

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2014

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Independent Auditors' Report

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 1 to the financial statements, for the year ended June 30, 2014, the County Adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

As described in Note 11 to the financial statements, the County restated beginning net position of its financial statements for the year ended June 30, 2014, to correct a misstatement in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 13 , the Budgetary Comparison Schedules on pages 56 through 62 , and the Schedule of Agent Retirement Plans' Funding Progress on page 55, be presented to supplement the basic financial statements. Such information, although not a 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.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph 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 other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2015 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control over financial reporting and compliance.



Phoenix, Arizona
March 23, 2015

Management's Discussion and Analysis

La Paz County
Management's Discussion and Analysis
June 30, 2014

This discussion and analysis, prepared by La Paz County's (the "County") management, is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2014. This analysis focuses on current year activities and should be read in conjunction with the County's basic financial statements following this section.

Financial Highlights

- The County's total assets exceeded liabilities by \$50,607,948 (net position). Of this amount, \$20,716,454 is a deficit in unrestricted net position, \$8,833,307 is restricted for specific purposes (restricted net position), and \$62,491,095 is the County's net investment in capital assets.
- The County's total net position as reported in the Statement of Activities increased by \$847,979 in comparison to the prior year's decrease in total net position of \$2,659,868.
- At June 30, 2014, the governmental funds reported combined fund balances of \$7,818,750, an increase of \$828,868 in comparison with the prior year. The components of fund balances consist of \$11,294 that is nonspendable, \$11,223,829 that is restricted or committed for specific purposes, and \$3,416,373 that is an accumulated deficit.
- At June 30, 2014 the unassigned fund balance for the General Fund was \$2,282,299 or 16% of General Fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be expended in the next fiscal year.

Overview of the 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. Required supplementary information is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

The *Statement of Net Position* presents information on all County assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 net position changed during the most recent fiscal year. All changes in net position 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 result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Management's Discussion and Analysis - Continued

Overview of the Financial Statements - Continued

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education. The County has two business-type activities consisting of the Emerald Canyon Golf Course and the La Paz County Park.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The County has one major component unit, the La Paz County Jail District and several street lighting districts that are also component units. Refer to Note 1 A, Reporting Entity, on page 26 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 14-15 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds, and fiduciary 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 funds financial statements focus on near-term inflows and outflows of usable resources, as well as on balances of usable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements.

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

The County reports five major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail District, Business 95 Road Improvement, and Debt Service funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.

Management's Discussion and Analysis - Continued

Overview of the Financial Statements - Continued

The governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds, or enterprise funds, are used to report the same functions presented as business-type activities in the government-wide financial statements. La Paz County uses enterprise funds to account for the Emerald Canyon Golf Course and the County Parks fund. Fund financial statements for the enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

The enterprise fund financial statements can be found on pages 20-23 of this report.

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

The fiduciary funds financial statements can be found on pages 24-25 of this report.

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes can be found on pages 26-54 of this report.

Required supplementary information presents budgetary comparison schedules for the General, Road, and Jail District funds of the County. It also includes a schedule of agent retirement plan's funding progress for the County's Public Safety Personnel Retirement System.

Required supplementary information can be found on pages 55-62 of this report.

Government-Wide Financial Analysis

Net Position

The largest portion of the County's net position reflects the investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, and infrastructure), less accumulated depreciation and related outstanding debt used to acquire those assets. The County uses these 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 outstanding 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.

Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to the citizens and creditors.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

The following table summarizes the Statement of Net Position at June 30, 2014 and 2013:

	2014 Governmental Activities	2013 Governmental Activities, Restated	2014 Business- Type Activities	2013 Business- Type Activities, Restated	2014 Total	2013 Restated Total
Current and other assets	\$ 10,371,503	\$ 8,681,895	\$ (303,958)	\$ (620,645)	\$ 10,067,545	\$ 8,061,250
Capital assets	64,289,406	64,485,622	1,193,390	1,356,277	65,482,796	65,841,899
Total assets	<u>74,660,909</u>	<u>73,167,517</u>	<u>889,432</u>	<u>735,632</u>	<u>75,550,341</u>	<u>73,903,149</u>
Other liabilities	2,751,359	1,910,414	122,360	96,603	2,873,719	2,007,017
Long-term liabilities	21,918,745	21,984,998	149,929	151,165	22,068,674	22,136,163
Total liabilities	<u>24,670,104</u>	<u>23,895,412</u>	<u>272,289</u>	<u>247,768</u>	<u>24,942,393</u>	<u>24,143,180</u>
Net assets:						
Net investment in capital assets	61,314,530	61,459,253	1,176,565	1,324,658	62,491,095	62,783,911
Restricted	8,833,307	7,733,243	-	-	8,833,307	7,733,243
Unrestricted (deficit)	(20,157,032)	(19,920,391)	(559,422)	(836,794)	(20,716,454)	(20,757,185)
Total net position	<u>\$ 49,990,805</u>	<u>\$ 49,272,105</u>	<u>\$ 617,143</u>	<u>\$ 487,864</u>	<u>\$ 50,607,948</u>	<u>\$ 49,759,969</u>

As noted earlier, net position may serve over time as a useful indicator of whether the financial position of the County is improving or deteriorating. In the case of the County, assets exceeded liabilities by \$50,607,948 at June 30, 2014, which is primarily the result of the County's investment in long-lived assets.

For comparative purposes, the County's 2013 net position was restated for both governmental activities and business-type activities. The net position of Governmental Activities was reduced by \$1,212,770 as a result of implementing GASB Statement No. 65, *Items previously reported as Assets and Liabilities*. For business-type activities, net position was increased by \$80,000 due to an unrecorded deposit in the Golf Course Fund. For more information, please see Note 11 on page 54.

The increase in the County's financial position is primarily due to greater cash and investment balances as the result of increased revenues, (shared state lottery, charges for services and grant revenues) combined with a slight increase in expenses from the prior year.

Governmental activities capital assets decreased by \$196,216, and is attributable to depreciation expense that exceeded capital asset additions during 2014. Governmental activities long-term liabilities decreased by \$66,253 due primarily to regularly scheduled payments on debt. Additional information on the County's long term debt activity can be found in Note 7 of the notes to the financial statements on pages 43-46 of this report.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

Business-type activities incurred an increase in total assets which is primarily related to the earnings of the golf course during the year.

Changes in Net Position

The following table indicates the changes in net position for governmental and business-type activities:

	2014 Governmental Activities	2013 Governmental Activities, Restated	2014 Business-Type Activities	2013 Business-Type Activities, Restated	2014 Total	2013 Restated Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 5,260,507	\$ 3,866,022	\$ 2,503,708	\$ 2,396,965	\$ 7,764,215	\$ 6,262,987
Operating grants & contributions	4,651,536	5,055,096	-	-	4,651,536	5,055,096
Capital grants & contributions	3,960,257	3,371,082	-	-	3,960,257	3,371,082
General revenues:						
Property taxes	4,516,460	4,536,028	-	-	4,516,460	4,536,028
Share of state sales taxes	2,101,668	2,062,553	-	-	2,101,668	2,062,553
Excise tax	4,288,525	3,375,692	-	-	4,288,525	3,375,692
Payments in lieu of taxes	1,928,269	1,800,102	-	-	1,928,269	1,800,102
Vehicle license tax	545,826	531,625	-	-	545,826	531,625
State lottery	550,040	-	-	-	550,040	-
Investment earnings	24,768	13,730	-	-	24,768	13,730
Miscellaneous	977,026	784,401	66,040	16,992	1,043,066	801,393
Total revenues	28,804,882	25,396,331	2,569,748	2,413,957	31,374,630	27,810,288
<u>Expenses</u>						
General government	8,492,933	9,056,666	-	-	8,492,933	9,056,666
Public safety	9,683,327	9,609,792	-	-	9,683,327	9,609,792
Highways and streets	4,387,502	4,504,629	-	-	4,387,502	4,504,629
Sanitation	1,410,695	159,430	-	-	1,410,695	159,430
Health	2,332,470	2,521,395	-	-	2,332,470	2,521,395
Welfare	541,402	447,339	-	-	541,402	447,339
Culture and recreation	142,743	116,355	2,440,469	2,749,797	2,583,212	2,866,152
Education	216,503	275,369	-	-	216,503	275,369
Interest on long-term debt	878,607	1,029,383	-	-	878,607	1,029,383
Total expenses	28,086,182	27,720,358	2,440,469	2,749,797	30,526,651	30,470,155
Change in net position	718,700	(2,324,027)	129,279	(335,840)	847,979	(2,659,867)
Beginning net position, as restated	49,272,105	51,596,132	487,864	823,704	49,759,969	52,419,836
Ending net position	\$ 49,990,805	\$ 49,272,105	\$ 617,143	\$ 487,864	\$ 50,607,948	\$ 49,759,969

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

Net position of the governmental activities increased during the year by \$718,700. Total revenues increased by \$3,408,551 which is primarily related to an increase in sanitation charges of \$1,154,574, an increase in excise taxes of \$912,833, and the reinstatement of state lottery funding in the amount of \$550,040. The increase in excise tax is from a levy authorized by the County's Board of Supervisors on September 12, 2011 for purposes of servicing debt on judgment bonds issued in 2012. In addition, governmental activities expenses increased from 2013 by a total of \$365,824. The expense increase was primarily from an increase in sanitation expenses of \$1,251,265 offset by a decrease in general government expenses of \$563,733 and a decrease in health expense of \$188,925.

Business-type activities reported an increase in net position of \$129,279. The increase in net position was primarily from an increase in revenue of \$155,791 and a decrease in expenses. The increase in revenues resulted from increased golf fees and the decrease in expenses resulted from efforts to keep spending within the confines of revenue constraints.

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 of near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At June 30, 2014, the County's governmental funds reported combined fund balances of \$7,818,750, an increase of \$828,868 in comparison with the prior year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, fund balance of the General Fund was \$2,290,821. Total General Fund revenue increased \$2,016,794 from 2013 and is primarily the result of increases in charges for services and intergovernmental revenues. General Fund expenditures increased by \$1,174,794 resulting primarily from an increase in sanitation expenditures of \$1,103,841. The increase in charges for services revenues and sanitation expenditures are both from increased landfill activity.

The Road Fund, a major County Fund, is used for various road projects within the County. During 2014, the fund incurred an overall increase of \$455,354 in expenditures due to more repair and rehabilitation projects for various County roads and streets.

The Jail District Fund, also a major County fund, is used to report the activity of the County's jail facility. During 2014, the Fund's overall revenues decreased by \$328,012 from 2013 due to a continued decrease in revenues related to inmate housing activity while expenditures decreased by \$223,143.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued

The Business 95 Road Improvement Fund had a decrease in expenditures totaling \$8,557 from the prior year pertaining to a decrease in expenditures for repairs and maintenance on the Business Route 95 Highway.

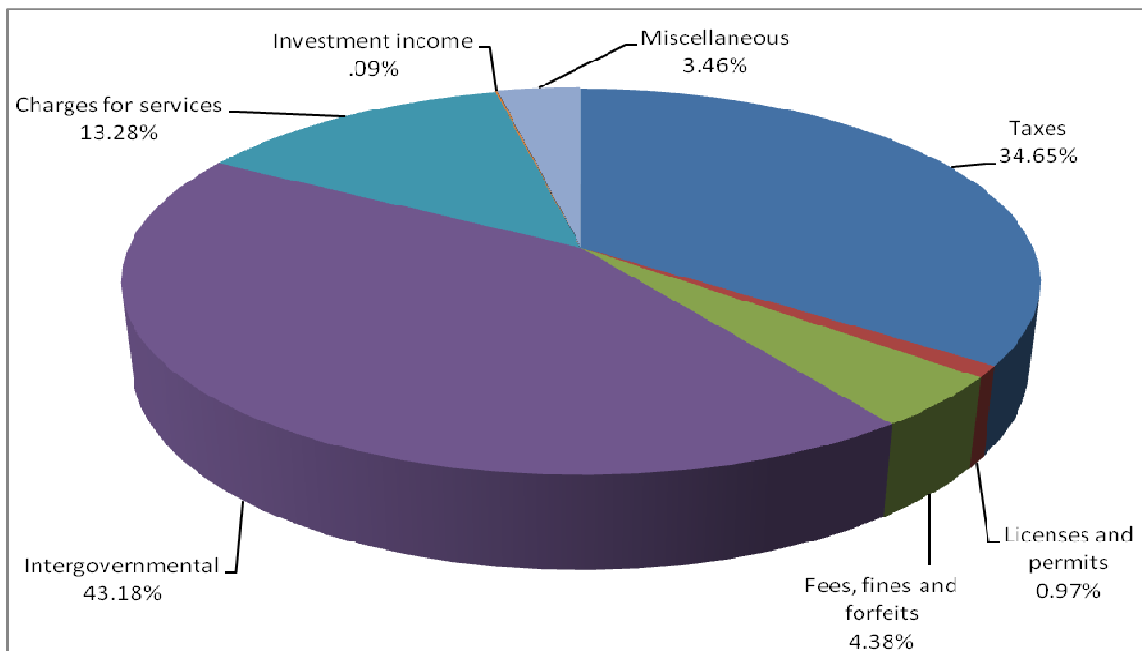
The Debt Service Fund was established during the 2012 fiscal year and accounts for unexpended bond proceeds and for a transaction privilege tax levy collected for the purpose of principal and interest repayment on County issued excise tax revenue judgment bonds. The fund had an increase in total excise taxes collected during 2014 of \$932,539 while total interest expense incurred was \$786,613.

Other Governmental funds had an increase in revenues totaling \$285,549 which was primarily the result of an increase in grant monies.

The Golf Course Fund, a County enterprise fund had an increase in revenues totaling \$119,591 due to an increase in golf fees earned. This resulted from an increase in the number of golf players during 2014. Meanwhile, expenses decreased by \$76,695 due to a decrease in various operating costs during the year.

The Parks Fund, also a County enterprise fund, had an increase in revenues totaling \$116,198 while expenses decreased by \$48,577. The decrease in expenses is primarily from a decrease in personnel services and supplies.

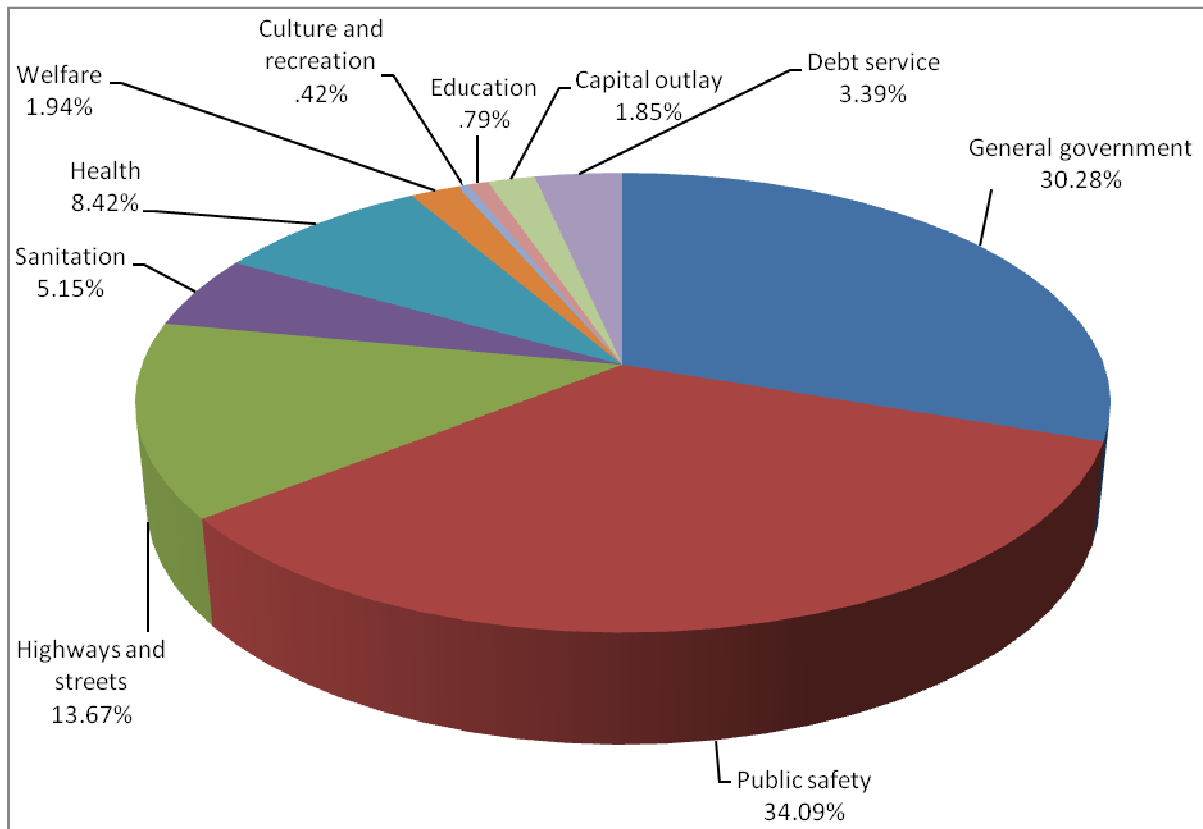
The following graphs present the amount of governmental revenues from various sources and expenditures by function:



The composition of revenues saw a significant increase in charges for services, along with smaller increases for investment income and miscellaneous income. Remaining items fell as a percent of total.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued



The composition of 2014 County expenditures did not change significantly, with the exception of Sanitation, which increased to 5.15% of total expenditures. General government functions decreased to 30.28%, public safety expenditures decreased to 34.09%, and debt service expenditures decreased to 3.39% of total expenditures. Highways and streets expenditures increased to 13.67%, and welfare increased to 1.94% of total expenditures.

General Fund Budgetary Highlights

General Fund actual expenditures were approximately \$120 thousand more than the adopted budget and actual revenues were less than estimated revenues by approximately \$1.1 million.

Tax revenues were less than the budgeted amount predominately due to less than anticipated property and sales tax. Miscellaneous revenues were less than budget primarily because the County budgeted for revenues of approximately \$1.6 million which was not realized.

Fees, fines, and forfeits for services decreased primarily from less than anticipated fines revenues received by the Justice to the Peace courts, and intergovernmental revenues were less than budgeted due to less than anticipated shared revenues received from the State of Arizona.

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights - Continued

The following General Fund departments had variances from their original (and final) budget by more than ten percent and \$20,000:

Budget versus actual variances

- The County Elections were \$50,471 below budget as costs to facilitate elections during 2014 were less than anticipated.
- Contingency was \$269,446 more than anticipated, due to settling with two governments regarding a legal matter.
- During 2014, Community Resources were \$30,812 below budgeted costs due to employee vacancies.
- During 2014, the Indigent Health Department incurred costs that were \$160,956 below budget due to lower than anticipated County portion of its payments to the State of Arizona health system.
- The variance in budgeted transfers in from Other Governmental Funds consist of a transfer in from the Anti-Racketeering Fund to reimburse the General Fund for an error made in prior years.
- Transfers out was greater than budgeted due to unbudgeted transfers made to cover the deficit fund balance in the Health Department.

Budget Modifications

During 2014, the following departments had budget amendments exceeding \$20,000 and 10%:

- The Court Administration increased its budget by \$130,000 to cover the increased cost of court appointed legal counsel.
- The Treasurer's Office had an increase of \$82,281 to cover the costs of a new software program.
- The Contingency budget decreased by \$1,997,721 to reallocate available monies to other departments that required additional budgetary resources.
- The General Administration budget increased by \$60,000 to cover attorney fees for various legal matters.
- The Sheriff's Office had an increase of \$354,941 which is primarily for the purpose of paying for certain costs involving various legal matters.
- Sanitary Landfill had a budgetary increase of \$915,000 which pertained to a significant increase in landfill operations due to a new contract for disposal services.

Management's Discussion and Analysis - Continued

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2014 totaled \$62.5 million (net of accumulated depreciation and related debt). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets decreased 0.5% from the prior period. Major capital asset events during the current fiscal year included a vehicle purchases for the Sheriff's Office and road improvement projects.

Additional information on the County's capital assets activity and balances can be found in Note 6 of the notes to the financial statements on pages 41-42 of this report.

Long-Term Liabilities

At June 30, 2014 the County had total long-term liabilities outstanding of \$22,068,674. This amount consists primarily of obligations under capital leases of \$1.7 million and \$18.1 million in bonds payable.

Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 43-44 of this report.

Economic Factors

- Due to the improving economic environment, it is anticipated that future shared revenues received from the State of Arizona and property and sales tax revenues will increase.
- The County has taken into consideration the above economic factors in preparing future years' budgets.

Requests for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the La Paz County Finance Department, 1108 Joshua Avenue, Parker, Arizona 85344.

Basic Financial Statements

La Paz County
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,081,050	\$ 338,437	\$ 4,419,487
Property taxes receivable	260,865	-	260,865
Internal balances	694,957	(694,957)	-
Due from:			
Others	274,088	52,076	326,164
Other governments	2,014,495	-	2,014,495
Cash and investments held by trustee - restricted for debt service	3,031,979	-	3,031,979
Prepaid items	14,069	486	14,555
Capital assets, not being depreciated	44,958,791	-	44,958,791
Capital assets, being depreciated, net	19,330,615	1,193,390	20,524,005
Total assets	<u>74,660,909</u>	<u>889,432</u>	<u>75,550,341</u>
Liabilities			
Accounts payable	631,923	55,283	687,206
Accrued liabilities	592,355	49,580	641,935
Interest payable	441,269	5,612	446,881
Unearned revenue	712,500	-	712,500
Due to:			
Others	151,817	11,885	163,702
Other governments	221,495	-	221,495
Noncurrent liabilities:			
Due within one year	880,383	33,429	913,812
Due in more than one year	21,038,362	116,500	21,154,862
Total liabilities	<u>24,670,104</u>	<u>272,289</u>	<u>24,942,393</u>
Net Position			
Net investment in capital assets	61,314,530	1,176,565	62,491,095
Restricted for:			
Highways and streets	2,035,280	-	2,035,280
Judicial	2,217,878	-	2,217,878
Public safety	631,730	-	631,730
Health and welfare	697,185	-	697,185
Debt service	3,031,979	-	3,031,979
Other purposes	219,255	-	219,255
Unrestricted (deficit)	(20,157,032)	(559,422)	(20,716,454)
Total net position	<u>\$ 49,990,805</u>	<u>\$ 617,143</u>	<u>\$ 50,607,948</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,492,933	\$ 1,995,396	\$ 965,615	\$ -	\$ (5,531,922)	\$ -	\$ (5,531,922)
Public safety	9,683,327	1,586,130	1,428,214	-	(6,668,983)	-	(6,668,983)
Highways and streets	4,387,502	-	495,314	3,960,257	68,069	-	68,069
Sanitation	1,410,695	1,448,256	56,642	-	94,203	-	94,203
Health	2,332,470	151,238	1,327,578	-	(853,654)	-	(853,654)
Welfare	541,402	79,487	378,173	-	(83,742)	-	(83,742)
Culture and recreation	142,743	-	-	-	(142,743)	-	(142,743)
Education	216,503	-	-	-	(216,503)	-	(216,503)
Interest on long-term debt	878,607	-	-	-	(878,607)	-	(878,607)
Total governmental activities	28,086,182	5,260,507	4,651,536	3,960,257	(14,213,882)	-	(14,213,882)
Business-type activities							
Golf course	1,572,897	1,708,006	-	-	-	135,109	135,109
Parks	867,572	795,702	-	-	-	(71,870)	(71,870)
Total business-type activities	2,440,469	2,503,708	-	-	-	63,239	63,239
Total primary government	<u>\$ 30,526,651</u>	<u>\$ 7,764,215</u>	<u>\$ 4,651,536</u>	<u>\$ 3,960,257</u>	(14,213,882)	63,239	(14,150,643)
General revenues:							
Taxes:							
Property taxes levied for general purposes					4,503,240	-	4,503,240
Property taxes levied for special districts					13,220	-	13,220
Excise tax					4,288,525	-	4,288,525
Payments in lieu of taxes					1,928,269	-	1,928,269
Share of state sales taxes					2,101,668	-	2,101,668
Vehicle license tax					545,826	-	545,826
State lottery					550,040	-	550,040
Investment earnings					24,768	-	24,768
Miscellaneous					977,026	66,040	1,043,066
Total general revenues					14,932,582	66,040	14,998,622
Changes in net position					718,700	129,279	847,979
Net position - July 1, 2013, as restated					49,272,105	487,864	49,759,969
Net position - June 30, 2014					<u>\$ 49,990,805</u>	<u>\$ 617,143</u>	<u>\$ 50,607,948</u>

See the accompanying notes to the financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2014**

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 671,069	\$ 2,532,991	\$ 44,265	\$ 806,937	\$ -	\$ 25,788	\$ 4,081,050
Cash and investments held by trustee	-	-	-	-	3,031,979	-	3,031,979
Property tax receivable	259,333	-	-	-	-	1,532	260,865
Due from:							
Others	229,767	-	920	-	-	43,401	274,088
Other governments	353,546	340,740	214,750	-	-	1,105,459	2,014,495
Other funds	3,567,258	-	-	935,680	-	-	4,502,938
Prepaid items	8,522	2,775	-	-	-	2,772	14,069
Total assets	<u>\$ 5,089,495</u>	<u>\$ 2,876,506</u>	<u>\$ 259,935</u>	<u>\$ 1,742,617</u>	<u>\$ 3,031,979</u>	<u>\$ 1,178,952</u>	<u>\$ 14,179,484</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities:							
Accounts payable	\$ 321,685	\$ 147,309	\$ 55,224	\$ -	\$ -	\$ 107,705	\$ 631,923
Accrued liabilities	317,502	50,295	68,989	-	-	155,569	592,355
Unearned revenue	712,500	-	-	-	-	-	712,500
Due to:							
Others	39,776	1,133	50,341	-	-	60,567	151,817
Other governments	221,495	-	-	-	-	-	221,495
Other funds	944,489	745,550	1,287,827	-	-	830,115	3,807,981
Total liabilities	<u>2,557,447</u>	<u>944,287</u>	<u>1,462,381</u>	<u>-</u>	<u>-</u>	<u>1,153,956</u>	<u>6,118,071</u>
Deferred inflows of resources:							
Unavailable revenues:							
Property taxes	241,227	-	-	-	-	1,436	242,663
Total deferred inflows of resources	<u>241,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,436</u>	<u>242,663</u>
Fund balances:							
Nonspendable:							
Prepaid items	8,522	2,775	-	-	-	2,772	14,069
Restricted	-	1,929,444	-	-	3,031,979	4,247,662	9,209,085
Committed	-	-	-	1,742,617	-	269,352	2,011,969
Unassigned	2,282,299	-	(1,202,446)	-	-	(4,496,226)	(3,416,373)
Total fund balances	<u>2,290,821</u>	<u>1,932,219</u>	<u>(1,202,446)</u>	<u>1,742,617</u>	<u>3,031,979</u>	<u>23,560</u>	<u>7,818,750</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,089,495</u>	<u>\$ 2,876,506</u>	<u>\$ 259,935</u>	<u>\$ 1,742,617</u>	<u>\$ 3,031,979</u>	<u>\$ 1,178,952</u>	<u>\$ 14,179,484</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2014

Fund balances—total governmental funds		\$	7,818,750
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$119,305,832 and the accumulated depreciation is \$55,016,426.			64,289,406
Some of the County's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.			242,663
Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.			(441,269)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.			
Notes payable	\$ (1,315,000)		
Obligations under capital leases	(1,659,874)		
Compensated absences payable	(828,871)		
Bonds payable	(18,115,000)		
			<u>(21,918,745)</u>
Net position of governmental activities		\$	<u><u>49,990,805</u></u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Revenues:							
Taxes	\$ 6,195,603	\$ 455,322	\$ 1,078,685	\$ -	\$ 2,044,741	\$ 11,986	\$ 9,786,337
Licenses and permits	273,265	-	-	-	-	-	273,265
Fees, fines and forfeits	1,225,149	-	-	-	-	11,645	1,236,794
Intergovernmental	4,672,445	3,421,641	-	-	-	4,103,743	12,197,829
Charges for services	1,572,118	-	1,480,055	-	-	698,270	3,750,443
Investment (loss) income	8,268	8,735	(496)	-	-	8,261	24,768
Miscellaneous	781,056	47,563	3	-	-	148,410	977,032
Total revenues	<u>14,727,904</u>	<u>3,933,261</u>	<u>2,558,247</u>	<u>-</u>	<u>2,044,741</u>	<u>4,982,315</u>	<u>28,246,468</u>
Expenditures:							
Current:							
General government	7,002,290	-	-	-	-	1,299,223	8,301,513
Public safety	4,277,876	-	3,197,945	-	-	1,871,307	9,347,128
Highways and streets	-	3,742,051	-	983	-	4,076	3,747,110
Sanitation	1,263,263	-	-	-	-	147,432	1,410,695
Health	1,105,993	-	-	-	-	1,202,895	2,308,888
Welfare	139,847	-	-	-	-	392,810	532,657
Culture and recreation	-	-	-	-	-	116,267	116,267
Education	217,115	-	-	-	-	124	217,239
Capital outlay	121,490	-	45,750	-	-	338,761	506,001
Debt service:							
Principal	51,495	-	-	-	-	-	51,495
Interest	50,467	-	41,527	-	786,613	-	878,607
Total expenditures	<u>14,229,836</u>	<u>3,742,051</u>	<u>3,285,222</u>	<u>983</u>	<u>786,613</u>	<u>5,372,895</u>	<u>27,417,600</u>
Excess (deficiency) of revenues over expenditures	498,068	191,210	(726,975)	(983)	1,258,128	(390,580)	828,868
Other financing sources (uses):							
Transfers in	656,892	-	720,000	-	-	905,097	2,281,989
Transfers out	(1,625,097)	-	-	-	-	(656,892)	(2,281,989)
Total other financing sources (uses)	<u>(968,205)</u>	<u>-</u>	<u>720,000</u>	<u>-</u>	<u>-</u>	<u>248,205</u>	<u>-</u>
Net change in fund balances	(470,137)	191,210	(6,975)	(983)	1,258,128	(142,375)	828,868
Fund balances, July 1, 2013	<u>2,760,958</u>	<u>1,741,009</u>	<u>(1,195,471)</u>	<u>1,743,600</u>	<u>1,773,851</u>	<u>165,935</u>	<u>6,989,882</u>
Fund balances (deficit), June 30, 2014	<u>\$ 2,290,821</u>	<u>\$ 1,932,219</u>	<u>\$ (1,202,446)</u>	<u>\$ 1,742,617</u>	<u>\$ 3,031,979</u>	<u>\$ 23,560</u>	<u>\$ 7,818,750</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Net change in fund balances - total governmental funds	\$	828,868
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays 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.</p>		
Expenditures for general capital assets	\$ 857,756	
Depreciation expense	<u>(1,592,589)</u>	(734,833)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Unearned property tax revenues	\$ 19,795	
Donated capital assets	<u>538,617</u>	558,412
<p>Repayment and refunding of debt principal is reported as an expenditure and as an other financing use in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:</p>		
Obligations under capital leases		51,495
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net decrease in compensated absences		<u>14,758</u>
Change in net position of governmental activities	\$	<u><u>718,700</u></u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 337,937	\$ 500	\$ 338,437
Prepaid items	486	-	486
Due from others	-	52,076	52,076
Due from General Fund	8,809	-	8,809
Noncurrent assets:			
Capital assets, net of accumulated depreciation	630,520	562,870	1,193,390
Total assets	<u>977,752</u>	<u>615,446</u>	<u>1,593,198</u>
Liabilities			
Current liabilities:			
Accounts payable	41,026	14,257	55,283
Accrued payroll and employee benefits	32,453	17,127	49,580
Interest payable	5,612	-	5,612
Due to others	37	11,848	11,885
Due to General Fund	-	703,766	703,766
Capital leases payable, current portion	14,794	-	14,794
Compensated absences payable, current portion	18,635	-	18,635
Total current liabilities	<u>112,557</u>	<u>746,998</u>	<u>859,555</u>
Noncurrent liabilities:			
Capital lease payable, net of current portion	2,031	-	2,031
Compensated absences payable, net of current portion	77,752	36,717	114,469
Total liabilities	<u>192,340</u>	<u>783,715</u>	<u>976,055</u>
Net Position			
Net investment in capital assets	613,695	562,870	1,176,565
Unrestricted (deficit)	171,717	(731,139)	(559,422)
Total net position	<u>\$ 785,412</u>	<u>\$ (168,269)</u>	<u>\$ 617,143</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Operating revenues:			
Fees	\$ 1,708,006	\$ 795,702	\$ 2,503,708
Miscellaneous	8,638	57,402	66,040
Total operating revenues	<u>1,716,644</u>	<u>853,104</u>	<u>2,569,748</u>
Operating expenses:			
Personnel services	762,628	449,415	1,212,043
Professional services	147,409	30,642	178,051
Supplies	171,623	95,130	266,753
Communications	6,057	7,476	13,533
Utilities	98,606	165,130	263,736
Repairs and maintenance	233,852	57,348	291,200
Depreciation	128,689	52,136	180,825
Other	24,033	10,295	34,328
Total operating expenses	<u>1,572,897</u>	<u>867,572</u>	<u>2,440,469</u>
Operating income (loss)	<u>143,747</u>	<u>(14,468)</u>	<u>129,279</u>
Increase (decrease) in net position	143,747	(14,468)	129,279
Net position, July 1, 2013, as restated	<u>641,665</u>	<u>(153,801)</u>	<u>487,864</u>
Net position, June 30, 2014	<u>\$ 785,412</u>	<u>\$ (168,269)</u>	<u>\$ 617,143</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,716,644	\$ 806,040	\$ 2,522,684
Payments to suppliers and providers of goods and services	(658,248)	(337,020)	(995,268)
Payments for employee wages and benefits	(746,274)	(480,225)	(1,226,499)
Net cash provided by (used for) operating activities	<u>312,122</u>	<u>(11,205)</u>	<u>300,917</u>
Cash flows from noncapital financing activities:			
Negative cash balance implicitly financed	-	703,766	703,766
Negative cash balance implicitly repaid	(47,220)	(692,561)	(739,781)
Net cash (used for) provided by noncapital financing activities	<u>(47,220)</u>	<u>11,205</u>	<u>(36,015)</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(17,938)	-	(17,938)
Payments on capital lease obligation	(14,794)	-	(14,794)
Net cash used for capital and related financing activities	<u>(32,732)</u>	<u>-</u>	<u>(32,732)</u>
Net increase in cash and cash equivalents	232,170	-	232,170
Cash and cash equivalents, July 1, 2013, as restated	<u>105,767</u>	<u>500</u>	<u>106,267</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 337,937</u>	<u>\$ 500</u>	<u>\$ 338,437</u>

(continued)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 143,747	\$ (14,468)	\$ 129,279
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>			
Depreciation	128,689	52,136	180,825
Changes in assets and liabilities:			
Decrease in prepaid items	1,320	2,290	3,610
Increase in due from others	-	(52,076)	(52,076)
Increase (decrease) in accounts payable	22,049	(2,364)	19,685
(Decrease) increase in interest payable	(36)	5,012	4,976
Increase in accrued payroll and employee benefits	2,627	(1,567)	1,060
Increase (decrease) in compensated absences payable	13,726	(168)	13,558
Net cash provided by (used for) operating activities	<u>\$ 312,122</u>	<u>\$ (11,205)</u>	<u>\$ 300,917</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 15,465,806	\$ 1,484,086
Total assets	15,465,806	\$ 1,484,086
Liabilities		
Due to other governments	-	\$ 1,484,086
Total liabilities	-	\$ 1,484,086
Net Position		
Held in trust for investment trust participants	\$ 15,465,806	

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 39,541,267
Interest and dividends	319,715
Total additions	39,860,982
Deductions:	
Distributions to participants	39,950,968
Total deductions	39,950,968
Change in net position	(89,986)
Net position, July 1, 2013	15,555,792
Net position, June 30, 2014	\$ 15,465,806

See the accompanying notes to the financial statements.

La Paz County
Notes to Financial Statements
June 30, 2014

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies

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

For the year ended June 30, 2014, the District implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues and expenses.

A. Reporting Entity

The County is a general-purpose local government located in southwestern Arizona that was established in 1983. It 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.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies -Continued

The following table describes the County’s component units:

Component Unit	Description; Criteria for Inclusion	Reporting Method	Separate Financial Statements
Jail District	A tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems pursuant to Arizona Revised Statutes; All budgetary and operational activities are administered by the La Paz County Board of Supervisors and meet the criteria for a blended component unit.	Blended	Not available
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; All budgetary and operational activities are administered by the La Paz County Board of Supervisors and meet the criteria for a blended component unit.	Blended	Not available

Related Organization:

The Industrial Development Authority of La Paz County (Authority) is a legally separate entity that was created to assist in the financing of commercial and industrial enterprises. The Authority fulfills its function through the issuance of tax exempt or taxable revenue bonds. The County's Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

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.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies -Continued

Government-wide statements — provide information about the primary government (the County) and its component units. The statements include a Statement of Net Position and a Statement of Activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segments of its business-type 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 and capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or 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, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as golf course fees, in which each party receives and gives up essentially equal values, are operating revenues. Nonoperating revenues, such as investment income, result from transactions in which the parties do not exchange equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

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 Road Fund, a special revenue fund, accounts for monies from Highway User Revenue Fund and Vehicle License Tax that are restricted for road maintenance and operations, pavement preservation, and fleet services.

The Jail District Fund was established by La Paz County resolution §89-5845 under the authority of Article 1, Chapter 25, and Title 48, of the Arizona Revised Statutes on November 20, 1989. On June 18, 1990, the Jail District Board of Directors adopted Resolution JD90-12, under the authority of Arizona Revised Statutes §48-4022, establishing a one-half cent excise sales tax effective January 1, 1991, through perpetuity. The Jail District Fund accounts for monies received from excise sales tax revenue that is restricted for debt service, maintenance of effort payments received from the County General Fund and charges for services for prisoner incarceration. The monies are expended for the operating expenditures of the County's jail.

The Business 95 Road Improvement Fund accounts for monies from the Arizona Department of Transportation that is committed for roadway realignment, shoulder improvements, and drainage improvements to state road Business 95. The State of Arizona transferred ownership jurisdiction and maintenance responsibilities to the County during fiscal year 2002.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

The Debt Service Fund accounts for activity pertaining to the County's judgment bonds payable.

The County reports the following major enterprise funds:

The Golf Course Fund accounts for the activities and related operations and maintenance of an 18 hole golf course and pro-shop.

The Parks Fund accounts for the activities and related operations and maintenance of the County's 6 public parks.

The County reports the following fiduciary fund types:

The investment trust fund accounts for pooled assets held and invested by the County Treasurer on behalf of other governmental entities.

The agency funds account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

C. Basis of Accounting

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The County's major revenue sources that are susceptible to accrual are property taxes, sales taxes, licenses and permits, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

D. Cash and Investments

For purposes of its statement of cash flows, the County considers cash on hand, demand deposits, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

All investments are stated at fair value.

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenses or expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2014, were immaterial, they are not included in the Statements of Net Position or the Balance Sheet.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

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 reported at actual cost. Donated assets are reported at estimated fair value at the time received.

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 and enterprise funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Gravel and dirt roads	All	N/A	N/A
Water rights	All	N/A	N/A
Land improvements	\$10,000	Straight-line	10-30 years
Infrastructure	10,000	Straight-line	20-75 years
Buildings and improvements	10,000	Straight-line	25-50 years
Improvements other than buildings	5,000	Straight-line	7-30 years
Machinery and equipment	5,000	Straight-line	5-20 years
Golf course and improvements	5,000	Straight-line	30 years

Unlike paved roads, gravel and dirt roads are not depreciated since once they are placed in operation, only annual maintenance is required to keep them operational for an indefinite period.

Notes to Financial Statements - Continued

Note 1 - Reporting Entity, Basis of Presentation and Summary of Significant Accounting Policies - Continued

H. Investment Income

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

I. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections, as appropriate, for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

J. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' 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 an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, employees who accumulate unused sick leave in excess of 384 hours are paid a percentage of the excess unused sick leave based on the number of years of consecutive service with the County; therefore, the excess sick leave is accrued in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only for employees who have resigned or retired by fiscal year-end.

Notes to Financial Statements - Continued

Note 2 - Stewardship, Compliance, and Accountability

Seventeen General Fund departments had an excess of actual expenditures over appropriations. General Fund departments with expenditures in excess of appropriations are caused mainly by excess expenditures for which budget modifications were not made.

The County continues to work closely with these departments to minimize future similar overruns.

Deficit fund balances—At June 30, 2014, the following nonmajor governmental funds reported deficit fund balances exceeding \$50,000:

Fund	Deficit
Governmental funds:	
Emergency Services	\$ 212,942
Health Department	524,349
La Paz Extension Fund	168,850
Education & Employment Fund LPCC	239,555
ACJC Drug Enforcement	319,130
Task Force Prosecutor	270,709
Jail Commissary	87,001
Cops in School	285,111
HIDTA Grant	88,759
Highway Safety Grant	94,254
Bio Terrorism	65,463
Sheriff Racketeer Influenced and Corrupt Organizations Act	56,325
CA Racketeer Influenced and Corrupt Organizations Act	112,195
Anti-Meth Initiative	55,096
Stone Garden SO Grant	52,075
Boat Patrol – AZ GFD	121,913

The above fund deficits resulted from operations during the year or carryovers from prior years and are expected to be corrected through normal operations in the future or will be settled by future transfers between funds.

Notes to Financial Statements - Continued

Note 2 - Stewardship, Compliance, and Accountability – Continued

In addition, the Jail District fund and the Parks Fund, both of which are major funds, reported deficit fund balances as follows:

- Jail District Fund's deficit amount was \$1,202,446 in which the County expects Jail District revenue to continue to increase with additional Federal trustee bed nights and the increased related rates implemented during the 2014 fiscal year. This increase is expected to continue in future years.
- Park Enterprise Fund's deficit amount was \$168,269 in which the Park's deficit spending has ceased from a budgetary standpoint. The Park is expected to raise adequate revenue to support its own activities. Over a five to ten year span, it is intended and budgeted that the Park will eliminate this deficit fund balance.

The General Fund is not expected to compensate for the deficit of these Funds.

Note 3 - Fund Balance Classifications of the Governmental Funds

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. 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 prepaid items, 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 comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved in a public meeting 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 only be removed or changed by the Board in a public meeting.

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 has authorized the County Manager, Elected Officials and the Finance Director to make the assignments of resources for specific purposes pursuant to resolution by the Board in a public meeting.

Notes to Financial Statements - Continued

Note 3 - Fund Balance Classifications of the Governmental Funds – Continued

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.

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

The fund balance categories and classifications for governmental funds as of June 30, 2014, were as follows:

	Major Funds						Total
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Fund balances:							
Nonspendable	\$ 8,522	\$ 2,775	\$ -	\$ -	\$ -	\$ 2,772	\$ 14,069
Restricted for:							
Education	-	-	-	-	-	106,506	106,506
Health	-	-	-	-	-	488,302	488,302
Highways and streets	-	1,929,444	-	-	-	103,061	2,032,505
Judicial	-	-	-	-	-	2,217,878	2,217,878
Public safety	-	-	-	-	-	681,496	681,496
Transit	-	-	-	-	-	132,494	132,494
Water and sanitation	-	-	-	-	-	90,330	90,330
Welfare	-	-	-	-	-	213,368	213,368
Debt service	-	-	-	-	3,031,979	-	3,031,979
Other purposes	-	-	-	-	-	214,227	214,227
Total restricted	\$ -	\$1,929,444	\$ -	\$ -	\$3,031,979	\$ 4,247,662	\$9,209,085
Committed to:							
Highways and streets	\$ -	\$ -	\$ -	\$ 1,742,617	\$ -	\$ -	\$1,742,617
Judicial	-	-	-	-	-	264,324	264,324
Other	-	-	-	-	-	5,028	5,028
Total committed	-	-	-	1,742,617	-	269,352	2,011,969
Unassigned	2,282,299	-	(1,202,446)	-	-	(4,496,226)	(3,416,373)
Total fund balances	\$2,290,821	\$1,932,219	\$(1,202,446)	\$ 1,742,617	\$3,031,979	\$ 23,560	\$7,818,750

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury or agency obligations; specified state and local government bonds, notes and other evidence of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper; specified bonds, debentures, and notes and other evidence of indebtedness that are denominated in United States dollars; 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. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better, at the time of purchase, by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk - Statutes require collateral for demand deposits 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 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

Deposits - Custodial credit risk is the risk that in the event of bank failure the County's deposits may not be returned to the County. The County does not have a deposit policy for custodial credit risk.

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

At June 30, 2014, the carrying amount of the County's total cash in the bank was \$11,885,254 and the bank balance was \$11,853,623. All County's deposits are collateralized by the amount not covered by depository insurance.

Investments - The County's investments at June 30, 2014, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. Agency securities	Aaa	Moody's	\$ 9,476,520
U.S. Government money market funds	Aaa	Moody's	3,031,979
			<u>\$ 12,508,499</u>

Credit risk - The County does not have a formal investment policy with respect to credit risk. However, the credit risk for the County's investments is indicated in the preceding table.

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2014, the County had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
U.S. Agency securities	\$ 9,476,520	\$ -	\$ 9,476,520
U.S. Government money market	3,031,979	3,031,979	-
	<u>\$ 12,508,499</u>	<u>\$ 3,031,979</u>	<u>\$ 9,476,520</u>

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

A reconciliation of cash and investments to amounts shown on the Statements of Net Position follows:

	County Treasurer's Investment Pool	Other	Total
Cash on hand	\$ -	\$ 7,605	\$ 7,605
Carrying amount of deposits	11,147,303	737,951	11,885,254
Reported amount of investments	9,476,520	3,031,979	12,508,499
Total	\$ 20,623,823	\$ 3,777,535	\$ 24,401,358

Statements of Net Position:

	Govern- mental Activities	Business- Type Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 4,081,050	\$ 338,437	\$ 15,465,806	\$ 1,484,086	\$ 24,401,358
Cash and investments held by trustee	3,031,979	-	-	-	-
	<u>\$ 7,113,029</u>	<u>\$ 338,437</u>	<u>\$ 15,465,806</u>	<u>\$ 1,484,086</u>	<u>\$ 24,401,358</u>

Note 5 - Condensed Financial Statements of County Treasurer's Investment Pool

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

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

Notes to Financial Statements - Continued

Note 5 - Condensed Financial Statements of County Treasurer's Investment Pool – Continued

Deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$7,605 of cash on hand, \$737,951 of deposits held in bank, and \$3,031,979 held in U.S. Government money market funds. Therefore, deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Agency securities	.38% to 1.13%	1 - 5 years	\$ 9,476,520
Deposits	N/A	N/A	<u>11,147,303</u>
			<u><u>\$ 20,623,823</u></u>

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

Statement of Net Position

Assets	\$ 20,623,823
Net position	<u>\$ 20,623,823</u>
Net position held in trust for:	
Internal participants	\$ 3,702,271
External participants	16,921,552
Total net position held in trust	<u><u>\$ 20,623,823</u></u>

Statement of Changes in Net Position

Total additions	\$ 78,984,740
Total deductions	<u>(78,630,407)</u>
Net increase	<u>354,333</u>
Net position held in trust:	
July 1, 2013, as restated (see Note 11)	<u>20,269,490</u>
June 30, 2014	<u><u>\$ 20,623,823</u></u>

Notes to Financial Statements - Continued

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Primary Government			Balance June 30, 2014
	Balance June 30, 2013	Increases	Decreases	
Governmental activities:				
<i>Capital assets</i>				
<i>not being depreciated</i>				
Land	\$ 671,596	\$ -	\$ -	\$ 671,596
Water rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	1,881,279	35,190	185,951	1,730,518
Total capital assets, not being depreciated	45,109,552	35,190	185,951	44,958,791
 <i>Capital assets being depreciated:</i>				
Land improvements	25,271	-	-	25,271
Building and improvements	16,143,093	63,750	-	16,206,843
Machinery and equipment	12,625,463	442,253	322,269	12,745,447
Improvements other than buildings	164,938	-	-	164,938
Infrastructure	44,163,411	1,041,131	-	45,204,542
Total capital assets being depreciated	73,122,176	1,547,134	322,269	74,347,041
Total	118,231,728	1,582,324	508,220	119,305,832
 <i>Less accumulated depreciation for:</i>				
Land improvements	18,745	575	-	19,320
Buildings and improvements	5,363,035	459,170	-	5,822,205
Improvements other than buildings	145,808	5,949	-	151,757
Machinery and equipment	11,595,313	394,103	322,269	11,667,147
Infrastructure	36,623,205	732,792	-	37,355,997
Total	53,746,106	1,592,589	322,269	55,016,426
Total capital assets being depreciated, net	19,376,070	(45,455)	-	19,330,615
Governmental activities capital assets, net	\$ 64,485,622	\$ (10,265)	\$ 185,951	\$ 64,289,406

Notes to Financial Statements - Continued

Note 6 - Capital Assets - Continued

	Primary Government			
	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Golf course and improvements	\$ 2,848,510	\$ -	\$ -	\$ 2,848,510
Land improvements	19,131	-	-	19,131
Building and improvements	765,664	-	-	765,664
Improvements other than buildings	410,312	-	-	410,312
Machinery and equipment	1,202,459	17,938	27,777	1,192,620
Total	5,246,076	17,938	27,777	5,236,237
<i>Less accumulated depreciation for:</i>				
Golf course and improvements	2,224,059	95,636	-	2,319,695
Land improvements	12,272	638	-	12,910
Buildings and improvements	319,364	22,588	-	341,952
Improvements other than buildings	256,947	21,808	-	278,755
Machinery and equipment	1,077,157	40,155	27,777	1,089,535
Total	3,889,799	180,825	27,777	4,042,847
Business-type activities capital assets, net	\$ 1,356,277	\$ (162,887)	\$ -	\$ 1,193,390

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 208,533
Public safety	343,289
Highways and streets	988,511
Welfare	3,485
Health	21,886
Culture and recreation	26,310
Sanitation	575
Total governmental activities depreciation expense	\$ 1,592,589
Business-type activities:	
Culture and recreation – Golf Course	\$ 128,689
Culture and recreation – Parks	52,136
Total business-type activities depreciation expense	\$ 180,825

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2014:

	Balance			Balance	Due within
	June 30, 2013	Additions	Reductions	June 30, 2014	1 year
Governmental activities					
Notes payable	\$ 1,315,000	\$ -	\$ -	\$ 1,315,000	\$ 60,000
Bonds payable	18,115,000	-	-	18,115,000	650,000
Obligations under capital leases	1,711,369	-	51,495	1,659,874	87,497
Compensated absences payable	<u>843,629</u>	<u>-</u>	<u>14,758</u>	<u>828,871</u>	<u>82,886</u>
Governmental activities long-term liabilities	<u>\$ 21,984,998</u>	<u>\$ -</u>	<u>\$ 66,253</u>	<u>\$ 21,918,745</u>	<u>\$ 880,383</u>
Business-type activities					
Obligations under capital leases	\$ 31,619	\$ -	\$ 14,794	\$ 16,825	\$ 14,794
Compensated absences payable	<u>119,546</u>	<u>13,558</u>	<u>-</u>	<u>133,104</u>	<u>18,635</u>
Business-type activities long-term liabilities	<u>\$ 151,165</u>	<u>\$ 13,558</u>	<u>\$ 14,794</u>	<u>\$ 149,929</u>	<u>\$ 33,429</u>

Capital leases

The County has acquired jail facilities 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.

During 2013, the County refinanced a capital lease obligation originally entered into in 2007 to expand the County's jail facility. The obligation was refinanced under a lease purchase agreement on August 23, 2012 at \$1,585,000. The interest rate decreased from 4.60% per annum to 2.62% per annum and the maturity date was extended from July 2019 to July 2022 with principal and interest payments due biannually. Initial principal payments under the agreement are scheduled to begin on July 1, 2014.

On July 3, 2012, the County Golf Course entered into a lease purchase agreement to finance golf course equipment in the amount of \$44,586. The lease term extends through fiscal year 2016 with principal and interest paid monthly. Interest on the obligation accrues at 5.0%.

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities- Continued

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2014:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
2015	\$ 122,757	\$ 15,956
2016	106,867	1,330
2017	222,139	-
2018	227,160	-
2019	231,921	-
2020-2024	974,321	-
Total minimum lease payments	1,885,165	17,287
Less amount representing interest	225,291	462
Present value of net minimum lease payments	<u>\$ 1,659,874</u>	<u>\$ 16,825</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Jail facility	\$ 2,051,038	\$ -
Machinery and equipment	121,489	44,586
Less: accumulated depreciation	406,019	12,208
Carrying value	<u>\$ 1,766,508</u>	<u>\$ 32,378</u>

The Jail District has pledged the maintenance of effort payments from the County's general fund to the Jail District and voter approved excise tax for the payment of the debt service on the lease through 2020. Principal payments and interest expense incurred on this debt during 2014 totaled \$41,527 while voter approved excise taxes and maintenance of effort revenues were \$1,078,685 and \$720,000, respectively. Annual principal and interest payments on the lease are expected to require 11% of total pledged revenue.

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Notes Payable

In August 2008, the County entered into a financing agreement for the purchase of Colorado River water rights. In August 2012, the obligation was refinanced at \$1,015,000 in which the original interest rate of 7.75% per annum decreased to 4.00% per annum and the maturity date extended from July 2018 to July 2021. This obligation is pledged by future County excise tax that has not already been encumbered.

Also, in January 2009 the County entered into an agreement to finance the construction of the Salome Community Center. The obligation was refinanced in August 2012 for \$300,000 in which the original interest rate of 5.75% per annum was reduced to 2.60% per annum and the maturity date extended from January 2019 to July 2020. This obligation is also pledged by future County excise tax that has not already been encumbered.

Pursuant to these agreements, the County has pledged General Fund transaction privilege taxes. For the current year, principal and interest paid on the notes was \$7,800 and the total pledged transaction privilege tax revenues was \$1,165,009. Annual principal and interest payments on the notes are expected to require 21% of total pledged transaction privilege tax revenue.

The annual debt service to maturity for the notes payable is as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 60,000	\$ 47,270
2016	60,000	45,010
2017	195,000	40,365
2018	200,000	33,235
2019	205,000	25,905
2020-2021	595,000	32,255
Total	\$ 1,315,000	\$ 224,040

Bonds payable – On September 12, 2011, the County issued excise tax revenue judgment bonds to finance the cost of settling obligations of a judgment, and related to cost incurred by the County. The bonds issued by the County are described as follows:

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Description	Original Amount	Maturity Range	Interest Rates	Outstanding Principal
Excise Tax Revenue Judgment Bonds, Series 2011 A (Tax Exempt)	\$ 16,240,000	2013- 2036	3.72% to 4.75%	\$ 16,240,000
Excise Tax Revenue Judgment Bonds, Series 2011 B (Taxable)	\$ 1,875,000	2013- 2021	5.25%	1,875,000
				<u>\$ 18,115,000</u>

On September 12, 2011, the County Board of Supervisors authorized a levy of excise tax to be collected until all debt service costs have been paid relating to the County's judgment bonds. For the current year, the County incurred \$786,613 in interest expense. Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2014, \$2,044,741 was levied and collected.

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2014:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$ 650,000	\$ 774,669
2016	675,000	747,944
2017	705,000	717,719
2018	730,000	688,794
2019	765,000	661,137
2020-2024	3,670,000	2,861,762
2025-2029	3,460,000	2,179,681
2030-2034	4,335,000	1,275,969
2034-2036	3,125,000	227,169
Total	<u>\$ 18,115,000</u>	<u>\$ 10,134,844</u>

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Line of credit – The County entered into a revolving line of credit agreement on August 4, 2010 that was amended on July 18, 2011. The revolving line of credit is renewed annually and the total commitment amount during 2014 was \$1,585,000. During 2014, the County Treasurer had draws and repayments of \$319,863 and there were no outstanding balances at June 30, 2014. The line is used to meet short-term cash flow needs of the County Treasurer’s investment pool.

Landfill closure and postclosure care costs - The County has contracted with an outside agency to provide operations for its solid waste facilities. The contract requires the outside agency to reserve funds in accordance with the closure plan for closure and postclosure care costs. In the event of termination of the contract, the required reserve funds are to be remitted to the County. Consequently, no liability for landfill closure and postclosure care costs has been recorded on the Statement of Net Position.

Compensated absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2014, the County paid for compensated absences as follows: 48 percent from the General Fund, 10 percent from the Road Fund, 13 percent from the Jail District Fund, 22 percent from the Enterprise Fund, and 7 percent from the other funds.

Note 8 - Risk Management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims.

Notes to Financial Statements - Continued

Note 8 - Risk Management – Continued

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 3 years after becoming a member; however, it may withdraw after the initial 3-year period.

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

The Arizona Counties Property and Casualty Pool, the Arizona Counties Workers' Compensation Pool, and the Arizona Local Government Employee Benefit Trust receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. All pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation. If a pool were to become insolvent, the County would be assessed an additional contribution.

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

Note 9 – Pensions and Other Postemployment Benefits

Plan Descriptions - The County contributes to four 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. The plans are component units of the State of Arizona and 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 paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums. The County is fully responsible for the benefit of the retiree's health insurance premiums and 50% of the cost of the retiree's dependents while the retiree pays the remaining 50%.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit plan 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 employees of 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.

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 benefit plan that covers State of Arizona and County elected officials and judges, and elected officials of participating cities who were plan members on December 31, 2013. The plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Beginning in fiscal year 2014, PSPRS and EORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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

ASRS

3300 North Central Avenue
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or 1-800-621-3778
www.azasrs.gov

PSPRS, and EORP

3010 E. Camelback Road, Ste. 200
Phoenix, AZ 85016-4416
(602) 255-5575
www.psprs.com

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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, 2014, state statute required active ASRS members to contribute at the actuarially determined rate of 11.54 percent (11.3 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 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium and 0.24 percent for long-term disability) of the members’ annual covered payroll. Active EORP members were required by statute to contribute 13 percent of the members’ annual covered payroll, and the County was required by statute to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 25.94 percent. Beginning January 1, 2014, the additional contributions were at the statutorily required rate of 23.5 percent. Both rates include the actuarially set rate of 1.56 percent for the plan’s health insurance premium benefit.

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

<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
ASRS:			
2014	\$ 897,972	\$ 50,420	\$ 20,168
2013	\$ 836,643	\$ 53,055	\$ 19,590
2012	\$ 746,588	\$ 47,655	\$ 18,154

<u>Year ended June 30</u>	<u>Pension Fund</u>	<u>Health Insurance Fund</u>
EORP:		
2014	\$ 221,565	\$ 14,981
2013	\$ 187,356	\$ 17,684
2012	\$ 184,792	\$ 11,794

Agent plan - For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members’ annual covered payroll, and the County was required to contribute 35.67 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.56 percent of the members’ annual covered payroll.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2014, were established using the June 30, 2012 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 future events. Amounts determined regarding the plans' funded status 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' structure as understood by the County and plans' members including 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 to established the fiscal year 2014 PSPRS contribution requirements, 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 accrued liability, 20 years for excess
Asset valuation method	7 - year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00%
Includes inflation at	5.00%

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2014, and related information follows:

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 530,875	\$ 23,217
Contributions made	\$ 530,875	\$ 23,217

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Trend Information—Annual pension and OPEB cost information for the current and 2 preceding years follows for the PSPRS agent plan.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
<u>PSPRS</u>				
Pension	2014	\$ 530,875	100%	\$ -0-
Health insurance	2014	\$ 23,217	100%	\$ -0-
Pension	2013	\$ 352,115	100%	\$ -0-
Health insurance	2013	\$ 20,155	100%	\$ -0-
Pension	2012	\$ 288,069	100%	\$ -0-
Health insurance	2012	\$ 18,387	100%	\$ -0-

Funded Status—The funded status of the PSPRS as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$14,448,714	\$ 229,301
Actuarial value of assets (b)	5,643,349	405,269
Unfunded actuarial accrued liability (funding excess) (a) – (b)	8,805,365	(175,968)
Funded ratio (b)/(a)	39.1%	176.7%
Covered payroll (c)	1,499,023	1,499,023
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) – (b)) / (c)	587.4%	(11.7)%

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

The actuarial methods and assumptions for the PSPRS agent plan for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0% - 8.0%
Payroll growth	4.0%
Permanent Benefit Increases	Members retired on or before July 1, 2011: 2% compounded on average. Members retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

Note 10 - Interfund Activity and Balances

Interfund transfers—Interfund transfers for the year ended June 30, 2014 consisted of transfers from the General Fund to Nonmajor Governmental Funds totaling \$905,097. Such transfers were to cover over-expenditures in certain special revenue funds. In addition, two non-major governmental funds transferred \$656,892 to the General Fund. \$500,000 of this amount was to correct a prior year error and the remaining \$156,892 was to transfer the unexpended fund balance of a Capital Projects Fund. In addition, the General Fund transferred \$720,000 to the Jail District Fund.

Interfund receivables and payables—Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balances reported as a payable by the General Fund to the Road Fund and Nonmajor Governmental Funds are expected to be repaid within 1 year from the date of the financial statements. In addition, the payable reported by the Business 95 Road Improvement to the General Fund are also expected to be repaid within one year. The interfund balances between the General Fund and certain other funds, including the Jail District Fund and the Parks Fund are not expected to be repaid within that timeframe.

Notes to Financial Statements - Continued

Note 10 - Interfund Balances and Activity – Continued

Interfund balances at June 30, 2014, were as follows:

	Payable To			Total
	General Fund	Business 95 Road Improvement Fund	Golf Course Fund	
Payable From:				
General Fund	\$ -	\$ 935,680	\$ 8,809	\$ 944,489
Road Fund	745,550	-	-	745,550
Jail District Fund	1,287,827	-	-	1,287,827
Nonmajor- Governmental Funds	830,115	-	-	830,115
Parks Fund	703,766	-	-	703,766
	<u>\$ 3,567,258</u>	<u>\$ 935,680</u>	<u>\$ 8,809</u>	<u>\$ 4,511,747</u>

Note 11 – Restatements of Beginning Net Position

During 2014, the County implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which resulted in the restatement of beginning net position at July 1, 2013 for the removal of bond issuance costs. Additionally, the County noted an unrecorded deposit in the proprietary funds. The combined effects of the restatements are as follows:

	Governmental Activities	Business-type Activities
Net position at June 30, 2013, as previously reported	\$ 50,484,875	\$ 407,864
Removal of bond issuance costs	(1,212,770)	-
Unrecorded deposit	-	80,000
Net position at June 30, 2013, as restated	<u>\$ 49,272,105</u>	<u>\$ 487,864</u>

The effect of the error correction on prior year's change in net position for business-type activities would have been an increase in charges for services totaling \$80,000. In addition, beginning net position in the Treasurer's investment pool was increased \$80,000 for this error.

Required Supplementary Information

La Paz County
Required Supplementary Information
Schedule of Agent Retirement Plan's Funding Progress
June 30, 2014

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability (Funding Excess) as Percentage of Covered Payroll ([a-b]/c)
06/30/14						
Pension	\$ 5,643,349	\$14,448,714	\$(8,805,365)	39.1%	\$1,499,023	587.4%
Health Insurance	405,269	229,301	175,968	176.7%	1,499,023	(11.7%)
06/30/13						
Pension	\$ 5,989,778	\$11,958,926	\$(5,969,148)	50.1%	\$1,380,267	432.5%
Health Insurance	\$ -	\$ 211,154	\$ (211,154)	0.0%	\$1,380,267	15.3%
06/30/12						
Pension	\$ 6,564,204	\$11,914,451	\$(5,350,247)	55.1%	\$1,167,036	458.4%
Health Insurance	\$ -	\$ 243,678	\$ (243,678)	0.0%	\$1,167,036	20.9%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 6,281,163	\$ 6,281,163	\$ 6,195,603	\$ (85,560)
Licenses and permits	197,517	197,517	273,265	75,748
Fees, fines, and forfeits	1,275,087	1,275,087	1,225,149	(49,938)
Intergovernmental	4,853,898	4,853,898	4,672,445	(181,453)
Charges for services	1,545,424	1,545,424	1,572,118	26,694
Investment income (loss)	1,000	1,000	8,268	7,268
Miscellaneous	1,638,000	1,638,000	781,056	(856,944)
Total revenues	15,792,089	15,792,089	14,727,904	(1,064,185)
Expenditures:				
Current:				
General government:				
Assessor	478,182	500,582	530,755	(30,173)
County attorney	632,730	632,730	656,786	(24,056)
Board of supervisors	653,617	653,617	663,086	(9,469)
Clerk of the superior court	441,399	441,399	446,631	(5,232)
Constable	500	500	281	219
Elections	116,389	116,389	65,918	50,471
Justice of the Peace #4	438,417	438,417	466,650	(28,233)
Justice of the Peace #5	288,093	288,093	278,739	9,354
Justice of the Peace #6	363,687	363,687	337,602	26,085
Planning and zoning	418,003	418,003	411,884	6,119
Recorder	265,237	265,237	257,568	7,669
Superior court	157,726	157,726	158,401	(675)
Court administration	347,633	477,633	482,578	(4,945)
Treasurer	352,519	434,800	398,927	35,873
Contingency	2,000,000	2,279	271,725	(269,446)
Management information services	162,336	142,336	129,460	12,876
Public defender	499,763	499,763	501,604	(1,841)
General administration	365,000	425,000	443,861	(18,861)
Community resources	89,187	89,187	58,375	30,812
Finance personnel	281,675	281,675	269,851	11,824
GIS/Master planning	-	-	84	(84)
Facilities management	357,217	377,217	394,976	(17,759)
Total general government	8,709,310	7,006,270	7,225,742	(219,472)

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety:				
Regional dispatch	\$ 810,124	\$ 810,124	\$ 795,166	\$ 14,958
Sheriff	2,874,034	3,228,975	3,241,840	(12,865)
Probation	133,215	133,215	133,215	-
Juvenile probation	107,655	107,655	107,655	-
Total public safety	<u>3,925,028</u>	<u>4,279,969</u>	<u>4,277,876</u>	<u>2,093</u>
Sanitation:				
Sanitary landfill	<u>300,000</u>	<u>1,215,000</u>	<u>1,263,263</u>	<u>(48,263)</u>
Total sanitation	300,000	1,215,000	1,263,263	(48,263)
Health:				
Indigent health	458,600	458,600	297,644	160,956
County long term care ALTCS	693,650	693,650	694,510	(860)
C.M.I (chronically mentally ill)	96,000	96,000	109,591	(13,591)
Health department transit	-	-	4,248	(4,248)
Total health	<u>1,248,250</u>	<u>1,248,250</u>	<u>1,105,993</u>	<u>142,257</u>
Welfare:				
Public fiduciary	<u>143,348</u>	<u>143,348</u>	<u>139,847</u>	<u>3,501</u>
Total welfare	143,348	143,348	139,847	3,501
Education:				
School superintendent	<u>218,739</u>	<u>218,739</u>	<u>217,115</u>	<u>1,624</u>
Total education	218,739	218,739	217,115	1,624
Total expenditures	<u>14,544,675</u>	<u>14,111,576</u>	<u>14,229,836</u>	<u>(118,260)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,247,414</u>	<u>\$ 1,680,513</u>	<u>\$ 498,068</u>	<u>\$ (1,182,445)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2014

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):				
Transfers in	\$ 720,237	\$ 720,237	\$ 656,892	\$ (63,345)
Transfers out	(912,801)	(912,801)	(1,625,097)	(712,296)
Total other financing uses	<u>(192,564)</u>	<u>(192,564)</u>	<u>(968,205)</u>	<u>(775,641)</u>
Net change in fund balances	1,054,850	1,487,949	(470,137)	(1,958,086)
Fund balances, July 1, 2013	<u>-</u>	<u>-</u>	<u>2,760,958</u>	<u>2,760,958</u>
Fund balances, June 30, 2014	<u>\$ 1,054,850</u>	<u>\$ 1,487,949</u>	<u>\$ 2,290,821</u>	<u>\$ 802,872</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2014

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes	\$ 430,859	\$ 430,859	\$ 455,322	\$ 24,463
Intergovernmental	3,480,632	3,480,632	3,421,641	(58,991)
Investment income	2,500	2,500	8,735	6,235
Miscellaneous	18,000	18,000	47,563	29,563
Total revenues	<u>3,931,991</u>	<u>3,931,991</u>	<u>3,933,261</u>	<u>1,270</u>
Expenditures:				
Current:				
Highways and streets	<u>3,885,750</u>	<u>3,635,750</u>	<u>3,742,051</u>	<u>(106,301)</u>
Total expenditures	<u>3,885,750</u>	<u>3,635,750</u>	<u>3,742,051</u>	<u>(106,301)</u>
Net change in fund balances	46,241	296,241	191,210	(105,031)
Fund balances, July 1, 2013	<u>-</u>	<u>-</u>	<u>1,741,009</u>	<u>1,741,009</u>
Fund balances, June 30, 2014	<u>\$ 46,241</u>	<u>\$ 296,241</u>	<u>\$ 1,932,219</u>	<u>\$ 1,635,978</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2014

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,130,000	\$ 1,078,685	\$ (51,315)
Charges for services	1,350,000	1,480,055	130,055
Investment (loss) income	-	(496)	(496)
Miscellaneous	-	3	3
Total revenues	<u>2,480,000</u>	<u>2,558,247</u>	<u>78,247</u>
Expenditures:			
Current:			
Public safety	3,134,608	3,197,945	(63,337)
Capital outlay	-	45,750	(45,750)
Debt Service:			
Interest and fiscal charges	41,528	41,527	1
Total expenditures	<u>3,176,136</u>	<u>3,285,222</u>	<u>(109,086)</u>
Excess (deficiency) of revenues over expenditures	<u>(696,136)</u>	<u>(726,975)</u>	<u>(30,839)</u>
Other financing sources (uses):			
Transfers in	720,000	720,000	-
	<u>720,000</u>	<u>720,000</u>	<u>-</u>
Net change in fund balances	23,864	(6,975)	(30,839)
Fund balances, July 1, 2013	<u>135,091</u>	<u>(1,195,471)</u>	<u>(1,330,562)</u>
Fund balances, June 30, 2014	<u>\$ 158,955</u>	<u>\$ (1,202,446)</u>	<u>\$ (1,361,401)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2014

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.

For the General Fund, capital outlay and debt service expenditures are budgeted by department and accumulated by function on the Budgetary Comparison Schedule.

Note 2 - Budgetary Basis of Accounting

The County's budget is prepared on a basis consistent with generally accepted accounting principles.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2014

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2014, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

Fund/Department	Excess
General Fund:	
Superior Court	\$ 675
Court Administration	4,945
Clerk of the Superior Court	5,232
Justice of the Peace #4	28,233
Assessor	30,173
Contingency	269,446
County Attorney	24,056
Board of Supervisors	9,469
Facilities Management	17,759
Public Defender	1,841
Sheriff	12,858
Sanitary Landfill	48,263
C.M.I (Chronically Mentally Ill)	13,591
Health Department Transit	4,248
GIS/Master Planning	84
General Administration	18,861
Road Fund:	
Highway and street expenditures	\$ 106,301
Jail District:	
Public safety expenditures	\$ 109,086

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