

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008**

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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, Arizona as of and for the year ended June 30, 2008, 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, Arizona as of June 30, 2008, 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 implemented the provisions of the Governmental Accounting Standards Board (GASB) Statements Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008, which represents a change in accounting principles.

The Management's Discussion and Analysis on pages 5 through 15, the Schedule of Agent Retirement Plan's Funding Progress on page 60, and the Budgetary Comparison Schedules on pages 52 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 64 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Greenlee County, Arizona. 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 noncompliance.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2011, 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.

A handwritten signature in black ink that reads "Melh, Alh & Co PC". The signature is written in a cursive, somewhat stylized font.

March 4, 2011

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, 2008**

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, 2008. Please read it in conjunction with the County's basic financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2008 as follows:

- The County's total net assets of governmental activities increased \$2.5 million to \$15.3 million, representing a 19.4 percent increase from fiscal year 2006-07.
- General revenues from governmental activities accounted for \$11.4 million in revenue, or 65.0 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.1 million or 35.0 percent of total governmental activities revenues.
- The County had \$15.0 million in expenses related to governmental activities; of which \$6.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$11.4 million were adequate to provide for the remaining costs of these programs.
- Among major governmental funds, the General Fund had \$10.4 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$8.4 million. The General Fund's fund balance increased by \$1.7 million to \$3.6 million, due primarily to increases in County sales tax revenues, transfers for usage of donations and a decrease in the operating transfers out. The PDMI Donation Fund's fund balance increased by \$414,729 due to a donation received during the year and transfers for usage of donations. The HURF Fund had revenues of \$1.2 million, which consisted mainly of intergovernmental revenues. The total expenditures of the HURF Fund were \$2.4 million. The fund balance of the HURF Fund increased \$184,094 from the prior year due primarily to increases in other financing sources. The Health Services Fund had revenues of \$1.0 million, which consisted mainly of taxes and intergovernmental revenues. The Airport Improvement Fund had revenues totaling \$211,816, the majority of which were intergovernmental revenues. The fund balance of the Debt Service Fund increased by \$53,198 mostly due to transfers in from other funds.

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, 2008**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

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

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, PDMI Donation Fund, HURF Fund, Health Services 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 statement because the resources of those funds are *not* available to support the County's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County's budget process. The County adopts an annual budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund, PDMI Donation Fund, HURF Fund, Health Services 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 \$15.3 million as of June 30, 2008.

The largest portion of the County's net assets (55.5 percent) is unrestricted. The next largest portion of the County's net assets (42.9 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements and machinery and equipment) less any related debt used to acquire those assets that are still outstanding.

The County uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

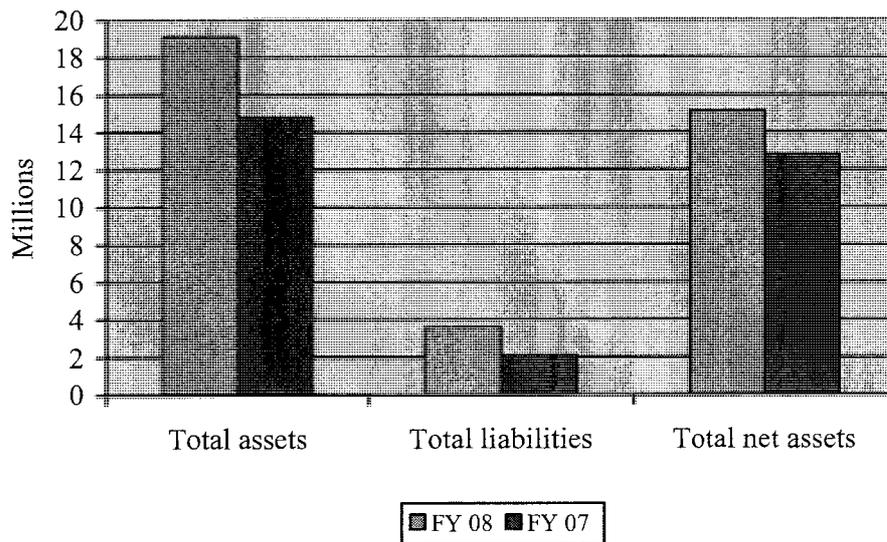
GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

The following tables present a summary of the County's net assets for the fiscal years ended June 30, 2008 and 2007.

	As of June 30, 2008	As of June 30, 2007
Current assets	\$ 10,552,732	\$ 7,237,413
Capital assets, net	8,349,845	7,601,449
Total assets	18,902,577	14,838,862
Long-term liabilities	2,746,402	1,593,572
Other liabilities	896,869	469,646
Total liabilities	3,643,271	2,063,218
Net assets:		
Invested in capital assets, net of related debt	6,549,969	6,951,288
Restricted	246,542	62,448
Unrestricted	8,462,795	5,761,908
Total net assets	\$ 15,259,306	\$ 12,775,644

Governmental Activities



**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

- Current assets increased \$3.3 million due partly to revenues of \$1.0 million received in the PDMI Donation Fund not yet expended. In addition, accounts receivable increased \$722,869 from the prior year due to the County's purchase of capital assets then subsequently obtaining financing for these assets through lease agreements. At June 30, 2008, the financing was approved, but the cash for the lease proceeds had not yet been received. Also, due from other governments increased \$373,263 from the prior year primarily due to a receivable for State appropriations to offset the net loss to counties for the Arizona Health Care Cost Containment System (AHCCCS) that was not approved and distributed until August 2008. The remainder of the increase to current assets was a result of conservative spending during the year.
- Capital assets increased from the prior year primarily due to the acquisition of vehicles and equipment in the amount of \$1.7 million. The majority of these assets were obtained through capital lease financing of \$1.5 million.
- Other liabilities increased by \$427,223. This was primarily due to an increase in accounts payable of \$349,272 from the prior year due to increases in accruals for year-end payables.
- Long-term liabilities increased approximately \$1.2 million due primarily to new leases entered into during the year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2008, were \$17.5 million. The total cost of all programs and services was \$15.0 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

	Fiscal Year Ended <u>June 30, 2008</u>	Fiscal Year Ended <u>June 30, 2007</u>
Revenues:		
Program revenues:		
Charges for services	\$ 897,192	\$ 818,848
Operating grants and contributions	4,779,688	4,927,658
Capital grants and contributions	458,106	690,760
General revenues:		
Property taxes, levied for general purposes	1,357,085	1,282,875
Property taxes, levied for public health services	440,856	272,815
Property taxes, levied for flood control	68,062	
County sales taxes for general purposes	1,641,863	1,052,927
Other taxes	15,090	
Share of state sales taxes	4,894,379	5,112,397
Share of state vehicle license tax	362,456	327,825
Grants and contributions not restricted to specific programs	2,007,880	2,026,823
Investment earnings	255,546	219,215
Miscellaneous	334,054	186,723
Total revenues	<u>17,512,257</u>	<u>16,918,866</u>
Expenses:		
General government	5,636,392	4,761,926
Public safety	4,570,176	4,329,973
Highway and streets	1,694,167	1,633,764
Sanitation	393,653	302,831
Health and welfare	1,653,178	1,566,715
Culture and recreation	564,719	486,317
Education	452,560	481,028
Interest on long-term debt	63,750	82,363
Total expenses	<u>15,028,595</u>	<u>13,644,917</u>
Increase in net assets	<u>\$ 2,483,662</u>	<u>\$ 3,273,949</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

- Capital grants and contributions decreased \$232,654 due to lower funding needs for homeland security projects in fiscal year 2007-08.
- Property taxes levied for public health services increased by \$168,041 due to an increase in the secondary property tax rate for fiscal year 2007-08.
- Property taxes levied for flood control increased \$68,062 due to a new levy beginning in fiscal year 2007-2008.
- County sales tax increased \$588,936 from fiscal year 2006-07 due to significant one-time point of sale purchases made within the County.
- State shared sales taxes decreased by \$218,018 as a result of the downturns in the economy across the State.
- Miscellaneous revenues increased by \$147,331 due to miscellaneous recoveries and non-recurring miscellaneous revenue.
- General government expenses increased by \$874,466 due to the hiring of a deputy county attorney and court administrator, increases in computer maintenance costs for the Superior Court, repairs and maintenance expenses for the airport, the creation of a fleet maintenance department and other payroll related increases.
- Public safety expenses increased by \$240,203 due primarily to the hiring of a resource officer, control room operators and a jail cook; implementation of internet services for the emergency services system and other payroll related increases.
- Culture and recreation increased by \$78,402 due primarily to electrical upgrades at the fairgrounds and professional services for increased racing activities.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

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

	Year Ended June 30, 2008		Year Ended June 30, 2007	
	Total Expense	Net (Expense) Revenue	Total Expense	Net (Expense) Revenue
Governmental Activities				
General government	\$ 5,636,392	\$ (4,780,433)	\$ 4,761,926	\$ (3,993,910)
Public safety	4,570,176	(3,213,432)	4,329,973	(2,452,567)
Highway and streets	1,694,167	(62,469)	1,633,764	6,570
Sanitation	393,653	27,315	302,831	21,395
Health and welfare	1,653,178	(837,987)	1,566,715	(781,875)
Culture and recreation	564,719	(219,467)	486,317	(152,081)
Education	452,560	256,614	481,028	227,180
Interest on long-term debt	63,750	(63,750)	82,363	(82,363)
Total	<u>\$ 15,028,595</u>	<u>\$ (8,893,609)</u>	<u>\$ 13,644,917</u>	<u>\$ (7,207,651)</u>

- The cost of all governmental activities this year was \$15.0 million.
- The net cost of governmental activities of \$8.9 million was financed by general revenues, which are made up of primarily taxes, shared state revenues and grants and contributions not restricted to specific programs.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

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 \$9.6 million, an increase of \$2.9 million. 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 \$1.7 million due primarily to increases in County sales tax revenues, transfers for usage of donations and a decrease in the operating transfer out. The increase in fund balance for the PDMI Donation Fund of \$414,729 was due primarily to revenues received but not yet expended and transfers for usage of donations. The increase in the fund balance of the HURF Fund of \$184,094 was due primarily to an increase in other financing sources. The fund balance of the Health Services Fund decreased by \$5,881. The fund balance of the Airport Improvement Fund increased by \$49,541 due primarily to an operating transfer. The Debt Service Fund increased by \$53,198 as a result of transfers in from other funds.

BUDGETARY HIGHLIGHTS

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

- Tax revenue exceeded estimates by \$785,300 due primarily from County sales taxes exceeding budgeted amounts by \$791,863.
- Intergovernmental revenue exceeded estimates in the General Fund by \$1.6 million due primarily to conservative estimates for shared state sales tax revenues which exceeded budgeted amounts by \$1.4 million.
- Contingency expenditures were less than budgeted due to the County not encountering issues that resulted in using the full amount of the contingency funds.
- General services expenditures exceeded estimates by \$125,544 due largely to the purchase of vehicles that were unanticipated at the time the initial budget was adopted.
- Sheriff expenditures exceeded estimates by \$151,428 due to part-time detention officers being used to cover shifts in the absence of full-time officers. Overtime pay exceeded budgeted amounts due to the loss of officers and needed coverage. Fuel, oil and lubricants were over budgeted amounts due to higher fuel costs. Equipment purchases were made that were unanticipated at the time the initial budget was adopted.
- The County transferred \$608,140 from other funds more than anticipated due to usage of donations.
- The County transferred \$633,135 to other funds more than anticipated due to indefinite loans to the HURF Fund and other non-major governmental funds.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the County had invested \$8.3 million in capital assets, including buildings, facilities, vehicles, computers and equipment. Total depreciation expense for the year was \$1.1 million.

Significant capital asset activity during the year included the following:

- Heating and cooling upgrades totaling \$72,768.
- Communication equipment purchases for \$45,066.
- Installation of a flood warning system for \$128,073.
- Installation of cameras within the jail of \$53,677.
- Land survey costs totaling \$65,060.
- Vehicles acquired through capital leases totaled \$304,585 while other vehicles purchased totaled \$142,025.
- Heavy machinery and equipment acquired through capital leases totaled \$1,032,497 while other heavy machinery and equipment purchased totaled \$91,803.

The following schedule presents capital asset balances and accumulated depreciation as of June 30, 2008 and 2007.

	As of June 30, 2008	As of June 30, 2007
Land	\$ 233,654	\$ 233,654
Land improvements	4,022,890	3,931,904
Buildings and improvements	7,725,218	7,406,433
Machinery and equipment	8,087,369	6,951,992
Accumulated depreciation	(11,719,286)	(10,922,534)
Total	\$ 8,349,845	\$ 7,601,449

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

Debt Administration. At June 30, 2008, the County had capital lease long-term liabilities outstanding of \$1,799,876 as compared to \$650,161 outstanding in the prior year.

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County adopted a FY 07-08 budget that showed an increase of 7% for the General Fund and a 5.8% overall budget increase. The County's primary and secondary assessed valuations increased \$62 million dollars and were primarily attributed to the centrally-valued property of the Morenci mine. The increase caused the County's property tax rate to drop by 9 cents to \$0.4635, our maximum rate allowable under current State law. In the second year of the Public Health Services District and levying for the Flood Control District, the rates were set at 15 cents and 6 cents, respectively. The County was able to maintain existing programs in the Health Department as well as beginning some flood control projects. A 3% salary increase was awarded to all County employees. Employee-related expenses increased with retirement rates for the Arizona State Retirement System and Elected Officials Retirement increasing 0.5% and 1.84%, respectively. Healthcare premiums increased by 7%. The County also added ten new positions primarily to handle the new dispatch center. State shared sales/severance tax revenue increased as well as the locally-derived ½ cent sales tax. The County also budgeted for completion of some of the capital improvement projects and continued with the fleet and heavy equipment replacement plans, as well as the seven-year road improvement plan.

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, 2008**

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 8,631,041
Property taxes receivable	10,491
Accounts receivable	732,708
Due from other governments	1,178,492
Total current assets	10,552,732
Noncurrent assets:	
Capital assets, not being depreciated	233,654
Capital assets, being depreciated, net	8,116,191
Total noncurrent assets	8,349,845
Total assets	18,902,577
 <u>LIABILITIES</u>	
Current liabilities:	
Bank overdraft	6,261
Accounts payable	595,994
Accrued payroll and employee benefits	200,273
Deferred revenues	94,341
Current portion of long-term obligations	606,776
Total current liabilities	1,503,645
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	2,139,626
Total noncurrent liabilities	2,139,626
Total liabilities	3,643,271
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	6,549,969
Restricted for:	
HURF	246,542
Unrestricted	8,462,795
Total net assets	\$ 15,259,306

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 5,636,392	\$ 321,943	\$ 288,801	\$ 245,215	\$ (4,780,433)
Public safety	4,570,176	130,332	1,013,521	212,891	(3,213,432)
Highway and streets	1,694,167		1,631,698		(62,469)
Sanitation	393,653	398,921	22,047		27,315
Health and welfare	1,653,178	4,543	810,648		(837,987)
Culture and recreation	564,719	41,453	303,799		(219,467)
Education	452,560		709,174		256,614
Interest on long-term debt	63,750				(63,750)
Total governmental activities	\$ 15,028,595	\$ 897,192	\$ 4,779,688	\$ 458,106	(8,893,609)
General revenues:					
Taxes:					
					1,357,085
					440,856
					68,062
					1,641,863
					15,090
					4,894,379
					362,456
					2,007,880
					255,546
					334,054
					<u>11,377,271</u>
					2,483,662
					<u>12,775,644</u>
					<u>\$ 15,259,306</u>

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

**GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>PDMI Donation Fund</u>	<u>HURF Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,536,584	\$ 2,348,021	\$
Property taxes receivable	8,330		
Accounts receivable	426,205		306,503
Due from other governments	875,211		81,050
Due from other funds	59,502		
Total assets	<u><u>\$ 3,905,832</u></u>	<u><u>\$ 2,348,021</u></u>	<u><u>\$ 387,553</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bank overdraft	\$ 6,261	\$	\$
Accounts payable	195,372	4,633	57,019
Accrued payroll and employee benefits	122,130	1,426	24,490
Due to other funds			59,502
Deferred revenues	7,693		
Total liabilities	<u><u>331,456</u></u>	<u><u>6,059</u></u>	<u><u>141,011</u></u>
Fund balances:			
Unreserved reported in:			
General fund	3,574,376		
Special revenue funds		2,341,962	246,542
Debt service fund			
Total fund balances	<u><u>3,574,376</u></u>	<u><u>2,341,962</u></u>	<u><u>246,542</u></u>
Total liabilities and fund balances	<u><u>\$ 3,905,832</u></u>	<u><u>\$ 2,348,021</u></u>	<u><u>\$ 387,553</u></u>

Health Services Fund	Airport Improvement Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 285,622 2,161	\$ 43,081	\$ 1,095,450	\$ 2,322,283	\$ 8,631,041
49,236	103,126		69,869	10,491
				732,708
				1,178,492
				59,502
<u>\$ 337,019</u>	<u>\$ 146,207</u>	<u>\$ 1,095,450</u>	<u>\$ 2,392,152</u>	<u>\$ 10,612,234</u>
\$ 128,228 20,813	\$ 96,666	\$	\$ 114,076 31,414	\$ 6,261 595,994 200,273 59,502
1,977			94,341	104,011
<u>151,018</u>	<u>96,666</u>		<u>239,831</u>	<u>966,041</u>
186,001	49,541	1,095,450	2,152,321	3,574,376
				4,976,367
				1,095,450
<u>186,001</u>	<u>49,541</u>	<u>1,095,450</u>	<u>2,152,321</u>	<u>9,646,193</u>
<u>\$ 337,019</u>	<u>\$ 146,207</u>	<u>\$ 1,095,450</u>	<u>\$ 2,392,152</u>	<u>\$ 10,612,234</u>

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GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2008

Fund balances - total governmental funds **\$ 9,646,193**

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	\$ 20,069,131	
Less accumulated depreciation	<u>(11,719,286)</u>	8,349,845

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

Property taxes		9,670
----------------	--	-------

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

Capital leases payable	(1,799,876)	
Landfill closure and postclosure care costs payable	(671,850)	
Compensated absences payable	<u>(274,676)</u>	<u>(2,746,402)</u>

Net assets of governmental activities **\$ 15,259,306**

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, 2008

	General Fund	PDMI Donation Fund	HURF Fund
Revenues:			
Taxes	\$ 2,996,324	\$	\$
Intergovernmental	6,975,902		1,240,734
Charges for services	178,436		
Fines and forfeits	110,524		
Investment income	64,059	79,642	2,060
Contributions	3,500	1,069,527	
Miscellaneous	82,671		382
Total revenues	<u>10,411,416</u>	<u>1,149,169</u>	<u>1,243,176</u>
Expenditures:			
Current -			
General government	4,407,489	4,969	
Public safety	2,533,230	83,319	
Highway and streets		1,426	1,438,192
Sanitation	363		
Health and welfare	347,204		
Culture and recreation	82,423		
Education	194,991		
Capital outlay	761,510	40,869	743,678
Debt service -			
Principal retirement	25,655		207,249
Interest and fiscal charges	3,177		33,562
Total expenditures	<u>8,356,042</u>	<u>130,583</u>	<u>2,422,681</u>
Excess (deficiency) of revenues over expenditures	<u>2,055,374</u>	<u>1,018,586</u>	<u>(1,179,505)</u>
Other financing sources (uses):			
Capital lease agreements	426,205		667,618
Sale of capital assets	30,483		5,000
Transfers in	658,765	18,900	690,981
Transfers out	(1,494,575)	(622,757)	
Total other financing sources (uses)	<u>(379,122)</u>	<u>(603,857)</u>	<u>1,363,599</u>
Net changes in fund balances	<u>1,676,252</u>	<u>414,729</u>	<u>184,094</u>
Fund balances, beginning of year	1,898,124	1,927,233	62,448
Fund balances, end of year	<u>\$ 3,574,376</u>	<u>\$ 2,341,962</u>	<u>\$ 246,542</u>

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

Health Services Fund	Airport Improvement Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 440,856	\$	\$	\$ 83,152	\$ 3,520,332
565,499	210,246		2,462,760	11,455,141
4,543			523,270	706,249
81			51,118	161,723
3,763	1,552	36,240	68,230	255,546
			3,561	1,076,588
5,334	18	95	245,554	334,054
<u>1,020,076</u>	<u>211,816</u>	<u>36,335</u>	<u>3,437,645</u>	<u>17,509,633</u>
	58,863		345,016	4,816,337
105,165			1,428,890	4,150,604
				1,439,618
			313,842	314,205
1,258,145			6,576	1,611,925
			456,923	539,346
			261,025	456,016
18,647	151,383		704,488	2,420,575
		64,360	24,103	321,367
		18,777	8,234	63,750
<u>1,381,957</u>	<u>210,246</u>	<u>83,137</u>	<u>3,549,097</u>	<u>16,133,743</u>
(361,881)	1,570	(46,802)	(111,452)	1,375,890
			377,259	1,471,082
			3,017	38,500
356,000	47,971	100,000	717,318	2,589,935
			(472,603)	(2,589,935)
<u>356,000</u>	<u>47,971</u>	<u>100,000</u>	<u>624,991</u>	<u>1,509,582</u>
(5,881)	49,541	53,198	513,539	2,885,472
191,882		1,042,252	1,638,782	6,760,721
<u>\$ 186,001</u>	<u>\$ 49,541</u>	<u>\$ 1,095,450</u>	<u>\$ 2,152,321</u>	<u>\$ 9,646,193</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, 2008**

Net changes in fund balances - total governmental funds **\$ 2,885,472**

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

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

Expenditures for capitalized assets	\$	2,096,863	
Less current year depreciation		<u>(1,112,174)</u>	984,689

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. (281,293)

Donations of capital assets increase net assets in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources. 45,000

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

Property taxes			2,624
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Debt issued or incurred		(1,471,082)	
Principal repaid		<u>321,367</u>	(1,149,715)

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

Decrease in compensated absences		33,513	
Increase in landfill closure and postclosure care costs		<u>(36,628)</u>	<u>(3,115)</u>

Change in net assets in governmental activities **\$ 2,483,662**

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF FIDUCIARY FUNDS' NET ASSETS
JUNE 30, 2008**

	Investment Trust	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,318,177	\$ 119,750
Total assets	5,318,177	\$ 119,750
<u>LIABILITIES</u>		
Deposits held for others		\$ 119,750
Total liabilities		\$ 119,750
<u>NET ASSETS</u>		
Held in trust	\$ 5,318,177	

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Investment Trust Fund
Additions:	
Investment income	\$ 176,016
Contributions from participants	16,914,078
Total additions	17,090,094
 Deductions:	
Distributions to participants	16,935,992
Total deductions	16,935,992
Net changes in net assets	154,102
Net assets, beginning of year	5,164,075
Net assets, end of year	\$ 5,318,177

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008, the County implemented the provisions of GASB Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; and 50, *Pension Disclosure (an amendment of GASB Statements No. 25 and No. 27)*. GASB Statement No. 45 establishes governmental employer accounting and financial reporting requirements for postemployment benefits other than pensions. GASB Statement No. 50 amends GASB Statement Nos. 25 and 27 to require governmental employers to present certain additional pension disclosures in the notes and additional required supplementary information.

A. Reporting Entity

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

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

The following table describes the County's component units:

Component Unit	Description; Criteria for Inclusion	Reporting Method	For Separate Financial Statements
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, 2008

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, 2008

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

The County reports the following major governmental funds:

- The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *PDMI Donation Fund* accounts for the receipt and expenditure of the donations received from Phelps Dodge Morenci, Inc.
- The *HURF Fund* accounts for the receipt and expenditure of the state-shared Highway User Reserve Fund for maintenance and construction of roadways.
- The *Health Services Fund* accounts for the receipt and expenditure of public health grants, environment safety programs, home health programs, inmate health care, animal control services and ambulance services.
- The *Airport Improvement Fund* accounts for state and federal grant funds (State ADOT and Federal FAA) appropriated for improvement projects at the Greenlee County Airport Facility.
- The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general 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 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 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are taxes, intergovernmental, charges for services and investment income.

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

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. 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, 2008 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.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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

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 market 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:

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

G. Investment Earnings

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

H. Compensated Absences

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

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide financial statements. A liability for these amounts is reported in the governmental fund's financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year end.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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

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

I. Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances – At June 30, 2008, the following funds reported deficit fund balances:

<u>Fund</u>	<u>Deficit</u>
Governmental Funds:	
Law Library	\$ 1,259
JCEF	1,762
Jail Enhancement	5,066
#4D Case Processing Fund	71
HHS Grant	108
JAIBG Program	1,477
Drug Enforcement 41-2402	783
State Aid Enhancement ARS 12-261	1,639
Juvenile Standard Probation	1,018
Diversion Consequences	305
JTSF	158

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 2009.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Expenditures in Excess of Appropriations – For the year ended June 30, 2008, expenditures exceeded final budget amounts at the department level within each fund as follows.

<u>Fund</u>	<u>Department</u>	<u>Excess</u>
General Fund:		
	Attorney	\$ 16,815
	Constable No. 2	1,986
	General services	125,544
	Ground and maintenance	26,339
	Justice of peace No. 1	7,308
	Justice of peace No. 2	2,423
	Planning and zoning	2,456
	Superior court	36,875
	Fleet	25,089
	County flood control	1,490
	Emergency services	48,273
	Sheriff	151,428
	Landfill	363
	County library	1,643
Other Funds:		
National Forest Fees	Board of Supervisors	99,585
Detention Center Education	School Superintendent	11,651
Fill The Gap-Superior Court	Superior court	8,364
Alternate Dispute Resolution	Superior court	256
Child Support Enhancement	Superior court	276
State Anti-Meth Program	Sheriff	6,426
DUI Enforcement Fund	Sheriff	1,719
Law Library	Superior court	558
State Crime Victim Compensation	Attorney	2,399
JCEF Jury Plus	Superior court	8,377
ACJC	Attorney	2,376
Victim's Rights & Assistance	Attorney	452
Jail Enhancement	Sheriff	44,445
Sheriff's ACJC	Sheriff	10,896
Sheriff's Block Grant	Sheriff	159
Court Improvement Program	Superior court	2,654
HHS Grant	Election	11,491
Federal Election System (HAVA)	Election	34,951
Forest/Materials Screen Grant	Roads	40,000
Video Streaming	Election	5,775
Fair/Legal EMP Act	Attorney	191
DOJ/Homeland Security	Emergency services	162,891
CERT Grant	Emergency services	6,695
Landfill Operations	Landfill	270,395
County Fair	Fair	6,133
Race	Racing	62,139
Emergency, Food & Shelter	Board of Supervisors	217
Probation - County	Probation	60,466
Family Counseling	Probation	314
JAIBG Program	Probation	1,477
Community Punishment Program	Probation	4,575
Diversion Consequences	Probation	136
Drug Treatment Education	Probation	4,553
JTSF	Probation	8
Judicial Collection Enhancement	Probation	28

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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

For the fiscal year ended June 30, 2008, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) are as follows:

<u>Department</u>	<u>Excess</u>
Constable No. 2	1,986
County library	393
Election	48,477
Emergency services	192,782
Fair	6,133
Fleet	25,089
Ground and maintenance	26,339
Justice of Peace No. 1	5,733
Landfill	88,208
Planning and zoning	2,456
Racing	62,139
Roads	10,253
Sheriff	113,465
Superior court	23,670

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.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (Cont'd)

Credit Risk

Statutes have the following requirements for credit risk:

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

Statutes do not allow foreign investments.

Deposits – At June 30, 2008, the carrying amount of the County's deposits was \$14,053,069 (net of a bank overdraft of \$6,261), and the bank balance was \$14,765,666. The County does not have a formal policy regarding custodial credit risk.

At June 30, 2008, 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	\$ 14,565,666
	\$ 14,565,666

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

Cash and deposits	
Cash on hand	\$ 9,638
Amount of deposits (excluding bank overdraft)	14,059,330
Total	\$14,068,968

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS (Concl'd)

Statement of Net Assets	Cash and Cash Equivalents
Governmental activities	\$ 8,631,041
Investment Trust Fund	5,318,177
Agency Funds	119,750
Total	\$14,068,968

NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2008, as reported in the Statement of Net Assets include \$81,050 in Highway User Revenues, \$174,763 in County excise tax, \$275,670 in auto lieu taxes, \$400,828 in state shared sales taxes, \$160,107 in other state grants and \$86,074 in other federal grants.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds for the year ended June 30, 2008 are as follows.

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 7,693	\$ -
Delinquent property taxes receivable (Health Services Fund)	1,977	-
Grant drawdowns prior to meeting all eligibility requirements (Non-Major Governmental Funds)	-	94,341
Total deferred revenue for governmental funds	\$ 9,670	\$ 94,341

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Capital assets being depreciated:				
Land improvements	3,931,904	90,986		4,022,890
Buildings and improvements	7,406,433	381,285	62,500	7,725,218
Machinery and equipment	6,951,992	1,669,592	534,215	8,087,369
Total	<u>18,290,329</u>	<u>2,141,863</u>	<u>596,715</u>	<u>19,835,477</u>
Less accumulated depreciation for:				
Land improvements	(1,796,090)	(156,999)		(1,953,089)
Buildings and improvements	(4,593,201)	(268,187)	(17,813)	(4,843,575)
Machinery and equipment	(4,533,243)	(686,988)	(297,609)	(4,922,622)
Total	<u>(10,922,534)</u>	<u>(1,112,174)</u>	<u>(315,422)</u>	<u>(11,719,286)</u>
 Total capital assets being depreciated, net	 <u>7,367,795</u>	 <u>1,029,689</u>	 <u>281,293</u>	 <u>8,116,191</u>
 Governmental activities capital assets, net	 <u>\$ 7,601,449</u>	 <u>\$ 1,029,689</u>	 <u>\$ 281,293</u>	 <u>\$ 8,349,845</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 371,324
Public safety	397,838
Highways and streets	230,363
Sanitation	40,144
Health and welfare	46,661
Culture and recreation	25,844
Total governmental activities depreciation expense	<u>\$ 1,112,174</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 – LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank. 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, 2008. The interest rate is at a rate per annum equal to 60 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, 2008.

	Balance July 1, 2007	Drawdowns	Principal Payments	Interest Payments	Balance June 30, 2008
Governmental activities	\$ -	\$ 1,387,970	\$ 1,387,970	\$ 2,978	\$ -
Investment Trust Fund	-	3,631,309	3,631,309	18,138	-
Total	\$ -	\$ 5,019,279	\$ 5,019,279	\$ 21,116	\$ -

NOTE 7 - LONG-TERM LIABILITIES

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 650,161	\$ 1,471,082	\$ 321,367	\$ 1,799,876	\$ 517,647
Landfill closure and postclosure care costs payable	635,222	39,860	3,232	671,850	20,460
Compensated absences payable	308,189	360,456	393,969	274,676	68,669
Total	\$ 1,593,572	\$ 1,871,398	\$ 718,568	\$ 2,746,402	\$ 606,776

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Buildings and Improvements	\$ 303,455
Machinery and Equipment	2,441,855
Less: Accumulated Depreciation	474,734
Carrying Value	\$ 2,270,576

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2008:

Year ending June 30:	<u>Governmental Activities</u>
2009	\$ 593,316
2010	528,259
2011	417,726
2012	142,856
2013	135,000
2014	<u>170,637</u>
Total minimum lease payments	1,987,794
Less amount representing interest	<u>187,918</u>
Present value of net minimum lease payments	<u><u>\$ 1,799,876</u></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 landfills. These costs will be paid from the Landfill Closure/Development Fund, a non-major special revenue fund.

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$671,850 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported to date based on the use of 52.3 percent of the estimated capacity of the landfills less expenditures already incurred. The County will recognize the remaining estimated cost of closure and postclosure care of \$682,685 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 2008. The County expects to close the Loma Linda Landfill in the year 2023 and the Loma Linda Construction and Demolition Landfill in the year 2024, and the actual costs may be higher due to inflation, changes in technology or changes in regulations. The Blue Landfill was closed in November 2005.

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

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

Compensated absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2008, the County paid for compensated absences as follows: 59 percent from the General Fund, 12 percent from major funds, and 29 percent from other non-major funds.

NOTE 8 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described in Note 7.

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 \$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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 8 - RISK MANAGEMENT (Concl'd)

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

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

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

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – The County contributes to the three plans described below. 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 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.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9 - 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 Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

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

ASRS

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

PSPRS and EORP

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

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 Plan – For the year ended June 30, 2008, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll, and the County was required by statute to contribute at the actuarially determined rate of 9.6 (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.5 percent for long-term disability) of the members' annual covered payroll.

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

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30			
2008	\$ 93,100	\$ 12,143	\$ 5,783
2007	75,764	10,537	5,017
2006	85,976	15,431	7,348

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Agent Plans – For the year ended June 30, 2008, 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 9.93 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.43 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 12.84 percent of the member's annual covered payroll. The health insurance premium portion of the contribution rate for normal cost was actuarially set at 1.05 percent of covered payroll.

Actuarial Methods and Assumptions – The contribution requirements for the year ended June 30, 2008, were established by the June 30, 2006, 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 2008 contribution requirements, are as follows:

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Actuarial valuation date	June 30, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	30 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% – 8.50% for PSPRS, 5.00% for EORP
Inflation rate	5.00%

Annual Pension/OPEB Cost – The County's pension/OPEB cost for the agent plans for the year ended June 30, 2008, and related information follows:

	<u>PSPRS</u>		<u>EORP</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 60,760	\$ 4,608	\$ 101,945	\$ 9,079
Contributions made	60,760	4,608	101,945	9,079

Trend Information – Annual pension cost information for the current and 2 preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next 2 years.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/OPEB Obligation</u>
PSPRS				
Pension	2008	\$ 60,760	100%	- 0 -
Health insurance	2008	4,608	100%	- 0 -
Pension and health insurance	2007	66,833	100%	- 0 -
	2006	43,921	100%	- 0 -
EORP				
Pension	2008	101,945	100%	- 0 -
Health insurance	2008	9,079	100%	- 0 -
Pension and health insurance	2007	91,318	100%	- 0 -
	2006	108,755	100%	- 0 -

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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

Funded Status – The funded status of the plans as of the most recent valuation date, June 30, 2008, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not available.

	PSPRS	
	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 2,612,090	\$ 80,703
Actuarial value of assets (b)	2,362,092	-0-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	249,998	80,703
Funded ratio (b) / (a)	90.40 %	0.00 %
Covered payroll (c)	\$ 677,521	\$ 677,521
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	36.90 %	11.91 %

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2008, were as follows:

Payable From	HURF Fund	<table style="border-collapse: collapse;"> <tr> <td style="border-bottom: 1px solid black; padding-right: 5px;">Payable to</td> </tr> <tr> <td style="border-bottom: 1px solid black; padding-right: 5px;">General Fund</td> </tr> <tr> <td style="padding-right: 5px;">\$ 59,502</td> </tr> </table>	Payable to	General Fund	\$ 59,502
Payable to					
General Fund					
\$ 59,502					

At June 30, 2008, one fund had negative cash balance in the Treasurer's pooled cash accounts. Negative cash on deposit with the County Treasurer was eliminated by interfund borrowing with other funds.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10 - INTERFUND BALANCES AND ACTIVITY (Concl'd)

Interfund transfers – Interfund transfers for the year ended June 30, 2008, were as follows:

	Transfer To							Total
	General Fund	PDMI Donation Fund	HURF Fund	Health Services Fund	Airport Improvement Fund	Debt Service Fund	Non-Major Governmental Funds	
General Fund	\$	\$ 18,900	\$ 300,000	\$ 356,000	\$ 47,971	\$ 100,000	\$ 671,704	\$ 1,494,575
PDMI Donation Fund	622,757							622,757
Non-Major Governmental Funds	36,008		390,981				45,614	472,603
Total	\$ 658,765	\$ 18,900	\$ 690,981	\$ 356,000	\$ 47,971	\$ 100,000	\$ 717,318	\$ 2,589,935

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

NOTE 11 - COUNTY TREASURER'S INVESTMENT POOL

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

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

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

Substantially, all deposits of County's primary government are included in the County Treasurer's investment pool, except for \$208,474 of deposits (net of a bank overdraft of \$6,261). 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, 2008**

NOTE 11 - COUNTY TREASURER'S INVESTMENT POOL (Concl'd)

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

Statement of Net Assets

Assets	\$13,854,233
Liabilities	
Net assets	<u>\$13,854,233</u>

Net assets held in trust for:

Internal participants	8,536,056
External participants	<u>5,318,177</u>
Total net assets held in trust	<u>\$13,854,233</u>

Statement of Changes in Net Assets

Total additions	\$33,626,884
Total deductions	<u>31,192,651</u>
Net increase	2,434,233
Net assets held in trust:	
July 1, 2007	<u>11,420,000</u>
June 30, 2008	<u>\$13,854,233</u>

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget
	Original & Final		Positive (Negative)
Revenues:			
Taxes	\$ 2,211,024	\$ 2,996,324	\$ 785,300
Intergovernmental	5,424,076	6,975,902	1,551,826
Charges for services	185,000	178,436	(6,564)
Fines and forfeits	50,000	110,524	60,524
Investment income	20,000	64,059	44,059
Contributions		3,500	3,500
Miscellaneous	75,000	82,671	7,671
Total revenues	7,965,100	10,411,416	2,446,316
Expenditures:			
General government			
Board of Supervisors	349,817	302,538	47,279
Airport	58,710	4,153	54,557
Assessor	297,145	296,994	151
Attorney	330,669	347,484	(16,815)
Contingency	260,000	46,288	213,712
Constable No. 1	29,034	25,603	3,431
Constable No. 2	27,884	29,870	(1,986)
County administration	259,174	254,529	4,645
Elections	71,491	67,751	3,740
General services	903,317	1,028,861	(125,544)
Ground and maintenance	493,075	519,414	(26,339)
Information systems	371,559	267,911	103,648
Justice of peace No. 1	131,149	138,457	(7,308)
Justice of peace No. 2	111,133	113,556	(2,423)
Planning and zoning	5,500	7,956	(2,456)
Public fiduciary	46,998	43,975	3,023
Recorder	171,841	171,419	422
Superior court	669,070	705,945	(36,875)
Treasurer	177,485	172,476	5,009
Voter registration	18,950	12,145	6,805
Fleet	107,231	132,320	(25,089)
Total general government	<u>4,891,232</u>	<u>4,689,645</u>	<u>201,587</u>
Public safety			
County flood control		1,490	(1,490)
Emergency services	79,026	127,299	(48,273)
Sheriff	2,334,994	2,486,422	(151,428)
Total public safety	<u>2,414,020</u>	<u>2,615,211</u>	<u>(201,191)</u>
Sanitation - Landfill		363	(363)

See accompanying notes to this schedule.

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Non-GAAP Actual	Positive (Negative)
Health and welfare			
AHCCS/ALTCS Payments	347,232	347,204	28
Total health and welfare	347,232	347,204	28
Culture and recreation			
Parks and recreation	68,768	52,780	15,988
County library	28,000	29,643	(1,643)
Total culture and recreation	96,768	82,423	14,345
Education			
School superintendent	184,633	174,591	10,042
U of A extension services	20,400	20,400	
Total education	205,033	194,991	10,042
Total expenditures	7,954,285	7,929,837	24,448
Excess of revenues over expenditures	10,815	2,481,579	2,470,764
Other financing sources (uses):			
Sale of capital assets		30,483	30,483
Transfers in	50,625	658,765	608,140
Transfers out	(861,440)	(1,494,575)	(633,135)
Total other financing sources (uses)	(810,815)	(805,327)	5,488
Net change in fund balances	(800,000)	1,676,252	2,476,252
Fund balances, July 1, 2007	800,000	1,898,124	1,098,124
Fund balances, June 30, 2008	\$	\$ 3,574,376	\$ 3,574,376

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - PDMI DONATION FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts <u>Original & Final</u>	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment income	\$	\$ 79,642	\$ 79,642
Contributions	165,000	1,069,527	904,527
Total revenues	<u>165,000</u>	<u>1,149,169</u>	<u>984,169</u>
Expenditures:			
Current -			
General government		4,969	(4,969)
Public safety	105,000	83,319	21,681
Highway and streets		1,426	(1,426)
Capital outlay	60,000	40,869	19,131
Total expenditures	<u>165,000</u>	<u>130,583</u>	<u>34,417</u>
Excess of revenues over expenditures		<u>1,018,586</u>	<u>1,018,586</u>
Other financing sources (uses):			
Transfers in		18,900	18,900
Transfers out		(622,757)	(622,757)
Total other financing sources (uses)		<u>(603,857)</u>	<u>(603,857)</u>
Net change in fund balances		<u>414,729</u>	<u>414,729</u>
Fund balances, July 1, 2007		1,927,233	1,927,233
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 2,341,962</u>	<u>\$ 2,341,962</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - HURF FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts <u>Original & Final</u>	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,292,175	\$ 1,240,734	\$ (51,441)
Investment income		2,060	2,060
Miscellaneous		382	382
Total revenues	<u>1,292,175</u>	<u>1,243,176</u>	<u>(48,999)</u>
Expenditures:			
Current -			
Highway and streets	1,368,310	1,438,192	(69,882)
Capital outlay	166,500	76,060	90,440
Debt service -			
Principal retirement	215,157	207,249	7,908
Interest and fiscal charges	34,843	33,562	1,281
Total expenditures	<u>1,784,810</u>	<u>1,755,063</u>	<u>29,747</u>
Deficiency of revenues over expenditures	<u>(492,635)</u>	<u>(511,887)</u>	<u>(19,252)</u>
Other financing sources (uses):			
Sale of capital assets		5,000	5,000
Transfers in	392,635	690,981	298,346
Transfers out	(50,625)		50,625
Total other financing sources (uses)	<u>342,010</u>	<u>695,981</u>	<u>353,971</u>
Net change in fund balances	<u>(150,625)</u>	<u>184,094</u>	<u>334,719</u>
Fund balances, July 1, 2007	150,625	62,448	(88,177)
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 246,542</u>	<u>\$ 246,542</u>

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - HEALTH SERVICES FUND
YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	\$ 441,055	\$ 440,856	\$ (199)
Intergovernmental	521,229	565,499	44,270
Charges for services	23,989	4,543	(19,446)
Fines and forfeits		81	81
Investment income		3,763	3,763
Miscellaneous		5,334	5,334
Total revenues	<u>986,273</u>	<u>1,020,076</u>	<u>33,803</u>
Expenditures:			
Current -			
Public safety	23,400	105,165	(81,765)
Health and welfare	1,420,223	1,258,145	162,078
Capital outlay	1,050	18,647	(17,597)
Total expenditures	<u>1,444,673</u>	<u>1,381,957</u>	<u>62,716</u>
Excess (deficiency) of revenues over expenditures	<u>(458,400)</u>	<u>(361,881)</u>	<u>96,519</u>
Other financing sources:			
Transfers in	356,000	356,000	
Total other financing sources	<u>356,000</u>	<u>356,000</u>	
Net change in fund balances	<u>(102,400)</u>	<u>(5,881)</u>	<u>96,519</u>
Fund balances, July 1, 2007	102,400	191,882	89,482
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 186,001</u>	<u>\$ 186,001</u>

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - AIRPORT IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts <u>Original & Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$ 375,000	\$ 210,246	\$ (164,754)
Investment income		1,552	1,552
Miscellaneous		18	18
Total revenues	<u>375,000</u>	<u>211,816</u>	<u>(163,184)</u>
Expenditures:			
Current -			
General government		58,863	(58,863)
Capital outlay	324,375	151,383	172,992
Total expenditures	<u>324,375</u>	<u>210,246</u>	<u>114,129</u>
Excess (deficiency) of revenues over expenditures	<u>50,625</u>	<u>1,570</u>	<u>(49,055)</u>
Other financing sources:			
Transfers in		47,971	47,971
Total other financing sources		<u>47,971</u>	<u>47,971</u>
Net change in fund balances	<u>50,625</u>	<u>49,541</u>	<u>(1,084)</u>
Fund balances, July 1, 2007	(50,625)		50,625
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 49,541</u>	<u>\$ 49,541</u>

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2008**

NOTE 1 - BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 - BUDGETARY BASIS OF ACCOUNTING

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

- Capital lease agreements entered into during the year

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:

	General Fund	HURF Fund
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,055,374	\$ (1,179,505)
Capital lease agreements entered into during the year	426,205	667,618
Excess (deficiency) of revenues over expenditures from the budgetary comparison schedules	\$ 2,481,579	\$ (511,887)

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2008**

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2008, expenditures exceeded final budget amounts at the department level for the General Fund as follows.

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Attorney	\$ 16,815
Constable No. 2	1,986
General services	125,544
Ground and maintenance	26,339
Justice of peace No. 1	7,308
Justice of peace No. 2	2,423
Planning and zoning	2,456
Superior court	36,875
Fleet	25,089
County flood control	1,490
Emergency services	48,273
Sheriff	151,428
Landfill	363
County library	1,643

The County will more closely monitor their expenditures to ensure 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, 2008**

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 6/30/08	\$2,362,092	\$2,612,090	\$ (249,998)	90.4%	\$ 677,521	36.9%
Health Insurance 6/30/08	-0-	80,703	(80,703)	0.0%	677,521	11.9%
Pension and Health Insurance 6/30/07	2,153,151	2,565,911	(412,760)	83.9%	638,070	64.7%
6/30/06	2,264,015	2,286,851	(22,836)	99.0%	515,742	4.4%

See accompanying note to this schedule.

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2008

NOTE 1 - ACTUARIAL INFORMATION AVAILABLE

For valuation years prior to 2008, which was prior to the implementation of GASB Statement Nos. 43 and 45, the actuarial measurements were made in the aggregate as to pension and health insurance benefits. In future years when GASB Statements Nos. 43 and 45 measurements are made and reported, the pension and health insurance benefits information will be disaggregated and reported separately. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not available.

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SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	
Revenues:			
Investment income	\$	\$ 36,240	\$ 36,240
Miscellaneous		95	95
Total revenues		<u>36,335</u>	<u>36,335</u>
Expenditures:			
Debt service -			
Principal retirement	232,243	64,360	167,883
Interest and fiscal charges	67,757	18,777	48,980
Total expenditures	<u>300,000</u>	<u>83,137</u>	<u>216,863</u>
Excess (deficiency) of revenues over expenditures	<u>(300,000)</u>	<u>(46,802)</u>	<u>253,198</u>
Other financing sources:			
Transfers in	100,000	100,000	
Total other financing sources	<u>100,000</u>	<u>100,000</u>	
Net change in fund balances	<u>(200,000)</u>	<u>53,198</u>	<u>253,198</u>
Fund balances, July 1, 2007	200,000	1,042,252	842,252
Fund balances, June 30, 2008	<u>\$</u>	<u>\$ 1,095,450</u>	<u>\$ 1,095,450</u>