

**GREENLEE COUNTY, ARIZONA
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012**

**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, 2012, 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 5 through 15, the Budgetary Comparison Schedules on pages 54 through 61, and the Schedule of Agent Retirement Plan's Funding Progress on pages 62 through 63 be presented to supplement the basic financial statements. Such information, although not part of

the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 22, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Fester & Chapman P.C." The signature is written in a cursive, slightly slanted style.

May 22, 2013

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

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**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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, 2012. Please read it in conjunction with the County's basic financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The County's total net assets of governmental activities decreased \$331,110 which represents a two percent decrease from the prior fiscal year.
- General revenues accounted for \$11.2 million in revenue, or 66 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.8 million or 34 percent of total revenues.
- The County had \$17.4 million in expenses related to governmental activities, an increase of eight percent from the prior fiscal year.
- Among major governmental funds, the General Fund had \$11.8 million in revenues, which primarily consisted of taxes and intergovernmental revenues, and \$10.4 million in expenditures.
- The HURF Fund had \$927,474 in revenues, which primarily consisted of intergovernmental revenues, and \$2.0 million in expenditures. The HURF Fund's fund balance increased from a deficit of \$7,468 as of June 30, 2011 to a balance of \$168,922 as of June 30, 2012.
- The Flood Disaster Fund had \$384,787 in revenues, which primarily consisted of intergovernmental revenues, and \$429,350 in expenditures. The Flood Disaster Fund's fund balance decreased from a deficit of \$29,014 as of June 30, 2011 to a deficit of \$73,577 as of June 30, 2012.

OVERVIEW OF FINANCIAL STATEMENTS

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

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

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, HURF and Flood Disaster 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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$15.2 million as of June 30, 2012.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

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

The following table presents a summary of the County's net assets for the fiscal years ended June 30, 2012 and 2011.

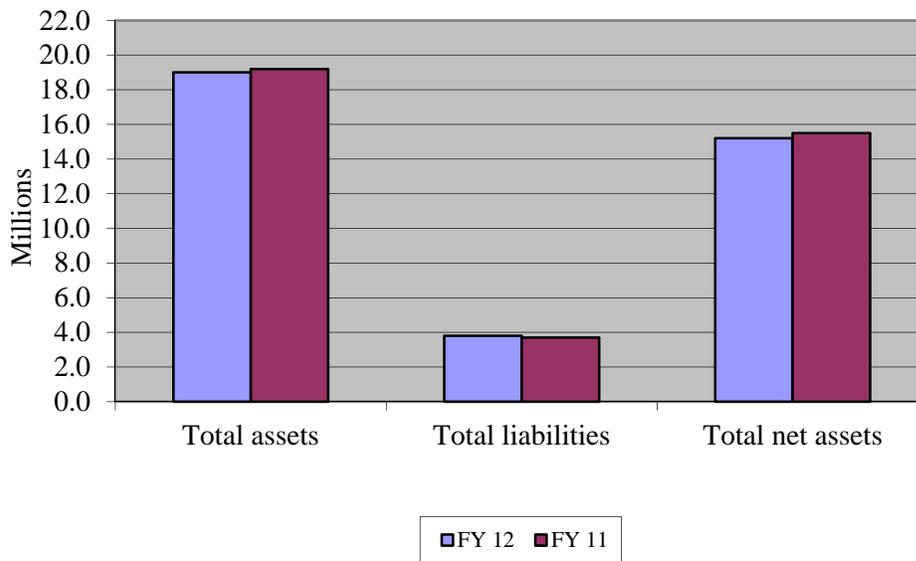
	As of <u>June 30, 2012</u>	As of <u>June 30, 2011</u>
Current assets	\$ 10,678,813	\$ 10,566,785
Capital assets, net	<u>8,337,187</u>	<u>8,678,295</u>
Total assets, net	<u>19,016,000</u>	<u>19,245,080</u>
Other liabilities	666,219	696,066
Long-term liabilities	<u>3,158,046</u>	<u>3,026,169</u>
Total liabilities	<u>3,824,265</u>	<u>3,722,235</u>
Net assets:		
Invested in capital assets, net of related debt	6,530,336	6,912,264
Restricted	630,791	606,041
Unrestricted	<u>8,030,608</u>	<u>8,004,540</u>
Total net assets	<u>\$ 15,191,735</u>	<u>\$ 15,522,845</u>

As of June 30, 2012, the County reported positive balances in all three categories of net assets. The same situation held true as of June 30, 2011.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Governmental Activities



The County's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant transactions that have had an impact on the Statement of Net Assets for the fiscal year ended June 30, 2012.

- The principal retirement of \$614,778 of capital leases.
- The inception of \$655,598 of capital leases.
- The addition of \$1,110,965 in capital assets related to the rehabilitation of the airport apron, purchases of machinery and equipment, and for expansion and improvements to the Public Works office facility.
- The disposal of \$399,430 of machinery and equipment.
- The depreciation of capital assets of \$1.4 million.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The County's total revenues for the fiscal year ended June 30, 2012 were \$17.1 million. The total cost of all programs and services was \$17.4 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and 2011.

	<u>Fiscal Year Ended June 30, 2012</u>	<u>Fiscal Year Ended June 30, 2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ 740,726	\$ 819,630
Operating grants and contributions	4,781,875	3,813,577
Capital grants and contributions	319,583	352,416
General revenues:		
Property taxes, levied for general purposes	2,196,444	2,066,431
Property taxes, levied for public health services	518,268	406,816
Property taxes, levied for flood control	48,533	48,850
County sales taxes for general purposes	1,495,734	1,281,394
Other taxes	14,400	16,046
Share of state sales taxes	4,370,939	3,944,682
Share of state vehicle license tax	328,282	299,976
Grants and contributions not restricted to specific programs	2,131,310	2,392,166
Investment earnings	27,286	51,363
Miscellaneous	56,536	84,002
Gain on sale, disposal, or trade-in of capital assets	57,392	71,200
Total revenues	<u>17,087,308</u>	<u>15,648,549</u>
Expenses:		
General government	6,124,645	5,482,170
Public safety	5,436,774	4,936,048
Highways and streets	2,570,562	2,358,486
Sanitation	307,350	493,657
Health and welfare	1,756,973	1,640,670
Culture and recreation	337,586	336,791
Education	783,292	712,745
Economic development	10,157	27,171
Interest on long-term debt	91,079	113,063
Total expenses	<u>17,418,418</u>	<u>16,100,801</u>
Change in net assets	(331,110)	(452,252)
Net assets, beginning	<u>15,522,845</u>	<u>15,975,097</u>
Net assets, ending	<u>\$ 15,191,735</u>	<u>\$ 15,522,845</u>

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following are significant transactions that have had an impact on the change in net assets during the fiscal year ended June 30, 2012.

- Operating grants and contributions increased \$968,298 primarily due to an increase in the National Forest Fees funding level, disaster assistance funding for the Northern County Flooding Emergency and a new Wildland Fire Hazardous Fuels grant.
- Property taxes, levied for general purposes, increased by \$130,013 due to an increase in the property tax rate.
- Property taxes levied for public health services increased by \$111,452 due to an increase in the property tax rate.
- County sales taxes for general purposes increased by \$214,340 due to an improvement in the economy and an increase of significant point-of-sale purchases made by the mining company for the expansion of the Morenci Mine.
- State shared sales taxes increased by \$426,257 as a result of an improvement in the economy across the state.
- Grants and contributions not restricted to specific programs decreased \$260,856 primarily due to the reduction in State Fiscal Stabilization monies received as part of the American Recovery and Reinvestment Act stimulus program.
- General government expenses increased \$642,475 primarily due to an increase in support to Eastern Arizona College, as well as increases due to salary increases and the hiring of new positions for Chief Finance Officer and Chief Justice Court Clerk.
- Public Safety expenses increased \$500,726 primarily due to salary increases, an increase in flood control costs related to the Emergency Watershed Protection Program, and a remittance of an overpayment for disaster assistance received in prior years.
- Highways and streets expenses increased \$212,076 primarily due to road repairs related to the Northern County Flooding Emergency.
- Sanitation expenses decreased \$186,307 primarily due to a decrease in the landfill closure and postclosure care costs recognized as current year costs.
- Health and welfare expenses increased \$116,303 primarily due to salary increases and the hiring of new positions for Public Health Nurse and Tobacco Program Coordinator.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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, 2012</u>		<u>Year Ended June 30, 2011</u>	
	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense)/ Revenue</u>
General government	\$ 6,124,645	\$ (5,077,273)	\$ 5,482,170	\$ (4,743,940)
Public safety	5,436,774	(3,724,349)	4,936,048	(3,386,475)
Highways and streets	2,570,562	(912,874)	2,358,486	(1,055,402)
Sanitation	307,350	(16,437)	493,657	(209,628)
Health and welfare	1,756,973	(1,284,464)	1,640,670	(1,128,260)
Culture and recreation	337,586	(236,071)	336,791	(222,564)
Education	783,292	(223,530)	712,745	(228,675)
Economic development	10,157	(10,157)	27,171	(27,171)
Interest on long-term debt	91,079	(91,079)	113,063	(113,063)
Total	<u>\$17,418,418</u>	<u>\$(11,576,234)</u>	<u>\$ 16,100,801</u>	<u>\$(11,115,178)</u>

- The cost of all governmental activities this year was \$17.4 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 \$11.6 million was financed by general revenues, which are made up primarily of taxes of \$4.3 million, shared state tax revenues of \$4.7 million, and grants and contributions not restricted to specific programs of \$2.1 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, unassigned 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, 2012**

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 \$10.0 million, an increase of \$149,343.

The General Fund comprises 86 percent of total fund balance. Approximately \$8.1 million, or 94 percent of the General Fund's fund balance constitutes unassigned fund balance.

The General Fund is the principal operating fund of the County. The General Fund's fund balance increased \$212,561, revenues increased \$868,405, and expenditures increased \$179,797. The increase in revenues can also be attributed to increases in property tax revenues, County sales tax revenues, state shared sales tax revenues and landfill charges.

The HURF Fund's fund balance increase of \$176,390 to \$168,922 as of fiscal year end was the result of a decrease in one-time road repair expenditures. HURF fund revenues decreased by \$133,290.

The Flood Disaster Fund's fund balance decrease of \$44,563 to (\$73,577) as of fiscal year end was the result of expenditures for road repairs related to the Northern County Flooding Emergency. The Flood Disaster Fund met the definition of a special revenue fund specified in GASB Statement No. 54 in the current year and has been reclassified as a separate fund.

BUDGETARY HIGHLIGHTS

Schedules showing the budget amounts compared to the County's actual financial activity for the General, HURF, and Flood Disaster 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 \$512,859 due primarily to conservative estimates for County sales taxes.
- Intergovernmental revenues exceeded estimates by \$1.0 million due primarily to unanticipated increases in state shared sales taxes and federal payments in lieu of taxes, as well as unbudgeted revenues related to State Fiscal Stabilization monies.
- Contributions revenues did not come in as anticipated and were less than budgeted by \$100,000.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

BUDGETARY HIGHLIGHTS (Concl'd)

- Miscellaneous revenues were less than budgeted by \$113,558 due primarily to misclassification of grants revenues in the adopted budget being properly classified in the financial statements and other miscellaneous revenues less than anticipated.
- Contingency expenditures were \$96,797 less than budgeted due primarily to expenditures mostly provided elsewhere and the need to utilize the contingency budget was minimal.
- Ground and maintenance expenditures were \$105,974 less than budgeted due primarily to anticipated capital expenditure not being incurred.
- Debt service expenditures were \$138,381 less than budgeted due primarily to capital leases entered into later in the year than anticipated resulting in fewer monthly payments during the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year-end, the County had invested \$23.5 million in capital assets, including buildings, vehicles, computers, and equipment. This amount represents a net increase prior to depreciation of \$711,535 from the prior fiscal year, primarily due to purchase of vehicles and other miscellaneous improvements and purchases of machinery and equipment. Total depreciation expense for the year was \$1.4 million.

The following schedule presents a summary of capital asset balances as of June 30, 2012 and 2011.

	As of June 30, 2012	As of June 30, 2011
Capital assets - non-depreciable	\$ 494,125	\$ 346,334
Capital assets - depreciable, net	7,843,062	8,331,961
Total	\$ 8,337,187	\$ 8,678,295

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

Debt Administration. At year end, the County had \$1.8 million in capital lease long-term debt outstanding, \$611,546 due within one year. This represents a net increase of \$40,820 due to the inception of \$655,598 in new leases, and the principal retirement of \$614,778.

Additional information on the County's long-term debt can be found in Note 8 in the notes to the financial statements.

**GREENLEE COUNTY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The fiscal year 2011-12 General Fund budget was 6.7 percent higher than the previous year, and the total budget exceeded last year's budget by 1.6 percent. The County's assessed valuation increased by \$11 million after the large decline in the previous year. The primary property tax rate was stable with only a ½ cent increase while the tax rates for the flood control district and public health services district rose by 6½ cents. The County absorbed cost shifts enacted by the state legislature without a reduction in services. State shared sales/severance tax came in \$700,000 above the budgeted amount due to the very strong copper market.

For the fiscal year 2012-13 budget, the County adopted a budget that reflects a 4.8 percent increase in the General Fund and an 11.6 percent overall increase primarily due to an increase in capital projects. The copper market remains strong, and the planned expansion at the Morenci Mine will cause the unemployment throughout the County to remain low. The County continues to use conservative revenue projections to ensure a sustainable budget.

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, 2012

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 9,149,138
Property taxes receivable	17,273
Accounts receivable	24,663
Other receivables	245,554
Due from other governments	1,187,194
Prepaid items	54,991
Total current assets	10,678,813
Noncurrent assets:	
Capital assets, not being depreciated	494,125
Capital assets, being depreciated, net	7,843,062
Total noncurrent assets	8,337,187
Total assets	19,016,000
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	270,561
Accrued payroll and employee benefits	349,227
Contracts payable	5,973
Unearned revenue	40,458
Current portion of long-term obligations	906,823
Total current liabilities	1,573,042
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	2,251,223
Total noncurrent liabilities	2,251,223
Total liabilities	3,824,265
 <u>NET ASSETS</u>	
Invested in capital assets, net of related debt	6,530,336
Restricted for:	
Information systems	54,564
Judicial activities	418,759
Law enforcement activities	5
Waste tire program	135,970
Fair and racing program	21,493
Unrestricted	8,030,608
Total net assets	\$ 15,191,735

**GREENLEE COUNTY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

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	\$ 6,124,645	\$ 219,134	\$ 715,352	\$ 112,886	\$ (5,077,273)
Public safety	5,436,774	163,380	1,393,009	156,036	(3,724,349)
Highways and streets	2,570,562		1,607,027	50,661	(912,874)
Sanitation	307,350	272,869	18,044		(16,437)
Health and welfare	1,756,973	21,954	450,555		(1,284,464)
Culture and recreation	337,586	38,684	62,831		(236,071)
Education	783,292	24,705	535,057		(223,530)
Economic development	10,157				(10,157)
Interest on long-term debt	91,079				(91,079)
Total governmental activities	\$ 17,418,418	\$ 740,726	\$ 4,781,875	\$ 319,583	(11,576,234)

General revenues:

Taxes:

Property taxes, levied for general purposes	2,196,444
Property taxes, levied for public health services	518,268
Property taxes, levied for flood control	48,533
County sales taxes for general purposes	1,495,734
Other taxes	14,400
Share of state sales tax	4,370,939
Share of state vehicle license tax	328,282
Grants and contributions not restricted to specific programs	2,131,310
Investment earnings	27,286
Miscellaneous	56,536
Gain on sale, disposal, or trade-in of capital assets	57,392
Total general revenues	11,245,124

Change in net assets (331,110)

Net assets, beginning of year 15,522,845

Net assets, end of year \$ 15,191,735

GREENLEE COUNTY, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	HURF Fund	Flood Disaster Fund	Non-Major Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,667,286	\$ 21,753	\$ 42,518	\$ 1,417,581
Property taxes receivable	13,415			3,858
Accounts receivable	23,663			1,000
Other receivables	130,257	115,297		
Due from other governments	586,098	99,020	245,927	256,149
Due from other funds	553,593			36,861
Prepaid items				54,991
Total assets	\$ 8,974,312	\$ 236,070	\$ 288,445	\$ 1,770,440
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 134,608	\$ 24,934	\$	\$ 111,019
Accrued payroll and employee benefits	224,272	42,214		82,741
Due to other funds	22,637		362,022	205,795
Contracts payable				5,973
Deferred revenue	12,299			43,871
Total liabilities	393,816	67,148	362,022	449,399
Fund balances (deficits):				
Nonspendable				54,991
Restricted				630,791
Assigned	493,755	168,922		725,237
Unassigned	8,086,741		(73,577)	(89,978)
Total fund balances	8,580,496	168,922	(73,577)	1,321,041
Total liabilities and fund balances	\$ 8,974,312	\$ 236,070	\$ 288,445	\$ 1,770,440

Total
Governmental
Funds

\$	9,149,138
	17,273
	24,663
	245,554
	1,187,194
	590,454
	54,991
\$	<u>11,269,267</u>

\$	270,561
	349,227
	590,454
	5,973
	56,170
	<u>1,272,385</u>

	54,991
	630,791
	1,387,914
	<u>7,923,186</u>
	<u>9,996,882</u>
\$	<u>11,269,267</u>

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GREENLEE COUNTY, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2012

Fund balances - total governmental funds		\$ 9,996,882
<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	\$ 23,488,829	
Accumulated depreciation	<u>(15,151,642)</u>	8,337,187
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.</p>		
		15,712
<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	(1,806,851)	
Compensated absences payable	(364,482)	
Landfill closure and postclosure care costs payable	<u>(986,713)</u>	<u>(3,158,046)</u>
Net assets of governmental activities		<u><u>\$ 15,191,735</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, 2012

	General Fund	HURF Fund	Flood Disaster Fund	Non-Major Governmental Funds
Revenues:				
Taxes	\$ 3,697,503	\$	\$	\$ 583,344
Intergovernmental	6,251,617	922,971	384,717	3,150,850
Charges for services	470,835			208,539
Fines and forfeits	102,458			5,129
Investment income	21,352	598	70	5,266
Contributions	1,212,230			2,840
Miscellaneous	12,117	3,905		42,021
Total revenues	<u>11,768,112</u>	<u>927,474</u>	<u>384,787</u>	<u>3,997,989</u>
Expenditures:				
Current -				
General government	5,351,957			285,517
Public safety	2,968,367	243		2,029,943
Highways and streets		1,570,735	429,350	79
Sanitation	276,563			
Health and welfare	380,465			1,375,655
Culture and recreation	99,579			218,195
Education	230,317			557,264
Economic development	9,709			
Capital outlay	406,762	439,113		258,002
Debt service -				
Principal retirement	577,158			37,620
Interest and fiscal charges	86,253			4,826
Total expenditures	<u>10,387,130</u>	<u>2,010,091</u>	<u>429,350</u>	<u>4,767,101</u>
Excess (deficiency) of revenues over expenditures	<u>1,380,982</u>	<u>(1,082,617)</u>	<u>(44,563)</u>	<u>(769,112)</u>
Other financing sources (uses):				
Capital lease agreements	246,811	408,787		
Sale of capital assets	6,435	220		2,400
Transfers in	102	850,000		949,878
Transfers out	(1,421,769)			(378,211)
Total other financing sources (uses)	<u>(1,168,421)</u>	<u>1,259,007</u>		<u>574,067</u>
Net change in fund balances	212,561	176,390	(44,563)	(195,045)
Fund balances, beginning of year, as restated	8,367,935	(7,468)	(29,014)	1,516,086
Fund balances, end of year	<u>\$ 8,580,496</u>	<u>\$ 168,922</u>	<u>\$ (73,577)</u>	<u>\$ 1,321,041</u>

Total
Governmental
Funds

\$ 4,280,847
10,710,155
679,374
107,587
27,286
1,215,070
58,043
17,078,362

5,637,474
4,998,553
2,000,164
276,563
1,756,120
317,774
787,581
9,709
1,103,877

614,778
91,079
17,593,672

(515,310)

655,598
9,055
1,799,980
(1,799,980)
664,653

149,343

9,847,539

\$ 9,996,882

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, 2012

Net change in fund balances - total governmental funds **\$ 149,343**

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

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

Expenditures for capitalized assets	\$ 1,110,965	
Current year depreciation	<u>(1,390,410)</u>	(279,445)

In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the book value of the capital assets sold. (61,663)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities. (7,468)

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	(655,598)	
Principal repaid	<u>614,778</u>	(40,820)

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	(50,079)	
Increase in landfill closure and postclosure care costs	<u>(40,978)</u>	<u>(91,057)</u>

Change in net assets in governmental activities **\$ (331,110)**

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, 2012

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,066,762	\$ 7,777	
Total assets	6,066,762	7,777	
<u>LIABILITIES</u>			
Deposits held for others		\$ 7,777	
Total liabilities		\$ 7,777	
<u>NET ASSETS</u>			
Held in trust for investment trust participants	\$ 6,066,762		

GREENLEE COUNTY, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012

	Investment Trust Fund
Additions:	
Investment earnings	\$ 16,230
Contributions from participants	17,905,974
Total additions	17,922,204
 Deductions:	
Distributions to participants	16,896,821
Total deductions	16,896,821
Change in net assets	1,025,383
Net assets, beginning of year	5,041,379
Net assets, end of year	\$ 6,066,762

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following table describes the County’s component units:

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 overall government's financial activities, 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 levied and imposed by the County, 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, 2012

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

The County reports the following major governmental funds:

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

The County also reports the following fiduciary fund types:

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

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

C. Basis of Accounting

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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, 2012 were immaterial, they are not included on the balance sheet or the statement of net assets.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

F. 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.

G. 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

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

H. Fund Balance Classifications

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

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

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

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

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

I. Investment Earnings

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

J. 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 terminating 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.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

K. 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, 2012, the following funds reported deficits in fund balance:

Fund	Deficit
Governmental Funds:	
National Forest Fees	\$ 255
Casa Special Advocate Program	2,717
ACJC-State Victim Assistance	12,894
Victim's Rights & Assistance	715
Sheriff's ACJC Drug Grant	10,918
HHS Grant	13,202
Stone Garden – Personnel	12,320
Drug, Gang & Violent Crime	3,108
Greenlee-Graham Field Trainer	4,782
Flood Disaster	73,577
Homeland Security SACNET	691
State Aid Enhancement A.R.S. §12-261	4,598
Juvenile Standard Probation	2,105
Diversion Consequences	357
AIPS	20,860
JTSF	456

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.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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

Expenditures in Excess of Appropriations – For the fiscal year ended June 30, 2012, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Department</u>	<u>Excess</u>
AHCCCS/ALTCS	\$ 4
Airport	29,473
County fair	51,467
County flood control	104,844
Data processing	22,323
Economic development	9,709
Elections	30,816
Emergency services	313,583
Fleet	30,922
General services	54,670
GIS program	84
Justice of the Peace No. 2	6,655
Landfill	9,855
Roads	210,654
School Superintendent	171,896
Wellness program	78

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, 2012

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 and notes; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

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

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

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

Concentration of Credit Risk - Statutes do not include any requirements for concentration of credit risk.

Interest Rate Risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of five years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign Currency Risk - Statutes do not allow foreign investments.

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concl'd)

Deposits - At June 30, 2012, the carrying amount of the County's deposits was \$14,939,418 and the bank balance was \$15,474,899. The County does not have a formal policy regarding custodial credit risk.

At June 30, 2012, the County's bank balance was exposed to custodial credit risk as follows:

Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the County's name	<u>\$ 6,754,603</u>
---	---------------------

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

Cash and deposits

Cash on hand	\$ 284,259
Amount of deposits	14,939,418
Total	<u>\$ 15,223,677</u>

Statements of Net Assets

Government activities	\$ 9,149,138
Investment Trust Fund	6,066,762
Agency Funds	7,777
Total	<u>\$ 15,223,677</u>

NOTE 4 – RECEIVABLES

Amounts due from other governments at June 30, 2012, as reported in the Statement of Net Assets include \$68,822 in Highway User Revenues, \$35,661 in auto lieu taxes, \$136,625 in County sales tax, \$405,457 in state shared sales tax, \$216,655 in federal grants, and \$323,974 in other state grants and assistance.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – RECEIVABLES (Concl'd)

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2012, the various components of deferred revenue reported in the governmental funds are as follows.

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 12,299	\$
Delinquent property taxes receivable (Non-Major Governmental Funds)	3,413	
Grant drawdowns prior to meeting all eligibility requirements (Non-Major Governmental Funds)		40,458
Total deferred revenue for governmental funds	\$ 15,712	\$ 40,458

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 233,654	\$	\$	\$ 233,654
Construction in progress	112,680	147,791		260,471
Total capital assets not being depreciated	346,334	147,791		494,125
Capital assets, being depreciated:				
Land improvements	4,881,075	26,973		4,908,048
Buildings and improvements	7,993,784	32,641		8,026,425
Machinery and equipment	9,556,101	903,560	(399,430)	10,060,231
Total	22,430,960	963,174	(399,430)	22,994,704
Less accumulated depreciation for:				
Land improvements	(2,662,478)	(258,807)		(2,921,285)
Buildings and improvements	(5,713,512)	(298,674)		(6,012,186)
Machinery and equipment	(5,723,009)	(832,929)	337,767	(6,218,171)
Total	(14,098,999)	(1,390,410)	337,767	(15,151,642)
Total capital assets, being depreciated, net	8,331,961	(427,236)	(61,663)	7,843,062
Governmental activities capital assets, net	\$ 8,678,295	\$ (279,445)	\$ (61,663)	\$ 8,337,187

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions as follows.

Governmental activities:	
General government	\$ 402,085
Public safety	376,578
Highways and streets	545,730
Sanitation	28,963
Health and welfare	12,879
Culture and recreation	23,727
Economic development	448
Total governmental activities depreciation expense	<u>\$1,390,410</u>

NOTE 6 – CONSTRUCTION AND OTHER COMMITMENTS

The County had major contractual commitments related to various capital projects at June 30, 2012, for the construction contracts for an airport apron rehabilitation. At June 30, 2012, the County had spent \$147,791 on this project and had remaining contractual commitments with contractors of \$29,351. This project is being financed with airport improvement grants.

NOTE 7 – 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 became due on the maturity date of June 30, 2012. The interest rate is at a rate per annum equal to sixty percent of the bank's prime rate provided that in no event shall the interest rate exceed ten percent per annum. The schedule presented below is a summation of the activity related to the line of credit during the fiscal year ended June 30, 2012.

	Beginning Balance	Drawdowns	Principal Payments	Ending Balance	Interest Payments
Governmental activities	\$	\$ 267,246	\$ 267,246	\$	\$ 1,226
Investment Trust Fund		2,203,271	2,203,271		5,443
Total	<u>\$</u>	<u>\$ 2,470,517</u>	<u>\$ 2,470,517</u>	<u>\$</u>	<u>\$ 6,669</u>

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 – LONG-TERM LIABILITIES

The following schedule details the County’s long-term liability and obligation activity for the fiscal year ended June 30, 2012.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 1,766,031	\$ 655,598	\$ 614,778	\$ 1,806,851	\$ 611,546
Compensated absences payable	314,403	435,087	385,008	364,482	291,677
Landfill closure and postclosure care costs payable	945,735	44,800	3,822	986,713	3,600
Total governmental activities long-term liabilities	<u>\$ 3,026,169</u>	<u>\$ 1,135,485</u>	<u>\$ 1,003,608</u>	<u>\$ 3,158,046</u>	<u>\$ 906,823</u>

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

The assets acquired through capital leases are as follows.

	Governmental Activities
Asset:	
Buildings and improvements	\$ 28,073
Machinery and equipment	3,947,030
Less: accumulated depreciation	1,207,275
Carrying value	<u>\$ 2,767,828</u>

The following schedule details debt service requirements to maturity for the County’s capital leases payable at June 30, 2012:

Year Ending June 30:	Governmental Activities
2013	\$ 687,495
2014	794,793
2015	322,867
2016	71,360
2017	52,215
2018	5,459
Total minimum lease payments	1,934,189
Less: amount representing interest	127,338
Present value of net minimum lease payments	<u>\$ 1,806,851</u>

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 8 - LONG-TERM LIABILITIES (Concl'd)

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

The amount recognized each year is based on landfill capacity used at the end of each fiscal year. The \$986,713 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of the estimated capacity of the landfills less expenditures already paid as follows:

Landfill	Estimated Capacity Used to Date
Blue	100%
Loma Linda	74%
Loma Linda Construction and Demolition	41%

The County will recognize the remaining estimated cost of closure and postclosure care of \$591,858 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 2012. The County expects to close the Loma Linda Landfill in the year 2025 and the Loma Linda Construction and Demolition Landfill in the year 2025, and the actual costs may be higher because of inflation, changes in technology, or changes in regulations. The Blue Landfill was closed in March 2006.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. Based on the last verification as of June 30, 2011, the County is in compliance with these requirements.

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

Compensated Absences – Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2012, the County paid for compensated absences as follows: 77 percent from the General Fund, 11 percent from major funds, and 12 percent from other funds.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS

The fund balance classifications of the governmental funds as of June 30, 2012, were as follows:

	General Fund	HURF Fund	Flood Disaster Fund	Non-Major Governmental Funds	Total
Fund balances:					
Nonspendable:					
Prepaid items	\$	\$	\$	\$ 54,991	\$ 54,991
Total nonspendable				54,991	54,991
Restricted for:					
Information systems				54,564	54,564
Judicial activities				418,759	418,759
Law enforcement				5	5
Waste tire program				135,970	135,970
Fair and racing program				21,493	21,493
Total restricted				630,791	630,791
Assigned to:					
Information systems				4,635	4,635
Judicial activities	111,759			131,628	243,387
Law enforcement	34,607			6,122	40,729
Jail facilities and operations				616	616
Elections programs	23			560	583
Library services	12				12
Public health services	27,834			205,633	233,467
Landfill closure/ development	319,076				319,076
Highways and streets		168,922			168,922
Wellness program	97				97
Airport improvements				51,489	51,489
Flood control				189,044	189,044
Waste tire program				12,402	12,402
Environmental programs	347				347
Workforce investment				123,108	123,108
Total assigned	493,755	168,922		725,237	1,387,914
Unassigned	8,086,741		(73,577)	(89,978)	7,923,186
Total fund balances	\$ 8,580,496	\$ 168,922	\$ (73,577)	\$ 1,321,041	\$ 9,996,882

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 9 – FUND BALANCE CLASSIFICATIONS OF THE GOVERNMENTAL FUNDS
(Concl'd)

The July 1, 2011 fund balances of the General Fund, Flood Disaster Fund, and Non-Major Governmental Funds do not agree to the prior year financial statements. This is a result of the reclassification of certain funds due to various funds no longer meeting the definition of a special revenue fund specified in GASB Statement No. 54 that have been rolled into the General Fund. In addition, the Flood Disaster Fund did not meet the definition of a special revenue fund in the prior year but does meet the definition in the current year.

	General Fund	Flood Disaster Fund	Non-Major Governmental Funds
Fund balance, June 30, 2011, as previously reported	\$ 8,337,772	\$	\$ 1,517,235
Reclassification of funds	30,163	(29,014)	(1,149)
Fund balance, July 1, 2011, as restated	\$ 8,367,935	\$ (29,014)	\$ 1,516,086

NOTE 10 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described in Note 8.

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$7,500 per occurrence for property claims and \$1,500 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$300 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

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

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 10 - RISK MANAGEMENT (Concl'd)

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

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

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

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

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

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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

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

ASRS

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

PSPRS and EORP

3010 E. Camelback Rd., Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575

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

Cost-Sharing Plans – For the year ended June 30, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement and 0.24 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 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 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:			
2012	\$ 410,652	\$ 26,212	\$10,162
2011	345,640	22,633	9,590
2010	313,092	24,777	15,016

**GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Agent Plans – For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members’ annual covered payroll, and the County was required to contribute 14.63 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.55 percent of covered payroll.

Active EORP members were required by statute to contribute 10 percent of the members’ annual covered payroll; and the County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 17.96 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.79 percent of covered payroll.

Actuarial Methods and Assumptions – The contribution requirements for the year ended June 30, 2012 were established by the June 30, 2010, 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 2012 contribution requirements, 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	8.5%
Projected salary increases includes inflation at	5.5% - 8.5% for PSPRS; 5.0% for EORP 5.5% for PSPRS; 5.0% for EORP

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - 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, 2012, and related information follows.

	PSPRS		EORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 90,580	\$ 10,734	\$ 154,164	\$ 17,066
Contributions made	90,580	10,734	154,164	17,066

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>			
2012	\$ 90,580	100%	\$ -0-
2011	84,259	100	-0-
2010	79,381	100	-0-
<i>Health Insurance</i>			
2012	\$ 10,734	100	\$ -0-
2011	8,225	100	-0-
2010	4,485	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>			
2012	\$ 154,164	100%	\$ -0-
2011	148,827	100	-0-
2010	128,065	100	-0-
<i>Health Insurance</i>			
2012	\$ 17,066	100	\$ -0-
2011	16,832	100	-0-
2010	8,124	100	-0-

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Funded Status – The funded status of the plans as of June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan, and therefore, actuarial information for the County, as a participating government, is not available.

	PSPRS	
	Pension	Health Insurance
Actuarial value of assets (a)	\$ 3,112,726	\$ -0-
Actuarial accrued liability (b)	3,790,393	103,531
Unfunded actuarial accrued liability (funding excess) (b) – (a)	677,667	103,531
Funded ratio (a)/(b)	82.1%	0.0%
Annual covered payroll (c)	\$ 702,098	\$ 702,098
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a)/(c)	96.5%	14.7%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for June 30, 2012, are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for unfunded actuarial liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0% - 9.0% for PSPRS; 4.5% for EORP
includes inflation at	5.0% for PSPRS; 4.5% for EORP

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 12 - INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2012 were as follows.

<u>Payable from</u>	<u>Payable to</u>		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$	\$ 22,637	\$ 22,637
Flood Disaster Fund	362,022		362,022
Non-Major Governmental Funds	191,571	14,224	205,795
Total	\$ 553,593	\$ 36,861	\$ 590,454

The majority of interfund balances were loans from the General Fund to the Flood Disaster Fund and Non-Major Governmental Funds throughout the fiscal year to mitigate registered warrant expenditures in funds with temporary negative balances. In addition, several Non-Major Governmental Funds had negative cash balances in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be repaid within one year.

Interfund transfers – Interfund transfers for the fiscal year ended June 30, 2012 were as follows.

<u>Transfers from</u>	<u>Transfers to</u>			
	General Fund	HURF Fund	Non-Major Governmental Funds	Total
General Fund	\$	\$ 500,000	\$ 921,769	\$ 1,421,769
Non-Major Governmental Funds	102	350,000	28,109	378,211
Total	\$ 102	\$ 850,000	\$ 949,878	\$ 1,799,980

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

NOTE 13 - 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.

GREENLEE COUNTY, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 13 - COUNTY TREASURER'S INVESTMENT POOL (Concl'd)

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

Substantially, all deposits of the County's primary government are included in the County Treasurer's investment pool, except for \$108,967 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	\$ 15,114,710
Liabilities	
Net assets	<u>\$ 15,114,710</u>

Net assets held in trust for:

Internal participants	\$ 9,047,948
External participants	6,066,762
Total net assets held in trust	<u>\$ 15,114,710</u>

Statement of Changes in Net Assets

Total additions	\$ 33,836,768
Total deductions	33,296,383
Net increase	<u>540,385</u>
Net assets held in trust:	
July 1, 2011	<u>14,574,325</u>
June 30, 2012	<u>\$ 15,114,710</u>

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget
	Original & Final		
Revenues:			
Taxes	\$ 3,184,644	\$ 3,697,503	\$ 512,859
Intergovernmental	5,213,823	6,227,275	1,013,452
Charges for services	200,800	165,412	(35,388)
Fines and forfeits	76,500	95,674	19,174
Investment earnings	10,017	20,276	10,259
Contributions	1,300,000	1,200,000	(100,000)
Miscellaneous	125,000	11,442	(113,558)
Total revenues	10,110,784	11,417,582	1,306,798
Expenditures:			
General government			
Board of Supervisors	427,293	396,170	31,123
Airport	22,300	5,488	16,812
Assessor	314,808	328,738	(13,930)
Attorney	434,109	398,295	35,814
Constable No. 1	28,830	27,967	863
Constable No. 2	30,392	22,631	7,761
Contingency	100,000	3,203	96,797
County administration	380,961	320,462	60,499
Data processing	447,481	435,436	12,045
Elections	46,120	69,216	(23,096)
Fleet	140,824	171,746	(30,922)
General services	1,350,086	1,404,756	(54,670)
GIS program		84	(84)
Ground and maintenance	482,707	376,733	105,974
Justice of the Peace No. 1	198,687	190,308	8,379
Justice of the Peace No. 2	133,182	139,837	(6,655)
Planning and zoning	32,100	2,509	29,591
Public Fiduciary	50,048	48,348	1,700
Recorder	198,255	198,452	(197)
Superior court	737,809	709,729	28,080
Treasurer	209,235	199,514	9,721
Voter registration	17,000	11,964	5,036
Total general government	5,782,227	5,461,586	320,641
Public safety			
County flood control			
Emergency services	96,026	155,750	(59,724)
Probation	314,900	292,384	22,516
Sheriff	2,850,828	2,848,570	2,258
Total public safety	3,261,754	3,296,704	(34,950)
Health and welfare - AHCCCS/ALTCS Payments	379,383	379,387	(4)

(Continued)

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2012
(Concluded)

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget
	Original & Final		
Culture and recreation			
County library	28,974	29,056	(82)
Parks and recreation	75,027	74,500	527
Total culture and recreation	<u>104,001</u>	<u>103,556</u>	<u>445</u>
Education			
School Superintendent	211,093	208,010	3,083
U of A extension services	22,307	22,307	
Total education	<u>233,400</u>	<u>230,317</u>	<u>3,083</u>
Economic development		9,709	(9,709)
Debt service	600,000	461,619	138,381
Total expenditures	<u>10,360,765</u>	<u>9,942,878</u>	<u>417,887</u>
Excess (deficiency) of revenues over expenditures	<u>(249,981)</u>	<u>1,474,704</u>	<u>1,724,685</u>
Other financing sources (uses):			
Sale of capital assets	5,000	6,435	1,435
Transfers in		317,760	317,760
Transfers out	(955,019)	(1,488,317)	(533,298)
Total other financing sources (uses)	<u>(950,019)</u>	<u>(1,164,122)</u>	<u>(214,103)</u>
Net change in fund balances	(1,200,000)	310,582	1,510,582
Fund balances, July 1, 2011, as restated	<u>1,200,000</u>	<u>8,067,961</u>	<u>6,867,961</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ 8,378,543</u>	<u>\$ 8,378,543</u>

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
HURF FUND
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts	Non-GAAP Actual	Variance with Final Budget
	Original & Final		
Revenues:			
Intergovernmental	\$ 800,000	\$ 922,971	\$ 122,971
Investment income		598	598
Miscellaneous		3,905	3,905
Total revenues	<u>800,000</u>	<u>927,474</u>	<u>127,474</u>
Expenditures:			
Current -			
Public safety		243	(243)
Highways and streets	1,600,900	1,570,735	30,165
Capital outlay	99,100	30,326	68,774
Total expenditures	<u>1,700,000</u>	<u>1,601,304</u>	<u>98,696</u>
Excess (deficiency) of revenues over expenditures	<u>(900,000)</u>	<u>(673,830)</u>	<u>226,170</u>
Other financing sources:			
Sale of capital assets		220	220
Transfers in	800,000	850,000	50,000
Total other financing sources:	<u>800,000</u>	<u>850,220</u>	<u>50,220</u>
Net change in fund balances	(100,000)	176,390	276,390
Fund balance (deficit), beginning of year	100,000	(7,468)	(107,468)
Fund balance, end of year	<u>\$</u>	<u>\$ 168,922</u>	<u>\$ 168,922</u>

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FLOOD DISASTER FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Variance with Final Budget
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$	\$ 384,717	\$ 384,717
Investment income		70	70
Total revenues		<u>384,787</u>	<u>384,787</u>
Expenditures:			
Current -			
Highways and streets		429,350	(429,350)
Total expenditures		<u>429,350</u>	<u>(429,350)</u>
Net change in fund balances		(44,563)	(44,563)
Fund balance (deficit), beginning of year		(29,014)	(29,014)
Fund balance (deficit), end of year	<u>\$</u>	<u>(73,577)</u>	<u>\$ (73,577)</u>

* The Flood Disaster Fund was included in the County's Fiscal Year 2011-12 Final Budget adopted by the County Board of Supervisors with a budget amount of zero. Therefore, a budget comparison schedule has been included in this Required Supplementary Information section of the financial statements.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2012**

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

- Present value of net minimum capital lease agreements. Financing arrangements of \$246,811 were entered into during fiscal year 2011-12; however, the initial purchases of those assets, which were subsequently financed, were incurred partially during fiscal year 2010-11 (\$27,354) and partially during fiscal year 2011-12 (\$219,457).
- Financial activity budgeted as special revenue funds. Certain activities are reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances, but reported as special revenue funds in the County's adopted budget.
- Special revenue funds budgeted as General Fund activity. Certain activities are reported as special revenue funds in the Statement of Revenues, Expenditures and Changes in Fund Balances, but reported as activity of the General Fund in the County's adopted budget.

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2012**

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

The following schedule reconciles the total revenues, total expenditures, total other financing sources (uses), and fund balances as of July 1, 2011 and June 30, 2012 from the Statement of Revenues, Expenditures and Changes in Fund Balances to the budgetary comparison schedule for the General Fund:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>	<u>Fund Balances, July 1, 2011, as restated</u>	<u>Fund Balances, June 30, 2012</u>
<u>General Fund</u>					
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 11,768,112	\$ 10,387,130	\$ (1,168,421)	\$ 8,367,935	\$ 8,580,496
Present value of net minimum capital lease payments – assets acquired during fiscal year 2010-11				27,354	
Present value of net minimum capital lease payments – assets acquired during fiscal year 2011-12		(219,457)			
Present value of net minimum capital lease payments – lease financing arrangements entered into during fiscal year 2011-12			(246,811)		
Fiscal year 2011-12 activity budgeted as special revenue funds	(361,028)	(517,279)	(63,890)	(327,160)	(234,799)
Fiscal year 2011-12 special revenue funds budgeted as General Fund activity	<u>10,498</u>	<u>292,484</u>	<u>315,000</u>	<u>(168)</u>	<u>32,846</u>
Budgetary comparison schedule	<u>\$ 11,417,582</u>	<u>\$ 9,942,878</u>	<u>\$ (1,164,122)</u>	<u>\$ 8,067,961</u>	<u>\$ 8,378,543</u>

**GREENLEE COUNTY, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO BUDGETARY COMPARISON SCHEDULES
 JUNE 30, 2012**

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

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

- Present value of net minimum capital lease agreements. The financing arrangements of \$408,787 were entered into during fiscal year 2011-12.

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

	<u>Total Expenditures</u>	<u>Total Other Financing Sources (Uses)</u>
<u>HURF Fund</u>		
Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 2,010,091	\$ 1,259,007
Present value of net minimum capital lease payments – assets acquired during fiscal year 2011-12	(408,787)	
Present value of net minimum capital lease payments – lease financing arrangements entered into during fiscal year 2011-12		(408,787)
Budgetary comparison schedule	<u>\$ 1,601,304</u>	<u>\$ 850,220</u>

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2012**

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2012, expenditures exceeded final budget amounts at the department level for the General Fund and at the fund level for all other funds as follows.

<u>Fund</u>	<u>Department</u>	<u>Excess</u>
General Fund	AHCCCS/ALTCS payments	\$ 4
	Assessor	13,930
	County library	82
	Economic development	9,709
	Elections	23,096
	Emergency services	59,724
	Fleet	30,922
	General services	54,670
	GIS program	84
	Justice of the Peace No. 2	6,655
	Recorder	197
Flood Disaster Fund	Roads	429,350

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

**GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2012**

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b)-(a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b)-(a)/(c)
Pension						
6/30/12	\$ 3,112,726	\$ 3,790,393	\$ 677,667	82.1%	\$ 702,098	96.5%
6/30/11	2,979,130	3,329,548	350,418	89.5%	711,401	49.3%
6/30/10	2,793,326	3,041,313	247,987	91.8%	639,428	38.8%
Health Insurance						
6/30/12	\$ -0-	\$ 103,531	\$ 103,531	0.0%	\$ 702,098	14.7%
6/30/11	-0-	103,009	103,009	0.0%	711,401	14.5%
6/30/10	-0-	90,076	90,076	0.0%	639,428	14.1%

See accompanying notes to schedule of agent retirement plan's funding progress

GREENLEE COUNTY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO SCHEDULE OF AGENT RETIREMENT PLAN'S FUNDING PROGRESS
JUNE 30, 2012

NOTE 1 – ACTUARIAL INFORMATION AVAILABLE

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

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