

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

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**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

<u>TABLE OF CONTENTS</u>	<u>Page</u>
Independent Auditors' Report	1
Required Supplementary Information - Management's Discussion and Analysis	5
Government-wide Statements	
Statement of Net Assets	18
Statement of Activities	19
Fund Statements	
Governmental Funds	
Balance Sheet	20
Reconciliation of the Balance Sheet to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Fiduciary Funds	
Statement of Fiduciary Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Notes to Financial Statements	27
Other Required Supplementary Information	
Budgetary Comparison Schedules	
General Fund	50
HURF Fund	52

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011**

<u>TABLE OF CONTENTS</u> (Concl'd)	<u>Page</u>
Other Required Supplementary Information (Concl'd)	
Budgetary Comparison Schedules (Concl'd)	
Notes to Budgetary Comparison Schedules	53
Schedule of Agent Retirement Plan's Funding Progress	57
Note to Schedule of Agent Retirement Plan's Funding Progress	58

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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 5 through 15, the Budgetary Comparison Schedules on pages 50 through 56, and the Schedule of Agent Retirement Plan's Funding Progress on pages 57 through 58 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 January 25, 2013, 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, management, and others within the County 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 stylized font.

January 25, 2013

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, 2011**

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, 2011. Please read it in conjunction with the County's basic financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The County's total net assets of governmental activities decreased \$452,252 which represents a three percent decrease from the prior fiscal year.
- General revenues accounted for \$10.7 million in revenue, or 68 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.0 million or 32 percent of total revenues.
- The County had \$16.1 million in expenses related to governmental activities, a decrease of one percent from the prior fiscal year.
- Among major governmental funds, the General Fund had \$10.9 million in revenues, which primarily consisted of taxes and intergovernmental revenues, and \$10.2 million in expenditures.
- The HURF Fund had \$1.1 million in revenues, which primarily consisted of intergovernmental revenues, and \$2.0 million in expenditures. The HURF Fund's fund balance decreased from \$2,694 as of June 30, 2010 to a deficit of \$7,468 as of June 30, 2011.

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, 2011**

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 accrual basis of accounting is used for the government-wide financial statements.

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

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

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

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 use the modified accrual basis of accounting and 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.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

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 and HURF Funds, both 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 County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

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 and major Special Revenue Funds as required supplementary information.

During the year ended June 30, 2011, the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions. Additional information on the fund balance classifications, components of fund balance, and other information related to fund balance can be found in Note 8.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

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 \$15.5 million as of June 30, 2011.

The largest portion of the County's net assets is unrestricted. The next largest portion of the County's net assets reflects its investment in capital assets (i.e., land and improvements, buildings and improvements, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, a portion of the County's net assets are restricted for information systems, judicial activities, jail facilities and operations, waste tire program, and fair and racing program.

The following table presents a summary of the County's net assets for the fiscal years ended June 30, 2011 and 2010.

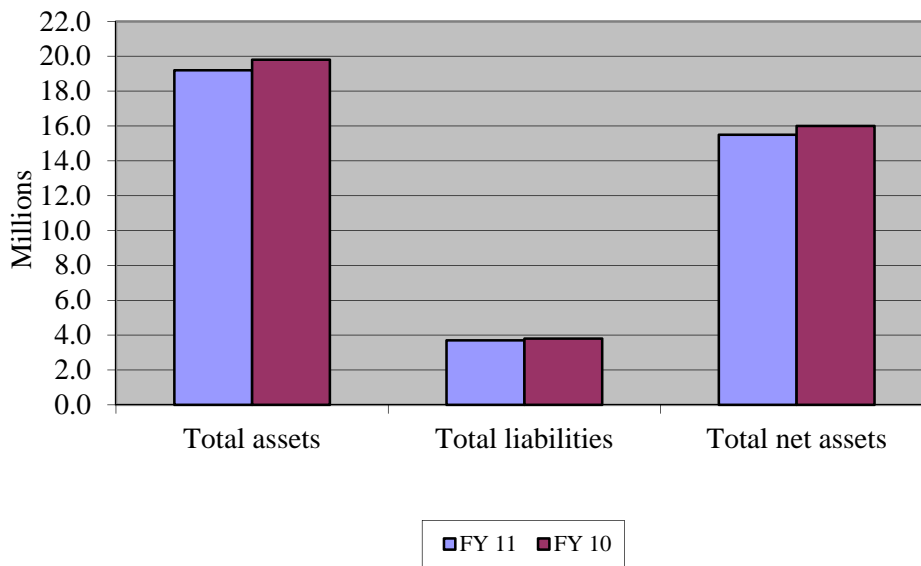
	As of <u>June 30, 2011</u>	As of <u>June 30, 2010</u>
Current assets	\$ 10,566,785	\$ 11,052,733
Capital assets, net	8,678,295	8,762,433
Total assets, net	<u>19,245,080</u>	<u>19,815,166</u>
Other liabilities	696,066	787,616
Long-term liabilities	<u>3,026,169</u>	<u>3,052,453</u>
Total liabilities	<u>3,722,235</u>	<u>3,840,069</u>
Net assets:		
Invested in capital assets, net of related debt	6,912,264	6,800,814
Restricted	606,041	2,694
Unrestricted	<u>8,004,540</u>	<u>9,171,589</u>
Total net assets	<u>\$ 15,522,845</u>	<u>\$ 15,975,097</u>

As of June 30, 2011, the County reported positive balances in all three categories of net assets. The same situation held true as of June 30, 2010.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Governmental Activities



The County's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant transactions that have had an impact on the Statement of Net Assets for the fiscal year ended June 30, 2011.

- The principal retirement of \$834,963 of capital leases.
- The inception of \$639,375 of capital leases.
- The addition of \$1,287,608 in capital assets related to an HVAC retrofit project, other miscellaneous improvements and purchases of machinery and equipment.
- The disposal of \$357,128 of machinery and equipment.
- The depreciation of capital assets of \$1.4 million.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2011 were \$15.6 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, 2011 and 2010.

	<u>Fiscal Year Ended June 30, 2011</u>	<u>Fiscal Year Ended June 30, 2010</u>
Revenues:		
Program revenues:		
Charges for services	\$ 819,630	\$ 857,810
Operating grants and contributions	3,813,577	4,799,007
Capital grants and contributions	352,416	183,367
General revenues:		
Property taxes, levied for general purposes	2,066,431	1,752,376
Property taxes, levied for public health services	406,816	744,075
Property taxes, levied for flood control	48,850	118,955
County sales taxes for general purposes	1,281,394	842,107
Other taxes	16,046	
Share of state sales taxes	3,944,682	3,337,418
Share of state vehicle license tax	299,976	289,236
Grants and contributions not restricted to specific programs	2,392,166	2,210,044
Investment earnings	51,363	61,023
Miscellaneous	84,002	314,367
Gain on sale, disposal, or trade-in of capital assets	71,200	25,550
Total revenues	<u>15,648,549</u>	<u>15,535,335</u>
Expenses:		
General government	5,482,170	5,583,526
Public safety	4,936,048	4,870,447
Highways and streets	2,358,486	2,246,751
Sanitation	493,657	364,418
Health and welfare	1,640,670	1,627,796
Culture and recreation	336,791	463,364
Education	712,745	964,992
Economic development	27,171	26,339
Interest on long-term debt	113,063	128,543
Total expenses	<u>16,100,801</u>	<u>16,276,176</u>
Change in net assets	(452,252)	(740,841)
Net assets, beginning	<u>15,975,097</u>	<u>16,715,938</u>
Net assets, ending	<u>\$ 15,522,845</u>	<u>\$ 15,975,097</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following are significant transactions that have had an impact on the change in net assets during the fiscal year ended June 30, 2011.

- Operating grants and contributions decreased \$985,430 primarily due to a reduction in the National Forest Fees funding level and elimination of the Rural County Reimbursement Subsidy for community college support.
- Capital grants and contributions increased \$169,049 primarily due to an increase in state and federal disaster assistance grants and the receipt of an energy efficiency and conservation grant for an HVAC retrofit project.
- Property taxes, levied for general purposes, increased by \$314,055 due to an increase in the property tax rate.
- Property taxes levied for public health services decreased by \$337,259 due to a decrease in assessed valuations.
- County sales taxes for general purposes increased by \$439,287 due to an increase of significant one-time point-of-sale purchases made within the County.
- State shared sales taxes increased by \$607,264 as a result of a gradual improvement in the economy across the state.
- Grants and contributions not restricted to specific programs increased \$182,122 primarily due to State Fiscal Stabilization monies received as part of the American Recovery and Reinvestment Act stimulus program.
- Miscellaneous revenues decreased by \$230,365 primarily due to one-time revenues recognized during fiscal year 2009-10.
- Education expenses decreased by \$252,247 due to a decrease in National Forest Fees received and distributed to school districts within the County.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

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

	<u>Year Ended June 30, 2011</u>		<u>Year Ended June 30, 2010</u>	
	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>
General government	\$ 5,482,170	\$ (4,743,940)	\$ 5,583,526	\$ (4,822,511)
Public safety	4,936,048	(3,386,475)	4,870,447	(3,314,065)
Highways and streets	2,358,486	(1,055,402)	2,246,751	(1,035,973)
Sanitation	493,657	(209,628)	364,418	(100,330)
Health and welfare	1,640,670	(1,128,260)	1,627,796	(942,110)
Culture and recreation	336,791	(222,564)	463,364	(269,792)
Education	712,745	(228,675)	964,992	203,671
Economic development	27,171	(27,171)	26,339	(26,339)
Interest on long-term debt	113,063	(113,063)	128,543	(128,543)
Total	<u>\$16,100,801</u>	<u>\$(11,115,178)</u>	<u>\$ 16,276,176</u>	<u>\$ (10,435,992)</u>

- The cost of all governmental activities this year was \$16.1 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$5.0 million.
- Net cost of governmental activities of \$11.1 million was financed by general revenues, which are made up primarily of taxes of \$3.8 million, shared state revenues of \$4.2 million, and grants and contributions not restricted to specific programs of \$2.4 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, 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, 2011**

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 \$9.8 million, a decrease of \$386,691.

The General Fund comprises 85 percent of total fund balance. Approximately \$8.0 million, or 95 percent of the General Fund's fund balance constitutes unassigned fund balance.

The General Fund is the principal operating fund of the County. The General Fund's fund balance increased \$41,158, revenues increased \$2.2 million, and expenditures increased \$606,403. This is primarily due to combining various former special revenue funds with the General Fund as a result of implementing GASB Statement No. 54. In addition, the increase in revenues can also be attributed to increases in property tax revenues and County sales tax revenues.

The HURF Fund's fund balance decrease of \$10,162 to (\$7,468) as of fiscal year end was the result of increased expenditures for road repairs related to significant damage caused by the Wallow Fire. HURF Fund revenues and expenditures increased by \$85,176 and \$300,261, respectively.

BUDGETARY HIGHLIGHTS

Schedules showing the budget amounts compared to the County's actual financial activity for the General and HURF Funds 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 \$549,343 due primarily to an increase in the property tax rate, as well as conservative estimates for County sales taxes.
- Intergovernmental revenues exceeded estimates by \$1.1 million due primarily to unanticipated increases in state shared sales taxes.
- Contributions revenues did not come in as anticipated and were less than budgeted by \$100,000.
- Miscellaneous revenues were less than budgeted by \$147,935 due primarily to reclassification of grants and insurance proceeds.
- There were no contingency expenses during the year. All expenses of the County were provided elsewhere so there was no need to utilize the contingency budget of \$100,000.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

BUDGETARY HIGHLIGHTS (Concl'd)

- Fleet expenditures were \$107,539 more than budgeted due primarily to a new concrete pad being installed in the fleet shop and the unanticipated purchase of new equipment, as well as the allocation of more salaries to the fleet operations than originally anticipated.
- Ground and maintenance expenditures were \$135,642 less than budgeted due primarily to anticipated capital expenditures not being incurred.
- Emergency services expenditures exceeded estimates by \$112,920 due primarily to communication circuits, internet service provider costs, and radio maintenance costs that were not budgeted.
- Sheriff expenditures exceeded estimates by \$117,719 due to part-time detention officers being used to cover shifts in the absence of full-time officers, an increase in prisoner meals that was not anticipated and the purchase of a vehicle that was not budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year-end, the County had invested \$22.8 million in capital assets, including buildings, facilities, vehicles, computers, and equipment. This amount represents a net increase prior to depreciation of \$930,480 from the prior fiscal year, primarily due to an HVAC retrofit project, other miscellaneous improvements and purchases of machinery and equipment. Total depreciation expense for the year was \$1.4 million.

The following schedule presents a summary of capital asset balances as of June 30, 2011 and 2010.

	As of <u>June 30, 2011</u>	As of <u>June 30, 2010</u>
Capital assets - non-depreciable	\$ 346,334	\$ 346,334
Capital assets - depreciable, net	8,331,961	8,416,099
Total	<u>\$ 8,678,295</u>	<u>\$ 8,762,433</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 year end, the County had \$1.8 million in capital lease long-term debt outstanding, \$538,628 due within one year. This represents a net decrease of \$195,588 due to the inception of \$639,375 in new leases, and the principal retirement of \$834,963.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2010-11 budget was adopted with a 1.3 percent increase to the General Fund budget and a 0.50 percent increase in the total budget. Due to the drop in copper prices in the previous year, assessed valuations decreased by \$216 million for primary and secondary taxing authorities which represented a 44.5 percent decrease. This was due mainly to the devaluation of the copper mine. The tax levy increased for fiscal year 2010-11 by \$622,540 with a 29 cent increase in the primary property tax rate. The state legislature adopted cost shifts were included in the budget as the County worked with the state to find ways to mitigate the shifted financial burdens. Through previous management decisions, Greenlee County was able to absorb the cost shifts without any reductions in force.

Entering the 2011-12 fiscal year, the County is facing an upward swing in the copper industry. The budget increased by 6.7 percent for the General Fund and 1.6 percent for all funds combined. The assessed valuation increased by \$11 million. Plans for expansion at the Freeport-McMoRan Copper & Gold, Inc. (FMI) Morenci Mine will continue to help keep the unemployment rate at a statewide low. Revenue projections for the coming year are very positive, but the County continues to use conservative numbers and budgeted accordingly.

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, 2011

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 9,635,340
Property taxes receivable	24,249
Accounts receivable	14,445
Due from other governments	892,751
Total current assets	10,566,785
Noncurrent assets:	
Capital assets, not being depreciated	346,334
Capital assets, being depreciated, net	8,331,961
Total noncurrent assets	8,678,295
Total assets	19,245,080
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	328,255
Accrued payroll and employee benefits	304,471
Unearned revenue	63,340
Current portion of long-term obligations	837,446
Total current liabilities	1,533,512
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	2,188,723
Total noncurrent liabilities	2,188,723
Total liabilities	3,722,235
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	6,912,264
Restricted for:	
Information systems	37,231
Judicial activities	369,551
Jail facilities and operations	19,907
Waste tire program	119,656
Fair and racing program	59,696
Unrestricted	8,004,540
Total net assets	\$ 15,522,845

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
General government	\$ 5,482,170	\$ 230,901	\$ 360,864	\$ 146,465	\$ (4,743,940)
Public safety	4,936,048	249,479	1,184,994	115,100	(3,386,475)
Highways and streets	2,358,486	36	1,212,197	90,851	(1,055,402)
Sanitation	493,657	267,129	16,900		(209,628)
Health and welfare	1,640,670	17,453	494,957		(1,128,260)
Culture and recreation	336,791	43,990	70,237		(222,564)
Education	712,745	10,642	473,428		(228,675)
Economic development	27,171				(27,171)
Interest on long-term debt	113,063				(113,063)
Total governmental activities	\$ 16,100,801	\$ 819,630	\$ 3,813,577	\$ 352,416	(11,115,178)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,066,431
Property taxes, levied for public health services					406,816
Property taxes, levied for flood control					48,850
County sales taxes for general purposes					1,281,394
Other taxes					16,046
Share of state sales tax					3,944,682
Share of state vehicle license tax					299,976
Grants and contributions not restricted to specific programs					2,392,166
Investment earnings					51,363
Miscellaneous					84,002
Gain on sale, disposal, or trade-in of capital assets					71,200
Total general revenues					10,662,926
					Change in net assets (452,252)
					Net assets, beginning of year 15,975,097
					Net assets, end of year \$ 15,522,845

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,876,883	\$	\$ 1,758,457	\$ 9,635,340
Property taxes receivable	18,421		5,828	24,249
Accounts receivable	14,445			14,445
Due from other governments	627,298	83,431	182,022	892,751
Due from other funds	173,323			173,323
Total assets	<u>\$ 8,710,370</u>	<u>\$ 83,431</u>	<u>\$ 1,946,307</u>	<u>\$ 10,740,108</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 152,471	\$ 39,837	\$ 135,947	\$ 328,255
Accrued payroll and employee benefits	202,503	35,262	66,706	304,471
Due to other funds		15,800	157,523	173,323
Deferred revenue	17,624		68,896	86,520
Total liabilities	<u>372,598</u>	<u>90,899</u>	<u>429,072</u>	<u>892,569</u>
Fund balances (deficits):				
Restricted			606,041	606,041
Assigned	385,228		986,695	1,371,923
Unassigned	7,952,544	(7,468)	(75,501)	7,869,575
Total fund balances (deficits)	<u>8,337,772</u>	<u>(7,468)</u>	<u>1,517,235</u>	<u>9,847,539</u>
Total liabilities and fund balances	<u>\$ 8,710,370</u>	<u>\$ 83,431</u>	<u>\$ 1,946,307</u>	<u>\$ 10,740,108</u>

GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2011

Fund balances - total governmental funds		\$ 9,847,539
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 22,777,294	
Accumulated depreciation	<u>(14,098,999)</u>	8,678,295
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
		23,180
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Capital leases payable	(1,766,031)	
Compensated absences payable	(314,403)	
Landfill closure and postclosure care costs payable	<u>(945,735)</u>	<u>(3,026,169)</u>
Net assets of governmental activities		<u><u>\$ 15,522,845</u></u>

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General Fund	HURF Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,337,058	\$	\$ 468,690	\$ 3,805,748
Intergovernmental	5,641,263	1,052,727	2,897,153	9,591,143
Charges for services	572,932		172,281	745,213
Fines and forfeits	96,388		8,792	105,180
Investment earnings	39,149	795	11,419	51,363
Contributions	1,201,670			1,201,670
Miscellaneous	11,247	7,242	45,230	63,719
Total revenues	<u>10,899,707</u>	<u>1,060,764</u>	<u>3,603,565</u>	<u>15,564,036</u>
Expenditures:				
Current -				
General government	4,668,540		322,918	4,991,458
Public safety	2,942,437	1,989	1,626,153	4,570,579
Highways and streets		1,839,773	376	1,840,149
Sanitation	277,674		2,971	280,645
Health and welfare	343,004		1,271,671	1,614,675
Culture and recreation	101,036		209,211	310,247
Education	225,090		486,233	711,323
Economic development	26,708		15	26,723
Capital outlay	752,267	168,462	396,568	1,317,297
Debt service -				
Principal retirement	763,186		71,777	834,963
Interest and fiscal charges	107,391		5,672	113,063
Total expenditures	<u>10,207,333</u>	<u>2,010,224</u>	<u>4,393,565</u>	<u>16,611,122</u>
Excess (deficiency) of revenues over expenditures	<u>692,374</u>	<u>(949,460)</u>	<u>(790,000)</u>	<u>(1,047,086)</u>
Other financing sources (uses):				
Capital lease agreements	390,781	133,941	114,653	639,375
Insurance proceeds	15,161		5,859	21,020
Transfers in	206,972	805,357	756,417	1,768,746
Transfers out	(1,264,130)		(504,616)	(1,768,746)
Total other financing sources (uses)	<u>(651,216)</u>	<u>939,298</u>	<u>372,313</u>	<u>660,395</u>
Net change in fund balances	41,158	(10,162)	(417,687)	(386,691)
Fund balances, beginning of year, restated (Note 8)	8,296,614	2,694	1,934,922	10,234,230
Fund balances, end of year	<u>\$ 8,337,772</u>	<u>\$ (7,468)</u>	<u>\$ 1,517,235</u>	<u>\$ 9,847,539</u>

GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds **\$ (386,691)**

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

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

Expenditures for capitalized assets	\$ 1,287,608	
Current year depreciation	<u>(1,368,077)</u>	(80,469)

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. (3,669)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. (7,707)

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	(639,375)	
Principal repaid	<u>834,963</u>	195,588

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

Decrease in compensated absences	3,646	
Increase in landfill closure and postclosure care costs	<u>(172,950)</u>	<u>(169,304)</u>

Change in net assets in governmental activities **\$ (452,252)**

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, 2011

	Investment Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,041,379	\$ 125,174
Total assets	5,041,379	\$ 125,174
<u>LIABILITIES</u>		
Deposits held for others		\$ 125,174
Total liabilities		\$ 125,174
<u>NET ASSETS</u>		
Held in trust for investment trust participants	\$ 5,041,379	

GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Investment Trust Fund
Additions:	
Investment earnings	\$ 35,002
Contributions from participants	14,824,118
Total additions	14,859,120
Deductions:	
Distributions to participants	17,033,745
Total deductions	17,033,745
Change in net assets	(2,174,625)
Net assets, beginning of year	7,216,004
Net assets, end of year	\$ 5,041,379

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GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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).

For the year ended June 30, 2011, the County implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosures requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions. The clarification of fund types in GASB Statement No. 54 resulted in the reclassification of certain funds in the fund financial statements (See Note 8).

A. Reporting Entity

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

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

The following table describes the County’s component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Greenlee County Flood Control District	A tax-levying district that provides flood control systems; the County’s Board of Supervisors serves as the board of directors	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, 2011

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, 2011

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

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Revenue Fund for maintenance and construction of roadways.

The County also reports the following fiduciary 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.

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.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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, 2011 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 government-wide statements are as follows:

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

G. Fund Balance Classifications

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

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

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can only be removed or changed by the Board.

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

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

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

H. Investment Earnings

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

I. Compensated Absences

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

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

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

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

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

J. Estimates

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances – At year end, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Governmental Funds:	
HURF	\$ 7,468
Casa Special Advocate Program	1,466
County Attorney Enhancement	7,378
Victim's Rights & Assistance	805
Sheriff's ACJC Drug Grant	8,427
HHS Grant	13,201
Stone Garden – Personnel	11,213
Landfill Operations	78,478
Greenlee-Graham Field Trainer	2,366
Flood Disaster	29,015
Probation – County	17,976
State Aid Enhancement A.R.S. §12-261	4,602
Juvenile Standard Probation	1,718
Diversion Consequences	298
AIPS	5,665
JTSF	386

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

Expenditures in Excess of Appropriations – For the fiscal year ended June 30, 2011, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Excess</u>
Bioterrorism	\$ 27,104
County fair	52,878
County library	2,308
Emergency services	214,251
Employment and training	15,482
Fleet	107,539
General services	107,883
GIS program	256
Health services	49,960
Parks and recreation	32,195
Roads	698,430
Sheriff	234,473
Wellness program	516

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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.

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

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concl'd)

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. 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, 2011, the carrying amount of the County's deposits was \$14,791,563 and the bank balance was \$15,662,835. The County does not have a formal policy regarding custodial credit risk.

At June 30, 2011, the County's bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the County's name	<u>\$ 12,842,910</u>
---	----------------------

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

Cash and deposits

Cash on hand	\$ 10,330
Amount of deposits	<u>14,791,563</u>
Total	<u>\$ 14,801,893</u>

Statement of Net Assets

Government activities	\$ 9,635,340
Investment Trust Fund	5,041,379
Agency Funds	<u>125,174</u>
Total	<u>\$ 14,801,893</u>

NOTE 4 – RECEIVABLES

Amounts due from other governments at June 30, 2011, as reported in the Statement of Net Assets include \$69,035 in Highway User Revenues, \$40,395 in auto lieu taxes, \$121,228 in County sales tax, \$446,395 in state shared sales tax, \$126,665 in federal grants, and \$89,033 in other state grants and assistance.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 4 – RECEIVABLES (Concl'd)

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 June 30, 2011, the various components of deferred revenue reported in the governmental funds are as follows.

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 17,624	\$
Delinquent property taxes receivable (Non-Major Governmental Funds)	5,556	
Grant drawdowns prior to meeting all eligibility requirements (Non-Major Governmental Funds)		63,340
Total deferred revenue for governmental funds	\$ 23,180	\$ 63,340

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress	112,680			112,680
Total capital assets not being depreciated	346,334			346,334
Capital assets, being depreciated:				
Land improvements	4,873,430	7,645		4,881,075
Buildings and improvements	7,750,796	242,988		7,993,784
Machinery and equipment	8,876,254	1,036,975	(357,128)	9,556,101
Total	21,500,480	1,287,608	(357,128)	22,430,960
Less accumulated depreciation for:				
Land improvements	(2,410,823)	(251,655)		(2,662,478)
Buildings and improvements	(5,411,914)	(301,598)		(5,713,512)
Machinery and equipment	(5,261,644)	(814,824)	353,459	(5,723,009)
Total	(13,084,381)	(1,368,077)	353,459	(14,098,999)
Total capital assets, being depreciated, net	8,416,099	(80,469)	(3,669)	8,331,961
Governmental activities capital assets, net	\$ 8,762,433	\$ (80,469)	\$ (3,669)	\$ 8,678,295

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions as follows.

Governmental activities:	
General government	\$ 390,246
Public safety	365,685
Highways and streets	531,111
Sanitation	40,144
Health and welfare	18,277
Culture and recreation	22,166
Economic development	448
Total governmental activities depreciation expense	<u>\$1,368,077</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, 2011. 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, 2011.

	<u>Beginning</u> <u>Balance</u>	<u>Drawdowns</u>	<u>Principal</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>	<u>Interest</u> <u>Payments</u>
Governmental activities	\$	\$ 261,301	\$ 261,301	\$	\$ 577
Investment Trust Fund		196,837	196,837		336
Total	<u>\$</u>	<u>\$ 458,138</u>	<u>\$ 458,138</u>	<u>\$</u>	<u>\$ 913</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the County’s long-term liability and obligation activity for the fiscal year ended June 30, 2011.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 1,961,619	\$ 639,375	\$ 834,963	\$ 1,766,031	\$ 538,628
Compensated absences payable	318,049	302,942	306,588	314,403	272,977
Landfill closure and postclosure care costs payable	772,785	178,055	5,105	945,735	25,841
Total governmental activities long-term liabilities	<u>\$ 3,052,453</u>	<u>\$ 1,120,372</u>	<u>\$ 1,146,656</u>	<u>\$ 3,026,169</u>	<u>\$ 837,446</u>

Capital Leases - The County has acquired mobile buildings 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
Asset:	
Buildings and improvements	\$ 60,179
Machinery and equipment	3,914,997
Less: accumulated depreciation	1,188,569
Carrying value	<u>\$ 2,786,607</u>

The following schedule details debt service requirements to maturity for the County’s capital leases payable at June 30, 2011:

Year Ending June 30:	Governmental Activities
2012	\$ 609,149
2013	525,835
2014	606,934
2015	173,492
2016	12,655
Total minimum lease payments	1,928,065
Less: amount representing interest	162,034
Present value of net minimum lease payments	<u>\$ 1,766,031</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$945,735 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 61 percent of the estimated capacity of the landfills less expenditures already paid. The County will recognize the remaining estimated cost of closure and postclosure care of \$621,052 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 2011. The County expects to close the Loma Linda Landfill in the year 2025 and the Loma Linda Construction and Demolition Landfill in the year 2025, and the actual costs may be higher because of inflation, changes in technology, or changes in regulations. The 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. Based on the last verification as of June 30, 2010, the County is in compliance with these requirements.

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, and 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 2011, the County paid for compensated absences as follows: 55 percent from the General Fund, 9 percent from major funds, and 36 percent from other funds.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2011, were as follows:

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Fund balances:				
Restricted for:				
Information systems	\$	\$	\$ 37,231	\$ 37,231
Judicial activities			369,551	369,551
Jail facilities and operations			19,907	19,907
Waste tire program			119,656	119,656
Fair and racing program			59,696	59,696
Total restricted			<u>606,041</u>	<u>606,041</u>
Assigned to:				
Information systems			4,485	4,485
Judicial activities	37,610		109,025	146,635
Law enforcement	31,944		4,275	36,219
Jail facilities and operations			17,508	17,508
Elections programs	22		18,253	18,275
Library services	12			12
Public health services	1,057		266,613	267,670
Landfill closure/development	312,634			312,634
Wellness program	262			262
Airport improvements			98,598	98,598
Flood control	1,687		339,507	341,194
Waste tire program			11,988	11,988
Environmental programs			346	346
Workforce investment			116,097	116,097
Total assigned	<u>385,228</u>		<u>986,695</u>	<u>1,371,923</u>
Unassigned	<u>7,952,544</u>	<u>(7,468)</u>	<u>(75,501)</u>	<u>7,869,575</u>
Total fund balances	<u>\$ 8,337,772</u>	<u>\$ (7,468)</u>	<u>\$ 1,517,235</u>	<u>\$ 9,847,539</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8 – FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS
(Concl'd)

The July 1, 2010 fund balances of the General Fund and Non-Major Governmental Funds do not agree to the prior year financial statements. This is a result of the reclassification of certain funds due to the new fund type definitions specified in GASB Statement No. 54.

	<u>General Fund</u>	<u>PDMI Donation Fund</u>	<u>Non-Major Governmental Funds</u>
Fund balance, June 30, 2010, as previously reported	\$ 4,981,874	\$ 2,480,019	\$ 2,769,643
Reclassification of funds	3,314,740	(2,480,019)	(834,721)
Fund balance, July 1, 2010, as restated	<u>\$ 8,296,614</u>	<u>\$</u>	<u>\$ 1,934,922</u>

NOTE 9 - RISK MANAGEMENT

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

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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 9 - RISK MANAGEMENT (Concl'd)

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 resulting from these risks have not exceeded this commercial insurance coverage in any of the past three fiscal years.

NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – The County contributes to four pension and postemployment benefit plans, three of which are described below. The Corrections Officer Retirement Plan 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.

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 seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

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 Board of Trustees 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

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, 2011, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 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 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 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.

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2011	\$ 345,640	\$ 22,633	\$ 9,590
2010	313,092	24,777	15,016
2009	309,972	37,244	19,397

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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

Agent Plans – For the year ended June 30, 2011, 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 14.28 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.27 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 17.42 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.77 percent of covered payroll.

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the 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 2011 contribution requirements, 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 liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS; 5.00% for EORP
includes inflation at	5.50% for PSPRS; 5.00% for EORP

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 - 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, 2011, and related information follows.

	PSPRS		EORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 86,351	\$ 6,133	\$ 158,052	\$ 7,607
Contributions made	86,351	6,133	158,052	7,607

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

Plan:
PSPRS

Year Ended <u>June 30</u>	Annual Pension/ <u>OPEB Cost</u>	Percentage of Annual Cost <u>Contributed</u>	Net Pension/ <u>OPEB Obligation</u>
<i>Pension</i>			
2011	\$ 86,351	100%	\$ -0-
2010	79,381	100	-0-
2009	91,342	100	-0-
<i>Health Insurance</i>			
2011	\$ 6,133	100	\$ -0-
2010	4,485	100	-0-
2009	8,376	100	-0-

EORP

Year Ended <u>June 30</u>	Annual Pension/ <u>OPEB Cost</u>	Percentage of Annual Cost <u>Contributed</u>	Net Pension/ <u>OPEB Obligation</u>
<i>Pension</i>			
2011	\$ 158,052	100%	\$ -0-
2010	128,065	100	-0-
2009	131,150	100	-0-
<i>Health Insurance</i>			
2011	\$ 7,607	100	\$ -0-
2010	8,124	100	-0-
2009	11,680	100	-0-

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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

Funded Status – The funded status of the plans as of June 30, 2011, 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 Board of Trustees 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)	\$ 3,329,548	\$ 103,009
Actuarial value of assets (b)	2,979,130	-0-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	350,418	103,009
Funded ratio (b)/(a)	89.5%	0.0%
Covered payroll (c)	\$ 711,401	\$ 711,401
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) – (b))/(c))	49.3%	14.5%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for June 30, 2011, are as follows:

Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry Age Normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	25 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases includes inflation at	5.00% - 8.00% for PSPRS; 4.50% for EORP 5.00% for PSPRS; 4.50% for EORP

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – At year end, the HURF Fund and Non-Major Governmental Funds had negative cash balances of \$15,800 and \$14,688, respectively, in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. In addition, Non-Major Governmental Funds received loans of \$142,835 from the General Fund throughout the fiscal year to mitigate registered warrant expenditures in funds with temporary negative balances. All interfund balances are expected to be repaid within one year.

Interfund transfers – Interfund transfers for the fiscal year ended June 30, 2011 were as follows.

Transfers from	Transfers to			Total
	General Fund	HURF Fund	Non-Major Governmental Funds	
General Fund	\$ 206,972	\$ 550,000	\$ 714,130	\$ 1,264,130
Non-Major Governmental Funds	206,972	255,357	42,287	504,616
Total	\$ 206,972	\$ 805,357	\$ 756,417	\$ 1,768,746

The majority of interfund transfers result from interfund billing for services, products, or shared expenses. The General Fund also makes transfers to other funds to provide support for such items as matching funds for grants or to make up the shortfall of grant-funded programs that the County deems important. In addition, the County makes indefinite loans to various funds for cash flow needs to minimize the cost of registered warrants.

NOTE 12 - COUNTY TREASURER’S INVESTMENT POOL

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

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

Substantially, all deposits of the County’s primary government are included in the County Treasurer’s investment pool, except for \$227,568 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, 2011

NOTE 12 - 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	\$ 14,574,325
Liabilities	
Net assets	<u>\$ 14,574,325</u>
Net assets held in trust for:	
Internal participants	\$ 9,532,946
External participants	<u>5,041,379</u>
Total net assets held in trust	<u>\$ 14,574,325</u>
Statement of Changes in Net Assets	
Total additions	\$ 30,346,631
Total deductions	<u>32,585,841</u>
Net decrease	(2,239,210)
Net assets held in trust:	
July 1, 2010	<u>16,813,535</u>
June 30, 2011	<u>\$ 14,574,325</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget
	Original & Final		
Revenues:			
Taxes	\$ 2,787,715	\$ 3,337,058	\$ 549,343
Intergovernmental	4,562,653	5,626,369	1,063,716
Charges for services	205,300	289,071	83,771
Fines and forfeits	80,500	94,104	13,604
Investment earnings	30,735	36,331	5,596
Contributions	1,300,000	1,200,000	(100,000)
Miscellaneous	160,000	12,065	(147,935)
Total revenues	9,126,903	10,594,998	1,468,095
Expenditures:			
General government			
Board of Supervisors	405,058	377,285	27,773
Airport	32,300	7,394	24,906
Assessor	310,428	296,679	13,749
Attorney	419,724	374,253	45,471
Constable No. 1	28,739	27,122	1,617
Constable No. 2	30,301	25,529	4,772
Contingency	100,000		100,000
County administration	364,259	285,016	79,243
Data processing	388,070	345,143	42,927
Elections	96,303	95,003	1,300
Fleet	124,375	231,914	(107,539)
General services	988,171	976,374	11,797
GIS program		256	(256)
Ground and maintenance	500,550	364,908	135,642
Justice of the Peace No. 1	193,181	188,890	4,291
Justice of the Peace No. 2	125,732	121,878	3,854
Planning and zoning	52,100	6,953	45,147
Public Fiduciary	48,076	47,666	410
Recorder	193,250	193,384	(134)
Superior court	732,540	733,027	(487)
Treasurer	204,155	196,478	7,677
Voter registration	17,000	8,408	8,592
Total general government	5,354,312	4,903,560	450,752
Public safety			
County flood control		27	(27)
Emergency services	95,065	207,985	(112,920)
Probation	299,000	301,123	(2,123)
Sheriff	2,675,883	2,793,602	(117,719)
Total public safety	3,069,948	3,302,737	(232,789)
Health and welfare - AHCCCS/ALTCS Payments	362,900	341,488	21,412

(Continued)

See accompanying notes to budgetary comparison schedule.

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2011
(Concluded)

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget
	Original & Final		
Culture and recreation			
County library	28,500	28,538	(38)
Parks and recreation	70,856	103,051	(32,195)
Total culture and recreation	<u>99,356</u>	<u>131,589</u>	<u>(32,233)</u>
Education			
School Superintendent	206,088	202,783	3,305
U of A extension services	22,307	22,307	
Total education	<u>228,395</u>	<u>225,090</u>	<u>3,305</u>
Economic development	<u>30,000</u>	<u>26,708</u>	<u>3,292</u>
Debt service	<u>600,000</u>	<u>625,069</u>	<u>(25,069)</u>
Total expenditures	<u>9,744,911</u>	<u>9,556,241</u>	<u>188,670</u>
Excess (deficiency) of revenues over expenditures	<u>(618,008)</u>	<u>1,038,757</u>	<u>1,656,765</u>
Other financing sources (uses):			
Sale of capital assets	5,000		(5,000)
Insurance proceeds		15,161	15,161
Transfers in		1,022,361	1,022,361
Transfers out	(747,006)	(1,837,612)	(1,090,606)
Total other financing sources (uses)	<u>(742,006)</u>	<u>(800,090)</u>	<u>(58,084)</u>
Net change in fund balances	(1,360,014)	238,667	1,598,681
Fund balance, July 1, 2010, as restated	<u>1,400,000</u>	<u>7,801,940</u>	<u>6,401,940</u>
Fund balance, June 30, 2011	<u>\$ 39,986</u>	<u>\$ 8,040,607</u>	<u>\$ 8,000,621</u>

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
HURF FUND
YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget</u>
	<u>Original & Final</u>	<u>Non-GAAP Actual</u>	
Revenues:			
Intergovernmental	\$ 960,000	\$ 1,052,727	\$ 92,727
Investment income		795	795
Miscellaneous		7,242	7,242
Total revenues	<u>960,000</u>	<u>1,060,764</u>	<u>100,764</u>
Expenditures:			
Current -			
Public safety		1,989	(1,989)
Highways and streets	1,490,500	1,839,773	(349,273)
Capital outlay	121,500	34,521	86,979
Total expenditures	<u>1,612,000</u>	<u>1,876,283</u>	<u>264,283</u>
Excess (deficiency) of revenues over expenditures	<u>(652,000)</u>	<u>(815,519)</u>	<u>(163,519)</u>
Other financing sources (uses):			
Transfers in	650,000	805,357	155,357
Transfers out	(300,000)		300,000
Total other financing sources (uses):	<u>350,000</u>	<u>805,357</u>	<u>455,357</u>
Net change in fund balances	(302,000)	(10,162)	291,838
Fund balance, beginning of year	302,000	2,694	299,306
Fund balance (deficits), end of year	<u>\$</u>	<u>\$ (7,468)</u>	<u>\$ (7,468)</u>

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2011

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

- Present value of net minimum capital lease agreements. Financing arrangements of \$390,781 were entered into during fiscal year 2010-11; however, the initial purchases of those assets, which were subsequently financed, were incurred partially during fiscal year 2009-10 (\$41,613) and partially during fiscal year 2010-11 (\$349,168).
- Financial activity budgeted as special revenue funds. Certain activities are reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances, but reported as special revenue funds in the County's adopted budget.
- Special revenue funds budgeted as General Fund activity. Certain activities are reported as special revenue funds in the Statement of Revenues, Expenditures and Changes in Fund Balances, but reported as activity of the General Fund in the County's adopted budget.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2011**

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

The following schedule reconciles the total revenues, total expenditures, total other financing sources (uses), and fund balances as of July 1, 2010 and June 30, 2011 from the Statement of Revenues, Expenditures and Changes in Fund Balances to the budgetary comparison schedule for the General Fund:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Fund Balances, July 1, 2010, as restated</u>	<u>Fund Balances, June 30, 2011</u>
<u>General Fund</u>					
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 10,899,707	\$ 10,207,333	\$ (651,216)	\$ 8,296,614	\$ 8,337,772
Present value of net minimum capital lease payments – assets acquired during fiscal year 2009-10				41,613	
Present value of net minimum capital lease payments – assets acquired during fiscal year 2010-11		(349,168)			
Present value of net minimum capital lease payments – lease financing arrangements entered into during fiscal year 2010-11			(390,781)		
Fiscal year 2010-11 activity budgeted as special revenue funds	(311,467)	(604,385)	(33,093)	(556,822)	(296,997)
Fiscal year 2010-11 special revenue fund budgeted as General Fund activity	<u>6,758</u>	<u>302,461</u>	<u>275,000</u>	<u>20,535</u>	<u>(168)</u>
Budgetary comparison schedule	<u>\$ 10,594,998</u>	<u>\$ 9,556,241</u>	<u>\$ (800,090)</u>	<u>\$ 7,801,940</u>	<u>\$ 8,040,607</u>

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2011**

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

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

- Present value of net minimum capital lease agreements. The financing arrangements of \$133,941 were entered into during fiscal year 2010-11.

The following schedule reconciles the total expenditures and total other financing sources (uses) from the Statement of Revenues, Expenditures and Changes in Fund Balances to the budgetary comparison schedule for the HURF Fund:

	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>
<u>HURF Fund</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,010,224	\$ 939,298
Present value of net minimum capital lease payments – assets acquired during fiscal year 2010-11	(133,941)	
Present value of net minimum capital lease payments – lease financing arrangements entered into during fiscal year 2010-11		(133,941)
Budgetary comparison schedule	<u>\$ 1,876,283</u>	<u>\$ 805,357</u>

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2011**

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2011, expenditures exceeded final budget amounts at the department level for the General Fund and at the fund level for all other funds as follows.

<u>Fund</u>	<u>Department</u>	<u>Excess</u>
General Fund	County flood control	\$ 27
	County library	38
	Emergency services	112,920
	Fleet	107,539
	GIS program	256
	Parks and recreation	32,195
	Probation	2,123
	Recorder	134
	Sheriff	117,719
	Superior court	487
	Debt service	25,069
HURF	Roads	264,283

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, 2011**

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						
6/30/11	\$ 2,979,130	\$ 3,329,548	\$ (350,418)	89.5%	\$ 711,401	49.3%
6/30/10	2,793,326	3,041,313	(247,987)	91.8%	639,428	38.8%
6/30/09	2,594,823	2,836,119	(241,296)	91.5%	755,114	32.0%
Health Insurance						
6/30/11	\$ -0-	\$ 103,009	\$ (103,009)	0.0%	\$ 711,401	14.5%
6/30/10	-0-	90,076	(90,076)	0.0%	639,428	14.1%
6/30/09	-0-	79,231	(79,231)	0.0%	755,114	10.5%

See accompanying note to this schedule.

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2011

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 Board of Trustees 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.