

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

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

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 5 through 15, the Budgetary Comparison Schedules on pages 52 through 57, and the Schedule of Agent Retirement Plan's Funding Progress on pages 58 through 59 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have issued our report dated September 28, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Fester & Chapman P.C." with a stylized ampersand.

September 28, 2012

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

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**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

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, 2010. 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 2010 as follows:

- The County's total net assets of governmental activities decreased \$740,841 which represents a 4 percent decrease from the prior fiscal year.
- General revenues accounted for \$9.7 million in revenue, or 62 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.8 million or 38 percent of total revenues.
- The County had approximately \$16.3 million in expenses related to governmental activities, an increase of less than one percent from the prior fiscal year.
- Among major governmental funds, the General Fund had \$8.7 million in revenues, which primarily consisted of taxes and intergovernmental revenues, and \$9.6 million in expenditures. The General Fund's fund balance increased from \$4.5 million at the prior fiscal year end to \$5.0 million at the end of the current fiscal year.
- The PDMI Donation Fund had \$1.2 million in revenues, which primarily consisted of contributions, and \$46,900 in expenditures. The PDMI Donation Fund's fund balance decreased from \$3.1 million at the prior fiscal year end to \$2.5 million at the end of the current fiscal year.
- The HURF Fund had \$975,588 in revenues, which primarily consisted of intergovernmental revenues, and \$1.7 million in expenditures. The HURF Fund's fund balance decreased from \$115,534 at the prior fiscal year end to \$2,694 at the end of the current fiscal year.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

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.

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

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

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

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

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget process. The County adopts an annual budget for all governmental funds. Budgetary comparison schedules have been provided for the General and major Special Revenue Funds as required supplementary information.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$16.0 million at the current fiscal year end.

The largest portion of the County's net assets is unrestricted. The next largest portion of the County's net assets reflects its investment in capital assets (i.e., land and improvements, buildings and improvements, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. In addition, a portion of the District's net assets are restricted by statute for the specified purpose of HURF. At the end of the current fiscal year the County reported positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The following tables present a summary of the County's net assets for the fiscal years ended June 30, 2010 and 2009.

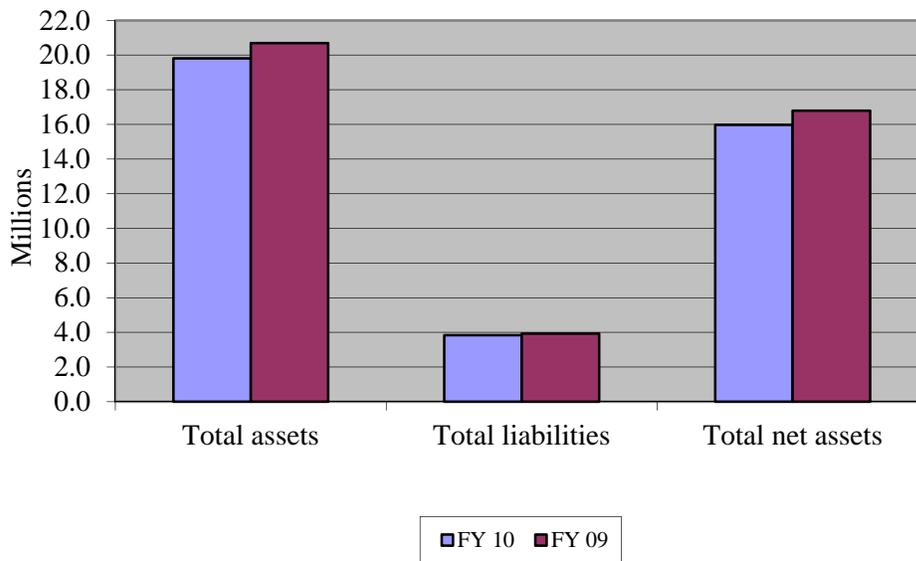
	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Current assets	\$ 11,052,733	\$ 11,560,483
Capital assets, net	<u>8,762,433</u>	<u>9,081,879</u>
Total assets, net	<u>19,815,166</u>	<u>20,642,362</u>
Other liabilities	787,616	1,001,538
Long-term liabilities	<u>3,052,453</u>	<u>2,924,886</u>
Total liabilities	<u>3,840,069</u>	<u>3,926,424</u>
Net assets:		
Invested in capital assets, net of related debt	6,800,814	7,141,673
Restricted	2,694	115,534
Unrestricted	<u>9,171,589</u>	<u>9,458,731</u>
Total net assets	<u>\$ 15,975,097</u>	<u>\$ 16,715,938</u>

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, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Governmental Activities



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

- The principal retirement of \$753,600 of capital leases.
- The inception of \$775,013 of capital leases.
- The addition of \$1,039,911 in capital assets through the construction of a public works maintenance facility and other improvements and purchases of machinery and equipment.
- The disposal of \$407,906 of machinery and equipment.
- The depreciation of capital assets of \$1.3 million.
- The reversal of the prior year deferral of property tax, revenues, levied for general purposes of \$279,655 for amounts levied in excess of the maximum allowable.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The County's total revenues for the current fiscal year were \$15.5 million. The total cost of all programs and services was \$16.2 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

	Fiscal Year Ended <u>June 30, 2010</u>	Fiscal Year Ended <u>June 30, 2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 857,810	\$ 937,061
Operating grants and contributions	4,799,007	4,936,728
Capital grants and contributions	183,367	1,125,427
General revenues:		
Property taxes, levied for general purposes	1,752,376	1,584,203
Property taxes, levied for public health services	744,075	800,483
Property taxes, levied for flood control	118,955	99,965
County sales taxes for general purposes	842,107	1,553,343
Share of state sales taxes	3,337,418	3,062,167
Share of state vehicle license tax	289,236	388,915
Grants and contributions not restricted to specific programs	2,210,044	2,602,407
Investment earnings	61,023	178,625
Miscellaneous	314,367	227,828
Gain on sale of capital assets	25,550	58,690
Total revenues	<u>15,535,335</u>	<u>17,555,842</u>
Expenses:		
General government	5,583,526	5,507,161
Public safety	4,870,447	4,964,712
Highway and streets	2,246,751	1,951,996
Sanitation	364,418	350,559
Health and welfare	1,627,796	1,709,654
Culture and recreation	463,364	463,379
Education	964,992	1,031,067
Economic development	26,339	21,381
Interest on long-term debt	128,543	99,301
Total expenses	<u>16,276,176</u>	<u>16,099,210</u>
Change in net assets	<u>\$ (740,841)</u>	<u>\$ 1,456,632</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following are significant current year transactions that have had an impact on the change in net assets.

- Operating grants and contributions decreased by \$137,721 primarily due to the conclusion of the Community Emergency Response Team grant and reductions in the Stonegarden program and the Department of Homeland Security grant-funded program.
- Capital grants and contributions decreased by \$942,060 primarily due to the completion of grant-funded airport improvement projects and a reduction in the need for disaster assistance grants.
- Property taxes, levied for general purposes, increased by \$168,173 due to an increase in the property tax rate.
- County sales taxes for general purposes decreased by \$711,236 due to reductions of significant one-time point-of-sale purchases made within the County.
- State shared sales taxes increased by \$275,251 as a result of a gradual improvement in the economy across the State.
- Grants and contributions not restricted to specific programs decreased \$392,363 primarily due to a reduction in Federal payments in lieu of taxes and the termination of the County Assistance Program funded the by the State lottery.
- Highway and street expenses increased by \$294,755 due primarily to a large chip seal project, development of possible design options for a potential highway project, and increases in health insurance costs.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

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

	<u>Year Ended June 30, 2010</u>		<u>Year Ended June 30, 2009</u>	
	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>
General government	\$ 5,583,526	\$ (4,822,511)	\$ 5,507,161	\$ (4,052,353)
Public safety	4,870,447	(3,314,065)	4,964,712	(3,055,743)
Highway and streets	2,246,751	(1,035,793)	1,951,996	(574,821)
Sanitation	364,418	(100,330)	350,559	67,870
Health and welfare	1,627,796	(942,110)	1,709,654	(1,278,465)
Culture and recreation	463,364	(269,792)	463,379	(227,968)
Education	964,992	203,671	1,031,067	142,168
Economic development	26,339	(26,339)	21,381	(21,381)
Interest on long-term debt	128,543	(128,543)	99,301	(99,301)
Total	<u>\$ 16,276,176</u>	<u>\$ (10,435,992)</u>	<u>\$ 16,099,210</u>	<u>\$ (9,099,994)</u>

- The cost of all governmental activities this year was \$16.2 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$5.8 million.
- Net cost of governmental activities of \$10.4 million was financed by general revenues, which are made up of primarily taxes of \$3.5 million, shared state revenues of \$3.6 million, and grants and contributions not restricted to specific programs of \$2.2 million.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

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

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$10.2 million, a decrease of \$316,560.

The General Fund comprises 49 percent of total fund balance. The entire fund balance is unreserved and undesignated.

The General Fund is the principal operating fund of the County. The increase in fund balance of \$468,969 to \$5.0 million as of fiscal year end was the result of transfers from the PDMI Donation Fund to fund increases in the general operating costs of the County. General Fund revenues decreased \$420,773, and General Fund expenditures increased \$699,373.

The PDMI Donation Fund's fund balance decrease of \$668,564 to \$2.5 million as of fiscal year end was the result of transfers to the General Fund. PDMI Donation Fund revenues decreased \$81,643, and PDMI Donation Fund expenditures decreased \$30,197.

The HURF Fund's fund balance decrease of \$112,840 to \$2,694 as of fiscal year end was the result of increased expenditures for a large chip seal project and the development of design options for a potential highway project. HURF Fund revenues decreased \$113,690, and HURF Fund expenditures increased \$89,677.

BUDGETARY HIGHLIGHTS

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

- Tax revenues exceeded estimates by \$428,726 due primarily to the prior year deferral of an over-levy of property taxes resulting from additional increases in assessed values after the tax rate was approved, as well as conservative estimates for County sales taxes.
- Intergovernmental revenues exceeded estimates by \$1.4 million due primarily to unanticipated increases in State shared sales taxes.
- Charges for services revenues exceeded estimates by \$188,434 due primarily to conservative estimates of prisoner room and board fees.
- General services expenditures exceeded estimates by \$290,076 due primarily to capital lease payments that were inadvertently budgeted as ground and maintenance expenditures.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

BUDGETARY HIGHLIGHTS (Concl'd)

- Ground and maintenance expenditures were \$769,467 less than budgeted due primarily to capital lease payments for general services, sheriff, and roads that were inadvertently budgeted as ground and maintenance expenditures but were properly recorded in the respective departments.
- Emergency services expenditures exceeded estimates by \$101,424 due primarily to communication circuits, internet service provider costs, and radio maintenance costs that were not budgeted.
- Sheriff expenditures exceeded estimates by \$166,305 due to part-time detention officers being used to cover shifts in the absence of full-time officers, capital lease payments that were inadvertently budgeted as ground and maintenance expenditures, and the purchase of vehicles that was not budgeted.
- Roads expenditures exceeded estimates by \$355,982 due primarily to capital lease payments that were inadvertently budgeted as ground and maintenance expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the County had invested \$21.8 million in capital assets, including buildings, facilities, vehicles, computers, and equipment. This amount represents a net increase prior to depreciation of \$527,025 from the prior fiscal year, primarily due to the construction of a public works maintenance facility and other improvements and purchases of machinery and equipment. Total depreciation expense for the year was \$1.3 million.

The following schedule presents capital asset balances as of June 30, 2010 and 2009.

	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
Capital assets - non-depreciable	\$ 346,334	\$ 241,354
Capital assets - depreciable, net	8,416,099	8,840,525
Total	<u>\$ 8,762,433</u>	<u>\$ 9,081,879</u>

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

Debt Administration. At year end, the County had \$2.0 million in capital lease long-term debt outstanding, \$716,340 due within one year. This represents a net decrease of \$21,413 due to the issuance of \$775,013, and the principal retirement of \$753,600.

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, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2009-10 budget was 1.15 percent lower in comparison to last year's General Fund budget and 0.64 percent lower overall for all funds. The assessed value increased by \$40 million. The over-levy of primary property taxes in fiscal year 2008-09 resulted in a reduction in the tax levy of \$279,655. The tax rate decreased for the third year in a row. The copper industry began to rebound with laid-off workers from the Morenci Mine being called back to work. Greenlee County saw an increase in our sales/severance tax of \$1.1 million over the projection for the year. The ½ cent sales tax came in above our estimate by \$131,000. The County had implemented budget modifications that enabled the County, along with the sustainability fund, to successfully end the year without reductions in force.

The fiscal 2010-11 budget was adopted with a 1.13 percent increase to the General Fund budget and a 0.50 percent increase in the total budget. Assessed valuations decreased by \$216 million for primary and secondary taxing authorities which represented a 44.5 percent decrease. This was due mainly to the devaluation of the copper mine. The tax levy increased for fiscal year 2010-11 by \$622,540 with a 29 cent increase in the primary property tax rate. The projected sales/severance tax estimate rises by \$700,000. The County continues to use conservative sales/severance tax projections due to the overall decline in State shared revenues. The State cost shifts have been included in the budget for fiscal year 2010-11 in accordance with the State budget. The sustainability fund will be used to ensure the County meets its obligations through the fiscal year. The County is maintaining conservative policies regarding vacant positions and all major expenditures, regardless of whether they appear in the budget. These decisions in the past and being carried forward have enabled the County to sustain the volatile economic impacts without major service reductions and no reductions in County forces.

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, 2010

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 9,692,261
Property taxes receivable	10,649
Accounts receivable	61,186
Due from other governments	1,288,637
Total current assets	11,052,733
Noncurrent assets:	
Capital assets, not being depreciated	346,334
Capital assets, being depreciated, net	8,416,099
Total noncurrent assets	8,762,433
Total assets	19,815,166
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	407,815
Accrued payroll and employee benefits	262,082
Unearned revenue	117,719
Current portion of long-term obligations	996,655
Total current liabilities	1,784,271
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	2,055,798
Total noncurrent liabilities	2,055,798
Total liabilities	3,840,069
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	6,800,814
Restricted for:	
HURF	2,694
Unrestricted	9,171,589
Total net assets	\$ 15,975,097

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 5,583,526	\$ 260,448	\$ 391,573	\$ 108,994	\$ (4,822,511)
Public safety	4,870,447	290,291	1,191,718	74,373	(3,314,065)
Highway and streets	2,246,751		1,210,778		(1,035,973)
Sanitation	364,418	244,171	19,917		(100,330)
Health and welfare	1,627,796	17,848	667,838		(942,110)
Culture and recreation	463,364	37,623	155,949		(269,792)
Education	964,992	7,429	1,161,234		203,671
Economic development	26,339				(26,339)
Interest on long-term debt	128,543				(128,543)
Total governmental activities	\$ 16,276,176	\$ 857,810	\$ 4,799,007	\$ 183,367	(10,435,992)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,752,376
Property taxes, levied for public health services	744,075
Property taxes, levied for flood control	118,955
County sales taxes for general purposes	842,107
Share of state sales tax	3,337,418
Share of state vehicle license tax	289,236
Grants and contributions not restricted to specific programs	2,210,044
Investment earnings	61,023
Miscellaneous	314,367
Gain on sale of capital assets	25,550
Total general revenues	9,695,151

Change in net assets (740,841)

Net assets, beginning of year 16,715,938

Net assets, end of year \$ 15,975,097

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

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General Fund</u>	<u>PDMI Donation Fund</u>	<u>HURF Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,370,110	\$ 2,481,464	\$
Property taxes receivable	7,526		
Accounts receivable	39,690		
Due from other governments	836,440		88,926
Due from other funds	163,093		
Total assets	<u><u>\$ 5,416,859</u></u>	<u><u>\$ 2,481,464</u></u>	<u><u>\$ 88,926</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 270,949	\$	\$ 20,650
Accrued payroll and employee benefits	157,179	1,445	33,406
Due to other funds			32,176
Deferred revenue	6,857		
Total liabilities	<u><u>434,985</u></u>	<u><u>1,445</u></u>	<u><u>86,232</u></u>
Fund balances:			
Unreserved reported in:			
General fund	4,981,874		
Special revenue funds		2,480,019	2,694
Total fund balances	<u><u>4,981,874</u></u>	<u><u>2,480,019</u></u>	<u><u>2,694</u></u>
Total liabilities and fund balances	<u><u>\$ 5,416,859</u></u>	<u><u>\$ 2,481,464</u></u>	<u><u>\$ 88,926</u></u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 2,840,687	\$ 9,692,261
3,123	10,649
21,496	61,186
363,271	1,288,637
	163,093
\$ 3,228,577	\$ 11,215,826

\$ 116,216	\$ 407,815
70,052	262,082
130,917	163,093
141,749	148,606
458,934	981,596

	4,981,874
2,769,643	5,252,356
2,769,643	10,234,230
\$ 3,228,577	\$ 11,215,826

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GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2010

Fund balances - total governmental funds		\$ 10,234,230
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 21,846,814	
Less accumulated depreciation	<u>(13,084,381)</u>	8,762,433
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
		30,887
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Capital leases payable	(1,961,619)	
Compensated absences payable	(318,049)	
Landfill closure and postclosure care costs payable	<u>(72,785)</u>	<u>(3,052,453)</u>
Net assets of governmental activities		<u><u>\$ 15,975,097</u></u>

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	PDMI Donation Fund	HURF Fund
Revenues:			
Taxes	\$ 2,593,901	\$	\$
Intergovernmental	5,624,039		957,728
Charges for services	309,434		
Fines and forfeits	109,422		
Investment earnings	15,399	28,336	1,135
Contributions		1,150,000	
Miscellaneous	31,711		16,725
Total revenues	8,683,906	1,178,336	975,588
Expenditures:			
Current -			
General government	4,856,588		
Public safety	2,842,820	46,900	
Highway and streets	817		1,617,404
Sanitation	14		
Health and welfare	322,924		
Culture and recreation	92,726		
Education	218,160		
Economic development			
Capital outlay	652,483		92,559
Debt service -			
Principal retirement	512,444		
Interest and fiscal charges	101,954		
Total expenditures	9,600,930	46,900	1,709,963
Excess (deficiency) of revenues over expenditures	(917,024)	1,131,436	(734,375)
Other financing sources (uses):			
Capital lease agreements	612,704		
Sale of capital assets	2,745		18,485
Transfers in	1,815,630		603,050
Transfers out	(1,045,086)	(1,800,000)	
Total other financing sources (uses)	1,385,993	(1,800,000)	621,535
Net change in fund balances	468,969	(668,564)	(112,840)
Fund balances, beginning of year	4,512,905	3,148,583	115,534
Fund balances, end of year	\$ 4,981,874	\$ 2,480,019	\$ 2,694

Non-Major Governmental Funds	Total Governmental Funds
\$ 862,376	\$ 3,456,277
3,035,575	9,617,342
389,245	698,679
28,213	137,635
16,153	61,023
51,730	1,201,730
115,878	164,314
4,499,170	15,337,000
291,728	5,148,316
1,540,915	4,430,635
31,106	1,649,327
251,090	251,104
1,276,037	1,598,961
345,037	437,763
744,098	962,258
26,339	26,339
322,235	1,067,277
241,156	753,600
26,589	128,543
5,096,330	16,454,123
(597,160)	(1,117,123)
162,309	775,013
4,320	25,550
824,574	3,243,254
(398,168)	(3,243,254)
593,035	800,563
(4,125)	(316,560)
2,773,768	10,550,790
\$ 2,769,643	\$ 10,234,230

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, 2010

Net change in fund balances - total governmental funds **\$ (316,560)**

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

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

Expenditures for capitalized assets	\$ 998,802	
Less current year depreciation	<u>(1,318,248)</u>	(319,446)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		22,732
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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. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Debt issued or incurred	(775,013)	
Principal repaid	<u>753,600</u>	(21,413)

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

Increase in compensated absences	(43,672)	
Increase in landfill closure and postclosure care costs	<u>(62,482)</u>	<u>(106,154)</u>

Change in net assets in governmental activities **\$ (740,841)**

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

**GREENLEE COUNTY, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	Investment Trust Fund	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ 7,216,004	\$ 22,239
Total assets	7,216,004	\$ 22,239
 <u>LIABILITIES</u>		
Deposits held for others		22,239
Total liabilities		\$ 22,239
 <u>NET ASSETS</u>		
Held in trust for investment trust participants	\$ 7,216,004	

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

GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2010

	Investment Trust Fund
Additions:	
Investment earnings	\$ 46,268
Contributions from participants	18,396,421
Total additions	18,442,689
 Deductions:	
Distributions to participants	17,414,882
Total deductions	17,414,882
Change in net assets	1,027,807
Net assets, beginning of year	6,188,197
Net assets, end of year	\$ 7,216,004

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, the County implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. The County has chosen to implement GASB Statement No. 51 prospectively as a Phase 3 government. No intangible assets were acquired during fiscal year 2009-10.

A. Reporting Entity

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

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

The following table describes the County’s component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
Greenlee County Flood Control District	A tax-levying district that provides flood control systems; the County’s Board of Supervisors serves as the board of directors	Blended	Not available
Greenlee County Public Health Services District	A tax-levying district that provides public health services; the County’s Board of Supervisors serves as the board of directors	Blended	Not available
Greenlee County Municipal Property Corporation	A nonprofit corporation that assists in the acquisition of tangible real and personal property; exists only to serve the County	Blended	Not available

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

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

The County reports the following major governmental funds:

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

The County also reports the following fiduciary fund types:

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

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

C. Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of the Agency Funds, and the accrual basis of accounting. The Agency Funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

D. Inventories

Inventories of the governmental funds and governmental activities consist of expendable supplies held for consumption and are recorded as expenditures or expenses at the time of purchase; and because the amounts on hand at June 30, 2010 were immaterial, they are not included on the balance sheet or the statement of net assets.

E. Property Tax Calendar

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

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

F. Capital Assets

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

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

G. Investment Earnings

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

H. Compensated Absences

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

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

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

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

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

I. Estimates

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Fund	Deficit
Governmental Funds:	
Casa Special Advocate Program	\$ 42
Sheriff's ACJC Drug Grant	53
Sheriff's Block Grant	2
Flood Disaster	29,007
JAIBG Program	2
State Aid Enhancement A.R.S. §12-261	3,822
Juvenile Standard Probation	1,411
Diversion Consequences	419
AIPS	4,256
JTSF	316

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

Expenditures in Excess of Appropriations – For the current fiscal year, expenditures exceeded final budget amounts at the department level for the General Fund and fund level for all other funds as follows.

Fund	Department	Deficit
General Fund:		
	Board of Supervisors	\$ 37,959
	Data processing	7,113
	Elections	8,979
	General services	290,076
	GIS program	264
	Justice of Peace No. 2	4,026
	Public Fiduciary	100
	Superior court	20,961
	Fleet	49,947
	County flood control	943
	Emergency services	101,424
	Sheriff	166,305
	Roads	355,982
	Landfill	14
	County library	241

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Fund	Department	Deficit
Other Funds:		
Detention Center Education	School Superintendent	\$ 3,934
Child Support Enforcement	Superior court	1,279
COPs Meth Grant	Sheriff	211
Law Library	Superior court	980
Victim's Rights & Assistance	Attorney	796
Jail Enhancement	Sheriff	18,449
Sheriffs USFS Patrol	Sheriff	3,519
Governor's Office DUI Abatement	Sheriff	15,948
HHS Grant	Elections	11,155
Federal Voter Registration System (HAVA)	Voter registration	2,260
Spay/Neuter Program	Animal control	734
Stone Garden-Equipment	Sheriff	5,594
Library Services & Technology Act	County library	5,356
Pandemic Flu	Emergency services	32,490
Landfill Operations	Landfill	198,146
HURF	Roads	91,309
Bioterrorism	Bioterrorism	11,473
Wellness Program	Wellness program	210
Title IV D-DES	Superior court	1,023
Flood Disaster	County flood control	29,103
County Fair	County fair	19,425
Race	Racing	19,733
Emergency Food & Shelter	Board of Supervisors	3,077
Family Counseling	Probation	314
JAIBG Program	Probation	2
Drug Enforcement §41-2402	Probation	1,226
Community Punishment Program	Probation	620
Diversion Consequences	Probation	5,208
AIPS	Probation	24,762
Drug Treatment Education	Probation	675
Judicial Collection Enhancement	Probation	2,515
Employment & Training	Employment and training	16,814

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

For fiscal year ended June 30, 2010, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Excess</u>
Animal control	\$ 734
Bioterrorism	11,473
Data processing	7,113
Elections	20,134
County fair	19,425
County library	5,597
Emergency services	129,913
Employment and training	16,814
Fleet	49,947
General services	290,076
GIS program	264
Landfill	68,165
Public Fiduciary	100
Racing	19,733
Roads	447,291
Sheriff	153,845
Wellness program	210

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Credit Risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be 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 year end, the carrying amount of the County's deposits was \$16,504,237 and the bank balance was \$17,652,897. The County does not have a formal policy regarding custodial credit risk.

At year end, 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 of \$17,402,897.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 3 – DEPOSITS AND INVESTMENTS (Concl'd)

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

Cash and deposits

Cash on hand	\$	426,267
Amount of deposits		16,504,237
Total	\$	16,930,504

Statement of Net Assets

Government activities	\$	9,692,261
Investment Trust Fund		7,216,004
Agency Funds		22,239
Total	\$	16,930,504

NOTE 4 – RECEIVABLES

Amounts due from other governments at current fiscal year end, as reported in the Statement of Net Assets include \$72,403 in Highway User Revenues, \$42,037 in auto lieu taxes, \$79,646 in County sales tax, \$294,091 in state shared sales tax, \$382,800 in rural county reimbursement subsidy, and \$417,660 in other federal and state grants and assistance.

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 6,857	\$
Delinquent property taxes receivable (Non-Major Governmental Funds)		2,534
Delinquent landfill charges receivable (Non-Major Governmental Funds)		21,496
Grant drawdowns prior to meeting all eligibility requirements (Non-Major Governmental Funds)		117,719
Total deferred revenue for governmental funds	\$ 30,887	\$ 117,719

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the current fiscal year was as follows.

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress	7,700	104,980		112,680
Total capital assets not being depreciated	<u>241,354</u>	<u>104,980</u>		<u>346,334</u>
Capital assets, being depreciated:				
Land improvements	4,854,074	53,704	(34,348)	4,873,430
Buildings and improvements	7,741,920	15,637	(6,761)	7,750,796
Machinery and equipment	8,377,461	865,590	(366,797)	8,876,254
Total	<u>20,973,455</u>	<u>934,931</u>	<u>(407,906)</u>	<u>21,500,480</u>
Less accumulated depreciation for:				
Land improvements	(2,100,709)	(310,114)		(2,410,823)
Buildings and improvements	(5,115,894)	(296,020)		(5,411,914)
Machinery and equipment	(4,916,327)	(712,114)	366,797	(5,261,644)
Total	<u>(12,132,930)</u>	<u>(1,318,248)</u>	<u>366,797</u>	<u>(13,084,381)</u>
Total capital assets, being depreciated, net	<u>8,840,525</u>	<u>(383,317)</u>	<u>(41,109)</u>	<u>8,416,099</u>
Governmental activities capital assets, net	<u>\$ 9,081,879</u>	<u>\$ (278,337)</u>	<u>\$ (41,109)</u>	<u>\$ 8,762,433</u>

Depreciation expense was charged to functions as follows.

Governmental activities:	
General government	\$ 371,654
Public safety	369,362
Highways and streets	496,145
Sanitation	40,144
Health and welfare	18,277
Culture and recreation	22,666
Total governmental activities depreciation expense	<u>\$1,318,248</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – LINE OF CREDIT

The County maintains a revolving line of credit with Zions First National Bank to cover cash flow needs. This line of credit has a \$2,400,000 limit with interest payable at the same time as principal, which is contingent on the County’s receipt of “nonrestricted operating revenues” as defined by A.R.S. §11-604.01. The credit line is secured by “nonrestricted operating revenues” received by the County Treasurer. Any unpaid principal and interest becomes due on the maturity date of June 30, 2010. The interest rate is at a rate per annum equal to sixty percent of the bank’s prime rate provided that in no event shall the interest rate exceed ten percent per annum. The schedule presented below is a summation of the activity related to the line of credit during the current fiscal year.

	<u>Beginning Balance</u>	<u>Drawdowns</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Ending Balance</u>
Governmental activities	\$	\$ 246,371	\$246,371	\$ 595	\$
Investment Trust Fund		480,900	480,900	691	
Total	<u>\$</u>	<u>\$ 727,271</u>	<u>\$727,271</u>	<u>\$ 1,286</u>	<u>\$</u>

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the County’s long-term liability and obligation activity for the current fiscal year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ 1,940,206	\$ 775,013	\$ 753,600	\$ 1,961,619	\$ 716,340
Compensated absences payable	274,377	309,120	265,448	318,049	265,448
Landfill closure and postclosure care costs payable	710,303	65,575	3,093	772,785	14,867
Total governmental activities long-term liabilities	<u>\$ 2,924,886</u>	<u>\$ 1,149,708</u>	<u>\$ 1,022,141</u>	<u>\$ 3,052,453</u>	<u>\$ 996,655</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 – LONG-TERM LIABILITIES (Cont’d)

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

The assets acquired through capital leases are as follows.

	Governmental Activities
Asset:	
Building improvements	\$ 331,528
Machinery and equipment	3,698,286
Less: accumulated depreciation	(1,150,426)
Carrying value	\$ 2,879,387

The following schedule details debt service requirements to maturity for the County’s capital leases payable at current fiscal year end.

		Governmental Activities
Year Ending June 30:		
2011		\$ 800,343
2012		451,094
2013		357,741
2014		479,599
2015		75,302
Total minimum lease payments		2,164,080
Less: amount representing interest		202,459
Present value of net minimum lease payments		\$ 1,961,619

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Landfill closure and postclosure care costs – State and federal laws and regulations require the County to place a final cover on its three landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports a portion of these closure and postclosure care costs in each period that the County operates the landfills. These costs will be paid from the 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 \$772,785 reported as landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount reported to date based on the use of 57 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 \$601,252 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 2010. The County expects to close the Loma Linda Landfill in the year 2024 and the Loma Linda Construction and Demolition Landfill in the year 2024, and the actual costs may be higher because of inflation, changes in technology, or changes in regulations. The Blue Landfill was closed in November 2005.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements, as last verified in 2003.

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

Compensated absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the current fiscal year, the County paid for compensated absences as follows: 61 percent from the General Fund, 13 percent from major funds, and 26 percent from other funds.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

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

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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

ASRS

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

PSPRS and EORP

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

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

Cost-Sharing Plans – For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.40 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 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.40 percent for long-term disability) of the members’ annual covered payroll.

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

	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
Year ending June 30:			
2010	\$ 313,092	\$ 24,777	\$ 15,016
2009	309,972	37,244	19,397
2008	285,901	37,291	17,758

Agent Plans – For the current fiscal year, 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 11.78 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 0.63 percent of covered payroll.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

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 14.25 percent of the members' annual covered payroll. The health insurance premium portion of the contribution rate for normal cost was actuarially set at 1.89 percent of covered payroll.

Actuarial Methods and Assumptions – The contribution requirements for the current fiscal year were established by the June 30, 2008, 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 2010 contribution requirements, are as follows.

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases includes inflation at	5.50% - 8.50% for PSPRS; 5.00% for EORP 5.50% for PSPRS; 5.00% for EORP

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Annual Pension/OPEB Cost – The County’s pension/OPEB cost for the agent plans for the year ended June 30, 2010, and related information follows.

	PSPRS		EORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 79,381	\$ 4,485	\$ 128,065	\$ 8,124
Contributions made	79,381	4,485	128,065	8,124

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

**Plan:
PSPRS**

Year Ended <u>June 30</u>	Annual Pension/ <u>OPEB Cost</u>	Percentage of Annual Cost <u>Contributed</u>	Net Pension/ <u>OPEB Obligation</u>
<i>Pension</i>			
2010	\$ 79,381	100%	\$ -0-
2009	91,342	100	-0-
2008	60,760	100	-0-
<i>Health Insurance</i>			
2010	\$ 4,485	100	\$ -0-
2009	8,376	100	-0-
2008	4,608	100	-0-

EORP

Year Ended <u>June 30</u>	Annual Pension/ <u>OPEB Cost</u>	Percentage of Annual Cost <u>Contributed</u>	Net Pension/ <u>OPEB Obligation</u>
<i>Pension</i>			
2010	\$128,065	100%	\$ -0-
2009	131,150	100	-0-
2008	101,945	100	-0-
<i>Health Insurance</i>			
2010	\$ 8,124	100	\$ -0-
2009	11,680	100	-0-
2008	9,079	100	-0-

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, 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)	\$ 3,041,313	\$ 90,076
Actuarial value of assets (b)	2,793,326	-0-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	247,987	90,076
Funded ratio (b)/(a)	91.8%	0.0%
Covered payroll (c)	\$ 639,428	\$ 639,428
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) – (b))/(c)	38.8%	14.1%

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

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases includes inflation at	5.50% - 8.50% for PSPRS; 5.00% for EORP 5.50% for PSPRS; 5.00% for EORP

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – At year end, the HURF Fund and Non-Major Governmental Funds had negative cash balances of \$32,176 and \$637, respectively in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. In addition, Non-Major Governmental Funds received loans of \$130,280 from the General Fund throughout the fiscal year to mitigate registered warrant expenditures in funds with temporary negative balances. All interfund balances are expected to be paid within one year.

Interfund transfers – Interfund transfers for the current fiscal year were as follows.

Transfers from	Transfers to			Total
	General Fund	HURF Fund	Non-Major Governmental Funds	
General Fund	\$	\$ 350,000	\$ 695,086	\$ 1,045,086
PDMI Donation Fund	1,800,000			1,800,000
Non-Major Governmental Funds	15,630	253,050	129,488	398,168
Total	\$ 1,815,630	\$ 603,050	\$ 824,574	\$ 3,243,254

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

NOTE 11 - COUNTY TREASURER’S INVESTMENT POOL

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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

Substantially, all deposits of the County's primary government are included in the County Treasurer's investment pool, except for \$116,969 of deposits. Therefore, the deposit risks of the Treasurer's investment pool are substantially the same as the County's deposit risks. See Note 3 for disclosure of the County's deposit risks.

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

Statement of Net Assets

Assets	\$ 16,813,535
Liabilities	
Net assets	<u>\$ 16,813,535</u>

Net assets held in trust for:

Internal participants	\$ 9,597,531
External participants	7,216,004
Total net assets held in trust	<u>\$ 16,813,535</u>

Statement of Changes in Net Assets

Total additions	\$ 32,537,099
Total deductions	<u>32,278,362</u>
Net increase	258,737
Net assets held in trust:	
July 1, 2009	<u>16,554,798</u>
June 30, 2010	<u>\$ 16,813,535</u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Revenues:			
Taxes	\$ 2,165,175	\$ 2,593,901	\$ 428,726
Intergovernmental	4,257,232	5,624,039	1,366,807
Charges for services	121,000	309,434	188,434
Fines and forfeits	60,000	109,422	49,422
Investment earnings	30,000	15,399	(14,601)
Miscellaneous	105,000	31,711	(73,289)
Total revenues	6,738,407	8,683,906	1,945,499
Expenditures:			
General government			
Board of Supervisors	405,403	443,362	(37,959)
Airport	23,500	5,040	18,460
Assessor	313,563	299,793	13,770
Attorney	386,648	359,236	27,412
Contingency	100,000	56,564	43,436
Constable No. 1	29,496	26,260	3,236
Constable No. 2	32,118	26,916	5,202
County administration	276,535	270,307	6,228
Data processing	359,742	366,855	(7,113)
Elections	42,357	51,336	(8,979)
General services	1,004,834	1,294,910	(290,076)
GIS program		264	(264)
Ground and maintenance	1,094,282	324,815	769,467
Justice of the Peace No. 1	177,161	172,115	5,046
Justice of the Peace No. 2	121,434	125,460	(4,026)
Planning and zoning	5,500	2,945	2,555
Public Fiduciary	47,417	47,517	(100)
Recorder	196,032	188,226	7,806
Superior court	713,869	734,830	(20,961)
Treasurer	200,494	193,798	6,696
Voter registration	13,250	7,524	5,726
Fleet	123,175	173,122	(49,947)
Total general government	5,666,810	5,171,195	495,615
Public safety			
County flood control		943	(943)
Emergency services	95,000	196,424	(101,424)
Sheriff	2,605,132	2,771,437	(166,305)
Total public safety	2,700,132	2,968,804	(268,672)
Highways and streets - Roads		355,982	(355,982)
Sanitation - Landfill		14	(14)

(Continued)

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2010
(Concluded)

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
Health and welfare - AHCCCS/ALTCS Payments	346,300	322,924	23,376
Culture and recreation			
County library	28,500	28,741	(241)
Parks and recreation	69,947	63,985	5,962
Total culture and recreation	98,447	92,726	5,721
Education			
School Superintendent	202,626	198,160	4,466
U of A extension services	20,000	20,000	
Total education	222,626	218,160	4,466
Total expenditures	9,034,315	9,129,805	(95,490)
Excess (deficiency) of revenues over expenditures	(2,295,908)	(445,899)	1,850,009
Other financing sources (uses):			
Sale of capital assets	5,000	2,745	(2,255)
Transfers in	1,900,000	1,815,630	(84,370)
Transfers out	(1,009,092)	(1,045,086)	(35,994)
Total other financing sources (uses)	895,908	773,289	(122,619)
Net change in fund balances	(1,400,000)	327,390	1,727,390
Fund balances, July 1, 2009	1,400,000	4,654,484	3,254,484
Fund balances, June 30, 2010	\$ -	\$ 4,981,874	\$ 4,981,874

See accompanying notes to budgetary comparison schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PDMI DONATION FUND
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Investment income	\$	\$ 28,336	\$ 28,336
Contributions	300,000	1,150,000	850,000
Total revenues	<u>300,000</u>	<u>1,178,336</u>	<u>878,336</u>
Expenditures:			
Current -			
Public safety	100,000	46,900	53,100
Total expenditures	<u>100,000</u>	<u>46,900</u>	<u>53,100</u>
Excess (deficiency) of revenues over expenditures	<u>200,000</u>	<u>1,131,436</u>	<u>931,436</u>
Other financing sources (uses):			
Transfers out	(1,900,000)	(1,800,000)	100,000
Total other financing sources (uses)	<u>(1,900,000)</u>	<u>(1,800,000)</u>	<u>100,000</u>
Net change in fund balances	(1,700,000)	(668,564)	1,031,436
Fund balances, July 1, 2009	1,836,171	3,148,583	1,312,412
Fund balances, June 30, 2010	<u>\$ 136,171</u>	<u>\$ 2,480,019</u>	<u>\$ 2,343,848</u>

See accompanying notes to budgetary comparison schedule.

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
HURF FUND
YEAR ENDED JUNE 30, 2010

	<u>Budgeted</u> <u>Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental	\$ 992,000	\$ 957,728	\$ (34,272)
Investment income		1,135	1,135
Miscellaneous		16,725	16,725
Total revenues	<u>992,000</u>	<u>975,588</u>	<u>(16,412)</u>
Expenditures:			
Current -			
Highway and streets	1,490,500	1,617,404	(126,904)
Capital outlay	121,500	92,559	28,941
Total expenditures	<u>1,612,000</u>	<u>1,709,963</u>	<u>(97,963)</u>
Excess (deficiency) of revenues over expenditures	<u>(620,000)</u>	<u>(734,375)</u>	<u>(114,375)</u>
Other financing sources (uses):			
Sale of capital assets		18,485	18,485
Transfers in	600,000	603,050	3,050
Total other financing sources (uses)	<u>600,000</u>	<u>621,535</u>	<u>21,535</u>
Net change in fund balances	(20,000)	(112,840)	(92,840)
Fund balances, July 1, 2009	20,000	115,534	95,534
Fund balances, June 30, 2010	<u>\$</u>	<u>\$ 2,694</u>	<u>\$ 2,694</u>

See accompanying notes to budgetary comparison schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010**

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 present value of net minimum capital lease agreements. The financing arrangements of \$612,704 were entered into during fiscal year 2009-10. Of the expenditures for the assets financed, \$141,579 was incurred during fiscal year 2008-09, and \$471,125 was incurred during fiscal year 2009-10.

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

	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Beginning Fund Balance</u>
<u>General Fund</u>			
Statement of Revenues, Expenditures and Changes in Fund Balances	\$9,600,930	\$1,385,993	\$4,512,905
Present value of net minimum capital lease payments – assets acquired during fiscal year 2008-09			141,579
Present value of net minimum capital lease payments – assets acquired during fiscal year 2009-10	471,125		
Present value of net minimum capital lease payments – lease financing arrangements entered into during fiscal year 2009-10		612,704	
Budgetary comparison schedule	<u>\$9,129,805</u>	<u>\$ 773,289</u>	<u>\$4,654,484</u>

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2010**

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year current fiscal year, expenditures exceeded final budget amounts at the department level for the General Fund and the fund level for all other funds as follows.

<u>Fund</u>	<u>Department</u>	<u>Excess</u>
General Fund	Board of Supervisors	\$ 37,959
	Data processing	7,113
	Elections	8,979
	General services	290,076
	GIS program	264
	Justice of the Peace No. 2	4,026
	Public Fiduciary	100
	Superior court	20,961
	Fleet	49,947
	County flood control	943
	Emergency services	101,424
	Sheriff	166,305
	Roads	355,982
	Landfill	14
	County library	241
HURF	Roads	97,963

The County will more closely monitor these expenditures to ensure the appropriated budget is not exceeded. The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both. 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 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, 2010**

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						
6/30/10	\$2,793,326	\$3,041,313	\$(247,987)	91.8%	\$639,428	38.8%
6/30/09	2,594,823	2,836,119	(241,296)	91.5%	755,114	32.0%
6/30/08	2,362,092	2,612,090	(249,998)	90.4%	677,521	36.9%
Health Insurance						
6/30/10	-0-	\$ 90,076	\$ (90,076)	0.0%	\$639,428	14.1%
6/30/09	-0-	79,231	(79,231)	0.0%	755,114	10.5%
6/30/08	-0-	80,703	(80,703)	0.0%	677,521	11.9%

See accompanying notes to this schedule.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2010**

NOTE 1 – ACTUARIAL INFORMATION AVAILABLE

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

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