

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2005**

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ANNUAL FINANCIAL REPORT
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Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2005, 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, 2005, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005, which represents a change in accounting principle.

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

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

In 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 compliance.

In accordance with *Government Auditing Standards*, we have issued our report dated October 29, 2009, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Miller, Albert Co., P.C.

October 29, 2009

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, 2005**

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, 2005. Please read it in conjunction with the County's basic financial statements, which begin on page 16.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for fiscal year 2004-05 as follows:

- The County's total net assets of governmental activities increased \$2.0 million to \$7.2 million, representing a 38.0 percent increase from fiscal year 2003-04.
- General revenues from governmental activities accounted for \$7.7 million in revenue, or 56.2 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.0 million or 43.8 percent of total governmental activities revenues.
- The County had \$11.8 million in expenses related to governmental activities; of which \$6.0 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$7.7 million were adequate to provide for the remaining costs of these programs.
- Among major governmental funds, the General Fund had \$8.0 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$6.7 million. The General Fund's fund balance increased from \$945,992 to \$1.3 million, due primarily to an increase in shared state sales taxes. The HURF Fund had revenues of \$1.1 million, which consisted mainly of intergovernmental revenues. The total expenditures were \$2.1 million. The fund balance of the HURF Fund decreased by \$214,679 from the prior year due primarily to increases in street maintenance costs and capital lease payments. The fund balance of the Debt Service Fund increased by \$5,642 due to transfers in from other funds.

OVERVIEW OF FINANCIAL STATEMENTS

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

- **Governmental activities** - Most of the County's basic services are included here, such as general government, public safety, highways and streets, culture and recreation, and economic development. Sales taxes, intergovernmental, and charges for services revenue finance most of these activities.

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's budget process. The County adopts an annual budget for all governmental funds. A schedule of revenues, expenditures, and changes in fund balance – budget and actual has been provided for the General Fund, HURF Fund and Airport Improvement Fund as required supplementary information.

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 \$7.2 million as of June 30, 2005.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

By far the largest portion of the County's net assets (60.5 percent) reflects its investment in capital assets (e.g., land, infrastructure, buildings and improvements, and machinery and equipment), 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.

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

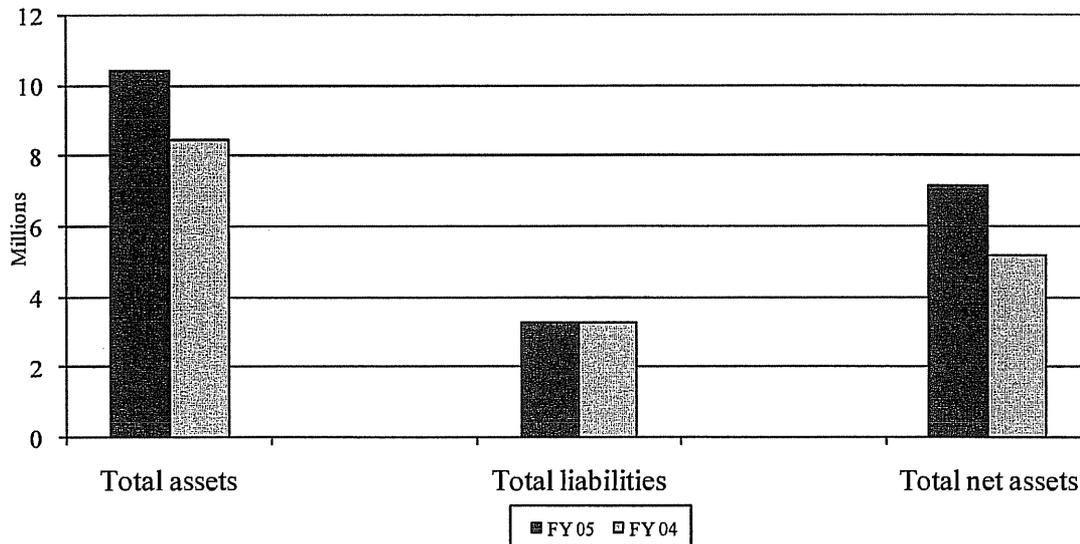
The following tables present a summary of the County's net assets as of June 30, 2005 and 2004.

	As of June 30, 2005	As of June 30, 2004
Current assets	\$ 4,048,673	\$ 3,799,052
Other assets	306,222	318,511
Capital assets, net	<u>6,063,724</u>	<u>4,315,315</u>
Total assets, net	<u>10,418,619</u>	<u>8,432,878</u>
Long-term liabilities outstanding	2,746,669	2,588,391
Other liabilities	519,496	660,827
Total liabilities	<u>3,266,165</u>	<u>3,249,218</u>
Net assets:		
Invested in capital assets, net of related debt	4,326,093	2,608,965
Restricted	1,004,806	1,213,843
Unrestricted	<u>1,821,555</u>	<u>1,360,852</u>
Total net assets	<u>\$ 7,152,454</u>	<u>\$ 5,183,660</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Governmental Activities



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

- Current assets increased by \$249,621 primarily due to a receivable from the federal government for the Airport Improvement Fund.
- The addition of \$2.4 million in capital assets primarily resulted from the replacement and acquisition of several vehicles, heavy equipment, and a computer-aided dispatch system and an airport improvement construction project.
- Other liabilities decreased by \$141,331 primarily due to a decrease in accrued payroll and benefits resulting from accruals for year-end payroll cut off.

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2005, were \$13.7 million. The total cost of all programs and services was \$11.8 million. The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2005 and 2004.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

	Fiscal Year Ended <u>June 30, 2005</u>	Fiscal Year Ended <u>June 30, 2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 588,508	\$ 601,968
Operating grants and contributions	3,922,286	3,856,204
Capital grants and contributions	1,499,525	101,897
General revenues:		
Property taxes, levied for general purposes	2,992,949	2,946,795
County sales taxes for general purposes	803,692	713,917
Share of state sales taxes	2,511,679	1,975,745
Share of state vehicle license tax	224,906	227,372
Grants and contributions not restricted to specific programs	917,785	923,943
Investment earnings	53,297	16,779
Miscellaneous	214,530	124,866
Total revenues	<u>13,729,157</u>	<u>11,489,486</u>
Expenses:		
General government	4,064,005	3,650,281
Public safety	3,329,201	3,033,278
Highway and streets	1,364,221	1,186,107
Sanitation	454,486	365,887
Health and welfare	1,440,233	1,420,984
Culture and recreation	489,889	407,415
Education	499,698	508,227
Economic development	3,270	10,453
Interest on long-term debt	115,360	127,529
Total expenses	<u>11,760,363</u>	<u>10,710,161</u>
Increase in net assets	<u>\$ 1,968,794</u>	<u>\$ 779,325</u>

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

- Capital grants and contributions increased by \$1.4 million due to federal grants for airport improvements and a computer-aided dispatch system.
- County sales tax revenues increased as a result of increased copper prices and the associated severance tax collected and distributed to the County.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

- Miscellaneous revenues increased by \$89,664 primarily due to an increase in miscellaneous fair and racing revenues and revenues received from the Environmental Economic Communities Organization for the purchase of a brush chipper.
- General government expenses increased by \$413,724 for several reasons, including costs for aerial mapping services, County elections, Restoration to Competency costs, increases in legal services, additional building maintenance costs, increases in depreciation expenses and cost of living adjustments.
- Public safety expenses increased by \$295,923 primarily due to a newly elected official which resulted in a turnover of employees, an increased inmate count in the jail system, and expenses related to federal grants received for bio-terrorism and homeland security.
- Highway and street expenses increased by \$178,114 primarily due to additional road maintenance costs, increased fuel costs, and the hiring of additional maintenance workers.

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

	<u>Year Ended June 30, 2005</u>		<u>Year Ended June 30, 2004</u>	
	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>
Governmental Activities				
General government	\$ 4,064,005	\$ (2,741,620)	\$ 3,650,281	\$ (3,002,877)
Public safety	3,329,201	(1,711,048)	3,033,278	(2,080,064)
Highway and streets	1,364,221	(117,106)	1,186,107	(4,792)
Sanitation	454,486	(135,628)	365,887	(50,134)
Health and welfare	1,440,233	(681,280)	1,420,984	(735,665)
Culture and recreation	489,889	(232,662)	407,415	(120,912)
Education	499,698	(12,070)	508,227	(17,666)
Economic development	3,270	(3,270)	10,453	(10,453)
Interest on long-term debt	115,360	(115,360)	127,529	(127,529)
Total	<u>\$11,760,363</u>	<u>\$ (5,750,044)</u>	<u>\$10,710,161</u>	<u>\$ (6,150,092)</u>

- The cost of all governmental activities this year was \$11.8 million.
- The net cost of governmental activities of \$5.8 million was financed by general revenues, which are made up of primarily taxes and shared state revenues.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$3.8 million, an increase of \$406,602. Total fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the County's discretion.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$367,813 due primarily to an increase in shared state sales taxes. The fund balance of the HURF Fund showed a decrease of \$214,679 as a result of increases in street maintenance costs and capital lease payments. The fund balance of the Debt Service Fund increased by \$5,642 as a result of transfers in from other funds.

BUDGETARY HIGHLIGHTS

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

- Shared state sales tax revenues in the General Fund exceeded estimates by \$711,679 as a result of increases to copper prices during the year.
- Charges for services were \$24,418 less than budgeted amounts. The Town of Duncan was unable to pay their contracted amount for law enforcement services and have consistently been behind in their payments to the County.
- General Services expenditures exceeded estimates by \$47,066. This is the first year the County had the responsibility for Restoration to Competency. We had no prior expenditures on which to base our estimate and exceeded budgeted amounts by \$27,850. In addition, certain County library costs were budgeted in the County Library Department and paid from General Services.
- Superior Court expenditures exceeded estimates by \$45,137. Legal Services exceeded the estimate due to an unanticipated high indigent defense case load.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

BUDGETARY HIGHLIGHTS (Concl'd)

- Sheriff expenditures exceeded estimates by \$156,675. Part-time detention officer costs exceeded the budget as the office had to cover shifts when full-time officers were off duty. Overtime pay exceeded estimates due to coverage and replacement of officers. Prisoner meals exceeded costs by \$20,136 due to an increase in inmate count. Inmate medical costs exceeded budget by \$67,074 due to several inmates being transported to hospitals outside our County and the increased inmate count.
- Ambulance Service expenditures exceeded estimates by \$26,885. Medical supplies exceeded budgeted amounts due to an unanticipated purchase of a new lift type gurney and replacement of vital sign monitoring equipment for the ambulances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2005, the County had invested \$6.1 million in capital assets, including buildings, facilities, vehicles, computers, and equipment. Total depreciation expense for the year was \$652,945.

The following schedule presents capital asset balances and accumulated depreciation as of June 30, 2005 and 2004.

	As of <u>June 30, 2005</u>	As of <u>June 30, 2004</u>
Land	\$ 233,654	\$ 233,654
Construction in progress	1,029,667	39,246
Land improvements	2,502,232	2,502,232
Buildings and improvements	5,554,110	5,478,185
Machinery and equipment	6,281,127	5,207,233
Accumulated depreciation	<u>(9,537,066)</u>	<u>(9,145,235)</u>
Total	<u>\$ 6,063,724</u>	<u>\$ 4,315,315</u>

Additional information on the County's capital assets can be found in Note 4.

Debt Administration. At June 30, 2005, the County had certificates of participation and capital lease long-term liabilities outstanding of \$1,765,638 as compared to \$1,748,969 in the prior year. This amount is comprised of \$905,000 of certificates of participation and \$860,638 in capital leases.

Additional information on the County's long-term debt can be found in Note 5 in the notes to the financial statements.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board adopted a very aggressive budget for fiscal year 2005-06. It represents a 5.3 percent increase in the General Fund and 12.3 percent overall budget increase. Continued work towards utilization of Homeland Security funds to plan and complete our new dispatch center is under way. The Board approved a three percent cost of living adjustment for all employees and is considering reinstating the merit plan of 2.5 percent for next fiscal year as a way to bring salaries in line with the other small counties. Cost shifts from the State of Arizona were realized particularly in the area of the courts. We are facing the same types of shifts as we look to next fiscal year. The County was able to complete some major projects and has made preparations to take steps to bring our facilities and equipment into a system of preventative/routine maintenance and a rotation plan for the replacement of major equipment and vehicles.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

GREENLEE COUNTY, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 3,348,872
Property taxes receivable	28,844
Due from other governments	670,957
Total current assets	4,048,673
Noncurrent assets:	
Investments held by trustee - restricted	278,215
Capital assets, not being depreciated	1,263,321
Capital assets, being depreciated, net	4,800,403
Deferred bond issuance costs	28,007
Total noncurrent assets	6,369,946
Total assets	10,418,619
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	334,967
Accrued payroll and employee benefits	84,437
Deferred revenues	100,092
Current portion of long-term obligations	767,347
Total current liabilities	1,286,843
Noncurrent liabilities:	
Non-current portion of long-term obligations	1,979,322
Total non-current liabilities	1,979,322
Total liabilities	3,266,165
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	4,326,093
Restricted for:	
HURF	373,248
Debt service	631,558
Unrestricted	1,821,555
Total net assets	\$ 7,152,454

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
General government	\$ 4,064,005	\$ 146,298	\$ 278,983	\$ 897,104	\$ (2,741,620)
Public safety	3,329,201	57,132	958,600	602,421	(1,711,048)
Highway and streets	1,364,221	10,731	1,236,384		(117,106)
Sanitation	454,486	303,804	15,054		(135,628)
Health and welfare	1,440,233	41,394	717,559		(681,280)
Culture and recreation	489,889	29,149	228,078		(232,662)
Education	499,698		487,628		(12,070)
Economic development	3,270				(3,270)
Interest on long-term debt	115,360				(115,360)
Total governmental activities	<u>\$ 11,760,363</u>	<u>\$ 588,508</u>	<u>\$ 3,922,286</u>	<u>\$ 1,499,525</u>	<u>\$ (5,750,044)</u>
General revenues:					
Taxes:					
					2,992,949
					803,692
					2,511,679
					224,906
					917,785
					53,297
					214,530
					<u>7,718,838</u>
					1,968,794
					<u>5,183,660</u>
					<u>\$ 7,152,454</u>

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

**GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Airport Improvement Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 964,788	\$ 353,329	\$
Investments held by trustee - restricted			
Property taxes receivable	28,844		
Due from other governments	318,507	86,202	256,196
Due from other funds	236,451		
Total assets	<u>\$ 1,548,590</u>	<u>\$ 439,531</u>	<u>\$ 256,196</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 165,649	\$ 56,179	\$ 24,799
Accrued payroll and employee benefits	48,047	10,104	
Due to other funds			231,397
Deferred revenues	21,089		
Total liabilities	<u>234,785</u>	<u>66,283</u>	<u>256,196</u>
Fund balances:			
Unreserved reported in:			
General fund	1,313,805		
Special revenue funds		373,248	
Debt service fund			
Total fund balances	<u>1,313,805</u>	<u>373,248</u>	
Total liabilities and fund balances	<u>\$ 1,548,590</u>	<u>\$ 439,531</u>	<u>\$ 256,196</u>

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 353,343	\$ 1,677,412	\$ 3,348,872
278,215		278,215
		28,844
	10,052	670,957
		236,451
<u>\$ 631,558</u>	<u>\$ 1,687,464</u>	<u>\$ 4,563,339</u>
\$	\$ 88,340	\$ 334,967
	26,286	84,437
	5,054	236,451
	100,092	121,181
	<u>219,772</u>	<u>777,036</u>
		1,313,805
631,558	1,467,692	1,840,940
<u>631,558</u>	<u>1,467,692</u>	<u>631,558</u>
		3,786,303
<u>\$ 631,558</u>	<u>\$ 1,687,464</u>	<u>\$ 4,563,339</u>

GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2005

Total governmental funds fund balances **\$ 3,786,303**

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

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

Governmental capital assets	\$ 15,600,790	
Less accumulated depreciation	<u>(9,537,066)</u>	6,063,724

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

21,089

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

28,007

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

Certificates of participation payable	(905,000)	
Capital leases payable	(860,638)	
Landfill closure and postclosure care costs payable	(727,246)	
Compensated absences payable	<u>(253,785)</u>	<u>(2,746,669)</u>

Net assets of governmental activities **\$ 7,152,454**

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

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GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General Fund	HURF Fund	Airport Improvement Fund
Revenues:			
Taxes	\$ 4,034,874	\$	\$
Intergovernmental	3,783,349	1,008,793	897,104
Charges for services	92,082	10,731	
Fines and forfeits	44,451		
Investment income	13,260	6,522	1,275
Miscellaneous	69,842	30,919	
Total revenues	<u>8,037,858</u>	<u>1,056,965</u>	<u>898,379</u>
Expenditures:			
Current -			
General government	3,504,209		611
Public safety	1,946,040		
Highway and streets		1,173,267	
Sanitation	7,855		
Health and welfare	624,109		
Culture and recreation	54,552		
Education	162,025		
Economic development	325		
Capital outlay	232,065	763,587	897,768
Debt service -			
Principal retirement	143,693	128,250	
Interest and fiscal charges	8,136	20,332	
Total expenditures	<u>6,683,009</u>	<u>2,085,436</u>	<u>898,379</u>
Excess (deficiency) of revenues over expenditures	<u>1,354,849</u>	<u>(1,028,471)</u>	
Other financing sources (uses):			
Capital lease agreements	90,801	586,201	
Transfers in	198,574	227,591	
Transfers out	(1,276,411)		
Total other financing sources (uses)	<u>(987,036)</u>	<u>813,792</u>	
Changes in fund balances	<u>367,813</u>	<u>(214,679)</u>	
Fund balances, beginning of year	945,992	587,927	
Fund balances, end of year	<u>\$ 1,313,805</u>	<u>\$ 373,248</u>	<u>\$</u>

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$
	3,138,529	4,034,874
	429,609	8,827,775
	11,635	532,422
9,686	22,554	56,086
	113,769	53,297
		214,530
<u>9,686</u>	<u>3,716,096</u>	<u>13,718,984</u>
	254,584	3,759,404
	1,056,677	3,002,717
		1,173,267
	271,992	279,847
	758,102	1,382,211
	392,357	446,909
	336,819	498,844
	2,945	3,270
	788,414	2,681,834
285,000	103,390	660,333
61,064	11,216	100,748
<u>346,064</u>	<u>3,976,496</u>	<u>13,989,384</u>
<u>(336,378)</u>	<u>(260,400)</u>	<u>(270,400)</u>
		677,002
342,020	967,836	1,736,021
	(459,610)	(1,736,021)
<u>342,020</u>	<u>508,226</u>	<u>677,002</u>
<u>5,642</u>	<u>247,826</u>	<u>406,602</u>
625,916	1,219,866	3,379,701
<u>\$ 631,558</u>	<u>\$ 1,467,692</u>	<u>\$ 3,786,303</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, 2005**

Net changes in fund balances - total governmental funds	\$	406,602
 Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:		
 Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	\$ 2,413,543	
Less current year depreciation	<u>(652,945)</u>	1,760,598
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.		
Donations	23,500	
Losses on disposals of assets	<u>(35,689)</u>	(12,189)
 Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.		
		(13,327)
 The issuance of long-term debt (e.g., bonds, leases, loans, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred	(677,002)	
Principal repaid	660,333	
Amortization of bond issuance costs	<u>(14,612)</u>	(31,281)
 Landfill closure and postclosure care expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(134,365)
 Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(7,244)</u>
 Change in net assets in governmental activities	 \$	 <u><u>1,968,794</u></u>

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF FIDUCIARY FUNDS NET ASSETS
JUNE 30, 2005**

	Investment Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 6,462,280	\$ 72,266
Total assets	6,462,280	\$ 72,266
 <u>LIABILITIES</u>		
Deposits held for others		72,266
Total liabilities		\$ 72,266
 <u>NET ASSETS</u>		
Held in trust	\$ 6,462,280	

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2005**

	<u>Investment Trust</u>
Additions:	
Investment income	\$ 72,460
Contributions from participants	<u>16,679,258</u>
Total additions	<u>16,751,718</u>
Deductions:	
Distributions to participants	<u>14,749,925</u>
Total deductions	<u>14,749,925</u>
Changes in net assets	<u>2,001,793</u>
Net assets, beginning of year	4,460,487
Net assets, end of year	<u><u>\$ 6,462,280</u></u>

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2005, the County implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies the risk disclosures about the County's deposits and investments. The implementation of GASB Statement No. 40 requires only additional disclosures and had no effect on reported amounts for deposits, investments, net asset, or changes in net assets.

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

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.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Reserve Fund for maintenance and construction of roadways.

The *Airport Improvement Fund* accounts for state and federal grant funds (State ADOT and Federal FAA) appropriated for improvement projects at the Greenlee County Airport Facility.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The County reports the following fund types:

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

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

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

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

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

D. Cash and Investments

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

E. Inventories

Inventories of the governmental funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase; and because the amounts on hand at June 30, 2005 were immaterial, they are not included on the balance sheet.

F. Property Tax Calendar

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

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

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

G. Capital Assets

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

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

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

H. Investment Income

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

I. Compensated Absences

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

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

Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Employees may accumulate an unlimited number of sick leave hours. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

J. Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances – At June 30, 2005, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Non-Major Governmental Funds:	
State Crime Victim Compensation	\$ 552
Justice of the Peace No. 1 Time Payment Fees	1
Marijuana Eradication	1,335
DOJ/Homeland Security	5,642
Probation – County	1,141

These deficits resulted from operations during the year, but are expected to be corrected through normal operations or transfers from the General Fund in fiscal year 2006.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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

Expenditures in Excess of Appropriations – For the year ended June 30, 2005, expenditures exceeded final budget amounts at the department level for the General Fund and the fund level for all other funds (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Board of Supervisors	\$ 16,325
Assessor	11,794
General services	47,066
Grounds and maintenance	7,113
Superior court	45,137
Voter registration	1,843
Sheriff	156,675
Landfill	7,855
Ambulance service	26,885
AHCCCS/ALTCS Payments	15,235
Economic development	325
Other Funds:	
Child Support Enforcement	79
State Crime Victim Compensation	2,812
ACJC	5,128
SCAAP Program	128
PDMI Donation	43
Planning Grant	9
Exercise Grant	5
Homeland Security	52,530
County Fair	11,644
Race	40,395
Probation – County	5,874
Family Counseling	2,411
JAIBG Program	3,455
Drug Enforcement 41-2402	1,030
Juvenile Collection Enhancement Fund	1,464
JCEF Juvenile Standard	847
JCEF JIPS	377
Debt Service	1,509

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues or both. 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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 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, 2005, the carrying amount of the County's deposits was \$9,811,728, and the bank balance was \$10,336,157. The County does not have a formal policy regarding custodial credit risk. At June 30, 2005, the County's deposits were entirely covered by federal depository insurance or by collateral held by the pledging financial institution.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont'd)

Investments – The County’s investments at June 30, 2005 were as follows:

	Fair Value	Investment Maturities (in Years) Less than 1
Money market mutual fund	\$ 278,215	\$ 278,215
Total	\$ 278,215	\$ 278,215

Credit Risk – The County has no investment policy that would further limit its investment choices.

At June 30, 2005, credit risk for the County’s investments was as follows.

Investment Type	Rating	Rating Agency	Amount
Money market mutual fund	Unrated	Not Applicable	\$ 278,215
			\$ 278,215

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy regarding custodial credit risk. At June 30, 2005, the County had \$278,215 of money market mutual funds that were uninsured and held by the counterparty’s trust department or agent not in the County’s name.

Concentration of Credit Risk – The County places no limit on the amount the County may invest in any one issuer. As of June 30, 2005, the County’s investments were 100% invested in money market mutual funds.

Interest Rate Risk – The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Cash, deposits, and investments:	
Cash on hand	\$ 71,690
Amount of deposits	9,811,728
Amount of investments	278,215
Total	\$10,161,633

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (Concl'd)

<u>Statement of Net Assets:</u>	<u>Governmental Activities</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,348,872	\$6,462,280	\$ 72,266	\$ 9,883,418
Investments held by trustee	278,215			278,215
Total	\$ 3,627,087	\$6,462,280	\$ 72,266	\$10,161,633

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress (estimated cost to complete \$114,210)	39,246	990,421		1,029,667
Total capital assets not being depreciated	272,900	990,421		1,263,321
Capital assets being depreciated:				
Land improvements	2,502,232			2,502,232
Buildings and improvements	5,478,185	75,925		5,554,110
Machinery and equipment	5,207,233	1,370,697	296,803	6,281,127
Total	13,187,650	1,446,622	296,803	14,337,469
Less accumulated depreciation for:				
Land improvements	(1,397,835)	(96,551)		(1,494,386)
Buildings and improvements	(4,094,292)	(99,086)		(4,193,378)
Machinery and equipment	(3,653,108)	(457,308)	(261,114)	(3,849,302)
Total	(9,145,235)	(652,945)	(261,114)	(9,537,066)
Total capital assets being depreciated, net	4,042,415	793,677	35,689	4,800,403
Governmental activities capital assets, net	\$4,315,315	\$1,784,098	\$ 35,689	\$6,063,724

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 224,140
Public safety	202,861
Highway and streets	110,678
Sanitation	36,723
Health and welfare	54,991
Culture and recreation	<u>23,552</u>
Total governmental activities depreciation expense	<u>\$ 652,945</u>

NOTE 5 - LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 246,541	\$316,573	\$ 309,329	\$ 253,785	\$ 63,446
Capital leases payable	558,969	677,002	375,333	860,638	379,851
Landfill closure and postclosure care costs payable	592,881	147,315	12,950	727,246	19,050
Certificates of participation payable	<u>1,190,000</u>		<u>285,000</u>	<u>905,000</u>	<u>305,000</u>
Total	<u>\$2,588,391</u>	<u>\$1,140,890</u>	<u>\$ 982,612</u>	<u>\$2,746,669</u>	<u>\$ 767,347</u>

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

Certificates outstanding at June 30, 2005, were as follows:

Description	Interest Rates	Maturity	Outstanding Principal
Greenlee County Municipal Property Corporation	5.25-5.40%	2005-2007	<u>\$ 905,000</u>
Total			<u>\$ 905,000</u>

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 5 - LONG-TERM LIABILITIES (Cont'd)

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2005:

Year ending June 30:	Governmental Activities		
	Principal	Interest	Total
2006	\$305,000	\$44,473	\$349,473
2007	600,000	28,040	628,040
Total	<u>\$905,000</u>	<u>\$72,513</u>	<u>\$977,513</u>

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and Equipment	\$ 1,460,348
Less: Accumulated Depreciation	254,368
Carrying Value	<u>\$ 1,205,980</u>

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2005:

Year ending June 30:	Governmental Activities
2006	\$ 417,195
2007	261,709
2008	137,987
2009	85,981
2010	<u>25,726</u>
Total minimum lease payments	928,598
Less amount representing interest	67,960
Present value of net minimum lease payments	<u>\$ 860,638</u>

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 landfill. These costs will be paid from the Landfill Closure/Development Fund.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 5 - LONG-TERM LIABILITIES (Concl'd)

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$727,246 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 55 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$590,665 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 2005. The County expects to close the Loma Linda Landfill in the year 2012, the Loma Linda Construction and Demolition Landfill in the year 2024, and the Blue Landfill in the year 2006, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

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

Compensated absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2005, the County paid for compensated absences as follows: 64 percent from the General Fund, 12 percent from major funds, and 24 percent from other funds.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 6 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2005, were as follows:

		Payable to General Fund
Payable from	Airport Improvement Fund	\$ 231,397
	Non-Major Governmental Funds	5,054
	Total	\$ 236,451

At June 30, 2005, three funds had negative cash balances in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with other funds.

Interfund transfers – Interfund transfers for the year ended June 30, 2005, were as follows:

		Transfer to				Total
		General Fund	HURF Fund	Debt Service Fund	Non-Major Governmental Funds	
Transfer from	General Fund	\$	\$	\$342,020	\$ 934,391	\$1,276,411
	Non-Major Governmental Funds	198,574	227,591		33,445	459,610
	Total	\$198,574	\$227,591	\$342,020	\$ 967,836	\$1,736,021

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

NOTE 7 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers’ Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described in Note 5.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 7 - RISK MANAGEMENT (Concl'd)

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

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

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

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

NOTE 8 - RETIREMENT PLANS

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

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the 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.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 8 - RETIREMENT PLANS (Cont'd)

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

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
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.

Cost-Sharing Plan – For the year ended June 30, 2005, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2005, 2004, and 2003 were \$159,630, \$155,709, and \$56,642, respectively, which were equal to the required contributions for the year.

Agent Plan – For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 4.79 percent.

Annual Pension Cost – The County's pension cost for the agent plan for the year ended June 30, 2005, and related information follows.

	<u>PSPRS</u>
Contribution rates:	
County	4.79%
Plan members	7.65%
Annual pension cost	\$23,354
Contributions made	\$23,354

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 8 - RETIREMENT PLANS (Concl'd)

The current-year annual required contributions for the PSPRS were determined as part of their June 30, 2003 actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2003 was 20 years.

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 23,354	100%	\$ - 0 -
2004	23,985	100%	- 0 -
2003	8,369	100%	- 0 -

NOTE 9 - COUNTY TREASURER'S INVESTMENT POOL

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

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

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

Substantially, all deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$116,388 of deposits and \$278,215 of investments in the money market mutual fund. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks; see Note 3 for disclosure of the County's deposit and investment risks.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

NOTE 9 - 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	\$ 9,767,030
Liabilities	
Net assets	<u>\$ 9,767,030</u>
Net assets held in trust for	
Internal participants	\$ 3,304,750
External participants	<u>6,462,280</u>
Total net assets held in trust	<u>\$ 9,767,030</u>
Statement of Changes in Net Assets	
Total additions	\$ 30,310,965
Total deductions	<u>28,358,696</u>
Net increase	1,952,269
Net assets held in trust:	
July 1, 2004	<u>7,814,761</u>
June 30, 2005	<u>\$ 9,767,030</u>

NOTE 10 – CONSTRUCTION COMMITMENTS

The County had active construction projects as of June 30, 2005 with estimated costs to complete of \$114,210, of which the total amount is included in the airport improvement construction project. The project's source of payment comes from a federal award program.

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REQUIRED SUPPLEMENTARY INFORMATION

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Taxes	\$ 3,874,066	\$ 4,034,874	\$ 160,808
Intergovernmental	2,781,401	3,783,349	1,001,948
Charges for services	116,500	92,082	(24,418)
Fines and forfeits	52,000	44,451	(7,549)
Investment income	5,000	13,260	8,260
Miscellaneous	80,000	69,842	(10,158)
Total revenues	6,908,967	8,037,858	1,128,891
Expenditures:			
General government			
Board of Supervisors	279,714	296,039	(16,325)
Airport	53,385	4,776	48,609
Assessor	214,956	226,750	(11,794)
Attorney	279,082	247,204	31,878
Contingency	200,000	157,412	42,588
Constable No. 1	24,641	18,084	6,557
Constable No. 2	18,693	17,543	1,150
County administration	224,575	198,004	26,571
Elections	82,372	62,629	19,743
General services	906,897	953,963	(47,066)
Grounds and maintenance	195,509	202,622	(7,113)
Information systems	225,314	196,098	29,216
Justice of the Peace No. 1	111,554	105,294	6,260
Justice of the Peace No. 2	110,966	105,599	5,367
Planning and zoning	2,000	675	1,325
Public fiduciary	43,086	41,246	1,840
Recorder	145,290	129,063	16,227
Superior court	494,045	539,182	(45,137)
Treasurer	157,541	143,540	14,001
Voter registration	14,200	16,043	(1,843)
Total general government	3,783,820	3,661,766	122,054
Public safety			
County flood control	780	214	566
Emergency services	77,388	30,508	46,880
Sheriff	1,826,690	1,983,365	(156,675)
Total public safety	1,904,858	2,014,087	(109,229)
Sanitation - Landfill			
		7,855	(7,855)
Health and welfare			
Ambulance service	180,100	206,985	(26,885)
Animal control	68,118	59,562	8,556
AHCCCS/ALTCS Payments	403,711	418,946	(15,235)
Total health and welfare	651,929	685,493	(33,564)

See accompanying notes to this schedule.

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Culture and recreation			
County library	28,000	27,677	323
Parks and recreation	50,000	32,980	17,020
Total culture and recreation	<u>78,000</u>	<u>60,657</u>	<u>17,343</u>
Education			
School superintendent	156,950	149,025	7,925
U of A extension services	13,000	13,000	
Total education	<u>169,950</u>	<u>162,025</u>	<u>7,925</u>
Economic development		325	(325)
Total expenditures	<u>6,588,557</u>	<u>6,592,208</u>	<u>(3,651)</u>
Excess of revenues over expenditures	<u>320,410</u>	<u>1,445,650</u>	<u>1,125,240</u>
Other financing sources (uses):			
Transfers in	208,107	198,574	(9,533)
Transfers out	(1,178,517)	(1,276,411)	(97,894)
Total other financing sources (uses)	<u>(970,410)</u>	<u>(1,077,837)</u>	<u>(107,427)</u>
Change in fund balances	<u>(650,000)</u>	<u>367,813</u>	<u>1,017,813</u>
Fund balances, July 1, 2004	<u>650,000</u>	<u>945,992</u>	<u>295,992</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ 1,313,805</u>	<u>\$ 1,313,805</u>

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - HURF FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original & Final		(Negative)
Revenues:			
Intergovernmental	\$ 800,000	\$ 1,008,793	\$ 208,793
Charges for services		10,731	10,731
Investment income		6,522	6,522
Miscellaneous		30,919	30,919
Total revenues	<u>800,000</u>	<u>1,056,965</u>	<u>256,965</u>
Expenditures:			
Current -			
Highway and streets	1,226,826	1,173,267	53,559
Capital outlay	230,830	177,386	53,444
Debt service -			
Principal retirement	118,268	128,250	(9,982)
Interest and fiscal charges	16,939	20,332	(3,393)
Total expenditures	<u>1,592,863</u>	<u>1,499,235</u>	<u>93,628</u>
Deficiency of revenues over expenditures	<u>(792,863)</u>	<u>(442,270)</u>	<u>350,593</u>
Other financing sources (uses):			
Transfers in	213,696	227,591	13,895
Transfers out	(50,625)		50,625
Total other financing sources (uses)	<u>163,071</u>	<u>227,591</u>	<u>64,520</u>
Change in fund balances	<u>(629,792)</u>	<u>(214,679)</u>	<u>415,113</u>
Fund balances, July 1, 2004	629,792	587,927	(41,865)
Fund balances, June 30, 2005	<u>\$</u>	<u>\$ 373,248</u>	<u>\$ 373,248</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - AIRPORT IMPROVEMENT FUND
 YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 1,311,250	\$ 897,104	\$ (414,146)
Investment income	5,000	1,275	(3,725)
Total revenues	<u>1,316,250</u>	<u>898,379</u>	<u>(417,871)</u>
Expenditures:			
Current -			
General government		611	(611)
Capital outlay	1,265,625	897,768	367,857
Total expenditures	<u>1,265,625</u>	<u>898,379</u>	<u>367,246</u>
Change in fund balances	<u>50,625</u>		<u>(50,625)</u>
Fund balances (deficits), July 1, 2004	(50,625)		50,625
Fund balances, June 30, 2005	<u>\$</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to this schedule.

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005

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 for the General Fund and the fund level for all other funds. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

	<u>General Fund</u>	<u>HURF Fund</u>
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 1,354,849	\$ (1,028,471)
Present value of net minimum capital lease payments	90,801	586,201
Excess (deficiency) of revenues over expenditures from the budgetary comparison schedules	\$ 1,445,650	\$ (442,270)

GREENLEE COUNTY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2005

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2005, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control for the General Fund) as follows.

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Board of Supervisors	\$ 16,325
Assessor	11,794
General services	47,066
Grounds and maintenance	7,113
Superior court	45,137
Voter registration	1,843
Sheriff	156,675
Landfill	7,855
Ambulance service	26,885
AHCCCS/ALTCS Payments	15,235
Economic development	325

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both. 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, 2005**

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)
2005	\$2,241,606	\$2,389,810	\$(148,204)	93.8%	\$447,113	33.1%
2004	2,170,111	1,965,856	204,255	110.4%	514,307	-
2003	2,124,391	1,675,274	449,117	126.8%	432,413	-

OTHER SUPPLEMENTARY INFORMATION

**GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$	\$ 9,686	\$ 9,686
Total revenues		<u>9,686</u>	<u>9,686</u>
Expenditures:			
Debt service -			
Principal retirement	285,000	285,000	
Interest and fiscal charges	59,555	61,064	(1,509)
Total expenditures	<u>344,555</u>	<u>346,064</u>	<u>(1,509)</u>
Deficiency of revenues over expenditures	<u>(344,555)</u>	<u>(336,378)</u>	<u>8,177</u>
Other financing sources:			
Transfers in	344,555	342,020	(2,535)
Total other financing sources	<u>344,555</u>	<u>342,020</u>	<u>(2,535)</u>
Change in fund balances		<u>5,642</u>	<u>5,642</u>
Fund balances, July 1, 2004		625,916	625,916
Fund balances, June 30, 2005	<u>\$</u>	<u>\$ 631,558</u>	<u>\$ 631,558</u>