

**La Paz County, Arizona**  
**Basic Financial Statements**

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**Year ended June 30, 2011**

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## Independent Auditors' Report

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

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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 3 through 12, the Budgetary Comparison Schedules on pages 54 through 59, the Schedule of Agent Retirement Plans' Funding Progress on page 53 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited

procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

REDW LLC

Phoenix, Arizona  
February 18, 2013

## **Management's Discussion and Analysis**

**La Paz County**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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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, 2011. 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 \$56,421,775 (net assets). Of this amount, \$16,169,560 is a deficit in unrestricted net assets, \$5,491,624 is restricted for specific purposes (restricted net assets), and \$67,099,711 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities decreased by \$1,397,445 in comparison to the prior year's decrease in total net assets of \$7,079,284.
- At June 30, 2011, the governmental funds reported combined fund balances of \$4,587,462, a decrease of \$955,862 in comparison with the prior year. The components of fund balances consist of \$293,993 that is nonspendable, \$7,465,299 that is restricted or committed for specific purposes and \$3,171,830 that is an accumulated deficit. As further discussed in Note 8 to the financial statements, the County's overall financial condition continues to be compromised due to the ongoing litigation in connection with a judgment against the County that was settled in September 2011.
- At June 30, 2011 the unassigned fund balance for the General Fund was \$764,558 or 5.9% 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 Assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

## Management's Discussion and Analysis - Continued

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### 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. The County Park was reclassified from the nonmajor governmental fund type to a major enterprise fund type during the 2011 fiscal year.

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 25 of this report for more information on the County's component units.

*The government-wide financial statements can be found on pages 13-14 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 four 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 and Business 95 Road Improvement funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.



## Management's Discussion and Analysis - Continued

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### **Overview of the Financial Statements - Continued**

*The governmental fund financial statements can be found on pages 15-18 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 19-22 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 23-24 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 25-52 of this report.*

**Required supplementary information** presents budgetary comparison schedules for the General, Road, Business 95 Road Improvement 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 53-59 of this report.*

### **Government-Wide Financial Analysis**

#### *Net Assets*

The largest portion of the County's net assets 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 assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets 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 Assets at June 30, 2011 and 2010:

	2011	2010	2011	2010		
	Governmental	Governmental	Business-	Business-	2011 Total	2010 Total
	Activities	Activities	Type	Type		(as restated)
	(as restated)	(as restated)	Activities	Activities		(as restated)
	(as restated)	(as restated)	(as restated)	(as restated)		(as restated)
Current and other assets	\$ 7,184,696	\$ 7,881,643	\$ (618,737)	\$ (701,446)	\$ 6,565,959	\$ 7,180,197
Capital assets	68,435,259	69,484,821	1,879,650	2,103,388	70,314,909	71,588,209
Total assets	<u>75,619,955</u>	<u>77,366,464</u>	<u>1,260,913</u>	<u>1,401,942</u>	<u>76,880,868</u>	<u>78,768,406</u>
Other liabilities	2,415,841	2,171,149	101,997	139,596	2,517,838	2,310,745
Long-term liabilities	17,824,378	18,528,175	116,877	110,266	17,941,255	18,638,441
Total liabilities	<u>20,240,219</u>	<u>20,699,324</u>	<u>218,874</u>	<u>249,862</u>	<u>20,459,093</u>	<u>20,949,186</u>
Net assets						
Invested in capital assets, net of related debt	65,220,061	65,929,534	1,879,650	2,103,388	67,099,711	68,032,922
Restricted	5,491,624	7,319,081	-	-	5,491,624	7,319,081
Unrestricted net assets (deficit)	(15,331,949)	(16,581,475)	(837,611)	(951,308)	(16,169,560)	(17,532,783)
Total net assets	<u>\$ 55,379,736</u>	<u>\$ 56,667,140</u>	<u>\$ 1,042,039</u>	<u>\$ 1,152,080</u>	<u>\$ 56,421,775</u>	<u>\$ 57,819,220</u>

Note: The 2010 balances were restated for the reclassification of the La Paz County Parks Fund from governmental activities to business-type activities which resulted from the implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

As noted earlier, net assets 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 \$56,421,775 at June 30, 2011 which is primarily the result of the County's investment in long-lived assets.

While the County's financial position decreased from prior year, the decrease was not as significant as that incurred during the 2010 fiscal year. A significant portion of the 2010 fiscal year's decrease in net assets pertained to the accrual of over \$3 million related to an ongoing litigation involving a judgment that was settled in September 2011.

Governmental activities current and other assets decreased by \$433,217 primarily due to a decrease in cash and cash equivalents totaling \$792,243 which was offset by an increase in amounts due from other governments. This increase related primarily from amounts due from the state of Arizona pertaining to a flood clean-up project. The majority of this decrease in cash and cash equivalents resulted from the incurrence of operating expenditures necessary for basic governmental services that are not offset by revenues. Current liabilities increased by \$244,692 primarily due to an increase in accounts payable, amounts due to others and accrued salaries, wages and related liabilities.

Governmental activities long-term liabilities decreased by \$703,797 primarily due to debt service payments on notes payable, capital leases and payments made in connection with a judgment liability.

## Management's Discussion and Analysis - Continued

### Government-Wide Financial Analysis - Continued

Business-type activities incurred a decrease in current and other assets resulting from the change in the amount due to the General Fund for cumulative operating losses incurred in the Parks Fund.

#### *Changes in Net Assets*

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

	2011	2010	2011	2010	2011	2010
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities (as restated)	Activities	Activities (as restated)	Total	Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 5,162,300	\$ 5,836,880	\$ 2,415,223	\$ 2,486,607	\$ 7,577,523	\$ 8,323,487
Operating grants & contributions	6,121,690	5,316,511	-	-	6,121,690	5,316,511
Capital grants & contributions	3,567,555	3,489,353	-	-	3,567,555	3,489,353
General revenues:						
Property taxes	4,425,543	4,139,711	-	-	4,425,543	4,139,711
Share of state sales taxes	1,712,784	1,624,724	-	-	1,712,784	1,624,724
Excise tax	2,112,049	2,000,067	-	-	2,112,049	2,000,067
Payments in lieu of taxes	1,806,515	1,945,891	-	-	1,806,515	1,945,891
Vehicle license tax	543,110	1,078,584	-	-	543,110	1,078,584
Share of state lottery	-	304,381	-	-	-	304,381
Investment earnings	3,274	7,042	(140)	999	3,134	8,041
Miscellaneous	393,558	179,588	7,040	2,030	400,598	181,618
Total revenues	<u>25,848,378</u>	<u>25,922,732</u>	<u>2,422,123</u>	<u>2,489,636</u>	<u>28,270,501</u>	<u>28,412,368</u>
<u>Expenses</u>						
General government	8,137,045	11,867,678	-	-	8,137,045	11,867,678
Public safety	10,311,771	10,359,659	-	-	10,311,771	10,359,659
Highways and streets	5,402,814	6,374,904	-	-	5,402,814	6,374,904
Sanitation	161,783	64,020	-	-	161,783	64,020
Health	2,170,451	2,506,569	-	-	2,170,451	2,506,569
Welfare	458,451	580,620	-	-	458,451	580,620
Culture and recreation	145,947	141,198	2,397,986	2,319,694	2,543,933	2,460,892
Education	279,012	272,907	-	-	279,012	272,907
Interest on long-term debt	202,686	1,004,403	-	-	202,686	1,004,403
Total expenses	<u>27,269,960</u>	<u>33,171,958</u>	<u>2,397,986</u>	<u>2,319,694</u>	<u>29,667,946</u>	<u>35,491,652</u>
Change in net assets before transfers	(1,421,582)	(7,249,226)	24,137	169,942	(1,397,445)	(7,079,284)
Transfers	134,178	47,340	(134,178)	(47,340)	-	-
	<u>134,178</u>	<u>47,340</u>	<u>(134,178)</u>	<u>(47,340)</u>	<u>-</u>	<u>-</u>
Change in net assets	(1,287,404)	(7,201,886)	(110,041)	122,602	(1,397,445)	(7,079,284)
Beginning net assets, as restated	56,667,140	63,869,026	1,152,080	1,029,478	57,819,220	64,898,504
Ending net assets	<u>\$ 55,379,736</u>	<u>\$ 56,667,140</u>	<u>\$ 1,042,039</u>	<u>\$ 1,152,080</u>	<u>\$ 56,421,775</u>	<u>\$ 57,819,220</u>

## Management's Discussion and Analysis - Continued

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### **Government-Wide Financial Analysis - Continued**

As previously discussed, net assets of the governmental activities decreased during the year by \$1,287,404. Total revenues decreased by \$74,269, which is primarily from a combination of a \$285,832 increase in property taxes while State shared vehicle license tax and state lottery monies decreased by \$839,855. Payments received from the State of Arizona for shared state lottery revenues ceased altogether during 2011. Governmental activities expenses decreased by \$5,823,706 due to continued cost cutting measures and the previously discussed judgment related expenses/expenditures recognized in the prior year.

Business-type activities reported a negative unrestricted net deficit balance totaling \$837,611. This resulted primarily from the inclusion of the Parks Fund as a County enterprise fund. This fund has a beginning unrestricted deficit balance of \$310,799d.

### **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, 2011, the County's governmental funds reported combined fund balances of \$4,587,462, a decrease of \$955,862 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 \$905,362. Total General Fund revenue decreased by \$453,693 primarily due to a decrease in the County's share of vehicle license tax and a decrease in State shared lottery revenue. General Fund expenditures increased by \$59,914.

Overall salaries, wages and related personnel costs decreased by \$805,317 from the prior year while generally, there were reductions in other operating expenditures. The expenditures of other governmental funds decreased by \$1,970,242 in which \$743,704 is attributable to the reclassification of the Parks Fund from an other governmental fund type to an enterprise fund type. The remaining decrease is largely due to a decrease in salaries, wages and related expenditures due to cost cutting measures.

The Road Fund, a major County Fund is used for various road projects within the County and had an overall decrease in expenditures totaling \$417,262 due to a decrease in repair and rehabilitation of various County roads and streets.

The Jail District Fund, also a major County fund, is used to report the activity of the County jail. During 2011, the Fund's overall revenues decreased by \$48,387 from 2010 because of a continued decrease in revenues related to inmate housing activity while expenditures decreased by \$35,720 from the prior year. The Fund also made transfers of \$550,000 to the County's General Fund.

## Management's Discussion and Analysis - Continued

### Financial Analysis of the County's Funds - Continued

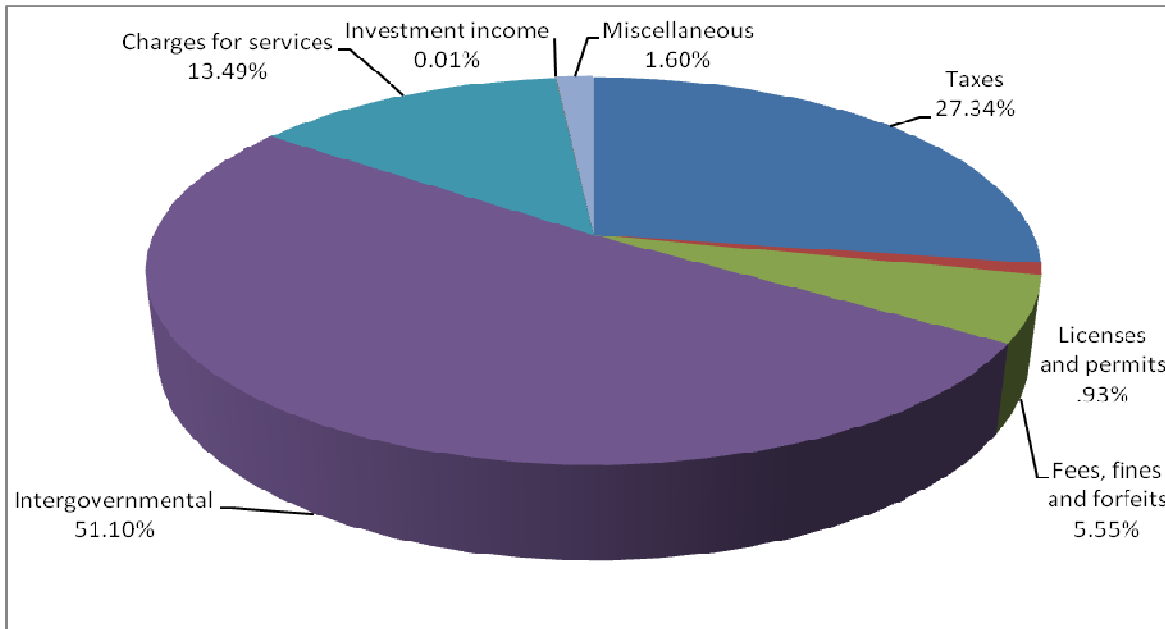
The Business 95 Road Improvement Fund had an increase in expenditures totaling \$261,492 from the prior year pertaining to an increase in expenditures for repairs and maintenance on the Business 95 Highway.

The Other Governmental funds had a decrease in revenues totaling \$440,514 in which the largest component of that decrease was the reclassification of the County Parks Fund from the other governmental fund type to the enterprise fund type. Intergovernmental revenues increased in the other governmental funds by \$329,344 primarily from funding received in connection with a flood restoration project.

The Golf Course Fund is an enterprise fund of the County that had a decrease in revenues totaling \$121,478 due to less golf fees earned while expenses increased by \$36,542.

The Parks Fund, also an enterprise fund of the County, had an increase in revenues totaling \$55,071 while expenses increased by \$125,537. The increase in expenses is primarily from an increase in personnel costs and repairs and maintenance.

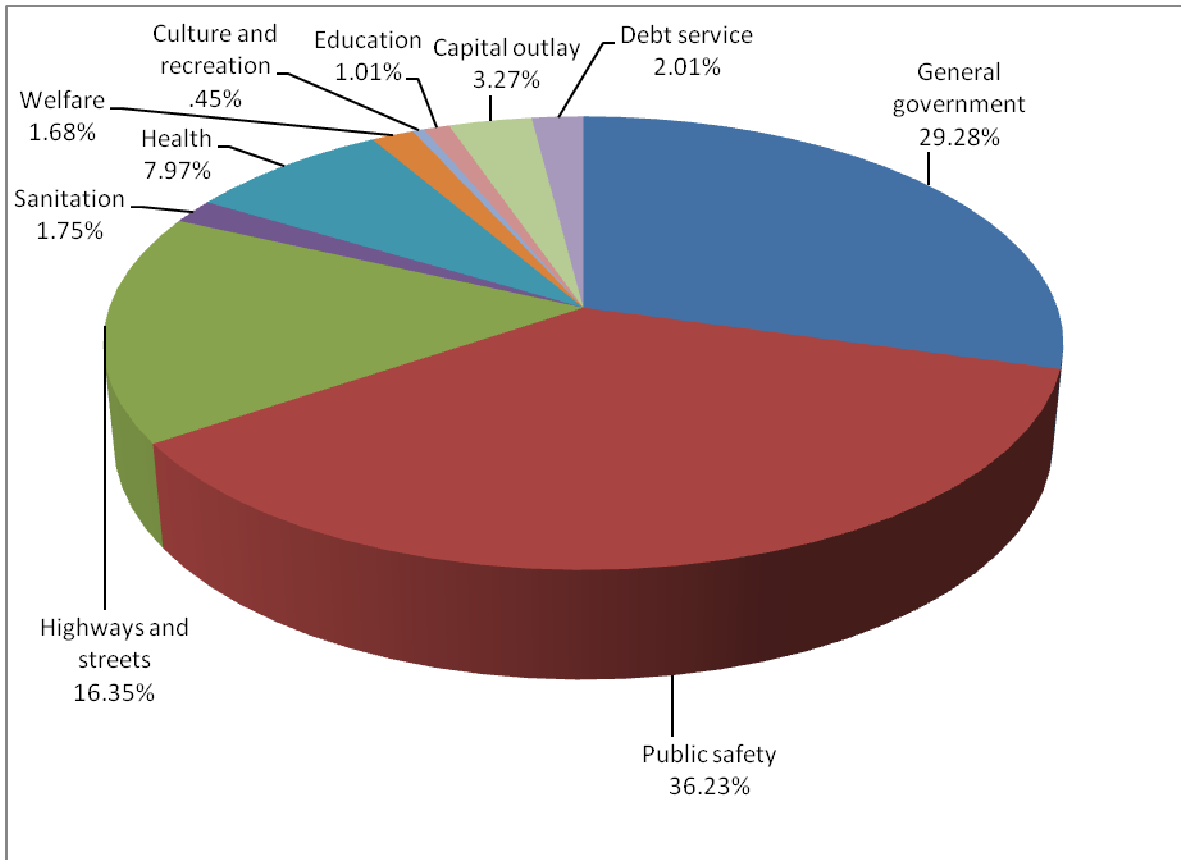
The following graphs present the amount of governmental revenues from various sources and expenditures by function:



The composition of revenues remained generally consistent with the prior year with a slight increase in intergovernmental revenues and a decrease in charges for services.

## Management's Discussion and Analysis - Continued

### Financial Analysis of the County's Funds - Continued



During 2011, the largest portion of the County's expenditures continued to be for public safety at 36% of total expenditures while general government functions represented 29% of the total. The County's highways and streets expenditures are the third largest percentage of total expenditures at 16%.

### General Fund Budgetary Highlights

The County did not amend the fiscal year 2010-11 adopted budget for the General Fund. General Fund actual expenditures were \$1.0 million under the adopted budget and actual revenues were less than estimated revenues by \$0.5 million.

Tax and intergovernmental revenue were greater than the budgeted amount predominately due to greater than anticipated property taxes and shared state tax revenues and federal payment in lieu revenues. Budgeted miscellaneous revenues are for various non-exchange transactions in which several did not commence during 2011.

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

## Management's Discussion and Analysis - Continued

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### **General Fund Budgetary Highlights - Continued**

- The Justice of the Peace Court #5 exceeded its budget by 17% due to greater than anticipated operating costs.
- Court Administration exceeded its budget by 20% due to greater than anticipated costs pertaining to court appointed legal counsel.
- The County Treasurer incurred less than anticipated expenditures due to unfilled vacant positions.
- During 2011, the Contingency line item was largely unused resulting in an \$817,238 favorable variance.
- The Public Defender incurred less than anticipated expenditures due to unfilled vacant positions.
- The General Administration budget includes costs for professional fees and other general government expenses that were not incurred as anticipated during 2011.
- Sanitary Landfill exceeded the budget primarily due to unanticipated legal costs incurred pertaining to the ongoing litigation involving the County landfill.
- The County's Long-Term Care ALTCS line item had a favorable budget variance of \$119,286 due to less than anticipated amounts incurred for County's portion of contributions Arizona Long-Term Care System.
- The Chronically Mentally Ill department had less than anticipated expenditures due to an overall continued decrease in the use of outside health care providers.
- Health Department Transit had an overall decrease in operating costs resulting in a favorable budget variance.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

The County's investment in capital assets as of June 30, 2011 amounted to \$67.1 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 1.4% from the prior period. Major capital asset events during the current fiscal year included outlays for highway and street improvements and new building heating and cooling systems.

Additional information on the County's capital assets activity and balances can be found in Note 7 of the notes to the financial statements on pages 39-40 of this report.

## Management's Discussion and Analysis - Continued

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### Capital Assets and Debt Administration - Continued

#### *Long-Term Liabilities*

At June 30, 2011 the County had total long-term liabilities outstanding of \$17,941,255. This amount consists primarily of obligations under capital leases of \$1.8 million and \$13.7 million in estimated judgment liability related losses. The judgment liability is discussed in further detail on page 44 of the financial statements.

Additional information on the County's long-term debt can be found in Note 8 of the notes to the financial statements on pages 41-45 of this report.

#### Economic Factors

- The County has accrued a \$13.7 million for estimated liabilities in connection with a lawsuit that was settled in September 2011 using proceeds from tax-exempt and taxable revenue bonds.
- Due to the current economic environment, it is anticipated that future shared revenues received from the State of Arizona and property and sales tax revenues will continue to decrease.
- The County has taken into consideration the above economic factors in preparing future years' budgets.

#### Request 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, AZ 85344.



## **Basic Financial Statements**

**La Paz County**  
**Statement of Net Assets**  
**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,137,583	\$ 18,889	\$ 4,156,472
Property taxes receivable	250,475	-	250,475
Internal balances	637,626	(637,626)	-
Due from:			
Others	154,384	-	154,384
Other governments	1,710,635	-	1,710,635
Prepaid items	293,993	-	293,993
Capital assets, not being depreciated	45,231,955	-	45,231,955
Capital assets, being depreciated, net	23,203,304	1,879,650	25,082,954
Total assets	<u>75,619,955</u>	<u>1,260,913</u>	<u>76,880,868</u>
<b>Liabilities</b>			
Accounts payable	1,201,770	59,911	1,261,681
Accrued liabilities	599,224	38,579	637,803
Due to:			
Others	364,417	3,507	367,924
Other governments	250,430	-	250,430
Noncurrent liabilities:			
Due within one year	14,175,970	16,363	14,192,333
Due in more than one year	3,648,408	100,514	3,748,922
Total liabilities	<u>20,240,219</u>	<u>218,874</u>	<u>20,459,093</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	65,220,061	1,879,650	67,099,711
Restricted for:			
Highways and streets	1,364,807	-	1,364,807
Judicial	2,053,515	-	2,053,515
Public safety	915,707	-	915,707
Health and welfare	661,395	-	661,395
Other purposes	496,200	-	496,200
Unrestricted (deficit)	(15,331,949)	(837,611)	(16,169,560)
Total net assets	<u>\$ 55,379,736</u>	<u>\$ 1,042,039</u>	<u>\$ 56,421,775</u>

See the accompanying notes to the financial statements.

**La Paz County**  
**Statement of Activities**  
**Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 8,137,045	\$ 2,882,432	\$ 2,076,132	\$ -	\$ (3,178,481)	\$ -	\$ (3,178,481)
Public safety	10,311,771	2,042,720	2,972,367	-	(5,296,684)	-	(5,296,684)
Highways and streets	5,402,814	-	478,979	3,567,555	(1,356,280)	-	(1,356,280)
Sanitation	161,783	-	49,117	-	(112,666)	-	(112,666)
Health	2,170,451	220,855	327,107	-	(1,622,489)	-	(1,622,489)
Welfare	458,451	16,073	216,087	-	(226,291)	-	(226,291)
Culture and recreation	145,947	220	1,901	-	(143,826)	-	(143,826)
Education	279,012	-	-	-	(279,012)	-	(279,012)
Interest on long-term debt	202,686	-	-	-	(202,686)	-	(202,686)
Total governmental activities	27,269,960	5,162,300	6,121,690	3,567,555	(12,418,415)	-	(12,418,415)
Business-type activities							
Golf course	1,528,745	1,613,296	-	-	-	84,551	84,551
Parks	869,241	801,927	-	-	-	(67,314)	(67,314)
Total business-type activities	2,397,986	2,415,223	-	-	-	17,237	17,237
Total primary government	\$ 29,667,946	\$ 7,577,523	\$ 6,121,690	\$ 3,567,555	(12,418,415)	17,237	(12,401,178)
<b>General revenues:</b>							
Taxes:							
Property taxes levied for general purposes					4,414,821	-	4,414,821
Property taxes levied for special districts					10,722	-	10,722
Excise tax					2,112,049	-	2,112,049
Payments in lieu of taxes					1,806,515	-	1,806,515
Share of state sales taxes					1,712,784	-	1,712,784
Unrestricted share of vehicle license tax					543,110	-	543,110
Investment earnings					3,274	(140)	3,134
Miscellaneous					393,558	7,040	400,598
Transfers					134,178	(134,178)	-
Total general revenues and transfers					11,131,011	(127,278)	11,003,733
Changes in net assets					(1,287,404)	(110,041)	(1,397,445)
Net assets - July 1, 2010, as restated					56,667,140	1,152,080	57,819,220
Net assets - June 30, 2011					\$ 55,379,736	\$ 1,042,039	\$ 56,421,775

See the accompanying notes to the financial statements.

**La Paz County  
Balance Sheet  
Governmental Funds  
June 30, 2011**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail District Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Other Governmental Funds</b>	
<b>Assets</b>						
Cash and cash equivalents	\$ 997,347	\$ 2,135,818	\$ 72,329	\$ -	\$ 932,089	\$ 4,137,583
Property tax receivable	249,244	-	-	-	1,231	250,475
Due from:						
Others	64,699	-	-	-	89,685	154,384
Other governments	224,268	360,782	396,697	-	728,888	1,710,635
Other funds	2,925,027	71,643	-	1,961,491	762,336	5,720,497
Prepaid items	140,804	-	124,125	-	29,064	293,993
Total assets	<u>\$ 4,601,389</u>	<u>\$ 2,568,243</u>	<u>\$ 593,151</u>	<u>\$ 1,961,491</u>	<u>\$ 2,543,293</u>	<u>\$ 12,267,567</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 421,106	\$ 328,431	\$ 74,070	\$ 5,950	\$ 372,213	\$ 1,201,770
Accrued liabilities	354,123	50,678	66,988	-	127,435	599,224
Due to:						
Others	359,344	313	876	-	3,884	364,417
Other governments	250,430	-	-	-	-	250,430
Other funds	2,130,624	964,328	888,335	40,034	1,059,550	5,082,871
Deferred revenue	180,400	-	-	-	993	181,393
Total liabilities	<u>3,696,027</u>	<u>1,343,750</u>	<u>1,030,269</u>	<u>45,984</u>	<u>1,564,075</u>	<u>7,680,105</u>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Prepaid items	140,804	-	124,125	-	29,064	293,993
Restricted	-	1,224,493	-	-	4,118,340	5,342,833
Committed	-	-	-	1,915,507	206,959	2,122,466
Unassigned	764,558	-	(561,243)	-	(3,375,145)	(3,171,830)
Total fund balances	<u>905,362</u>	<u>1,224,493</u>	<u>(437,118)</u>	<u>1,915,507</u>	<u>979,218</u>	<u>4,587,462</u>
Total liabilities and fund balances	<u>\$ 4,601,389</u>	<u>\$ 2,568,243</u>	<u>\$ 593,151</u>	<u>\$ 1,961,491</u>	<u>\$ 2,543,293</u>	<u>\$ 12,267,567</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 Assets**  
**June 30, 2011**

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Fund balances—total governmental funds		\$ 4,587,462
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$120,823,416 and the accumulated depreciation is \$52,388,157.</p>		68,435,259
<p>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.</p>		181,393
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Notes payable	\$ (1,390,510)	
Obligations under capital leases	(1,824,688)	
Compensated absences payable	(881,559)	
Estimated liabilities for claims and judgments	<u>(13,727,621)</u>	<u>(17,824,378)</u>
Net assets of governmental activities		<u>\$ 55,379,736</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, 2011**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail District Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Other Governmental Funds</b>	
<b>Revenues:</b>						
Taxes	\$ 5,969,434	\$ 478,979	\$ 1,086,323	\$ -	\$ 10,722	\$ 7,545,458
Licenses and permits	232,902	-	-	-	7,010	239,912
Fees, fines and forfeits	1,420,393	-	-	-	14,030	1,434,423
Intergovernmental	3,796,110	3,567,555	699,209	-	4,666,691	12,729,565
Charges for services	911,837	-	1,907,861	-	668,267	3,487,965
Investment (loss) income	(698)	1,509	372	-	2,091	3,274
Miscellaneous	98,897	87,729	128,951	-	92,615	408,192
Total revenues	<u>12,428,875</u>	<u>4,135,772</u>	<u>3,822,716</u>	<u>-</u>	<u>5,461,426</u>	<u>25,848,789</u>
<b>Expenditures:</b>						
Current:						
General government	6,410,248	-	-	-	1,478,508	7,888,756
Public safety	4,183,921	-	3,256,378	-	2,320,598	9,760,897
Highways and streets	-	3,847,585	-	-	556,247	4,403,832
Sanitation	410,243	-	-	-	60,000	470,243
Health	1,193,452	-	-	-	952,261	2,145,713
Welfare	126,019	-	-	-	326,878	452,897
Culture and recreation	-	-	-	-	121,493	121,493
Education	208,844	-	-	-	63,730	272,574
Capital outlay	25,527	-	-	505,427	348,696	879,650
Debt service:						
Principal	177,365	-	162,723	-	-	340,088
Interest	117,598	-	85,088	-	-	202,686
Total expenditures	<u>12,853,217</u>	<u>3,847,585</u>	<u>3,504,189</u>	<u>505,427</u>	<u>6,228,411</u>	<u>26,938,829</u>
Excess (deficiency) of revenues over expenditures	(424,342)	288,187	318,527	(505,427)	(766,985)	(1,090,040)
<b>Other financing sources (uses):</b>						
Transfers in	768,789	-	-	-	2,271,835	3,040,624
Transfers out	(2,137,657)	-	(550,000)	-	(218,789)	(2,906,446)
Total other financing sources (uses)	<u>(1,368,868)</u>	<u>-</u>	<u>(550,000)</u>	<u>-</u>	<u>2,053,046</u>	<u>134,178</u>
Net change in fund balances	(1,793,210)	288,187	(231,473)	(505,427)	1,286,061	(955,862)
Fund balances, July 1, 2010, as restated	<u>2,698,572</u>	<u>936,306</u>	<u>(205,645)</u>	<u>2,420,934</u>	<u>(306,843)</u>	<u>5,543,324</u>
Fund balances (deficit), June 30, 2011	<u>\$ 905,362</u>	<u>\$ 1,224,493</u>	<u>\$ (437,118)</u>	<u>\$ 1,915,507</u>	<u>\$ 979,218</u>	<u>\$ 4,587,462</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, 2011**

Net change in fund balances - total governmental funds		\$ (955,862)
<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	\$ 1,733,250	
Depreciation expense	<u>(2,768,182)</u>	(1,034,932)
<p>In the Statement of Activities, only the gain or loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the book value of the capital assets sold.</p>		
Loss on disposal of capital assets		(14,630)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:</p>		
Notes payable	132,670	
Obligations under capital leases	<u>207,419</u>	340,089
<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	55,248	
Decrease in estimated liability for claims and judgments	<u>308,460</u>	363,708
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		<u>14,223</u>
Change in net assets of governmental activities		<u><u>\$ (1,287,404)</u></u>

See the accompanying notes to the financial statements.

**La Paz County**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Golf Course Fund</b>	<b>Parks Fund</b>	<b>Total Enterprise Funds</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 18,389	\$ 500	\$ 18,889
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,004,458	875,192	1,879,650
Total assets	1,022,847	875,692	1,898,539
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	42,811	17,100	59,911
Accrued payroll and employee benefits	25,402	13,177	38,579
Due to others	725	2,782	3,507
Due to General Fund	230,990	406,636	637,626
Compensated absences payable, current portion	10,603	5,760	16,363
Total current liabilities	310,531	445,455	755,986
Noncurrent liabilities:			
Compensated absences payable	65,129	35,385	100,514
Total liabilities	375,660	480,840	856,500
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,004,458	875,192	1,879,650
Unrestricted (deficit)	(357,271)	(480,340)	(837,611)
Total net assets	\$ 647,187	\$ 394,852	\$ 1,042,039

See the accompanying notes to the financial statements.



**La Paz County**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Golf Course Fund</b>	<b>Parks Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating revenues:</b>			
Fees	\$ 1,613,296	\$ 801,927	\$ 2,415,223
Miscellaneous	3,431	3,469	6,900
Total operating revenues	1,616,727	805,396	2,422,123
<b>Operating expenses:</b>			
Personnel services	753,643	436,425	1,190,068
Professional services	105,696	9,354	115,050
Supplies	151,335	100,439	251,774
Communications	5,878	5,887	11,765
Utilities	80,310	163,525	243,835
Repairs and maintenance	237,557	60,088	297,645
Depreciation	159,122	80,597	239,719
Other	35,204	12,926	48,130
Total operating expenses	1,528,745	869,241	2,397,986
Operating income (loss)	87,982	(63,845)	24,137
Transfers out	-	(134,178)	(134,178)
Increase (decrease) in net assets	87,982	(198,023)	(110,041)
Total net assets, July 1, 2010, as restated	559,205	592,875	1,152,080
Total net assets, June 30, 2011	<u>\$ 647,187</u>	<u>\$ 394,852</u>	<u>\$ 1,042,039</u>

See the accompanying notes to the financial statements.

**La Paz County**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Golf Course Fund</b>	<b>Parks Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 1,647,201	\$ 805,147	\$ 2,452,348
Payments to suppliers and providers of goods and services	(641,129)	(361,249)	(1,002,378)
Payments to employees	(747,119)	(439,794)	(1,186,913)
Net cash provided by operating activities	258,953	4,104	263,057
<b>Cash flows from noncapital financing activities:</b>			
Transfers out to other funds	-	(134,178)	(134,178)
Negative cash balance implicitly financed	230,990	406,636	637,626
Negative cash balance implicitly repaid	(496,971)	(264,395)	(761,366)
Net cash (used for) provided by noncapital financing activities	(265,981)	8,063	(257,918)
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(3,814)	(12,167)	(15,981)
Net cash used for capital and related financing activities	(3,814)	(12,167)	(15,981)
Net decrease in cash and cash equivalents	(10,842)	-	(10,842)
Cash and cash equivalents, July 1, 2010	29,231	500	29,731
Cash and cash equivalents, June 30, 2011	\$ 18,389	\$ 500	\$ 18,889

(continued)

See the accompanying notes to the financial statements.

**La Paz County**  
**Statement of Cash Flows - Continued**  
**Proprietary Fund**  
**Year Ended June 30, 2011**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Golf Course Fund</b>	<b>Parks Fund</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 87,982	\$ (63,845)	\$ 24,137
<i>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</i>			
Depreciation	159,122	80,597	239,719
Changes in assets and liabilities:			
Decrease in prepaid items	356	-	356
Decrease (increase) in due from others	29,749	(3,379)	26,370
Decrease in accounts payable	(25,505)	(13,475)	(38,980)
Increase in due to others	725	2,991	3,716
Increase in accrued payroll and employee benefits	1,110	18	1,128
Increase in compensated absences payable	5,414	1,197	6,611
Net cash provided by operating activities	<u>\$ 258,953</u>	<u>\$ 4,104</u>	<u>\$ 263,057</u>

See the accompanying notes to the financial statements.

**La Paz County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2011**

	<b>Investment Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,719,867	\$ 657,753
Total assets	12,719,867	\$ 657,753
<b>Liabilities</b>		
Due to other governments	-	\$ 657,753
Total liabilities	-	\$ 657,753
<b>Net Assets</b>		
Held in trust for investment trust participants	\$ 12,719,867	

See the accompanying notes to the financial statements.

**La Paz County**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2011**

	<b>Investment Trust Fund</b>
<b>Additions:</b>	
Contributions from participants	\$ 34,114,627
Interest and dividends	242,930
Total additions	34,357,557
<b>Deductions:</b>	
Distributions to participants	37,727,242
Total deductions	37,727,242
Change in net assets	(3,369,685)
Net assets, July 1, 2010	16,089,552
Net assets, June 30, 2011	\$ 12,719,867

See the accompanying notes to the financial statements.

**La Paz County**  
**Notes to Financial Statements**  
**June 30, 2011**

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**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, 2011, the County implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions.

**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. The following table describes the County's component units:

<b>Component Unit</b>	<b>Description; Criteria for Inclusion</b>	<b>Reporting Method</b>	<b>Separate Financial Statements</b>
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; County board of supervisors serves as board of directors.	Blended	Not available
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; County board of supervisors serves as board of directors.	Blended	Not available

## Notes to Financial Statements - Continued

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

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, based on the criterion of GASB Statements Nos. 14 and 39, 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.

**Government-wide statements** — provide information about the primary government (the County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. 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, are reported as general revenues.

## Notes to Financial Statements - Continued

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

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.

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.



## Notes to Financial Statements - Continued

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

*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. This fund was reclassified from a special revenue fund to a capital projects fund as part of implementing GASB Statement No. 54.

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

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### **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 net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise fund follows FASB Statements and Interpretations issued on or before November 30, 1989, in addition to Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB Statements and Interpretations issued after November 30, 1989.

#### ***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, 2011, were immaterial, they are not included in the Statements of Net Assets 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 fund are as follows:

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
Land	All	N/A	N/A
Gravel and dirt roads	All	N/A	N/A
Water rights	All	N/A	N/A
Land improvements	\$5,000	Straight-line	10-30 years
Infrastructure	5,000	Straight-line	20-75 years
Buildings and improvements	5,000	Straight-line	25-50 years
Improvements other than buildings	1,000	Straight-line	7-30 years
Machinery and equipment	1,000	Straight-line	5-20 years
Golf course and improvements	1,000	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.

**H. Investment Income**

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

## Notes to Financial Statements - Continued

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

#### ***I. 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 fund's 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 fund's 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.

#### ***J. Fund Balance Classifications***

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

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

## Notes to Financial Statements - Continued

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

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 assignments of resources for specific purposes pursuant to resolution by the Board in a public meeting.

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.

### **Note 2 - Stewardship, Compliance, and Accountability**

Fifteen 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. In total, the County's General Fund did not have expenditures in excess of appropriations since the County budgeted significant expenditures for the contingency department and no budget modifications were made.

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

**Notes to Financial Statements - Continued**

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**Note 3 - Fund Balance Classifications of the Governmental Funds**

**Deficit fund balances**—At June 30, 2011, the following funds reported deficit fund balances exceeding \$50,000:

<b>Fund</b>	<b>Deficit</b>
<b>Governmental funds:</b>	
Emergency Services	\$ 150,188
La Paz Extension Fund	93,192
Health Department	434,089
Education & Employment Fund LPCC	152,505
Jail District	437,118
ACJC Drug Enforcement	325,152
Adult State Aid Enhancement	92,901
Task Force Prosecutor	270,709
Community Development	337,440
Child Support Program	224,233
Jail Commissary	74,308
Highway Safety Grant	74,477
Cops in School	276,531
Bio Terrorism	89,511
Racketeer Influenced and Corrupt Organizations Act	112,195
Anti-Meth Initiative	55,096
Statewide Fiscal Stabilization	58,098

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 3 - Fund Balance Classifications of the Governmental Funds - Continued**

The fund balance categories and classifications for governmental funds as of June 30, 2011, were as follows:

	<b>Major Funds</b>					<b>Total</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail District Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Other Governmental Funds</b>	
<b>Fund balances:</b>						
Nonspendable	\$ 140,804	\$ -	\$ 124,125	\$ -	\$ 29,064	\$ 293,993
Restricted for:						
Education	-	-	-	-	88,392	88,392
Health	-	-	-	-	434,120	434,120
Highways and streets	-	1,224,493	-	-	140,314	1,364,807
Judicial	-	-	-	-	1,908,486	1,908,486
Public safety	-	-	-	-	915,707	915,707
Transit	-	-	-	-	176,548	176,548
Water and sanitation	-	-	-	-	66,582	66,582
Welfare	-	-	-	-	227,275	227,275
Other purposes	-	-	-	-	160,916	160,916
Total restricted	-	1,224,493	-	-	4,118,340	5,342,833
Committed to:						
Highways and streets	-	-	-	1,915,507	-	1,915,507
Judicial	-	-	-	-	145,029	145,029
Other	-	-	-	-	61,930	61,930
Total committed	-	-	-	1,915,507	206,959	2,122,466
Unassigned	764,558	-	(561,243)	-	(3,375,145)	(3,171,830)
<b>Total fund balances</b>	<b>\$ 905,362</b>	<b>\$ 1,224,493</b>	<b>\$(437,118)</b>	<b>\$ 1,915,507</b>	<b>\$ 979,218</b>	<b>\$ 4,587,462</b>

**Notes to Financial Statements - Continued**

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**Note 4 – Beginning Balances Restated**

The net assets and fund balance on the government-wide statement of activities and the fund financial statements as of July 1, 2010, have been restated. This prior period adjustment is the result of implementing GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The reconciliation below summarizes the classification change:

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Other Governmental Funds</b>
Net assets/fund balance as of June 30, 2010 as previously reported	\$ 57,260,015	\$ 559,205	\$ ( 617,642)
Restatements for the reclassification of the Parks Fund	( 592,875)	592,875	310,799
Net assets/fund balances as of July 1, 2010, as restated	\$ 56,667,140	\$ 1,152,080	\$ ( 306,843)

**Note 5 - 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; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

*Credit risk*

Statutes have the following requirements for credit risk:

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



**Notes to Financial Statements - Continued**

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**Note 5 - Deposits and Investments – Continued**

*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. Investments in repurchase agreements must have a maximum maturity of 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.

At June 30, 2011, the carrying amount of the County's total cash in the bank was \$7,229,107 and the bank balance was \$8,090,696. All County's deposits are collateralized by the amount not covered by depository insurance.

*Investments* - The County's investments at June 30, 2011, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer's investment pool 7	Unrated	Not applicable	<u>\$10,298,690</u>

The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares, and the participant's shares are not identified with specific investments.

*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, 2011, the County had the following investments in debt securities:

**Notes to Financial Statements - Continued**

**Note 5 - Deposits and Investments – Continued**

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>
		<u>Less than 1 Year</u>
State Treasurer’s investment pool	\$10,298,690	\$10,298,690
	<u>\$10,298,690</u>	<u>\$10,298,690</u>

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

	<b>County Treasurer's Investment Pool</b>	<b>Other</b>	<b>Total</b>
Cash on hand	\$ -	\$ 6,296	\$ 6,296
Carrying amount of deposits	6,190,108	1,038,998	7,229,106
Reported amount of investments	10,298,690	-	10,298,690
Total	<u>\$ 16,488,798</u>	<u>\$ 1,045,294</u>	<u>\$ 17,534,092</u>

Statements of Net Assets:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Investment Trust Fund</b>	<b>Agency Funds</b>	<b>Total</b>
Cash and cash equivalents	\$ 4,137,583	\$ 18,889	\$ 12,719,867	\$ 657,753	\$17,534,092
	<u>\$ 4,137,583</u>	<u>\$ 18,889</u>	<u>\$ 12,719,867</u>	<u>\$ 657,753</u>	<u>\$17,534,092</u>

**Note 6 - 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.

**Notes to Financial Statements - Continued**

**Note 6 - Condensed Financial Statements of County Treasurer's Investment Pool – Continued**

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.

Deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$6,296 of cash on hand and \$1,038,998 of deposits held in bank. 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 5 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>
State Treasurer's investment pool	No stated interest rate	No stated maturity	\$ 10,298,690
Certificates of deposit	1.6%-2.7%	8/2011 and 2/2012	75,049
Deposits	N/A	N/A	6,115,059
			<u>\$ 16,488,798</u>

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

<b>Statement of Net Assets</b>	
Assets	\$ 16,488,798
Net assets	<u>\$ 16,488,798</u>
Net assets held in trust for:	
Internal participants	\$ 3,768,931
External participants	12,719,867
Total net assets held in trust	<u>\$ 16,488,798</u>
<b>Statement of Changes in Net Assets</b>	
Total additions	\$ 63,974,814
Total deductions	(68,491,831)
Net decrease	<u>(4,517,017)</u>
Net assets held in trust:	
July 1, 2010	21,005,815
June 30, 2011	<u>\$ 16,488,798</u>

## Notes to Financial Statements - Continued

### Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Primary Government</u>			<u>Balance June 30, 2011</u>
	<u>Balance June 30, 2010 (as restated)</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental activities:</b>				
<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	3,278,665	1,201,516	2,476,499	2,003,682
Total capital assets, not being depreciated	46,506,938	1,201,516	2,476,499	45,231,955
<i>Capital assets being depreciated:</i>				
Land improvements	32,676	-	-	32,676
Building and improvements	15,802,009	821,842	2,329	16,621,522
Machinery and equipment	14,243,552	254,282	537,258	13,960,576
Improvements other than buildings	235,285	1,174	-	236,459
Infrastructure	42,809,293	1,930,935	-	44,740,228
Total capital assets being depreciated	73,122,815	3,008,233	539,587	75,591,461
Total	119,629,753	4,209,749	3,016,086	120,823,416
<i>Less accumulated depreciation for:</i>				
Land improvements	16,670	897	-	17,567
Buildings and improvements	4,058,428	479,916	1,229	4,537,115
Improvements other than buildings	140,588	10,892	-	151,480
Machinery and equipment	11,448,081	1,048,502	523,728	11,972,855
Infrastructure	34,481,165	1,227,975	-	35,709,140
Total	50,144,932	2,768,182	524,957	52,388,157
Total capital assets being depreciated, net	22,977,883	240,051	14,630	23,203,304
Governmental activities capital assets, net	<u>\$ 69,484,821</u>	<u>\$ 1,441,567</u>	<u>\$ 2,491,129</u>	<u>\$ 68,435,259</u>

**Notes to Financial Statements - Continued**

**Note 7 - Capital Assets - Continued**

	<b>Primary Government</b>			
	<b>Balance June 30, 2010, (as restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2011</b>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,868,215	\$ 2,560	\$ -	\$ 2,870,775
Land improvements	24,031	-	-	24,031
Building and improvements	828,568	-	-	828,568
Improvements				
other than buildings	610,582	-	-	610,582
Machinery and equipment	1,892,421	13,421	178,844	1,726,998
Total	<u>6,223,817</u>	<u>15,981</u>	<u>178,844</u>	<u>6,060,954</u>
Less accumulated depreciation for:				
Golf course and improvements	1,954,583	94,556	-	2,049,139
Land improvements	13,026	801	-	13,827
Buildings and improvements	280,565	26,281	-	306,846
Machinery and equipment	590,385	14,867	16,839	588,413
Improvements				
other than buildings	280,741	38,648	-	319,389
Machinery and equipment	1,001,129	64,566	162,005	903,690
Total	<u>4,120,429</u>	<u>239,719</u>	<u>178,844</u>	<u>4,181,304</u>
Business-type activities				
capital assets, net	<u>\$ 2,103,388</u>	<u>\$ (223,738)</u>	<u>\$ -</u>	<u>\$ 1,879,650</u>

The beginning capital asset balances were restated to record the effect of reclassifying the Parks Fund from a governmental fund type to a proprietary fund type. The effect of the fund reclassification was a reduction in the net book value of governmental-type activities of \$943,622 with a corresponding increase in business-type activities capital and net assets.

## Notes to Financial Statements - Continued

### **Note 7 - Capital Assets - Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 283,993
Public safety	591,572
Highways and streets	1,848,335
Welfare	656
Health	14,561
Culture and recreation	25,502
Education	3,563
Total governmental activities depreciation expense	\$ 2,768,182
Business-type activities:	
Golf course	\$ 159,122
Parks	80,597
Total business-type activities depreciation expense	\$ 239,719

### **Note 8 - Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2011:

The beginning compensated absences balances were restated to record the effect of the reclassification of the Parks Fund from a governmental fund type to a proprietary fund type. The effect of the fund reclassification was a reduction in the beginning compensated absences balance of the governmental activities of \$39,948 with a corresponding increase in business-type activities compensated absences.

	<b>Balance June 30, 2010 (Restated)</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2011</b>	<b>Due within 1 year</b>
<b>Governmental activities</b>					
Notes payable	\$ 1,523,180	\$ -	\$ 132,670	\$ 1,390,510	\$ 142,568
Obligations under capital leases	2,032,107	-	207,419	1,824,688	217,626
Compensated absences payable	936,807	918,120	973,368	881,559	88,155
Estimated liabilities for claims and judgments	14,036,081	-	308,460	13,727,621	13,727,621
Governmental activities long-term liabilities	\$ 18,528,175	\$ 918,120	\$ 1,621,917	\$ 17,824,378	\$ 14,175,970
<b>Business-type activities</b>					
Compensated absences payable	\$ 110,266	\$ 76,929	\$ 70,318	\$ 116,877	\$ 16,363
Business-type activities long-term liabilities	\$ 110,266	\$ 76,929	\$ 70,318	\$ 116,877	\$ 16,363

## Notes to Financial Statements - Continued

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### **Note 8 - Long-Term Liabilities - Continued**

#### **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.

The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>
Jail facility	\$ 2,051,038
Machinery and equipment	195,232
Less: accumulated depreciation	225,425
Carrying value	<b><u>\$ 2,020,845</u></b>

On October 25, 2007, the County's Jail District entered into a \$2,022,075 lease purchase agreement to finance the expansion of the County's jail facility. The agreement is structured such that the facility is leased to the bank which then issued the lease proceeds to the County. The bank in turn leases the improvements back to the County that are paid in an amount totaling \$2,671,127 through 2020. Principal and interest payment are due biannually and began on July 1, 2009. Interest on the obligation accrues at 4.6% per annum. Upon the final lease payment, the title to the improvements will transfer to the County.

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 2011 totaled \$247,811 while maintenance of effort and voter approved excise taxes were \$699,209 and \$1,086,323, respectively. Annual principal and interest payments on the lease are expected to require 14% of total pledged revenue.

On March 26, 2010 the County entered into a \$195,232 lease agreement to purchase five vehicles for the County's public works department. The agreement requires the County to make annual lease payments on the obligation at 5.9% per annum through 2013, with the first payment due upon the leases inception. No County revenues have been pledged for payment of debt service under this obligation and the vehicles serve as collateral pursuant to the lease agreement.

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2011:

**Notes to Financial Statements - Continued**

**Note 8 - Long-Term Liabilities – Continued**

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>
2012	\$ 300,893
2013	300,893
2014	247,811
2015	247,811
2016	247,811
2017-2020	867,339
Total minimum lease payments	2,212,558
Less amount representing interest	387,870
Present value of net minimum lease payments	\$ 1,824,688

**Notes Payable**

In August 2008, the County entered into a financing agreement totaling \$1,250,000 in which the proceeds were used for the purchase of Colorado River water rights. The interest rate is 7.75% per annum and is payable with principal semiannually which began January 2010 and maturing in July 2018. Also, in January 2009 the County entered into financing agreement totaling \$350,000 to finance the construction of the Salome Community Center Project. The interest rate is 5.75% per annum and is payable with principal semiannually which began July 2009 and maturing in January 2019. 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 \$241,882 and the total pledged transaction privilege tax revenues was \$1,025,726. Annual principal and interest payments on the notes are expected to require 24% of total pledged transaction privilege tax revenue.

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

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2012	\$ 142,568	\$ 99,315
2013	153,213	88,670
2014	164,662	77,221
2015	176,978	64,904
2016	190,227	51,655
2017-2019	562,862	65,046
Total	\$ 1,390,510	\$ 446,811



## Notes to Financial Statements - Continued

### Note 8 - Long-Term Liabilities – Continued

**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 Assets.

**Insurance claims** - The County provides life, health, and disability benefits to its employees and their dependents through the Arizona Local Government Employee Benefit Trust currently composed of six member counties. The Trust provides the benefits through a self-funding agreement with its participants and administers the program. The County is responsible for paying the premium and 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.

**Compensated absences** - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2011, the County paid for compensated absences as follows: 53 percent from the General Fund, 9 percent from the Road Fund, 11 percent from the Jail District Fund, 12 percent from the Enterprise Fund, and 15 percent from the other funds.

**Claims and judgments** – On January 25, 2008, a judgment was rendered in connection with a September 4, 2007 verdict in favor of a defendant/counterclaimant. The claim involved a contractual matter resulting in damages totaling \$9,200,000 payable to the defendant/counterclaimant and reimbursement of certain fees and costs as reported below. In addition, in accordance with Arizona Revised Statute §44-1201, simple interest accrues on the liability at a rate of 10% per annum. The following is a summary of the total estimated loss and remaining liability incurred in connection with this claim as of June 30, 2011:

Damages	\$ 9,200,000
Interest accrued through June 30, 2011 at 10% per annum	2,759,543
Attorney fees and other incidental costs awarded to defendant/counterclaimant and their bonding company	805,795
Estimated attorney fees incurred by the County through June 30, 2011	1,466,106
Estimated remaining interest and attorney fees that will be incurred	<u>1,462,283</u>
Total estimated loss related to the claim	15,693,727
Amount already paid to the defendant/counterclaimant	( 500,000)
Attorney fees paid to-date through June 30, 2011	<u>( 1,466,106)</u>
Total liability accrued as of June 30, 2011	<u>\$ 13,727,621</u>

## Notes to Financial Statements - Continued

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### **Note 8 - Long-Term Liabilities – Continued**

The County has reported what it currently believes is the maximum total loss exposure related to this claim, which is not covered by the Arizona Counties Property and Casualty Pool. However, the ultimate actual loss that will be incurred by the County in connection with this claim could change in the near term as a result of pending litigation between the County and judgment creditors. In addition, the above loss estimation is presented for accounting and reporting purposes only and does not represent the County's legal stance on the matter.

### **Note 9 - Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For these risks of loss the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described on page 44.

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

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

The Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool receive independent audits annually and an audit by the Arizona Department of Insurance every 5 years. Both pools accrue liabilities for losses that have been incurred but not reported. These liabilities are determined annually based on an independent actuarial valuation.

## Notes to Financial Statements - Continued

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### **Note 10 – 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. Benefits are established by state statute and the plans generally provide retirement, long-term disability and health insurance premium benefits including death and survivor benefits.

The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

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

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

**Notes to Financial Statements - Continued**

**Note 10 - Pensions and Other Postemployment Benefits – Continued**

**ASRS**

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

**PSPRS and EORP**

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

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

*Cost-sharing plan* - For the year ended June 30, 2011, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent for retirement and 0.25 percent for long-term disability) of the members’ annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium and 0.25 percent for long-term disability) of the members’ annual covered payroll.

The County’s contributions to ASRS 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>
2011	\$ 762,488	\$ 49,931	\$ 21,159
2010	\$ 750,845	\$ 55,590	\$ 35,841
2009	\$ 696,862	\$ 98,307	\$ 44,424

*Agent plans* - For the year ended June 30, 2011, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the County was required to contribute 23.12 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.55 percent of the members’ annual covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members’ annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 17.42 percent of the members’ annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.77 percent of covered payroll.

*Actuarial methods and assumptions* - The contribution requirements for the year ended June 30, 2011, were established using the June 30, 2009 actuarial valuations and those actuarial valuations were based on the following actuarial methods and assumptions.

**Notes to Financial Statements - Continued**

**Note 10 - Pensions and Other Postemployment Benefits – Continued**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of future events. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans' 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 are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to established the fiscal year 2011 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 - year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and 5.00% for EORP
Includes inflation at	5.50% for PSPRS and 5.00% for EORP

**Annual Pension/OPEB Cost**—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2011, and related information follows:

	<u>PSPRS</u>		<u>EORP</u>	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 307,663	\$ 22,108	\$ 160,057	\$ 18,102
Contributions made	\$ 307,663	\$ 22,108	\$ 160,057	\$ 18,102

**Notes to Financial Statements - Continued**

**Note 10 - Pensions and Other Postemployment Benefits – Continued**

**Trend Information**—Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans.

<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	2011	\$ 307,663	100%	\$ -0-
Health insurance	2011	\$ 22,108	100%	\$ -0-
Pension	2010	\$ 381,937	100%	\$ -0-
Health insurance	2010	\$ 31,069	100%	\$ -0-
Pension	2009	\$ 443,141	100%	\$ -0-
Health insurance	2009	\$ 30,630	100%	\$ -0-
<u>EORP</u>				
Pension	2011	\$ 160,057	100%	\$ -0-
Health insurance	2011	\$ 18,102	100%	\$ -0-
Pension	2010	\$ 146,254	100%	\$ -0-
Health insurance	2010	\$ 2,917	100%	\$ -0-
Pension	2009	\$ 112,057	100%	\$ -0-
Health insurance	2009	\$ 31,606	100%	\$ -0-

**Funded Status**—The funded status of the PSPRS as of the most recent valuation date, June 30, 2011, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 45, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

**Notes to Financial Statements - Continued**

**Note 10 - Pensions and Other Postemployment Benefits – Continued**

	<b><u>PSPRS</u></b>	
	<b><u>Pension</u></b>	<b><u>Health Insurance</u></b>
Actuarial accrued liability (a)	\$11,183,460	\$ 287,027
Actuarial value of assets (b)	6,723,112	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	4,460,348	287,027
Funded ratio (b)/(a)	60.1%	0.00%
Covered payroll (c)	1,377,862	1,377,862
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $[(a) - (b)] / (c)$	323.7%	20.83%

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

Actuarial valuation date	June 30, 2011
Actuarial cost method	Projected unit credit
Amortization method	Level percent-of-pay closed
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.00% - 8.00% for PSPRS and 4.50% for EORP
Includes inflation at	5.00% for PSPRS; 4.50% for EORP

**Notes to Financial Statements - Continued**

**Note 11 - Interfund Balances and Activity**

**Interfund receivables and payables**—Interfund balances at June 30, 2011, were as follows:

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 and (4) loans between funds to cover negative pooled cash balances. Except for interfund balances between the General Fund and certain Nonmajor Governmental Funds, the Golf Course Fund and the Parks Fund, all interfund balances are expected to be repaid within 1 year from the date of the financial statements.

	<b>Payable To</b>				<b>Total</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Nonmajor Governmental Fund</b>	
<b>Payable From:</b>					
General Fund	\$ -	\$ -	\$ 1,961,491	\$ 169,133	\$ 2,130,624
Road Fund	542,032	-	-	422,296	964,328
Jail District Fund	753,790	3,792	-	130,753	888,335
Business 95 Fund	-	-	-	40,034	40,034
Nonmajor Governmental Funds	994,898	64,652	-	-	1,059,550
Golf Course Fund	230,620	250	-	120	230,990
Parks Fund	403,687	2,949	-	-	406,636
	<u>\$ 2,925,027</u>	<u>\$ 71,643</u>	<u>\$ 1,961,491</u>	<u>\$ 762,336</u>	<u>\$ 5,720,497</u>

**Interfund transfers**—Interfund transfers for the year ended June 30, 2011, were as follows:

	<b>Transfers To</b>		
	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Transfers From</b>			
General Fund	\$ -	\$ 2,137,657	\$ 2,137,657
Jail District Fund	550,000	-	550,000
Nonmajor governmental funds	218,789	-	218,789
Parks Fund	-	134,178	134,178
	<u>\$ 768,789</u>	<u>\$ 2,271,835</u>	<u>\$ 3,040,624</u>



## Notes to Financial Statements - Continued

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### **Note 11 - Interfund Balances and Activity - Continued**

Transfers from the General Fund to Nonmajor Governmental Funds were used primarily to subsidize the Parker Library and the County Health Department and to reimburse the RICO Fund. In addition, the Fill the GAP Local Court Assistance Fund, a nonmajor governmental fund, transferred monies to the General Fund. Also, unrestricted revenues collected in the Jail District were transferred to the General Fund. In addition, the Parks Fund transferred monies to the Parks Grant special revenue fund to cover a deficit fund balance.

### **Note 12 - Subsequent Event**

In September 2011, the County issued \$16,240,000 in Tax-Exempt Series 2011A bonds and \$1,875,000 in a Taxable Series 2011B bond. The proceeds from the bond issuances were used to pay the judgment liability discussed in Note 8 and related attorney fees and issuance costs. The Series 2011A bonds have annual principal payments beginning on July 1, 2014 with interest rates ranging from 3.00% to 4.75% per annum with final maturity on July 1, 2036. The Taxable Series 2011B bond has an interest rate of 5.25% per annum and matures on July 1, 2021.

The County adopted a resolution dated September 12, 2011 authorizing the levy of a transaction privilege excise tax to pay for the annual debt service. The County anticipates that the tax will be sufficient to cover the bonds' debt service requirements over their terms.

## **Required Supplementary Information**

**La Paz County**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plan's Funding Progress**  
**June 30, 2011**

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**Public Safety Personnel Retirement System**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Plan Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Funding (Liability) Excess (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Annual Covered Payroll (c)</b>	<b>Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)</b>
<b>06/30/11</b>						
Pension	\$ 6,723,112	\$ 11,183,460	\$(4,460,348)	60.1%	\$1,377,862	323.7%
Health Insurance	\$ -	\$ 287,027	\$ (287,027)	0.0%	\$1,377,862	20.8%
<b>06/30/10</b>						
Pension	\$ 6,354,159	\$ 10,738,464	\$(4,384,305)	59.2%	\$1,648,070	266.0%
Health Insurance	\$ -	\$ 265,326	\$ (265,326)	0.0%	\$1,648,070	16.1%
<b>06/30/09</b>						
Pension	\$ 6,095,219	\$ 9,803,198	\$(3,707,979)	62.2%	\$1,653,122	224.3%
Health Insurance	\$ -	\$ 265,914	\$ (265,914)	0.0%	\$1,653,122	16.1%

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Taxes	\$ 5,817,072	\$ 5,969,434	\$ 152,362
Licenses and permits	211,000	232,902	21,902
Fees, fines, and forfeits	1,455,000	1,420,393	(34,607)
Intergovernmental	3,626,789	3,796,110	169,321
Charges for services	893,020	911,837	18,817
Investment income (loss)	225,000	(698)	(225,698)
Miscellaneous	722,222	98,897	(623,325)
Total revenues	<u>12,950,103</u>	<u>12,428,875</u>	<u>(521,228)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government:</b>			
Assessor	407,318	437,103	(29,785)
County attorney	648,688	704,234	(55,546)
Board of supervisors	633,210	647,411	(14,201)
Clerk of the superior court	467,820	464,082	3,738
Constable	1,250	-	1,250
Elections	141,735	126,841	14,894
Justice of the Peace #4	434,471	409,469	25,002
Justice of the Peace #5	262,970	307,673	(44,703)
Justice of the Peace #6	308,848	291,511	17,337
Planning and zoning	556,419	511,089	45,330
Recorder	254,298	241,466	12,832
Superior court	142,022	137,967	4,055
Court administration	311,100	373,510	(62,410)
Treasurer	285,548	250,923	34,625
Contingency	832,832	15,594	817,238
Management information services	217,020	209,031	7,989
Public defender	593,703	512,730	80,973
General administration	503,136	185,468	317,668
Community resources	76,926	67,075	9,851
Finance personnel	258,063	272,239	(14,176)
GIS/Master planning	30,035	23,317	6,718
Facilities management	509,381	542,005	(32,624)
Total general government	<u>7,876,793</u>	<u>6,730,738</u>	<u>1,146,055</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund - Continued**  
**Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 728,821	\$ 695,711	\$ 33,110
Sheriff	2,624,515	2,560,017	64,498
Probation	134,098	137,706	(3,608)
Aircraft	6,600	1,568	5,032
Maintenance of effort	699,208	699,208	-
Juvenile probation	95,651	89,711	5,940
Total public safety	<u>4,288,893</u>	<u>4,183,921</u>	<u>104,972</u>
Sanitation:			
Sanitary landfill	<u>10,000</u>	<u>410,243</u>	<u>(400,243)</u>
Total sanitation	10,000	410,243	(400,243)
Health:			
Indigent health	441,576	442,021	(445)
County long term care ALTCS	759,282	639,996	119,286
C.M.I (chronically mental ill)	75,000	18,600	56,400
Health department transit	<u>113,201</u>	<u>92,835</u>	<u>20,366</u>
Total health	1,389,059	1,193,452	195,607
Welfare:			
Public fiduciary	<u>124,434</u>	<u>126,019</u>	<u>(1,585)</u>
Total welfare	124,434	126,019	(1,585)
Education:			
School superintendent	<u>205,896</u>	<u>208,844</u>	<u>(2,948)</u>
Total education	<u>205,896</u>	<u>208,844</u>	<u>(2,948)</u>
Total expenditures	<u>13,895,075</u>	<u>12,853,217</u>	<u>1,041,858</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (944,972)</u>	<u>\$ (424,342)</u>	<u>\$ 520,630</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund - Continued**  
**Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing uses:			
Transfers in	\$ -	\$ 768,789	\$ 768,789
Transfers out	(652,388)	(2,137,657)	(1,485,269)
Total other financing uses	<u>(652,388)</u>	<u>(1,368,868)</u>	<u>(716,480)</u>
Net change in fund balances	(1,597,360)	(1,793,210)	(195,850)
Fund balances, July 1, 2010	<u>1,597,360</u>	<u>2,698,572</u>	<u>1,101,212</u>
Fund balances, June 30, 2011	<u><u>\$ -</u></u>	<u><u>\$ 905,362</u></u>	<u><u>\$ 905,362</u></u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Road Fund**  
**Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 507,500	\$ 478,979	\$ (28,521)
Intergovernmental	3,400,000	3,567,555	167,555
Investment income	2,000	1,509	(491)
Miscellaneous	-	87,729	87,729
Total revenues	<u>3,909,500</u>	<u>4,135,772</u>	<u>226,272</u>
Expenditures:			
Current:			
Highways and streets	<u>5,426,500</u>	<u>3,847,585</u>	<u>1,578,915</u>
Total expenditures	<u>5,426,500</u>	<u>3,847,585</u>	<u>1,578,915</u>
Net change in fund balances	(1,517,000)	288,187	1,805,187
Fund balances, July 1, 2010	<u>1,517,000</u>	<u>936,306</u>	<u>(580,694)</u>
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ 1,224,493</u>	<u>\$ 1,224,493</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Jail District Fund**  
**Year Ended June 30, 2011**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Taxes	\$ 1,000,000	\$ 1,086,323	\$ 86,323
Intergovernmental	699,209	699,209	-
Charges for services	2,000,000	1,907,861	(92,139)
Investment income	18,000	372	(17,628)
Miscellaneous	-	128,951	128,951
Total revenues	<u>3,717,209</u>	<u>3,822,716</u>	<u>105,507</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	3,322,881	3,256,378	66,503
<b>Debt Service:</b>			
Principal retirement	162,723	162,723	-
Interest and fiscal charges	85,088	85,088	-
Total expenditures	<u>3,570,692</u>	<u>3,504,189</u>	<u>66,503</u>
Excess of revenues over expenditures	<u>146,517</u>	<u>318,527</u>	<u>172,010</u>
<b>Other financing sources (uses):</b>			
Transfers out	-	(550,000)	(550,000)
Net change in fund balances	<u>146,517</u>	<u>(231,473)</u>	<u>(377,990)</u>
Fund balances, July 1, 2010	<u>(146,517)</u>	<u>(205,645)</u>	<u>(59,128)</u>
Fund balances, June 30, 2011	<u>\$ -</u>	<u>\$ (437,118)</u>	<u>\$ (437,118)</u>

See accompanying notes to budgetary comparison schedule.



**La Paz County**  
**Required Supplementary Information - Continued**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2011**

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**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, debt service and capital outlay 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.

**Note 3 - Expenditures in Excess of Appropriations**

For the year ended June 30, 2011, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Assessor	\$ 29,785
County Attorney	55,546
Board of Supervisors	14,201
Justice of the Peace #5	44,703
Court Administration	62,410
Finance Personnel	14,176
Facilities Management	32,624
Probation	3,608
Sanitary Landfill	400,243
Indigent Health	445
Public Fiduciary	1,585
School Superintendent	2,948

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