

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009**

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
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Independent Auditors' Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

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, 2009, 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, 2009, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 5 through 15, the Budgetary Comparison Schedules on pages 52 through 57, and the Schedule of Agent Retirement Plan's Funding Progress on pages 58 through 59 are not required parts 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.

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report 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, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink that reads "Fester & Chapman P.C." The signature is written in a cursive, slightly slanted style.

March 12, 2012

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, 2009**

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, 2009. Please read it in conjunction with the County's basic financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2009 as follows:

- The County's total net assets of governmental activities increased \$1.5 million to \$16.7 million, representing a 9.5 percent increase from fiscal year 2007-08.
- General revenues from governmental activities accounted for \$10.6 million in revenue, or 60.1 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7.0 million or 39.9 percent of total governmental activities revenues.
- The County had \$16.1 million in expenses related to governmental activities; of which \$7.0 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$10.6 million were adequate to provide for the remaining costs of these programs.
- Among major governmental funds, the General Fund had \$9.1 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$8.9 million. The General Fund's fund balance decreased by \$156,921 to \$4.5 million. The PDMI Donation Fund's fund balance increased by \$806,621 due to a donation received during the year. The HURF Fund had revenues of \$1.1 million, which consisted mainly of intergovernmental revenues. The total expenditures of the HURF Fund were \$1.6 million. The fund balance of the HURF Fund decreased \$131,008 from the prior year due primarily to increases in salaries and road materials to meet maintenance needs.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is 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 required supplementary information in addition to the basic financial statements themselves.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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 *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., earned but unused compensated absences).

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

- **Governmental activities** - The County's basic services are included here, such as general government, public safety, highways and streets, culture and recreation, and education. Taxes, intergovernmental, and charges for services revenue finance most of these activities.

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 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 decision. 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, 2009**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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, PDMI Donation Fund and HURF, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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.

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. Budgetary comparison schedules have been provided for the General Fund, PDMI Donation Fund, and HURF Fund as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$16.7 million as of June 30, 2009.

The largest portion of the County's net assets (56.6 percent) is unrestricted. The next largest portion of the County's net assets (42.7 percent) reflects its investment in capital assets (i.e., land and improvements, buildings and improvements, construction in progress and machinery and equipment) less any related debt used to acquire those assets that are 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.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

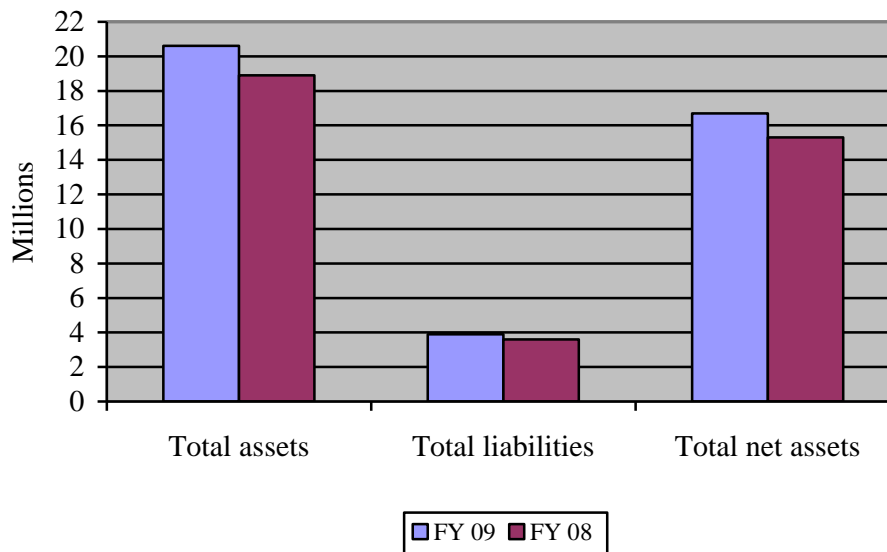
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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 for the fiscal years ended June 30, 2009 and 2008.

	As of June 30, 2009	As of June 30, 2008
Current assets	\$ 11,560,483	\$ 10,552,732
Capital assets, net	9,081,879	8,349,845
Total assets	20,642,362	18,902,577
Other liabilities	1,001,538	896,869
Long-term liabilities	2,924,886	2,746,402
Total liabilities	3,926,424	3,643,271
Net assets:		
Invested in capital assets, net of related debt	7,141,673	6,549,969
Restricted	115,534	246,542
Unrestricted	9,458,731	8,462,795
Total net assets	\$ 16,715,938	\$ 15,259,306

Governmental Activities



**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- Current assets increased \$1.0 million due primarily to revenues received in the PDMI Donation Fund not yet expended and conservative spending during the year.
- Capital assets increased \$732,034 from the prior year primarily due to the airport taxiway extension project in the amount of \$831,083 and acquisition of vehicles and equipment in the amount of \$1.0 million. Approximately \$800,000 of these assets were obtained through capital lease financing. The increases due to the acquisition of assets were partially offset by \$1.2 million in depreciation expense.
- Other liabilities increased \$104,669 from the prior year. This was primarily due to a deferral of property tax revenues, levied for general purposes, related to amounts levied in excess of the maximum allowable.
- Long-term liabilities increased \$178,484 due primarily to new leases entered into during the year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2009, were \$17.6 million. The total cost of all programs and services was \$16.1 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

	Fiscal Year Ended <u>June 30, 2009</u>	Fiscal Year Ended <u>June 30, 2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 937,061	\$ 897,192
Operating grants and contributions	4,936,728	4,779,688
Capital grants and contributions	1,125,427	458,106
General revenues:		
Property taxes, levied for general purposes	1,584,203	1,357,085
Property taxes, levied for public health services	800,483	440,856
Property taxes, levied for flood control	99,965	68,062
County sales taxes for general purposes	1,553,343	1,641,863
Other taxes	-	15,090
Share of state sales taxes	3,062,167	4,894,379
Share of state vehicle license tax	388,915	362,456
Grants and contributions not restricted to specific programs	2,602,407	2,007,880
Miscellaneous	227,828	255,546
Investment earnings	178,625	334,054
Gain on sale of capital assets	58,690	-
Total revenues	<u>17,555,842</u>	<u>17,512,257</u>
Expenses:		
General government	5,507,161	5,636,392
Public safety	4,964,712	4,570,176
Highway and streets	1,951,996	1,694,167
Sanitation	350,559	393,653
Health and welfare	1,709,654	1,653,178
Culture and recreation	463,379	564,719
Education	1,031,067	452,560
Economic development	21,381	-
Interest on long-term debt	99,301	63,750
Total expenses	<u>16,099,210</u>	<u>15,028,595</u>
Increase in net assets	<u>\$ 1,456,632</u>	<u>\$ 2,483,662</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following are significant current year transactions that have had an impact on the Statement of Activities:

- Operating grants and contributions increased by \$157,040 primarily due to increased grant funding for Education through the Secure Rural Schools Act.
- Capital grants and contributions increased \$667,321 primarily due to grant funding for the airport taxiway extension project.
- Property taxes, levied for general purposes increased \$227,118 due to increases in property assessed values.
- Property taxes, levied for public health services increased by \$359,627 due to increases in the property assessed values and an over-levy of \$121,628 resulting from additional increases in assessed values after the tax rate as approved.
- State shared sales taxes decreased by \$1.8 million as a result of the downturns in the economy across the State.
- Grants and contributions not restricted to specific programs increased \$594,527 primarily due to increases in Federal payments in lieu of taxes.
- General government expenditures decreased by \$129,231 due to losses on sales and disposals of capital assets during fiscal year 2007-08.
- Public safety expenses increased by \$394,536 due primarily to the salary increases resulting from a salary survey. Additionally, employee-related expenses increased due to an 11 percent increase in healthcare premiums.
- Highway and streets expenses increased by \$257,829 due primarily to the market adjustment for salaries and an 11 percent increase in healthcare premiums. Additionally, significant monsoon storms caused major road damage that required repair.
- Culture and recreation expenses decreased by \$101,340 due primarily to electrical upgrades performed in the prior year and a decrease in racing activities.
- Education expenses increased by \$578,507 primarily due to increases in National Forest Fees funding that is passed through to the school districts.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

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.

	Year Ended June 30, 2009		Year Ended June 30, 2008	
	Total Expense	Net (Expense)	Total Expense	Net (Expense)
		Revenue		Revenue
Governmental Activities				
General government	\$ 5,507,161	\$ (4,052,353)	\$ 5,636,392	\$ (4,780,433)
Public safety	4,964,712	(3,055,743)	4,570,176	(3,213,432)
Highway and streets	1,951,996	(574,821)	1,694,167	(62,469)
Sanitation	350,559	67,870	393,653	27,315
Health and welfare	1,709,654	(1,278,465)	1,653,178	(837,987)
Culture and recreation	463,379	(227,968)	564,719	(219,467)
Education	1,031,067	142,168	452,560	256,614
Economic development	21,381	(21,381)	-	-
Interest on long-term debt	99,301	(99,301)	63,750	(63,750)
Total	<u>\$ 16,099,210</u>	<u>\$ (9,099,994)</u>	<u>\$ 15,028,595</u>	<u>\$ (8,893,609)</u>

- The cost of all governmental activities this year was \$16.1 million.
- The net cost of governmental activities of \$9.1 million was financed by general revenues, which are made up of primarily taxes, shared state revenues and grants and contributions not restricted to specific programs.

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.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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

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 \$10.6 million, an increase of \$904,597. 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 decrease in fund balance in the General Fund for the fiscal year was \$156,921. The PDMI Donation Fund's fund balance increased by \$806,621 due to a donation received during the year. The HURF Fund had revenues of \$1.1 million, which consisted mainly of intergovernmental revenues. The total expenditures of the HURF Fund were \$1.6 million. The fund balance of the HURF Fund decreased \$131,008 from the prior year due primarily to increases in salaries and road materials to meet maintenance needs.

BUDGETARY HIGHLIGHTS

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

- Tax revenues exceeded estimates by \$565,248 due primarily to County sales taxes exceeding budgeted amounts by \$553,343 as a result of conservative estimates.
- Intergovernmental revenues were less than estimated by \$162,660 due primarily to a decrease in state shared sales taxes as a result of downturns in the economy across the State.
- There were no contingency expenses during the fiscal year. All expenses of the County were provided for elsewhere so there was no need to utilize the contingency budget of \$200,000.
- General services expenses exceeded estimates by \$159,033 due largely to the purchase of vehicles that were unanticipated at the time the initial budget was adopted.
- Ground and maintenance expenses were less than estimated by \$105,379 due to conservative spending and budgetary savings related to limited capital outlay needs during the fiscal year.
- Transfers in exceeded the budget amount by \$290,742 primarily due to usage of donations.
- Transfers out exceeded the budgeted amount by \$633,232 due to indefinite loans to other non-major governmental funds.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the County had invested \$9.1 million in capital assets, including buildings, facilities, vehicles, computers, and equipment. Total depreciation expense for the year was \$1.2 million.

Significant capital asset activity during the year included the following:

- Airport taxiway extension project in the amount of \$831,083.
- Vehicles acquired through capital leases totaled \$140,775 while other vehicles purchased totaled \$169,461.
- Heavy machinery and equipment acquired through capital leases totaled \$675,210 while other heavy machinery and equipment purchased totaled \$15,521.

The following schedule presents capital asset balances and accumulated depreciation as of June 30, 2009 and 2008.

	As of June 30, 2009	As of June 30, 2008
Land	\$ 233,654	\$ 233,654
Construction in progress	7,700	-
Land improvements	4,854,074	4,022,890
Buildings and improvements	7,741,920	7,725,218
Machinery and equipment	8,377,461	8,087,369
Accumulated depreciation	(12,132,930)	(11,719,286)
Total	<u>\$ 9,081,879</u>	<u>\$ 8,349,845</u>

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

Debt Administration. At June 30, 2009, the County had capital lease long-term debt outstanding of \$1,940,206 as compared to \$1,799,876 outstanding in the prior year.

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2008-09 budget was 7.4 percent above last year's General Fund budget, and a 6.9 percent increase overall. The assessed value increased by \$155 million resulting in an increase in the tax levy of \$223,000. The tax rate decreased for the second year in a row. However, between mid-September and mid-October, the price of copper dropped from an historical high of over \$4.00 per pound to \$1.28 per pound. The region saw a major lay-off of workers in the copper industry. Greenlee County saw a decline in sales/severance tax. The County ended the year \$700,000 less than the projected amount, however, the ½ cent sales tax came in above the estimate by \$553,000. This helped the County manage through the economic downturn. The County implemented budget modifications that enabled the County, along with the sustainability fund, to successfully end the year without reductions in force. The County continued its review and restructure of departments to maximize utilization of personnel and equipment. Building and maintaining the sustainability fund has given the County latitude in managing through the economic downturns in the copper industry.

The County entered fiscal year 2009-10 with a 1.15 percent decrease to the General Fund budget and 0.64 percent decrease in the total budget. Assessed valuations increased by \$40 million for primary and secondary taxing authorities. The County over-levied in fiscal year 2008-09 due to an increase in assessed values after the tax rate was approved and caused a reduction in the primary tax levy of \$281,000 for fiscal year 2009-10. The County continues to use conservative sales/severance tax projects due to the overall decline in State shared revenues. The State cost shifts have been included in the budget for fiscal year 2009-10 at the levels in the latest proposal. The copper market has stabilized and has begun to rebound. The sustainability fund will be used to ensure the County meets its obligations through the fiscal year. The County continues on the conservative track with requirements for all vacant positions coming before the Board for approval to fill as well as Board approval of all major expenditures, regardless of whether they appear in the budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

GREENLEE COUNTY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 10,521,640
Property taxes receivable	9,088
Accounts receivable	50,992
Due from other governments	978,763
Total current assets	11,560,483
Noncurrent assets:	
Capital assets, not being depreciated	241,354
Capital assets, being depreciated, net	8,840,525
Total noncurrent assets	9,081,879
Total assets	20,642,362
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	367,818
Accrued payroll and employee benefits	225,973
Deferred revenue	407,747
Current portion of long-term obligations	805,122
Total current liabilities	1,806,660
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	2,119,764
Total noncurrent liabilities	2,119,764
Total liabilities	3,926,424
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	7,141,673
Restricted for:	
HURF	115,534
Unrestricted	9,458,731
Total net assets	\$ 16,715,938

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

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	\$ 5,507,161	\$ 259,920	\$ 344,213	\$ 850,675	\$ (4,052,353)	
Public safety	4,964,712	238,009	1,396,208	274,752	(3,055,743)	
Highway and streets	1,951,996		1,377,175		(574,821)	
Sanitation	350,559	389,680	28,749		67,870	
Health and welfare	1,709,654	3,720	427,469		(1,278,465)	
Culture and recreation	463,379	45,732	189,679		(227,968)	
Education	1,031,067		1,173,235		142,168	
Economic development	21,381				(21,381)	
Interest on long-term debt	99,301				(99,301)	
Total governmental activities	\$ 16,099,210	\$ 937,061	\$ 4,936,728	\$ 1,125,427	(9,099,994)	
General revenues:						
Taxes:						
Property taxes, levied for general purposes						1,584,203
Property taxes, levied for public health services						800,483
Property taxes, levied for flood control						99,965
County sales taxes for general purposes						1,553,343
Share of state sales tax						3,062,167
Share of state vehicle license tax						388,915
Grants and contributions not restricted to specific programs						2,602,407
Investment earnings						178,625
Miscellaneous						227,828
Gain on sale of capital assets						58,690
Total general revenues						10,556,626
Changes in net assets						1,456,632
Net assets, beginning of year						15,259,306
Net assets, end of year						\$ 16,715,938

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

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General Fund	PDMI Donation Fund	HURF Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,654,234	\$ 3,155,230	\$ 102,006
Property taxes receivable	6,808		
Accounts receivable	14,037		
Due from other governments	455,359		71,121
Total assets	\$ 5,130,438	\$ 3,155,230	\$ 173,127
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 196,072	\$ 5,281	\$ 28,983
Accrued payroll and employee benefits	135,531	1,366	28,610
Deferred revenue	285,930		
Total liabilities	617,533	6,647	57,593
Fund balances:			
Unreserved reported in:			
General fund	4,512,905		
Special revenue funds		3,148,583	115,534
Total fund balances	4,512,905	3,148,583	115,534
Total liabilities and fund balances	\$ 5,130,438	\$ 3,155,230	\$ 173,127

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,610,170	\$ 10,521,640
2,280	9,088
36,955	50,992
452,283	978,763
\$ 3,101,688	\$ 11,560,483

\$ 137,482	\$ 367,818
60,466	225,973
129,972	415,902
327,920	1,009,693

	4,512,905
2,773,768	6,037,885
2,773,768	10,550,790
\$ 3,101,688	\$ 11,560,483

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GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2009

Fund balances - total governmental funds **\$ 10,550,790**

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	\$ 21,214,809	
Less accumulated depreciation	<u>(12,132,930)</u>	9,081,879

Some revenues will not be available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes		8,155
----------------	--	-------

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

Capital leases payable	(1,940,206)	
Landfill closure and postclosure care costs payable	(710,303)	
Compensated absences payable	<u>(274,377)</u>	<u>(2,924,886)</u>

Net assets of governmental activities **\$ 16,715,938**

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	<u>General Fund</u>	<u>PDMI Donation Fund</u>	<u>HURF Fund</u>
Revenues:			
Taxes	\$ 3,139,061	\$	\$
Intergovernmental	5,396,444		1,077,175
Charges for services	282,142		
Fines and forfeits	119,303		
Investment income	69,678	59,979	2,265
Contributions	480	1,200,000	
Miscellaneous	97,571		9,838
Total revenues	<u>9,104,679</u>	<u>1,259,979</u>	<u>1,089,278</u>
Expenditures:			
Current -			
General government	4,548,065	5,000	
Public safety	2,634,058	61,603	
Highway and streets	1,798		1,587,775
Sanitation	3,392		
Health and welfare	333,705		
Culture and recreation	83,644		
Education	220,097		
Economic development	125		
Capital outlay	552,933	10,494	16,962
Debt service -			
Principal retirement	460,003		13,653
Interest and fiscal charges	63,737		1,896
Total expenditures	<u>8,901,557</u>	<u>77,097</u>	<u>1,620,286</u>
Excess (deficiency) of revenues over expenditures	<u>203,122</u>	<u>1,182,882</u>	<u>(531,008)</u>
Other financing sources (uses):			
Capital lease agreements	209,909		
Sale of capital assets	61,462		
Transfers in	341,367		400,000
Transfers out	(972,781)	(376,261)	
Total other financing sources (uses)	<u>(360,043)</u>	<u>(376,261)</u>	<u>400,000</u>
Net change in fund balances	(156,921)	806,621	(131,008)
Fund balances, beginning of year, as restated	4,669,826	2,341,962	246,542
Fund balances, end of year	<u>\$ 4,512,905</u>	<u>\$ 3,148,583</u>	<u>\$ 115,534</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ 900,448	\$ 4,039,509
4,393,219	10,866,838
549,493	831,635
30,629	149,932
46,703	178,625
3,820	1,204,300
120,419	227,828
6,044,731	17,498,667
357,940	4,911,005
1,545,393	4,241,054
1,040	1,590,613
259,147	262,539
1,344,527	1,678,232
351,393	435,037
810,734	1,030,831
21,256	21,381
1,952,480	2,532,869
201,064	674,720
33,668	99,301
6,878,642	17,477,582
(833,911)	21,085
605,141	815,050
7,000	68,462
1,055,669	1,797,036
(447,994)	(1,797,036)
1,219,816	883,512
385,905	904,597
2,387,863	9,646,193
\$ 2,773,768	\$ 10,550,790

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, 2009

Net changes in fund balances - total governmental funds **\$ 904,597**

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 and reported as depreciation expense.

Expenditures for capitalized assets	\$	1,911,487	
Less current year depreciation		<u>(1,169,681)</u>	741,806

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 assets differs from the change in fund balance by the book value of the capital assets sold. (39,772)

The Statement of Activities reports gains/losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. 30,000

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.

Property taxes			(1,515)
----------------	--	--	---------

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

Debt issued or incurred		(815,050)	
Principal repaid		<u>674,720</u>	(140,330)

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

Decrease in compensated absences		299	
Increase in landfill closure and postclosure care costs		<u>(38,453)</u>	<u>(38,154)</u>

Change in net assets in governmental activities **\$ 1,456,632**

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Investment Trust Fund	Agency Fund
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,188,197	\$ 20,030
Total assets	6,188,197	\$ 20,030
 <u>LIABILITIES</u>		
Deposits held for others		20,030
Total liabilities		\$ 20,030
 <u>NET ASSETS</u>		
Held in trust for investment trust participants	\$ 6,188,197	

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, 2009

	Investment Trust Fund
Additions:	
Investment earnings	\$ 98,623
Contributions from participants	19,716,700
Total additions	19,815,323
 Deductions:	
Distributions to participants	18,945,303
Total deductions	18,945,303
Change in net assets	870,020
 Net assets, beginning of year	 5,318,177
 Net assets, end of year	 \$ 6,188,197

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. 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	Blended	Not available
Greenlee County Public Health Services District	A tax-levying district that provides public health services; the County's Board of Supervisors serves as the board of directors	Blended	Not available
Greenlee County Municipal Property Corporation	A nonprofit corporation that assists in the acquisition of tangible real and personal property; exists only to serve the County	Blended	Not available

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

B. Basis of Presentation

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

Government-wide statements – Provide information about the primary government (the County) and its component units. The statements include a statement of net 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.

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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *PDMI Donation Fund* accounts for the receipt and expenditure of the donations received from Freeport-McMoRan Copper & Gold, Inc. (formerly Phelps Dodge Morenci, Inc.).
- The *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Revenue Fund for maintenance and construction of roadways.

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 other governmental entities.

The *Agency Funds* account for assets held by the County 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, with the exception of the Agency Funds, and the accrual basis of accounting. The Agency Funds are custodial in nature and do not have a measurement focus. 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.

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 income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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 programs. The County applies grant resources to such programs before using general revenues except where matching requirements exist.

D. Inventories

Inventories of the governmental funds and governmental activities consist of expendable supplies held for consumption and are recorded as expenditures or expenses at the time of purchase; and because the amounts on hand at June 30, 2009 were immaterial, they are not included on the balance sheet or the statement of net assets.

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 estimated fair value at the date of the donation.

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

G. Investment Earnings

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

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

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.

I. 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances – At June 30, 2009, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Governmental Funds:	
State Crime Victim Compensation	\$ 210
County Attorney Enhancement	723
Sheriff's Block Grant	2
Fill the Gap Grant	196
State Aid Enhancement ARS 12-261	2,508
Juvenile Standard Probation	1,112
Diversion Consequences	371
JTSE	254

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 2010.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

Expenditures in Excess of Appropriations – For the year ended June 30, 2009, expenditures exceeded final budget amounts at the department level for the General Fund and fund level for all other funds as follows:

<u>Fund</u>	<u>Department</u>	<u>Excess</u>
General Fund:		
	Board of Supervisors	\$ 10,124
	General services	159,033
	Justice of Peace No. 1	8,269
	Superior court	20,806
	Fleet	12,655
	County flood control	1,614
	Sheriff	37
	Roads	1,798
	Landfill	3,392
	Ambulance service	50
	Animal control	128
	County library	1,573
	School Superintendent	691
	Economic development	125
Other Funds:		
National Forest Fees	Board of Supervisors	646,839
Detention Center Education	School Superintendent	5,799
Fill The Gap-Superior Court	Superior court	23,014
Child Support Enhancement	Superior court	1,830
Governor's Anti-Meth Program	Sheriff	14,733
State Crime Victim Compensation	Attorney	1,893
County Attorney Enhancement	Attorney	1,511
VOCA-Federal Victim Compensation	Attorney	3,501
Sheriff's ACJC	Sheriff	7,454
Sheriff's USFS Patrol	Sheriff	1,267
Visitation Monitoring	Superior court	271
Fill the Gap-Grant	Superior court	5,316
Federal Election System (HAVA)	Voter registration	32,806
Stone Garden	Sheriff	30,465
Stone Garden Equipment	Sheriff	27,553
Poll Worker Education	Elections	4,746
DOJ/Homeland Security	Emergency services	7,672
CERT Grant	Emergency services	45,910
Pandemic Flu	Emergency services	20,452
Landfill Operations	Landfill	9,622
HURF	Roads	26,258
Wellness Program	Wellness program	70
Graham Field	Superior court	46,587
Title IV DES	Superior court	312
Airport Improvement	Airport	561,058
Flood Control District	County flood control	368,967
Race	Racing	62,619
Emergency, Food & Shelter	Board of Supervisors	1,896
JAIBG	Probation	2
AIPS	Probation	2,736
Drug Treatment Education	Probation	35

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

For fiscal year ended June 30, 2009, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Excess</u>
Airport	\$ 507,236
Board of Supervisors	500,215
County flood control	370,581
County library	540
Emergency services	57,779
Fleet	12,655
General services	17,577
Racing	62,619
Roads	26,258
Sheriff	21,454
Superior court	47,944
Voter registration	21,650
Wellness program	70

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont'd)

Credit Risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of five years and that public operating fund monies invested in securities and deposits have a maximum maturity of three years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign Currency Risk

Statutes do not allow foreign investments.

Deposits – At June 30, 2009, the carrying amount of the County's deposits was \$16,392,889 and the bank balance was \$17,319,972. The County does not have a formal policy regarding custodial credit risk.

At June 30, 2009, the County's bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the County's name	\$ 17,319,972
	<u>\$ 17,319,972</u>

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concl'd)

A reconciliation of cash and deposits to amounts shown on the Statements of Net Assets follows.

Cash and deposits																	
Cash on hand	\$	336,978															
Amount of deposits		16,392,889															
Total	\$	16,729,867															
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; text-align: center;">Statement of Net Assets</td> <td style="width: 20%;"></td> <td style="width: 30%; text-align: center;">Cash and Cash Equivalents</td> </tr> <tr> <td style="padding-left: 20px;">Government activities</td> <td style="text-align: right;">\$</td> <td style="text-align: right;">10,521,640</td> </tr> <tr> <td style="padding-left: 20px;">Investment Trust Fund</td> <td></td> <td style="text-align: right;">6,188,197</td> </tr> <tr> <td style="padding-left: 20px;">Agency Funds</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">20,030</td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">16,729,867</td> </tr> </table>			Statement of Net Assets		Cash and Cash Equivalents	Government activities	\$	10,521,640	Investment Trust Fund		6,188,197	Agency Funds		20,030	Total	\$	16,729,867
Statement of Net Assets		Cash and Cash Equivalents															
Government activities	\$	10,521,640															
Investment Trust Fund		6,188,197															
Agency Funds		20,030															
Total	\$	16,729,867															

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2009, as reported in the Statement of Net Assets include \$71,121 in Highway User Revenues, \$46,652 in auto lieu taxes, \$56,069 in County sales tax, \$310,577 in state shared sales tax, \$109,204 in other state grants and assistance, and \$385,140 in other federal grants and assistance.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds for the year ended June 30, 2009 are as follows.

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 6,275	\$ -
Delinquent property taxes receivable (Non-Major Governmental Funds)	1,880	-
Primary property tax levy in excess of maximum allowable (General Fund)	-	279,655
Grant drawdowns prior to meeting all eligibility requirements (Non-Major Governmental Funds)	-	128,092
Total deferred revenue for governmental funds	\$ 8,155	\$ 407,747

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 233,654	\$ -	\$ -	\$ 233,654
Construction in progress	-	7,700	-	7,700
Total	<u>233,654</u>	<u>7,700</u>	<u>-</u>	<u>241,354</u>
Capital assets being depreciated:				
Land improvements	4,022,890	852,614	(21,430)	4,854,074
Buildings and improvements	7,725,218	43,026	(26,324)	7,741,920
Machinery and equipment	8,087,369	1,038,147	(748,055)	8,377,461
Total	<u>19,835,477</u>	<u>1,933,787</u>	<u>(795,809)</u>	<u>20,973,455</u>
Less accumulated depreciation for:				
Land improvements	(1,953,089)	(169,050)	21,430	(2,100,709)
Buildings and improvements	(4,843,575)	(279,900)	7,581	(5,115,894)
Machinery and equipment	(4,922,622)	(720,731)	727,026	(4,916,327)
Total	<u>(11,719,286)</u>	<u>(1,169,681)</u>	<u>756,037</u>	<u>(12,132,930)</u>
Total capital assets being depreciated, net	<u>8,116,191</u>	<u>764,106</u>	<u>(39,772)</u>	<u>8,840,525</u>
Governmental activities capital assets, net	<u>\$ 8,349,845</u>	<u>\$ 771,806</u>	<u>\$ (39,772)</u>	<u>\$ 9,081,879</u>

The construction in progress amount is for the initial planning of a public works maintenance facility. As of June 30, 2009, no contracts were signed to begin the construction phase of the facility.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 - CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 380,574
Public safety	338,997
Highways and streets	357,734
Sanitation	38,450
Health and welfare	31,816
Culture and recreation	22,110
Total governmental activities depreciation expense	<u>\$ 1,169,681</u>

NOTE 6 - LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank to cover cash flow needs. This line of credit has a \$2,400,000 limit with interest payable at the same time as principal, which is contingent on the County's receipt of "nonrestricted operating revenues" as defined by A.R.S. §11-604.01. The credit line is secured by "nonrestricted operating revenues" received by the County Treasurer. Any unpaid principal and interest becomes due on the maturity date of June 30, 2009. The interest rate is at a rate per annum equal to sixty percent of the bank's prime rate provided that in no event shall the interest rate exceed ten percent per annum. The schedule presented below is a summation of the activity related to the line of credit during the fiscal year ended June 30, 2009.

	Balance July 1, 2008	Drawdowns	Principal Payments	Interest Payments	Balance June 30, 2009
Governmental activities	\$ -	\$ 340,811	\$ 340,811	\$ 628	\$ -
Investment Trust Fund	-	2,536,943	2,536,943	8,717	-
Total	<u>\$ -</u>	<u>\$ 2,877,754</u>	<u>\$ 2,877,754</u>	<u>\$ 9,345</u>	<u>\$ -</u>

NOTE 7 - LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 1,799,876	\$ 815,050	\$ 674,720	\$ 1,940,206	\$ 647,230
Landfill closure and postclosure care costs payable	671,850	42,333	3,880	710,303	17,960
Compensated absences payable	274,676	287,246	287,545	274,377	139,932
Total	<u>\$ 2,746,402</u>	<u>\$ 1,144,629</u>	<u>\$ 966,145</u>	<u>\$ 2,924,886</u>	<u>\$ 805,122</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

Capital leases – The County has acquired dispatch center improvements, a mobile park office and 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
Buildings and Improvements	\$ 274,598
Machinery and Equipment	2,445,810
Less: Accumulated Depreciation	(810,886)
Carrying Value	\$ 1,909,522

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2009:

	Governmental Activities
Year ending June 30:	
2010	\$ 723,116
2011	633,922
2012	258,642
2013	214,510
2014	286,793
Total minimum lease payments	2,116,983
Less amount representing interest	176,877
Present value of net minimum lease payments	\$ 1,940,206

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$710,303 reported as landfill closure and postclosure care liability at June 30, 2009, represents the cumulative amount reported to date based on the use of 55 percent of the estimated capacity of the landfills less expenditures already incurred. The County will recognize the remaining estimated cost of closure and postclosure care of \$598,019 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 2009. The County expects to close the Loma Linda Landfill in the year 2023 and the Loma Linda Construction and Demolition Landfill in the year 2024, and the actual costs may be higher because of inflation, changes in technology, or changes in regulations. The Blue Landfill was closed in November 2005.

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, as last verified in 2003.

Insurance claims – 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 requires 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.

Compensated absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2009, the County paid for compensated absences as follows: 57 percent from the General Fund, 12 percent from major funds, and 31 percent from other funds.

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 and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described in Note 7.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 8 - RISK MANAGEMENT (Concl'd)

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

The Arizona Counties Workers' Compensation Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties with workers' compensation coverage, as 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 every five years. 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 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 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

The *Public Safety Personnel Retirement System* (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona and participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a 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.

The *Elected Officials Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium plan that covers State of Arizona and county elected officials and judges, and elected officials of participating cities. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

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

PSPRS and EORP

3010 East Camelback Road, Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

Cost-Sharing Plans – For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members’ annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members’ annual covered payroll.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30			
2009	\$ 309,972	\$ 37,244	\$ 19,397
2008	285,901	37,291	17,758
2007	259,081	36,031	17,158

Agent Plans – For the year ended June 30, 2009, 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 14.15 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.84 percent of covered payroll.

Active EORP members were required by statute to contribute 7.00 percent of the members’ annual covered payroll; and the County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 21.21 percent of the members’ annual covered payroll through September 2008 and 14.05 percent of the members’ annual covered payroll for October 2008 through June 2009. The health insurance premium portion of the contribution rate for normal cost was actuarially set at 1.05 percent of covered payroll.

Actuarial Methods and Assumptions – The contribution requirements for the year ended June 30, 2009, were established by the June 30, 2007, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2009 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	29 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and 5.00% for EORP
includes inflation at	5.00%

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Annual Pension/OPEB Cost – The County’s pension/OPEB cost for the agent plans for the year ended June 30, 2009, and related information follows:

	PSPRS		EORP	
	Health		Health	
	Pension	Insurance	Pension	Insurance
Annual pension/ OPEB cost	\$ 91,342	\$ 8,376	\$ 131,150	\$ 11,680
Contributions made	91,342	8,376	131,150	11,680

Trend Information – Annual pension and OPEB cost information for the current and two preceding years follows for each of the agent plans. Separately reported OPEB cost information for the last year of the required trend information will be reported next year when it becomes available.

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/OPEB Obligation
PSPRS				
Pension	2009	\$91,342	100%	- 0 -
Health insurance	2009	8,376	100%	- 0 -
Pension	2008	60,760	100%	- 0 -
Health insurance	2008	4,608	100%	- 0 -
Pension and health insurance	2007	66,833	100%	- 0 -
EORP				
Pension	2009	131,150	100%	- 0 -
Health insurance	2009	11,680	100%	- 0 -
Pension	2008	101,945	100%	- 0 -
Health insurance	2008	9,079	100%	- 0 -
Pension and health insurance	2007	91,318	100%	- 0 -

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not available.

	PSPRS	
	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 2,836,119	\$ 79,231
Actuarial value of assets (b)	2,594,823	-0-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	241,296	79,231
Funded ratio (b) / (a)	91.5 %	0.00 %
Covered payroll (c)	\$ 755,114	\$ 755,114
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	32.0 %	10.49 %

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued, liability, open for excess
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases includes inflation at	5.50% - 8.50% for PSPRS; 5.00% for EORP 5.50% for PSPRS; 5.00% for EORP

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

Interfund transfers – Interfund transfers for the year ended June 30, 2009, were as follows:

		Transfer To			Total
		General Fund	HURF Fund	Non-Major Governmental Funds	
Transfer from	General Fund	\$	\$ 100,000	\$ 872,781	\$ 972,781
	PDMI Donation Fund		276,261	100,000	376,261
	Non-Major Governmental Funds		65,106	300,000	82,888
	Total	\$ 341,367	\$ 400,000	\$ 1,055,669	\$ 1,797,036

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 deems important. In addition, the County makes indefinite loans to various funds for cash flow needs to minimize the cost of registered warrants.

NOTE 11 - COUNTY TREASURER’S INVESTMENT POOL

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

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

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

Substantially, all deposits of County’s primary government are included in the County Treasurer’s investment pool, except for \$175,069 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.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 11 - 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	\$ 16,554,798
Liabilities	-
Net assets	<u>\$ 16,554,798</u>

Net assets held in trust for:

Internal participants	\$ 10,366,601
External participants	6,188,197
Total net assets held in trust	<u>\$ 16,554,798</u>

Statement of Changes in Net Assets

Total additions	\$ 38,165,455
Total deductions	35,464,890
Net increase	<u>2,700,565</u>
Net assets held in trust:	
July 1, 2008	13,854,233
June 30, 2009	<u>\$ 16,554,798</u>

NOTE 12 – FUND RECLASSIFICATION

The July 1, 2008 fund balances do not agree to the prior year financial statements for the reclassification of the Debt Service Fund as part of the General Fund. Activity in this fund is no longer strictly limited to the repayment of long-term debt and is more appropriately reported as General Fund activity.

	General Fund	Debt Service Fund
Fund balance, June 30, 2008, as previously reported	\$ 3,574,376	\$ 1,095,450
Reclassification of Debt Service Fund	1,095,450	(1,095,450)
Fund balance, July 1, 2008, as restated	<u>\$ 4,669,826</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Taxes	\$ 2,573,813	\$ 3,139,061	\$ 565,248
Intergovernmental	5,559,104	5,396,444	(162,660)
Charges for services	173,500	282,142	108,642
Fines and forfeits	55,000	119,303	64,303
Investment income	30,000	69,678	39,678
Contributions		480	480
Miscellaneous	90,000	97,571	7,571
Total revenues	8,481,417	9,104,679	623,262
Expenditures:			
General government			
Board of Supervisors	385,066	395,190	(10,124)
Airport	58,500	4,678	53,822
Assessor	317,632	289,865	27,767
Attorney	374,010	361,653	12,357
Contingency	200,000		200,000
Constable No. 1	30,335	27,096	3,239
Constable No. 2	32,635	28,437	4,198
County administration	285,131	274,191	10,940
Data processing	364,984	331,533	33,451
Elections	86,549	78,344	8,205
General services	942,117	1,101,150	(159,033)
Ground and maintenance	498,106	392,727	105,379
Justice of the Peace No. 1	154,185	162,454	(8,269)
Justice of the Peace No. 2	120,176	111,771	8,405
Planning and zoning	5,500	3,398	2,102
Public fiduciary	47,482	47,123	359
Recorder	190,631	183,773	6,858
Superior court	717,974	738,780	(20,806)
Treasurer	195,513	182,563	12,950
Voter registration	17,550	6,394	11,156
Fleet	132,043	144,698	(12,655)
Total general government	5,156,119	4,865,818	290,301
Public safety			
County flood control		1,614	(1,614)
Emergency services	83,899	74,637	9,262
Sheriff	2,650,035	2,650,072	(37)
Total public safety	2,733,934	2,726,323	7,611
Highway and streets			
Roads		1,798	(1,798)
Total highway and streets		1,798	(1,798)

(continued)

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2009
(Concluded)

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Sanitation - Landfill		3,392	(3,392)
Health and welfare			
Ambulance service		50	(50)
Animal control		128	(128)
AHCCCS/ALTCS Payments	334,300	333,527	773
Total health and welfare	334,300	333,705	595
Culture and recreation			
County library	28,500	30,073	(1,573)
Parks and recreation	70,234	53,571	16,663
Total culture and recreation	98,734	83,644	15,090
Education			
School superintendent	195,806	196,497	(691)
U of A extension services	23,600	23,600	
Total education	219,406	220,097	(691)
Economic development		125	(125)
Capital outlay		9,718	(9,718)
Debt Service			
Principal retirement	523,883	390,317	133,566
Interest and fiscal charges	76,117	56,711	19,406
Total debt service	600,000	447,028	152,972
Total expenditures	9,142,493	8,691,648	450,845
Excess (deficiency) of revenues over expenditures	(661,076)	413,031	1,074,107
Other financing sources (uses):			
Sale of capital assets		61,462	61,462
Transfers in	50,625	341,367	290,742
Transfers out	(339,549)	(972,781)	(633,232)
Total other financing sources (uses)	(288,924)	(569,952)	(281,028)
Net change in fund balances	(950,000)	(156,921)	793,079
Fund balances, July 1, 2008, as restated	950,000	4,669,826	3,719,826
Fund balances, June 30, 2009	\$	\$ 4,512,905	\$ 4,512,905

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PDMI DONATION FUND
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$	\$ 59,979	\$ 59,979
Contributions	300,000	1,200,000	900,000
Total revenues	<u>300,000</u>	<u>1,259,979</u>	<u>959,979</u>
Expenditures:			
Current -			
General government		5,000	(5,000)
Public safety	90,000	61,603	28,397
Capital outlay		10,494	(10,494)
Total expenditures	<u>90,000</u>	<u>77,097</u>	<u>12,903</u>
Excess of revenues over expenditures	<u>210,000</u>	<u>1,182,882</u>	<u>972,882</u>
Other financing uses:			
Transfers out	(986,000)	(376,261)	609,739
Total other financing uses	<u>(986,000)</u>	<u>(376,261)</u>	<u>609,739</u>
Net change in fund balances	<u>(776,000)</u>	<u>806,621</u>	<u>1,582,621</u>
Fund balances, July 1, 2008	776,000	2,341,962	1,565,962
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 3,148,583</u>	<u>\$ 3,148,583</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
HURF FUND
YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 994,028	\$ 1,077,175	\$ 83,147
Investment income		2,265	2,265
Miscellaneous		9,838	9,838
Total revenues	<u>994,028</u>	<u>1,089,278</u>	<u>95,250</u>
Expenditures:			
Current -			
Highway and streets	1,427,528	1,587,775	(160,247)
Capital outlay	56,500	16,962	39,538
Debt service -			
Principal retirement	96,587	13,653	82,934
Interest and fiscal charges	13,413	1,896	11,517
Total expenditures	<u>1,594,028</u>	<u>1,620,286</u>	<u>(26,258)</u>
Deficiency of revenues over expenditures	<u>(600,000)</u>	<u>(531,008)</u>	<u>68,992</u>
Other financing sources:			
Transfers in	550,000	400,000	(150,000)
Total other financing sources	<u>550,000</u>	<u>400,000</u>	<u>(150,000)</u>
Net change in fund balances	<u>(50,000)</u>	<u>(131,008)</u>	<u>(81,008)</u>
Fund balances, July 1, 2008	50,000	246,542	196,542
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 115,534</u>	<u>\$ 115,534</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2009**

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

- Present value of net minimum capital lease payments.

The following schedule reconciles the excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances to the budgetary comparison schedules:

	<u>General Fund</u>
Excess of revenues over expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balances	\$ 203,122
Present value of net minimum capital lease agreements entered into during the fiscal year	209,909
Excess of revenues over expenditures from the budgetary comparison schedules	\$ 413,031

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2009**

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2009, expenditures exceeded final budget amounts at the department level for the General Fund and the fund level for all other funds as follows.

	<u>Fund/Department</u>	<u>Excess</u>
General Fund:		
	Board of Supervisors	\$ 10,124
	General services	159,033
	Justice of Peace No. 1	8,269
	Superior court	20,806
	Fleet	12,655
	County flood control	1,614
	Sheriff	37
	Landfill	3,392
	Roads	1,798
	Ambulance service	50
	Animal control	128
	County library	1,573
	School Superintendent	691
	Economic development	125
HURF Fund:	Roads	26,258

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

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2009**

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
Pension						
6/30/09	\$2,594,823	\$2,836,119	\$(241,296)	91.5%	\$755,114	32.0%
6/30/08	2,362,092	2,612,090	(249,998)	90.4%	677,521	36.9%
6/30/07	2,153,151	2,565,911	(412,760)	83.9%	638,070	64.7%
Health Insurance						
6/30/09	-0-	79,231	(79,231)	0.0%	755,114	10.49%
6/30/08	-0-	80,703	(80,703)	0.0%	677,521	11.91%
6/30/07	-0-	106,781	(106,781)	0.0%	638,070	16.73%

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2009**

NOTE 1 - ACTUARIAL INFORMATION AVAILABLE

The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not available.

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