers in from other funds.

BUDGETARY HIGHLIGHTS

A schedule showing the budget amounts compared to the County's actual financial activity for the General Fund, HURF Fund, and Airport Improvement Fund is provided in this report as required supplementary information. The significant variances between budget and actual for the General Fund are as follows:

- Shared state sales tax revenues in the General Fund exceeded estimates by \$375,745 as a result of increases to copper prices during the year.
- The state appropriation for the Arizona Health Care Cost Containment System (AHCCCS) distributions to counties to offset a net loss in revenues due to Proposition 204 of \$234,400 was not budgeted.
- Miscellaneous revenue estimates were not achieved as anticipated. Estimates exceeded actual amounts by \$24,315.
- Superior court expenditures exceeded estimates by \$24,458. Legal services costs were higher than anticipated due to an increase in the indigent defense case load.
- The Sheriff's departmental costs exceeded estimates for part-time detention officers, overtime pay, enforcement supplies, and inmate medical costs. Part-time detention costs were shifted from the Jail Enhancement Fund (a non-major Special Revenue Fund) to the General Fund. Overtime pay exceeded the estimate due to a loss of officers and difficulty

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

BUDEETARY HIGHLIGHTS (Concl'd)

in filling positions. Inmate medical costs exceeded estimates due to several large cases where inmates were taken to hospitals in other counties. There is no hospital in Greenlee County. Enforcement supplies exceeded estimates due to the purchase of tasers for our force unanticipated at the time of the budget adoption.

- Ambulance service expenditures exceeded estimates by \$58,888. Ambulance subsidy costs were higher than anticipated due to lower than usual collections. The County covers all amounts in excess of insurance coverage amounts as well as administrative costs for Gila Health Resources' management of the service as required by the Certificate of Necessity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2004, the County had invested \$4.3 million in capital assets, including buildings, facilities, vehicles, computers, and equipment. Total depreciation expense for the year was \$497,700.

The following schedule presents capital asset balances and accumulated depreciation at June 30, 2004.

	As of June 30, 2004
Land	\$ 233,654
Construction in progress	39,246
Land improvements	2,502,232
Buildings and improvements	5,478,185
Machinery and equipment	5,207,233
Accumulated depreciation	(9,145,235)
Total	<u>\$ 4,315,315</u>

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

Debt Administration. At June 30, 2004, the County had certificates of participation and capital lease long-term liabilities outstanding of \$1,748,969 as compared to \$1,892,908 in the prior year. This amount is comprised of \$1,190,000 of certificates of participation and \$558,969 in capital leases.

Additional information on the County's long-term debt can be found in Note 6 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County's fiscal year 2004-05 budgets increased 7.3% for the General Fund and 11.3% for all funds from the prior year, which included a \$1.3 million dollar airport improvement grant. The budget contains approximately \$150,000 in direct and indirect cost shifts from the State of Arizona.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2004**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Concl'd)

Our estimate for state shared sales/severance tax is up minimally regardless of the fact that the price of copper is up significantly. We will be working with the local copper company to change the distribution formula for severance tax. This, of course, will require legislation. A change in the distribution formula could diminish the need to ask the voters for another secondary property tax in the spring of 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

**GREENLEE COUNTY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2004**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 3,392,751
Property taxes receivable	37,906
Due from other governments	368,395
Total current assets	3,799,052
Noncurrent assets:	
Investments held by trustee - restricted	275,892
Capital assets, not being depreciated	272,900
Capital assets, being depreciated, net	4,042,415
Deferred bond issuance costs	42,619
Total noncurrent assets	4,633,826
Total assets	8,432,878
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	270,003
Accrued payroll and employee benefits	272,236
Deferred revenues	118,588
Current portion of long-term obligations	627,218
Total current liabilities	1,288,045
Noncurrent liabilities:	
Non-current portion of long-term obligations	1,961,173
Total non-current liabilities	1,961,173
Total liabilities	3,249,218
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	2,608,965
Restricted for:	
HURF	587,927
Debt service	625,916
Unrestricted	1,360,852
Total net assets	\$ 5,183,660

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 3,650,281	\$ 192,813	\$ 392,694	\$ 61,897	\$ (3,002,877)
Public safety	3,033,278	65,222	887,992		(2,080,064)
Highway and streets	1,186,107		1,141,315	40,000	(4,792)
Sanitation	365,887	300,536	15,217		(50,134)
Health and welfare	1,420,984	5,264	680,055		(735,665)
Culture and recreation	407,415	38,133	248,370		(120,912)
Education	508,227		490,561		(17,666)
Economic development	10,453				(10,453)
Interest on long-term debt	127,529				(127,529)
Total governmental activities	\$ 10,710,161	\$ 601,968	\$ 3,856,204	\$ 101,897	\$ (6,150,092)
General revenues:					
Taxes:					
					2,946,795
					713,917
					1,975,745
					227,372
					923,943
					16,779
					124,866
					<u>6,929,417</u>
					Change in net assets
					779,325
					Net assets, beginning of year, as restated
					<u>4,404,335</u>
					Net assets, end of year
					<u>\$ 5,183,660</u>

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

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	HURF Fund	Airport Improvement Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 927,519	\$ 578,770	\$ 100,163
Investments held by trustee - restricted			
Property taxes receivable	37,906		
Due from other governments	287,270	67,961	
Due from other funds	4,031		
Total assets	\$ 1,256,726	\$ 646,731	\$ 100,163
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 122,088	\$ 27,203	\$ 45,876
Accrued payroll and employee benefits	154,230	31,601	
Due to other funds			
Deferred revenues	34,416		54,287
Total liabilities	310,734	58,804	100,163
 Fund balances:			
Unreserved reported in:			
General fund	945,992		
Special revenue funds		587,927	
Debt service fund			
Total fund balances	945,992	587,927	
Total liabilities and fund balances	\$ 1,256,726	\$ 646,731	\$ 100,163

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 350,024 275,892	\$ 1,436,275 13,164	\$ 3,392,751 275,892 37,906 368,395 4,031
<u>\$ 625,916</u>	<u>\$ 1,449,439</u>	<u>\$ 4,078,975</u>
\$	\$ 74,836 86,405 4,031 64,301 229,573	\$ 270,003 272,236 4,031 153,004 699,274
625,916	1,219,866	945,992 1,807,793 625,916
<u>625,916</u>	<u>1,219,866</u>	<u>3,379,701</u>
<u>\$ 625,916</u>	<u>\$ 1,449,439</u>	<u>\$ 4,078,975</u>

GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2004

Total governmental funds fund balances **\$ 3,379,701**

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

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

Governmental capital assets	\$	13,460,550	
Less accumulated depreciation		<u>(9,145,235)</u>	4,315,315

Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 34,416

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 42,619

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Certificates of participation payable		(1,190,000)	
Capital leases payable		(558,969)	
Landfill closure and postclosure care costs payable		(592,881)	
Compensated absences payable		<u>(246,541)</u>	<u>(2,588,391)</u>

Net assets of governmental activities **\$ 5,183,660**

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

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GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General Fund	HURF Fund	Airport Improvement Fund
Revenues:			
Taxes	\$ 3,870,418	\$	\$
Intergovernmental	3,232,409	914,785	61,897
Charges for services	121,735		
Fines and forfeits	58,019		
Investment income	3,378	3,058	375
Contributions			
Miscellaneous	50,685	1,000	
Total revenues	<u>7,336,644</u>	<u>918,843</u>	<u>62,272</u>
Expenditures:			
Current -			
General government	3,062,170		
Public safety	1,838,375		
Highway and streets		1,084,791	
Sanitation	14,128	151	
Health and welfare	659,881		
Culture and recreation	28,465		
Education	160,943		
Economic development			
Capital outlay	333,376	161,487	62,272
Debt service -			
Principal retirement	116,465	25,202	
Interest and fiscal charges	7,861	3,038	
Total expenditures	<u>6,221,664</u>	<u>1,274,669</u>	<u>62,272</u>
Excess (deficiency) of revenues over expenditures	<u>1,114,980</u>	<u>(355,826)</u>	
Other financing sources (uses):			
Capital lease agreements	207,920	161,088	
Transfers in	193,263	226,530	
Transfers out	(1,254,430)		
Total other financing sources (uses)	<u>(853,247)</u>	<u>387,618</u>	
Changes in fund balances	<u>261,733</u>	<u>31,792</u>	
Fund balances, beginning of year	684,259	556,135	
Fund balances, end of year	<u>\$ 945,992</u>	<u>\$ 587,927</u>	<u>\$</u>

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

<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$
	2,588,598	3,870,418
	411,573	6,797,689
	10,641	533,308
1,868	8,100	68,660
	20,100	16,779
	73,181	20,100
		124,866
<u>1,868</u>	<u>3,112,193</u>	<u>11,431,820</u>
	356,718	3,418,888
	982,303	2,820,678
		1,084,791
	274,674	288,953
	719,824	1,379,705
	358,137	386,602
	347,242	508,185
	10,453	10,453
	122,719	679,854
265,000	118,876	525,543
86,008	16,010	112,917
<u>351,008</u>	<u>3,306,956</u>	<u>11,216,569</u>
<u>(349,140)</u>	<u>(194,763)</u>	<u>215,251</u>
	12,596	381,604
698,717	616,457	1,734,967
	(480,537)	(1,734,967)
<u>698,717</u>	<u>148,516</u>	<u>381,604</u>
<u>349,577</u>	<u>(46,247)</u>	<u>596,855</u>
276,339	1,266,113	2,782,846
<u>\$ 625,916</u>	<u>\$ 1,219,866</u>	<u>\$ 3,379,701</u>

**GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

Net changes in fund balances - total governmental funds **\$ 596,855**

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capitalized assets	\$	565,422	
Less current year depreciation		<u>(497,700)</u>	67,722

Donations of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. 40,000

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 17,666

The issuance of long-term debt (e.g., bonds, leases, loans, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred	\$	(381,604)	
Principal repaid		525,543	
Amortization of bond issuance costs		<u>(14,612)</u>	129,327

Landfill closure and postclosure care expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (44,552)

Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (27,693)

Change in net assets in governmental activities **\$ 779,325**

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF FIDUCIARY FUNDS NET ASSETS
JUNE 30, 2004**

	<u>Investment Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 4,460,487	\$ 25,569
Total assets	<u>4,460,487</u>	<u>\$ 25,569</u>
<u>LIABILITIES</u>		
Deposits held for others		25,569
Total liabilities		<u>\$ 25,569</u>
<u>NET ASSETS</u>		
Held in trust	<u>\$ 4,460,487</u>	

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004

	<u>Investment Trust</u>
Additions:	
Investment income	\$ 24,420
Contributions from participants	13,261,320
Total additions	13,285,740
 Deductions:	
Distributions to participants	13,464,869
Total deductions	13,464,869
 Changes in net assets	 (179,129)
Net assets, beginning of year	4,639,616
Net assets, end of year	\$ 4,460,487

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Greenlee County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). During the year ended June 30, 2004, the County implemented GASB Statement No. 34, as amended by GASB Statement No. 37, which prescribes a new reporting model consisting of both government-wide and fund financial statements. The County also implemented GASB Statement No. 38, which prescribes new and revised note disclosure.

A. Reporting Entity

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

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

Blended Component Unit – The Greenlee County Municipal Property Corporation was formed to finance the renovation, reconstruction, construction and equipping of the County's old courthouse building. The corporation issued certificates of participation that evidence undivided proportionate interests in rent payments to be made under a lease agreement, with an option to purchase, between Greenlee County and the corporation. Although the corporation is a legally separate entity from the County, the Board of Supervisors of the County serves as the Board of Directors of the corporation. Consequently, the financial data for the corporation are blended with the data of the primary government. Separate financial statements of the blended component unit are not prepared.

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 assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes and intergovernmental revenues.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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

- Charges to customers or applicants for goods, services, or privileges provided,
- Operating grants and contributions, and
- Capital grants and contributions.

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

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

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

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Reserve Fund for maintenance and construction of roadways.
- The *Airport Improvement Fund* accounts for state and federal grant funds (State ADOT and Federal FAA) appropriated for improvement projects at the Greenlee County Airport Facility.
- The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The County reports the following fund types:

The *Investment Trust Fund* accounts for pooled assets held and invested by the County Treasurer on behalf of County departments and other governmental entities.

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

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. 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 revenues in the year for which they are levied. Grants and donations are recognized as revenues as soon as all eligibility requirements the provider imposed have been met.

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 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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. Issuance of long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

D. Cash and Investments

Money market investments are stated at amortized cost. All other investments are stated at fair value.

E. Inventories

Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase; and because the amounts on hand at June 30, 2004 were immaterial, they are not included on the balance sheet.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

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

F. Property Tax Calendar

The County levies real 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.

The County also levies various personal property taxes which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

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

G. Capital Assets

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

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

	Capitalization Threshold		
Land	\$ 5,000		
Construction in progress	\$ 5,000		
		Depreciation Method	Estimated Useful Life
Land improvements	\$ 5,000	Straight Line	50-75 years
Buildings and improvements	\$ 5,000	Straight Line	20-50 years
Machinery and equipment	\$ 5,000	Straight Line	3-15 years

H. Investment Income

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

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

I. Compensated Absences

Compensated absences consist of vacation leave and accrued compensatory time earned by employees based on services already rendered. Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements. Employees may accumulate an unlimited number of sick leave hours. 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.

J. 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 - BEGINNING BALANCES RESTATED

As a result of implementing GASB Statement No. 34, the County's governmental fund-type fund balances as of June 30, 2003 have been restated as net assets as of July 1, 2003 in the government-wide Statement of Activities.

The following reconciliations first correct the beginning fund balances for errors not related to GASB 34, then summarize the differences between governmental fund-type fund balances as of June 30, 2003, as previously reported, to net assets as of July 1, 2003, reported on the government-wide Statement of Activities.

The errors corrected include the following:

- An incorrect adjustment for PILT monies received in fiscal year 2002-03.
- Errors made in the accrual of payroll and employee benefits at June 30, 2003.
- A fiscal year 2002-03 expenditure recorded in fiscal year 2003-04.
- Deferral of grant revenues and accrual of grant receivables not recorded.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 2 - BEGINNING BALANCES RESTATED (Concl'd)

Aggregate fund balances of governmental fund types as of June 30, 2003, as previously reported	\$ 2,613,388
Corrections of Errors:	
Correction of prior year accounts payable	(19,508)
Correction of prior year deferred revenue	83,171
Correction of prior year accrued payroll and employee benefits	(128,454)
Correction of prior year receivables	8,577
Correction of prior year cash balances	225,672
Aggregate fund balances of governmental fund types as of June 30, 2003, as restated	2,782,846
GASB 34 Adjustments:	
Recognition of revenues deferred in the fund statements	16,750
Capital assets, net of accumulated depreciation	4,207,593
Deferred bond issuance costs	57,231
Long-term liabilities	(2,660,085)
Net assets of governmental activities as of July 1, 2003, as restated	\$ 4,404,335

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances – At June 30, 2004, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Non-Major Governmental Funds:	
Indigent Defense	\$ 370
Child Support Enforcement	74
BJA – Bullet Proof Vests	8,428
Probation - County	1,500
Probation - State	1,224
State Aid Enhancement ARS 12-261	4,773
Juvenile Standard Probation	1,365
JTSF	184
State Crime Victim Compensation	625
Drug Enforcement 41-2402	160
JIPS	921
Diversion Consequences	238

These deficits resulted from operations during the year, but are expected to be corrected through normal operations or transfers from the General Fund in fiscal year 2005.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Concl'd)

Expenditures in Excess of Appropriations – For the year ended June 30, 2004, expenditures exceeded final budget amounts at the department level for the General Fund and the fund level for all other funds (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Justice of the Peace No. 2	\$ 5,991
Superior Court	24,458
Sheriff	79,119
Landfill	14,128
Ambulance Service	58,888
AHCCCS/ALTCS Payments	170
County Librarian	2,557
Other Funds:	
National Forest Fees	94,862
Indigent Defense	1,331
Child Support Enforcement	40
Superior Court Document Fund	378
State Crime Victim Compensation	6,249
ACJC	462
Victim's Rights & Assistance	402
Voca-Federal Victim Compensation	3,170
Visitation Monitoring	2,663
Casa Rural Mini Grant	1,502
DUI Abatement	3,736
State Library Grant	22,144
BJA – Bullet Proof Vests	8,428
Federal Election System (HAVA)	136,783
CERT Grant	12,796
Exercise Grant	730
Economic Development	6
Wellness Program	405
Flood Disaster	4
County Fair	31,246
Emergency Food & Shelter	1,870
Probation – State	2,422
Family Counseling	59
JAIBG Program	2,313
Drug Enforcement 41-2402	4,759
State Aid Enhancement ARS 12-261	11,927
Community Punishment Program	472
JIPS	2,990
Juvenile Standard Probation	2,068
Diversion Consequences	2,430
AIPS	3,052
Drug Treatment Education	59
JTSF	566
Juvenile Collection Enhancement Fund	35
Debt Service	12,680

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 4 - DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

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 (see Note 10). Those monies are pooled with the County's monies for investment purposes.

Deposits – The investment pool's deposits at June 30, 2004, were entirely covered by federal depository insurance or by collateral held by the County's custodial bank in the County's name.

Other Deposits – The County's nonpooled deposits at June 30, 2004, were entirely covered by federal depository insurance or by collateral held by the County's custodial bank in the County's name.

Other Investments – At June 30, 2004, the County's nonpooled investments consisted of the following.

	Fair Value
Money market mutual fund	\$ 275,892
Total	\$ 275,892

The County's nonpooled investments at June 30, 2004, are categorized below to give an indication of the level of risk the County assumed at year-end.

- Category 1 - - insured or registered in the County's name, or securities held by the County or its agent in the County's name.
- Category 2 - - uninsured and unregistered with securities held by the counterparty's trust department or agent in the County's name.
- Category 3 - - uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the County's name.

	Category			Fair Value
	1	2	3	
Money Market Mutual Fund	-	-	\$ 275,892	\$ 275,892
Total	-	-	\$ 275,892	\$ 275,892

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS (Concl'd)

A reconciliation of cash and investments to amounts shown on the Statement of Net Assets follows.

<u>Cash and Investments</u>	<u>County Treasurer's Investment Pool</u>	<u>Other</u>	<u>Total</u>
Cash on hand	\$ 44,982	\$	\$ 44,982
Carrying amount of deposits	7,769,779	64,046	7,833,825
Reported amount of investments		<u>275,892</u>	<u>275,892</u>
Total	<u>\$ 7,814,761</u>	<u>\$ 339,938</u>	<u>\$ 8,154,699</u>

<u>Statement of Net Assets:</u>	<u>Total Primary Government</u>	<u>Total Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,392,751	\$ 4,486,056	\$ 7,878,807
Investments held by trustee	<u>275,892</u>		<u>275,892</u>
Total	<u>\$ 3,668,643</u>	<u>\$ 4,486,056</u>	<u>\$ 8,154,699</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	<u>Balance July 1, 2003, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress (estimated cost to complete \$1,104,631)		<u>39,246</u>		<u>39,246</u>
Total capital assets not being depreciated	<u>233,654</u>	<u>39,246</u>		<u>272,900</u>
Capital assets being depreciated:				
Land improvements	2,465,843	36,389		2,502,232
Buildings and improvements	5,421,555	56,630		5,478,185
Machinery and equipment	4,749,075	473,157	14,999	5,207,233
Total	<u>12,636,473</u>	<u>566,176</u>	<u>14,999</u>	<u>13,187,650</u>
Less accumulated depreciation for:				
Land improvements	(1,306,237)	(91,598)		(1,397,835)
Buildings and improvements	(4,003,483)	(90,809)		(4,094,292)
Machinery and equipment	(3,352,814)	(315,293)	(14,999)	(3,653,108)
Total accumulated depreciation	<u>(8,662,534)</u>	<u>(497,700)</u>	<u>(14,999)</u>	<u>(9,145,235)</u>
Total capital assets being depreciated, net	<u>3,973,939</u>	<u>68,476</u>		<u>4,042,415</u>
Governmental activities capital assets, net	<u>\$ 4,207,593</u>	<u>\$ 107,722</u>	<u>\$</u>	<u>\$ 4,315,315</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 - CAPITAL ASSETS (Concl'd)

The June 30, 2003 balances have been restated as a result of errors found during a physical inventory and for accumulated depreciation as required by GASB Statement No. 34. A summary of the corrections and the GASB 34 restatement follows.

June 30, 2003 balance	\$	13,615,036
Corrections of errors:		
Correction of land		(92,587)
Correction of land improvements		1,467,176
Correction of buildings and improvements		(464,661)
Correction of machinery and equipment		(1,654,837)
GASB 34 adjustment:		
Accumulated depreciation		(8,662,534)
July 1, 2003 balance as restated	\$	<u>4,207,593</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:		
General government	\$	204,613
Public safety		102,193
Highway and streets		99,408
Sanitation		30,835
Health and welfare		39,813
Culture and recreation		20,838
Total governmental activities depreciation expense	\$	<u>497,700</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2004:

	Balance July 1, 2003, as Restated	Additions	Reductions	Balance June 30, 2004	Due Within One Year
Compensated absences payable	\$ 218,848	\$ 305,624	\$ 277,931	\$ 246,541	\$ 61,635
Capital leases payable	437,908	381,604	260,543	558,969	248,583
Landfill closure and post closure care costs payable	548,329	44,552		592,881	32,000
Certificates of participation payable	1,455,000		265,000	1,190,000	285,000
Total	<u>\$ 2,660,085</u>	<u>\$ 731,780</u>	<u>\$ 803,474</u>	<u>\$ 2,588,391</u>	<u>\$ 627,218</u>

The June 30, 2003 balances have been restated as a result of errors in amounts recorded for compensated absences payable in the amount of \$74,572 and landfill closure and postclosure care costs payable in the amount of \$77,855.

Certificates of participation payable – The County has issued certificates of participation that are generally callable with interest payable semiannually to renovate its old courthouse building. The original amount of the certificates issued in prior years was \$2,750,000.

Certificates outstanding at June 30, 2004, were as follows:

Description	Interest Rates	Maturity	Outstanding Principal
Greenlee County Municipal Property Corporation	4.85-5.40%	2004-2007	\$ 1,190,000
Total			<u>\$ 1,190,000</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 - LONG-TERM LIABILITIES (Cont'd)

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2004:

Year Ending June 30:	Governmental Activities		
	Principal	Interest	Total
2005	\$ 285,000	\$ 59,555	\$ 344,555
2006	305,000	44,473	349,473
2007	600,000	28,040	628,040
Total	<u>\$ 1,190,000</u>	<u>\$ 132,068</u>	<u>\$ 1,322,068</u>

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and Equipment	\$ 940,934
Less: Accumulated Depreciation	167,228
Carrying Value	<u>\$ 773,706</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2004:

Year ending June 30:	Governmental Activities
2005	\$ 274,193
2006	214,196
2007	98,854
2008	8,105
2009	6,433
Total minimum lease payments	<u>601,781</u>
Less amount representing interest	42,812
Present value of net minimum lease payments	<u>\$ 558,969</u>

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 6 - LONG-TERM LIABILITIES (Concl'd)

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 the long-term portion of these closure and postclosure care costs in each operating period even though actual payouts will not occur until the landfills are closed. These costs will be paid from the Landfill Closure/Development Fund. The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$592,881 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported to date based on the use of 50 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$602,308 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 2004. The County expects to close the Loma Linda Landfill in the year 2011, the Loma Linda Construction and Demolition Landfill in the year 2023, and the Blue Landfill in the year 2005, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure 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 2004, the County paid for compensated absences as follows: 55 percent from the General Fund, 13 percent from major funds, and 32 percent from other funds.

NOTE 7 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2004, were as follows:

	Due from General Fund
Due to Non-Major Governmental Funds	\$ 4,031
Total	\$ 4,031

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 7 - INTERFUND BALANCES AND ACTIVITY (Concl'd)

At June 30, 2004, two funds had negative cash balances in the Treasurer's pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with other funds.

Interfund transfers – Interfund transfers for the year ended June 30, 2004, were as follows:

	Transfer in				Total
	General Fund	HURF Fund	Debt Service Fund	Non-Major Governmental Funds	
Transfer out					
General Fund	\$	\$	\$ 698,717	\$ 555,713	\$ 1,254,430
Non-Major Governmental Funds	193,263	226,530		60,744	480,537
Total	<u>\$ 193,263</u>	<u>\$ 226,530</u>	<u>\$ 698,717</u>	<u>\$ 616,457</u>	<u>\$ 1,734,967</u>

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

NOTE 8 - 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; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, 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, which are described as follows.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$7,500 per occurrence for property claims and \$1,500 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$10 million per occurrence for liability claims. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 8 - RISK MANAGEMENT (Concl'd)

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

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance triennially. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and may require its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

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

NOTE 9 - RETIREMENT PLANS

Plan Descriptions – The County contributes to three plans, two of which are described below. The Elected Officials Retirement Plan and the Attorney Investigators' participation in the Public Safety Personnel Retirement System are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 9 - RETIREMENT PLANS (Cont'd)

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

ASRS

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

PSPRS

3010 E. Camelback Rd., Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-Sharing Plan - For the year ended June 30, 2004, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.20 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2004, 2003, and 2002 were \$155,709, \$56,642, and \$50,897, respectively, which were equal to the required contributions for the year.

Agent Plan - For the year ended June 30, 2004, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 5.24 percent.

Annual Pension Cost – The County's pension cost for the agent plan for the year ended June 30, 2004, and related information follow.

	<u>PSPRS</u>
Contribution rates:	
County	5.24%
Plan members	7.65%
Annual pension cost	\$23,985
Contributions made	\$23,985

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 9 - RETIREMENT PLANS (Concl'd)

The current-year annual required contributions for the PSPRS were determined as part of the June 30, 2002 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2002 was 20 years.

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 23,985	100%	\$ - 0 -
2003	8,369	100%	- 0 -
2002	28,339	100%	- 0 -

**NOTE 10 – CONDENSED FINANCIAL STATEMENTS OF 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 monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

The Treasurer allocates interest earnings to each of the pool's participants.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

**NOTE 10 – CONDENSED FINANCIAL STATEMENTS OF COUNTY TREASURER’S
INVESTMENT POOL (Concl’d)**

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

Statement of Net Assets	
Assets	\$ 7,814,761
Liabilities	
Net assets	<u>\$ 7,814,761</u>
Net assets held in trust for	
Internal participants	3,354,274
External participants	<u>4,460,487</u>
Total net assets held in trust	<u>\$ 7,814,761</u>
Statement of Changes in Net Assets	
Total additions	24,070,013
Total deductions	<u>23,694,634</u>
Net increase	375,379
Net assets held in trust:	
July 1, 2003, restated	<u>7,439,382</u>
June 30, 2004	<u>\$ 7,814,761</u>

The June 30, 2003 net assets have been restated due to an incorrect adjustment for PILT monies received in fiscal year 2002-03 in the amount of \$341,525.

REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original & Final		Actual
Revenues:			
Taxes	\$ 3,723,203	\$ 3,870,418	\$ 147,215
Intergovernmental	2,561,525	3,232,409	670,884
Charges for services	107,500	121,735	14,235
Fines and forfeits	52,000	58,019	6,019
Investment income	5,000	3,378	(1,622)
Miscellaneous	75,000	50,685	(24,315)
Total revenues	6,524,228	7,336,644	812,416
Expenditures:			
General government			
Board of Supervisors	264,084	253,213	10,871
Airport	53,385	2,657	50,728
Assessor	198,574	195,820	2,754
Attorney	220,051	211,898	8,153
Contingency	175,000	76,000	99,000
Constable No. 1	24,641	19,034	5,607
Constable No. 2	18,493	18,150	343
County administration	219,790	174,801	44,989
Elections	81,014	27,639	53,375
General services	832,712	795,991	36,721
GIS Program	9,500		9,500
Grounds and maintenance	192,060	183,798	8,262
Information systems	214,755	198,171	16,584
Justice of the Peace No. 1	103,459	100,297	3,162
Justice of the Peace No. 2	111,040	117,031	(5,991)
Planning and zoning	2,000	962	1,038
Public fiduciary	41,451	40,193	1,258
Recorder	138,193	136,611	1,582
Superior court	483,208	507,666	(24,458)
Treasurer	163,934	139,711	24,223
Voter registration	12,200	10,000	2,200
Total general government	3,559,544	3,209,643	349,901
Public safety			
County flood control	780	60	720
Emergency services	76,382	48,966	27,416
Sheriff	1,757,824	1,836,943	(79,119)
Total public safety	1,834,986	1,885,969	(50,983)
Sanitation - Landfill			
		14,128	(14,128)
Health and welfare			
Ambulance service	181,100	239,988	(58,888)
Animal control	65,705	63,367	2,338
AHCCCS/ALTCS Payments	403,711	403,881	(170)
Total health and welfare	650,516	707,236	(56,720)

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Culture and recreation			
County library		2,557	(2,557)
Parks and recreation	50,000	33,263	16,737
Total culture and recreation	50,000	35,820	14,180
Education			
School superintendent	151,043	147,948	3,095
U of A extension services	13,000	13,000	
Total education	164,043	160,948	3,095
Economic development			
Total expenditures	6,259,089	6,013,744	245,345
Excess of revenues over expenditures	265,139	1,322,900	1,057,761
Other financing sources (uses):			
Transfers in	201,653	193,263	(8,390)
Transfers out	(1,016,792)	(1,254,430)	(237,638)
Total other financing sources (uses)	(815,139)	(1,061,167)	(246,028)
Change in fund balances	(550,000)	261,733	811,733
Fund balances, July 1, 2003, as restated	550,000	684,259	134,259
Fund balances, June 30, 2004	\$ -	\$ 945,992	\$ 945,992

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - HURF FUND
YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Intergovernmental	\$ 784,000	\$ 914,785	\$ 130,785
Investment income	5,500	3,058	(2,442)
Miscellaneous		1,000	1,000
Total revenues	<u>789,500</u>	<u>918,843</u>	<u>129,343</u>
Expenditures:			
Current -			
Highway and streets	1,274,479	1,084,791	189,688
Sanitation		151	(151)
Capital outlay	248,931	399	248,532
Debt service -			
Principal retirement	25,202	25,202	
Interest and fiscal charges	3,038	3,038	
Total expenditures	<u>1,551,650</u>	<u>1,113,581</u>	<u>438,069</u>
Deficiency of revenues over expenditures	<u>(762,150)</u>	<u>(194,738)</u>	<u>567,412</u>
Other financing sources (uses):			
Transfers in	220,150	226,530	6,380
Transfers out	(50,625)		50,625
Total other financing sources (uses)	<u>169,525</u>	<u>226,530</u>	<u>57,005</u>
Change in fund balances	<u>(592,625)</u>	<u>31,792</u>	<u>624,417</u>
Fund balances, July 1, 2003, as restated	592,625	556,135	(36,490)
Fund balances, June 30, 2004	<u>\$</u>	<u>\$ 587,927</u>	<u>\$ 587,927</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - AIRPORT IMPROVEMENT FUND
 YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 414,700	\$ 61,897	\$ (352,803)
Investment income	1,000	375	(625)
Total revenues	<u>415,700</u>	<u>62,272</u>	<u>(353,428)</u>
Expenditures:			
Capital outlay	427,025	62,272	364,753
Total expenditures	<u>427,025</u>	<u>62,272</u>	<u>364,753</u>
Change in fund balances	<u>(11,325)</u>		<u>11,325</u>
Fund balances, July 1, 2003, as restated	11,325		(11,325)
Fund balances, June 30, 2004	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2004

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

A.R.S. require 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. prohibit expenditures or liabilities in excess of the amounts budgeted.

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

The County's budget is prepared on a basis consistent with generally accepted accounting principles, except for the following unbudgeted item: 1) present value of net minimum capital lease payments. The following schedule reconciles the excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balances to the budgetary comparison schedules:

	<u>General Fund</u>	<u>HURF Fund</u>
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,114,980	\$ (355,826)
Present value of net minimum capital lease payments	<u>207,920</u>	<u>161,088</u>
Excess (deficiency) of revenues over expenditures from the budgetary comparison schedules	<u>\$ 1,322,900</u>	<u>\$ (194,738)</u>

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2004

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2004, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control for the General Fund) as follows.

Fund/Department	Excess
General Fund:	
Justice of the Peace No. 2	\$ 5,991
Superior Court	24,458
Sheriff	79,119
Landfill	14,128
Ambulance Service	58,888
AHCCCS/ALTCS Payments	170
County Librarian	2,557

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both.

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
 JUNE 30, 2004**

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Actuarial Valuation <u>Date</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funding Excess <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>([a-b]/c)</u>
2004	\$2,170,111	\$1,965,856	\$204,255	110.4%	\$514,307	-
2003	2,124,391	1,675,274	449,117	126.8	432,413	-
2002	2,051,947	1,584,623	467,324	129.5	412,645	-

OTHER SUPPLEMENTARY INFORMATION

**GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Investment income	\$	\$ 1,868	\$ 1,868
Total revenues		<u>1,868</u>	<u>1,868</u>
Expenditures:			
Debt service -			
Principal retirement	265,000	265,000	
Interest and fiscal charges	73,328	86,008	(12,680)
Total expenditures	<u>338,328</u>	<u>351,008</u>	<u>(12,680)</u>
Deficiency of revenues over expenditures	<u>(338,328)</u>	<u>(349,140)</u>	<u>(10,812)</u>
Other financing sources:			
Transfers in	338,328	698,717	360,389
Total other financing sources	<u>338,328</u>	<u>698,717</u>	<u>360,389</u>
Change in fund balances		<u>349,577</u>	<u>349,577</u>
Fund balances, July 1, 2003		276,339	276,339
Fund balances, June 30, 2004	<u>\$</u>	<u>\$ 625,916</u>	<u>\$ 625,916</u>