

Greenlee County, Arizona

Annual Financial Report

Year Ended June 30, 2007

Greenlee County, Arizona
 Single Audit Reporting Package
 Year Ended June 30, 2007

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Independent Auditor's Report

The Auditor General of the State of Arizona

The Board of Supervisors of
Greenlee County, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County, Arizona as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of Greenlee County, Arizona as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 5 through 13, the Schedule of Agent Retirement Plans' Funding Progress on page 44, and the Budgetary Comparison Schedules on pages 45 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information on page 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Greenlee County, Arizona. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2010, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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


May 14, 2010

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, 2007

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, 2007. Please read it in conjunction with the County's basic financial statements, which begin on page 16.

Financial Highlights

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2007 as follows:

- The County's total net assets of governmental activities increased \$3.3 million to \$12.8 million, representing a 34.5 percent increase from fiscal year 2005-06.
- General revenues from governmental activities accounted for \$10.5 million in revenue, or 62.0 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.4 million or 38.0 percent of total governmental activities revenues.
- The County had \$13.6 million in expenses related to governmental activities; of which \$6.4 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$10.5 million were adequate to provide for the remaining costs of these programs.
- Among major governmental funds, the General Fund had \$10.0 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$7.4 million. The General Fund's fund balance increased by \$447,954 to \$1.9 million, due primarily to an increase in shared state sales taxes. The PDMI Donation Fund's fund balance increased by \$1.1 million, due primarily to a donation received during the year. The HURF Fund had revenues of \$1.3 million, which consisted mainly of intergovernmental revenues. The total expenditures were \$2.1 million. The fund balance of the HURF Fund decreased by \$154,590 from the prior year due primarily to increases in street maintenance costs and capital outlay expenditures. The fund balance of the Debt Service Fund increased by \$394,675 due to transfers in from other funds.

Overview of Financial Statements

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

Greenlee County, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

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

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

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

- **Governmental activities** - Most of the County's basic services are included here, such as general government, public safety, highway and streets, culture and recreation, sanitation, health and welfare, and education. Property taxes, sales taxes, intergovernmental, and charges for services revenue finance most of these activities.

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

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

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, PDMI Donation Fund, HURF Fund, and Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

Greenlee County, Arizona
 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2007

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

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

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

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$12.8 million as of June 30, 2007.

The largest portion of the County's net assets (54.4 percent) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, and machinery and equipment) less any related debt used to acquire those assets that is still outstanding.

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

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

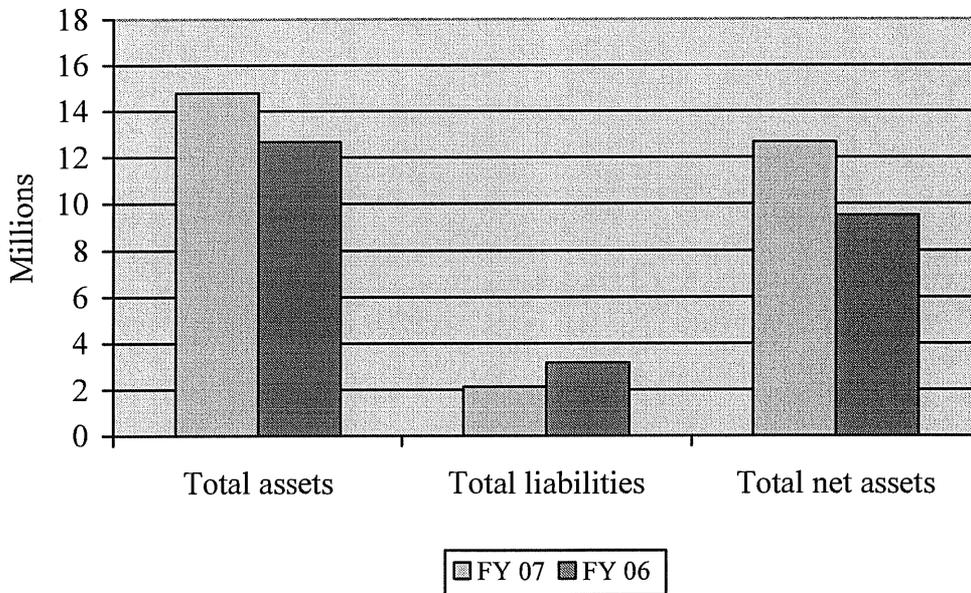
The following tables present a summary of the County's net assets as of June 30, 2007 and 2006.

	As of June 30, 2007	As of June 30, 2006
Current assets	\$ 7,237,413	\$ 5,121,420
Other assets		294,496
Capital assets, net	7,601,449	7,250,214
Total assets	14,838,862	12,666,130

Greenlee County, Arizona
 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2007

	As of June 30, 2007	As of June 30, 2006
Long-term liabilities outstanding	1,593,572	2,371,985
Other liabilities	469,646	792,450
Total liabilities	<u>2,063,218</u>	<u>3,164,435</u>
Net assets:		
Invested in capital assets, net of related debt	6,951,288	5,909,422
Restricted	62,448	864,615
Unrestricted	5,761,908	2,727,658
Total net assets	<u>\$ 12,775,644</u>	<u>\$ 9,501,695</u>

Governmental Activities



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

- An increase in current assets of \$2.1 million due primarily to revenues received in the PDMI Donation Fund not yet expended and state sales tax revenues exceeding expectations set aside for anticipated future debt.
- Long-term liabilities outstanding decreased approximately \$778,000 due in part to the final payoff of the Greenlee County Municipal Property Corporation certificates of participation.

Greenlee County, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

- The invested in capital assets, net of related debt component of the County's net assets increased by \$1,041,866 or 18 percent. This significant increase was directly attributable to the following:
 - A "net" increase in the County's capital assets of \$351,235 during fiscal year 2007;
 - The final payment on the County's certificates of participation debt liability of \$600,000 was made during fiscal year 2007. See Note 7 for further information.

- The restricted net asset component of the County's net assets decreased by \$802,167 or 93 percent. This significant decrease was directly attributable to the following:
 - The County made its final payment on the certificates of participation debt liability of \$600,000. Thus, releasing the restricted net assets of its debt service fund associated with the certificates.
 - The County incurred an excess expenditure over revenue situation in the amount of \$154,590 relating to its HURF Fund. Thus, reducing the restricted net assets associated with the HURF Fund.

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2007, were \$16.9 million. The total cost of all programs and services was \$13.6 million. The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2007 and 2006.

	<u>Fiscal Year Ended June 30, 2007</u>	<u>Fiscal Year Ended June 30, 2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 818,848	\$ 600,137
Operating grants and contributions	4,927,658	4,554,469
Capital grants and contributions	690,760	1,344,348
General revenues:		
Property taxes, levied for general purposes	1,282,875	1,284,588
Property taxes, levied for public health services	272,815	
County sales taxes for general purposes	1,052,927	1,062,010
Share of state sales taxes	5,112,397	3,918,655
Share of state vehicle license tax	327,825	274,918
Grants and contributions not restricted to specific programs	2,026,823	1,619,174
Investment earnings	219,215	132,212
Miscellaneous	186,723	161,411
Total revenues	<u>16,918,866</u>	<u>14,951,922</u>
Expenses:		
General government	4,761,926	4,259,548
Public safety	4,329,973	3,733,402
Highway and streets	1,633,764	1,619,645
Sanitation	302,831	370,756
Health and welfare	1,566,715	1,479,280
Culture and recreation	486,317	508,433
Education	481,028	524,014
Economic development		3,408
Interest on long-term debt	<u>82,363</u>	<u>104,195</u>

Greenlee County, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

	Fiscal Year Ended June 30, 2007	Fiscal Year Ended June 30, 2006
Total expenses	13,644,917	12,602,681
Increase in net assets	\$ 3,273,949	\$ 2,349,241

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

- Charges for services increased \$218,711 mostly due to an increase in fees for prisoner room and board and an increase in justice court fines.
- Operating grants and contributions increased by \$373,189 primarily due to a community college subsidy provided by the state beginning fiscal year 2006-07.
- Capital grants and contributions decreased by \$653,588 due to lower funding needs for airport improvements and homeland security projects in fiscal year 2006-07.
- Property taxes levied for public health services increased by \$272,815 due to a new levy beginning in fiscal year 2006-07.
- State shared taxes increased as a result of increased copper prices and the associated severance tax collected and distributed to the County.
- General government expenses increased by \$502,378, due to repairs and maintenance expenses for the airport, an increase in legal services for the superior court, cost-of-living adjustments, increases in amounts withheld from state shared revenues for community college tuition for local students attending in other counties, increased expenses related to crime victim compensation, and a significant increase in the cost of electricity.
- Public safety expenses increased by \$596,571 due to increases in prisoner meals, expenses related to state funding for an anti-meth program, increases in overtime pay due to loss of officers and needed coverage and cost-of-living adjustments.

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

	Year Ended June 30, 2007		Year Ended June 30, 2006	
	Total Expenses	Net (Expense) Revenue	Total Expenses	Net (Expense) Revenue
Governmental Activities				
General government	\$ 4,761,926	\$ (3,993,910)	\$ 4,259,548	\$ (3,336,662)
Public safety	4,329,973	(2,452,567)	3,733,402	(1,428,955)
Highway and streets	1,633,764	6,570	1,619,645	(213,262)
Sanitation	302,831	21,395	370,756	(61,195)
Health and welfare	1,566,715	(781,875)	1,479,280	(720,084)
Culture and recreation	486,317	(152,081)	508,433	(214,817)
Education	481,028	227,180	524,014	(21,149)
Economic development			3,408	(3,408)
Interest on long-term debt	82,363	(82,363)	104,195	(104,195)
Total	\$ 13,644,917	\$ (7,207,651)	\$ 12,602,681	\$ (6,103,727)

Greenlee County, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

- The cost of all governmental activities this year was \$13.6 million.
- The net cost of governmental activities of \$7.2 million was financed by general revenues, which are made up of primarily taxes and shared state revenues.

Financial Analysis of the County's Funds

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

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

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$6.8 million, an increase of \$2.2 million. Total fund balance constitutes unreserved fund balance, which is available for spending at the County's discretion.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$447,954 due primarily to an increase in shared state sales taxes. The increase in the PDMI Donation Fund of \$1.1 million was due primarily to donations received during the year. The fund balance of the HURF Fund showed a decrease of \$154,590 as a result of increases in street maintenance costs and capital outlay expenditures. The fund balance of the Debt Service Fund increased by \$394,675 as a result of transfers in from other funds.

Budgetary Highlights

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

- Shared state sales tax revenues in the General Fund budgeted as intergovernmental revenues exceeded estimates by \$2.1 million. The County transferred \$1.0 million of this to the Debt Service Fund in anticipation of future debt.
- Sheriff expenditures exceeded estimates by \$241,235 due to several factors. Part-time detention offices were used to cover shifts in the absence of full-time offices. Overtime pay exceeded budgeted amounts due to the loss of officers and needed coverage. Fuel, oil and lubricants were over budgeted amounts due to higher fuel costs. Vehicles purchased were made that were unanticipated at the time the initial budget was adopted.
- Contingency expenditures were less than budgeted due to the County not encountering issues that resulted in using contingency funds.

Greenlee County, Arizona
 Management's Discussion and Analysis (MD&A)
 Year Ended June 30, 2007

- General services expenditures exceeded estimates by \$85,383 due largely to the purchase of vehicles that were unanticipated at the time the initial budget was adopted.
- Ground and maintenance expenditures exceeded estimates by \$82,551 due to significant increases in the cost of electricity, purchase of a vehicle not anticipated at the time the initial budget was adopted and additional building maintenance costs incurred.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2007, the County had invested \$7.6 million in capital assets, including land, land improvements, buildings and improvements, and machinery and equipment. Total depreciation expense for the year was \$1.1 million.

The following schedule presents capital asset balances and accumulated depreciation as of June 30, 2007 and 2006.

	As of June 30, 2007	As of June 30, 2006
Land	\$ 233,654	\$ 233,654
Land improvements	3,931,904	3,840,810
Buildings and improvements	7,406,433	6,899,157
Machinery and equipment	6,951,992	6,557,556
Accumulated depreciation	(10,922,534)	(10,280,963)
Total	\$ 7,601,449	\$ 7,250,214

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

Debt Administration. At June 30, 2007, the County had capital lease long-term liabilities outstanding of \$650,161 as compared to \$1,354,187 of capital leases and certificates of participation long-term liabilities outstanding in the prior year.

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

Economic Factors and Next Year's Budget

A 5.6% General Fund and 1.2% overall budget increase laid the framework for fiscal year 2006-07. The assessed valuation increased by \$56 million causing the primary property tax rate to decrease to \$.5564. The County once again levied the maximum primary property tax rate statutorily allowable. The formation of the Public Health Services District with a tax rate of \$.1205 raised the overall combined tax rate by 2 cents. The market salary adjustments for all positions were approved. The County continued its efforts to change the formula used to calculate out-of-county tuition costs. In response to our efforts, the legislature provided a subsidy in the amount of \$382,800 to offset the inequity in the formula. The County is working with legislators to find a permanent solution. The County continued the capital improvement plan as well as the fleet and heavy equipment replacement plans.

Greenlee County, Arizona
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2007

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, 2007

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 6,414,488
Receivables (net of allowances for uncollectibles):	
Property taxes	7,857
Accounts	9,839
Due from other governments	805,229
Capital assets, not being depreciated	233,654
Capital assets, being depreciated, net	7,367,795
Total assets	14,838,862
Liabilities	
Accounts payable	246,722
Accrued payroll and employee benefits	147,535
Deferred revenue	75,389
Noncurrent liabilities:	
Due within one year	357,910
Due in more than one year	1,235,662
Total liabilities	2,063,218
Net Assets	
Invested in capital assets, net of related debt	6,951,288
Restricted for:	
HURF	62,448
Unrestricted	5,761,908
Total net assets	\$ 12,775,644

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

Greenlee County, Arizona
Statement of Activities
Year Ended June 30, 2007

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	\$ 4,761,926	\$ 266,491	\$ 276,962	\$ 224,563	\$ (3,993,910)
Public safety	4,329,973	199,295	1,212,362	465,749	(2,452,567)
Highway and streets	1,633,764		1,640,334		6,570
Sanitation	302,831	306,847	17,379		21,395
Health and welfare	1,566,715	3,797	781,043		(781,875)
Culture and recreation	486,317	42,418	291,370	448	(152,081)
Education	481,028		708,208		227,180
Interest on long-term debt	82,363				(82,363)
Total governmental activities	\$ 13,644,917	\$ 818,848	\$ 4,927,658	\$ 690,760	\$ (7,207,651)

General revenues:

Taxes:

Property taxes, levied for general purposes	1,282,875
Property taxes, levied for public health services	272,815
County sales taxes for general purposes	1,052,927
Share of state sales tax	5,112,397
Share of state vehicle license tax	327,825
Grants and contributions not restricted to specific programs	2,026,823
Investment earnings	219,215
Miscellaneous	186,723

Total general revenues 10,481,600

Change in net assets 3,273,949

Net assets, beginning of year 9,501,695

Net assets, end of year \$ 12,775,644

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

Greenlee County, Arizona
Balance Sheet - Governmental Funds
June 30, 2007

	General Fund	PDMI Donation Fund	HURF Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,440,365	\$ 1,927,233	\$ 22,622
Property taxes receivable	7,857		
Accounts receivable			9,839
Due from other governments	646,125		83,924
Due from other funds	41,580		
Total assets	\$ 2,135,927	\$ 1,927,233	\$ 116,385
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 144,005	\$	\$ 36,123
Accrued payroll and employee benefits	84,461		17,814
Due to other funds	2,291		
Deferred revenues	7,046		
Total liabilities	237,803		53,937
 Fund balances:			
Unreserved reported in:			
General fund	1,898,124		
Special revenue funds		1,927,233	62,448
Debt service fund			
Total fund balances	1,898,124	1,927,233	62,448
Total liabilities and fund balances	\$ 2,135,927	\$ 1,927,233	\$ 116,385

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,042,252	\$ 1,982,016	\$ 6,414,488
		7,857
		9,839
	75,180	805,229
	2,291	43,871
<u>\$ 1,042,252</u>	<u>\$ 2,059,487</u>	<u>\$ 7,281,284</u>
\$	\$ 66,594	\$ 246,722
	45,260	147,535
	41,580	43,871
	75,389	82,435
<u></u>	<u>228,823</u>	<u>520,563</u>
		1,898,124
	1,830,664	3,820,345
1,042,252		1,042,252
<u>1,042,252</u>	<u>1,830,664</u>	<u>6,760,721</u>
<u>\$ 1,042,252</u>	<u>\$ 2,059,487</u>	<u>\$ 7,281,284</u>

Greenlee County, Arizona
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 June 30, 2007

Fund balances - total governmental funds \$ 6,760,721

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

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

Governmental capital assets	\$ 18,523,983	
Less accumulated depreciation	<u>(10,922,534)</u>	7,601,449

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

Property taxes		7,046
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital leases payable	(650,161)	
Landfill closure and postclosure care costs payable	(635,222)	
Compensated absences payable	<u>(308,189)</u>	<u>(1,593,572)</u>

Net assets of governmental activities \$ 12,775,644

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

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Greenlee County, Arizona
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2007

	<u>General Fund</u>	<u>PDMI Donation Fund</u>	<u>HURF Fund</u>
Revenues:			
Taxes	\$ 2,338,065	\$	\$
Intergovernmental	7,113,265		1,289,829
Charges for services	233,982		
Fines and forfeits	146,415		
Investment earnings	61,214	58,323	5,063
Contributions		1,100,000	
Miscellaneous	65,760		6,587
Total revenues	<u>9,958,701</u>	<u>1,158,323</u>	<u>1,301,479</u>
Expenditures:			
Current -			
General government	3,904,399	50,000	
Public safety	2,268,586		
Highway and streets			1,516,112
Sanitation	43		563
Health and welfare	429,779		
Culture and recreation	69,375		
Education	196,106		
Capital outlay	473,846		383,429
Debt service -			
Principal retirement	86,167		214,588
Interest and fiscal charges	13,173		25,530
Total expenditures	<u>7,441,474</u>	<u>50,000</u>	<u>2,140,222</u>
Excess (deficiency) of revenues over expenditures	<u>2,517,227</u>	<u>1,108,323</u>	<u>(838,743)</u>
Other financing sources (uses):			
Capital lease agreements	21,423		231,571
Transfers in	72,643		452,582
Transfers out	(2,163,339)		
Total other financing sources (uses)	<u>(2,069,273)</u>		<u>684,153</u>
Changes in fund balances	<u>447,954</u>	<u>1,108,323</u>	<u>(154,590)</u>
Fund balances, beginning of year	1,450,170	818,910	217,038
Fund balances, end of year	<u>\$ 1,898,124</u>	<u>\$ 1,927,233</u>	<u>\$ 62,448</u>

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

Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 272,815	\$ 2,610,880
	3,557,369	11,960,463
	431,604	665,586
	16,847	163,262
21,252	73,363	219,215
	1,500	1,101,500
2,966	111,410	186,723
<u>24,218</u>	<u>4,464,908</u>	<u>16,907,629</u>
	264,187	4,218,586
	1,475,188	3,743,774
	1,578	1,517,690
	323,089	323,695
	1,070,996	1,500,775
	386,464	455,839
	284,272	480,378
	876,664	1,733,939
600,000	56,265	957,020
29,543	722	68,968
<u>629,543</u>	<u>4,739,425</u>	<u>15,000,664</u>
<u>(605,325)</u>	<u>(274,517)</u>	<u>1,906,965</u>
		252,994
1,000,000	1,079,108	2,604,333
	(440,994)	(2,604,333)
<u>1,000,000</u>	<u>638,114</u>	<u>252,994</u>
<u>394,675</u>	<u>363,597</u>	<u>2,159,959</u>
647,577	1,467,067	4,600,762
<u>\$ 1,042,252</u>	<u>\$ 1,830,664</u>	<u>\$ 6,760,721</u>

Greenlee County, Arizona
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended June 30, 2007

Net change in fund balances - total governmental funds **\$ 2,159,959**

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

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

Capital outlay	\$	1,493,101	
Depreciation expense		<u>(1,086,257)</u>	406,844

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.

Donations		13,500	
Losses on disposals of capital assets		<u>(69,109)</u>	(55,609)

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

Property taxes			(2,263)
----------------	--	--	---------

The issuance of long-term debt (e.g., bonds, leases, loans, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Debt issued or incurred		(252,994)	
Principal repaid		957,020	
Amortization of bond issuance costs		<u>(13,395)</u>	690,631

The decrease in the landfill closure and postclosure care cost liability reported in the Statement of Activities did not provide or require the use of current financial resources in the governmental funds. 59,978

The decrease in the compensated absences liability reported in the Statement of Activities did not provide or require the use of current financial resources in the governmental funds. 14,409

Change in net assets in governmental activities **\$ 3,273,949**

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, 2007

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and investments	<u>\$ 5,164,075</u>	<u>\$ 44,407</u>
Total assets	<u>\$ 5,164,075</u>	<u>\$ 44,407</u>
Liabilities		
Deposits held for others	<u>\$ -</u>	<u>\$ 44,407</u>
Total liabilities	<u>-</u>	<u>\$ 44,407</u>
Net Assets		
Held in trust for investment trust participants	<u>\$ 5,164,075</u>	

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

Greenlee County, Arizona
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	Investment Trust Funds
Additions:	
Contributions from participants	\$ 15,351,587
Investment income	193,624
Total additions	15,545,211
Deductions:	
Distributions to participants	15,413,315
Change in net assets	131,896
Net assets, July 1, 2006	5,032,179
Net assets, June 30, 2007	\$ 5,164,075

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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.

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided,
- Operating grants and contributions, and
- Capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements – provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental and fiduciary fund categories. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

The County reports the following major governmental funds:

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

The *PDMI Donation Fund* accounts for the receipt and expenditure of the donations received from Phelps Dodge Morenci, Inc.

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

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

The County reports the following fund types:

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

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

C. Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of Agency Funds, and the accrual basis of accounting. The Agency Funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues 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 property 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.

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

D. Inventories

Inventories consist of expendable supplies held for consumption and are recorded as expenses or expenditures at the time of purchase; and because the amounts on hand at June 30, 2007 were immaterial, they are not included in the financial statements.

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.

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

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 market value at the date of the donation.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000		
Construction in progress	\$ 5,000		
Buildings and improvements	\$ 5,000	Straight Line	20-50 years
Machinery and equipment	\$ 5,000	Straight Line	3-15 years
Land improvements	\$ 5,000	Straight Line	10-40 years

G. Investment Earnings

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

H. Compensated Absences

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

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

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

I. Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

Deficit Fund Balances – At June 30, 2007, the following funds reported deficits in fund balances:

<u>Fund</u>	<u>Deficit</u>
Non-Major Governmental Funds:	
Probation – County	\$ 31,197
Court Improvement Program	11,326
COPs Meth Grant	4,926
Marijuana Eradication	1,334
Sheriff's Block Grant	495
Juvenile Standard Probation	175
Stone Garden	58
DUI Enforcement	4

These deficits resulted from operations during the year, but are expected to be corrected through normal operations or transfers from the General Fund in fiscal year 2008.

Expenditures in Excess of Appropriations – For the year ended June 30, 2007, expenditures exceeded final budget amounts at the department level for the General Fund and the fund level for all other funds (the legal level of budgetary control) as follows.

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Sheriff	\$ 241,235
General services	85,383
Ground and maintenance	82,551
Superior court	11,737
Planning and zoning	1,780
County library	1,578
County flood control	860
Recorder	487
Board of Supervisors	216
AHCCCS/ALTCS payments	147
Animal control	124
Constable No. 1	72
Ambulance service	56
Landfill	43

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

<u>Fund/Department</u>	<u>Excess</u>
Other Funds:	
Debt Service	276,916
DOJ/Homeland Security	202,249
HURF	113,651
PDMI Donation	50,000
Pandemic Flu	49,849
Race	45,096
State Anti-Meth Program	30,613
ECO/State Land Grant	25,000
AZPost Firearms Range Grant	24,923
Federal Election System (HAVA)	24,597
COPs Meth Grant	24,206
Governor's Anti-Meth Program	19,916
Forest Health Grant	18,578
County Fair	16,634
Sheriff's ACJC	13,519
State Crime Victim Compensation	12,342
National Forest Fees	10,000
Court Improvement Program	7,649
JIPS	7,290
CERT Grant	6,782
Spay/Neuter Program	6,604
Juvenile Crime Reduction	5,065
Stone Garden	3,068
Community Punishment Program	2,327
Drug Treatment Education	1,511
Judicial Collection Enhancement	628
Gates Grant	475
DUI Enforcement Fund	217
Emergency Food and Shelter	44
Victim's Rights and Assistance	8

These excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues or both. The County uses conservative budgeting practices and encourages departments to stay within their adopted budget amounts. Each year, the County bases the adopted budget amounts on these conservative current and budget year projections and past historical trends. Any excesses of appropriates 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, 2007

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 June 30, 2007, the carrying amount of the County's deposits was \$11,607,280, and the bank balance was \$11,895,026. The County does not have a formal policy regarding custodial credit risk. At June 30, 2007, \$11,695,026 of the County's deposits were uninsured with collateral held by the pledging financial institution but not in the County's name.

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

Cash, deposits, and investments:	
Cash on hand	\$ 15,690
Amount of deposits	11,607,280
Total	<u>\$ 11,622,970</u>

	Cash and Cash Equivalents
<u>Statement of Net Assets:</u>	
Governmental activities	\$ 6,414,488
Investment Trust Funds	5,164,075
Agency Funds	44,407
Total	<u>\$ 11,622,970</u>

Note 4 - Due From Other Governments

Amounts due from other governments at June 30, 2007, as reported in the Statement of Net Assets include \$83,924 in Highway User Revenues, \$128,090 in County excise tax, \$52,224 in auto lieu taxes, \$465,856 in sales tax, \$48,040 in other federal grants, \$22,510 in state grants, and \$4,585 in reimbursements and charges for services due from various government agencies.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Total	<u>233,654</u>			<u>233,654</u>
Capital assets being depreciated:				
Land improvements	3,840,810	91,094		3,931,904
Buildings and improvements	6,899,157	507,276		7,406,433
Machinery and equipment	6,557,556	908,231	(513,795)	6,951,992
Total	<u>17,297,523</u>	<u>1,506,601</u>	<u>(513,795)</u>	<u>18,290,329</u>
Less accumulated depreciation for:				
Land improvements	(1,645,866)	(150,224)		(1,796,090)
Buildings and improvements	(4,342,795)	(250,406)		(4,593,201)
Machinery and equipment	(4,292,302)	(685,627)	444,686	(4,533,243)
Total	<u>(10,280,963)</u>	<u>(1,086,257)</u>	<u>444,686</u>	<u>(10,922,534)</u>
Total capital assets being depreciated, net	<u>7,016,560</u>	<u>420,344</u>	<u>(69,109)</u>	<u>7,367,795</u>
Governmental activities capital assets, net	<u>\$ 7,250,214</u>	<u>\$ 420,344</u>	<u>\$ (69,109)</u>	<u>\$ 7,601,449</u>

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 339,466
Public safety	451,787
Highway and streets	173,036
Sanitation	40,144
Health and welfare	53,679
Culture and recreation	28,145
Total governmental activities depreciation expense	<u>\$ 1,086,257</u>

Note 6 - Line of Credit

The County maintains a revolving line of credit with a \$2,400,000 limit and 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, 2007. The interest rate is 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. As of June 30, 2007, the outstanding balance on this credit line was \$0.

Line of credit activity for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Increase	Decrease	Balance June 30, 2007
Line of credit	\$ 0	\$ 3,777,051	\$ (3,777,051)	\$ 0

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 322,598	\$ 312,981	\$ (327,390)	\$ 308,189	\$ 77,047
Capital leases payable	754,187	252,994	(357,020)	650,161	258,550
Landfill closure and postclosure care costs payable	695,200		(59,978)	635,222	22,313
Certificates of participation payable	600,000		(600,000)		
Total	<u>\$ 2,371,985</u>	<u>\$ 565,975</u>	<u>\$ (1,344,388)</u>	<u>\$ 1,593,572</u>	<u>\$ 357,910</u>

Certificates of participation – The County has issued certificates of participation that are generally callable with interest payable semiannually to renovate its old courthouse building. The original amount of the certificates issued in prior years was \$2,750,000. The County made the final payment on the certificates of participation during fiscal year 2006-07.

Capital leases – The County has acquired dispatch center improvements and machinery and equipment under the provisions of various long-term lease

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental activities
Buildings and improvements	\$ 271,349
Machinery and equipment	991,902
Less: accumulated depreciation	(266,801)
Carrying value	\$ 996,450

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2007:

	Governmental activities
Year ending June 30,	
2008	\$ 289,321
2009	207,990
2010	142,042
2011	53,270
2012	17,758
Total minimum lease payments	710,381
Less amount representing interest	(60,220)
Present value of net minimum lease payments	\$ 650,161

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$635,222 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 50 percent of the estimated capacity of the landfills. The County will recognize the remaining estimated cost of closure and postclosure care of \$645,524 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 2007. The County expects to close the Loma Linda Municipal Landfill in the year 2023 and the Loma Linda Construction and Demolition Landfill in the year 2024, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations. The Blue Landfill was closed in November 2005.

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

County is not in compliance with these requirements. County management intends on complying with the aforementioned local government financial test requirements once the County becomes current with its annual financial statement audits.

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

Compensated absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2007, the County paid for compensated absences as follows: 56 percent from the General Fund, 16 percent from major funds, and 28 percent from other funds.

Note 8 - Interfund Balances and Activity

Interfund receivables and payables – Interfund balances at June 30, 2007, were as follows:

Payable From	Payable to		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 2,291	\$ 2,291
Non-Major Governmental Funds	41,580		41,580
Total	<u>\$ 41,580</u>	<u>\$ 2,291</u>	<u>\$ 43,871</u>

At June 30, 2007, five funds had negative cash balances in the Treasurer's pooled cash accounts. Negative cash on deposit with the County Treasurer was eliminated by interfund borrowing with other funds.

Interfund transfers – Interfund transfers for the year ended June 30, 2007, were as follows:

Transfer from	Transfer to				Total
	General Fund	HURF Fund	Debt Service Fund	Non-Major Governmental Funds	
General Fund	\$	\$ 95,187	\$ 1,000,000	\$ 1,068,152	\$ 2,163,339
Non-Major Governmental Funds	72,643	357,395		10,956	440,994
Total	<u>\$ 72,643</u>	<u>\$ 452,582</u>	<u>\$ 1,000,000</u>	<u>\$ 1,079,108</u>	<u>\$ 2,604,333</u>

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

support for such items as matching funds for grants or to make up the shortfall of grant funded programs that the County feels are important. In addition, the Board of Supervisors authorized a transfer to the Debt Service Fund to accumulate funds for future debt requirements.

Note 9 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; 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 on page 34, 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 \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

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, 2007

Note 10 - Retirement Plans

Plan Descriptions – The County contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

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

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

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension 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.

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.

Cost-Sharing Plans – For the year ended June 30, 2007, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2007, 2006, and 2005 were \$312,269, \$221,744, and \$159,630, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was required to remit a

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

designated portion of certain court fees plus additional contributions of 18.55 percent of the member's annual covered payroll, as determined by actuarial valuation. The County's contributions to EORP for the years ended June 30, 2007, 2006, and 2005 were \$91,318, \$108,755, and \$48,276, respectively, which were equal to the required contributions for the year.

Agent Plan – For the year ended June 30, 2007, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 14.15 percent.

Annual Pension Cost – The County's pension cost for the agent plan for the year ended June 30, 2007, and related information follows.

	<u>PSPRS</u>
Contribution rates:	
County	14.15%
Plan members	7.65%
Annual pension cost	\$66,833
Contributions made	\$66,833

The current-year annual required contributions for the PSPRS were determined as part of their June 30, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.5 percent investment rate of return and (b) projected salary increases ranging from 5.5 percent to 8.5 percent per year. (B) included an inflation component of 5.0 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded (excess) actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2005 was 30 years.

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

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 66,833	100%	\$ - 0 -
2006	43,921	100%	- 0 -
2005	23,354	100%	- 0 -

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

Greenlee County, Arizona
Notes to Financial Statements
June 30, 2007

Treasurer has a fiduciary responsibility to administer those and the County's monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

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

Substantially, all deposits of County's primary government are included in the County Treasurer's investment pool, except for \$202,970 of deposits. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks; see Note 3 for disclosure of the County's deposit and investment risks.

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

Statement of Net Assets	
Assets	\$ 11,420,000
Liabilities	
Net assets	<u>\$ 11,420,000</u>
Net assets held in trust for:	
Internal participants	\$ 6,255,925
External participants	5,164,075
Total net assets held in trust	<u>\$ 11,420,000</u>
Statement of Changes in Net Assets	
Total additions	\$ 31,484,370
Total deductions	29,306,341
Net increase	<u>2,178,029</u>
Net assets held in trust:	
July 1, 2006	9,241,971
June 30, 2007	<u>\$ 11,420,000</u>

Note 12 - Subsequent Event

In June 2008, the County entered into a contract with CKC Construction in the amount of \$770,159 for the Airport West Taxiway Construction. The construction will be paid with Federal Aviation Administration and Arizona Department of Transportation grant funding.

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Other Required Supplementary Information

Greenlee County, Arizona
 Other Required Supplementary Information
 Schedule of Agent Retirement Plans' Funding Progress
 June 30, 2007

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)
6/30/2007	\$2,153,151	\$2,565,911	\$(412,760)	83.9%	\$638,070	64.7%
6/30/2006	2,264,015	2,286,851	(22,836)	99.0%	515,742	4.4%
6/30/2005	2,241,606	2,389,810	(148,204)	93.8%	447,113	33.1%

Greenlee County, Arizona
Other Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Eded June 30, 2007

	Budgeted Amounts Original & Final	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 2,391,412	\$ 2,338,065	\$ (53,347)
Intergovernmental	4,720,927	7,113,265	2,392,338
Charges for services	178,500	233,982	55,482
Fines and forfeits	50,000	146,415	96,415
Investment earnings	5,000	61,214	56,214
Miscellaneous	120,000	65,760	(54,240)
Total revenues	<u>7,465,839</u>	<u>9,958,701</u>	<u>2,492,862</u>
Expenditures:			
General government			
Board of Supervisors	334,043	334,259	(216)
Airport	53,385	8,825	44,560
Assessor	283,580	282,438	1,142
Attorney	302,491	255,467	47,024
Contingency	260,000	19,435	240,565
Constable No. 1	25,264	25,336	(72)
Constable No. 2	24,463	22,797	1,666
County administration	245,914	236,344	9,570
Elections	80,153	69,971	10,182
General services	907,431	992,814	(85,383)
Ground and maintenance	451,100	533,651	(82,551)
Information systems	314,767	270,047	44,720
Justice of the Peace No. 1	131,686	122,140	9,546
Justice of the Peace No. 2	115,638	113,972	1,666
Planning and zoning	2,000	3,780	(1,780)
Public fiduciary	45,533	44,103	1,430
Recorder	162,672	163,159	(487)
Superior court	616,802	628,539	(11,737)
Treasurer	172,991	168,491	4,500
Voter registration	18,450	10,124	8,326
Total general government	<u>4,548,363</u>	<u>4,305,692</u>	<u>242,671</u>

(Continued)

See accompanying notes to this schedule.

Greenlee County, Arizona
Other Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Eded June 30, 2007

	Budgeted Amounts Original & Final	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Public safety			
County flood control	780	1,640	(860)
Emergency services	69,745	68,778	967
Sheriff	2,104,877	2,346,112	(241,235)
Total public safety	<u>2,175,402</u>	<u>2,416,530</u>	<u>(241,128)</u>
Sanitation - Landfill	-	43	(43)
Health and welfare			
Ambulance service	-	56	(56)
Animal control	-	124	(124)
AHCCCS/ALTCS Payments	429,452	429,599	(147)
Total health and welfare	<u>429,452</u>	<u>429,779</u>	<u>(327)</u>
Culture and recreation			
County library	28,000	29,578	(1,578)
Parks and recreation	53,199	42,323	10,876
Total culture and recreation	<u>81,199</u>	<u>71,901</u>	<u>9,298</u>
Education			
School superintendent	179,296	175,706	3,590
U of A extension services	20,400	20,400	-
Total education	<u>199,696</u>	<u>196,106</u>	<u>3,590</u>
Total expenditures	<u>7,434,112</u>	<u>7,420,051</u>	<u>14,061</u>
Excess of revenues over expenditures	<u>31,727</u>	<u>2,538,650</u>	<u>2,506,923</u>
Other financing sources (uses):			
Transfers in	104,625	72,643	(31,982)
Transfers out	(936,352)	(2,163,339)	(1,226,987)
Total other financing sources (uses)	<u>(831,727)</u>	<u>(2,090,696)</u>	<u>(1,258,969)</u>
Change in fund balances	(800,000)	447,954	1,247,954
Fund balances, July 1, 2006	<u>800,000</u>	<u>1,450,170</u>	<u>650,170</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 1,898,124</u>	<u>\$ 1,898,124</u>

See accompanying notes to this schedule.

Greenlee County, Arizona
 Other Required Supplementary Information
 Budgetary Comparison Schedule - PDMI Donation Fund
 Year Ended June 30, 2007

	Budgeted Amounts Original & Final*	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ -	58,323	\$ 58,323
Contributions	-	1,100,000	1,100,000
Total Revenues	<u>-</u>	<u>1,158,323</u>	<u>1,158,323</u>
Expenditures:			
Current -			
General government	-	50,000	(50,000)
Total expenditures	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
Change in fund balances	-	1,108,323	1,108,323
Fund balances, July 1, 2006	<u>-</u>	<u>818,910</u>	<u>818,910</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 1,927,233</u>	<u>\$ 1,927,233</u>

*The PDMI Donation fund was included in the County's budget; however, the budget was \$-0-.

See accompanying notes to this schedule.

Greenlee County, Arizona
Other Required Supplementary Information
Budgetary Comparison Schedule - HURF Fund
Year Ended June 30, 2007

	Budgeted Amounts Original & Final	Non-GAAP Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental	\$1,235,000	\$ 1,289,829	\$ 54,829
Investment earnings	5,000	5,063	63
Miscellaneous	-	6,587	6,587
Total revenues	<u>1,240,000</u>	<u>1,301,479</u>	<u>61,479</u>
Expenditures:			
Current -			
Highway and streets	1,362,000	1,516,112	(154,112)
Sanitation	-	563	(563)
Capital outlay	164,817	151,858	12,959
Debt service -			
Principal retirement	239,673	214,588	25,085
Interest and fiscal charges	28,510	25,530	2,980
Total expenditures	<u>1,795,000</u>	<u>1,908,651</u>	<u>(113,651)</u>
Deficiency of revenues over expenditures	<u>(555,000)</u>	<u>(607,172)</u>	<u>(52,172)</u>
Other financing sources (uses):			
Transfers in	330,000	452,582	122,582
Transfers out	(50,625)	-	50,625
Total other financing sources (uses)	<u>279,375</u>	<u>452,582</u>	<u>173,207</u>
Change in fund balances	(275,625)	(154,590)	121,035
Fund balances, July 1, 2006	<u>275,625</u>	<u>217,038</u>	<u>(58,587)</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 62,448</u>	<u>\$ 62,448</u>

See accompanying notes to this schedule.

Greenlee County, Arizona
 Other Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2007

Note 1 - Budgeting and Budgetary Control

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

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

Note 2 - Budgetary Basis of Accounting

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

	General Fund	HURF Fund
Excess (deficiency) of revenues over expenditures from the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,517,227	\$ (838,743)
Present value of net minimum capital lease payments	21,423	231,571
Excess (deficiency) of revenues over expenditures from the budgetary comparison schedules	\$ 2,538,650	\$ (607,172)

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2007, expenditures exceeded final budget amounts at the department level for the General Fund and the fund level for all other funds (the legal level of budgetary control) as follows.

Fund/Department	Excess
General Fund:	
Sheriff	\$ 241,235
General services	85,383
Ground and maintenance	82,551
Superior court	11,737
Planning and zoning	1,780
County library	1,578
County flood control	860

Greenlee County, Arizona
 Other Required Supplementary Information
 Notes to Budgetary Comparison Schedules
 June 30, 2007

<u>Fund/Department</u>	<u>Excess</u>
Recorder	487
Board of Supervisors	216
AHCCCS/ALTCS payments	147
Animal control	124
Constable No. 1	72
Ambulance service	56
Landfill	43
Other Funds:	
HURF	113,651
PDMI Donation	50,000

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both. The County uses conservative budgeting practices and encourages departments to stay within their adopted budget amounts. Each year, the County bases the adopted budget amounts on these conservative current and budget year projections and past historical trends. Any excesses of appropriates 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.

Supplementary Information

Greenlee County, Arizona
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget to Actual - Debt Service Fund
Year Ended June 30, 2007

	Budgeted Amounts Original & Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Investment earnings	\$ -	\$ 21,252	\$ 21,252
Miscellaneous	352,627	2,966	(349,661)
Total revenues	<u>352,627</u>	<u>24,218</u>	<u>(328,409)</u>
Expenditures:			
Debt service -			
Principal retirement	315,000	600,000	(285,000)
Interest and fiscal charges	37,627	29,543	8,084
Total expenditures	<u>352,627</u>	<u>629,543</u>	<u>(276,916)</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(605,325)</u>	<u>(605,325)</u>
Other financing sources:			
Transfers in	-	1,000,000	1,000,000
Total other financing sources	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Change in fund balances	-	394,675	394,675
Fund balances, July 1, 2006	<u>-</u>	<u>647,577</u>	<u>647,577</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 1,042,252</u>	<u>\$ 1,042,252</u>