

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Board of Supervisors
La Paz County, Arizona

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, as of June 30, 2007, 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 2, the County retroactively reported all major general infrastructure assets as part of the phased implementation requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The Management's Discussion and Analysis on pages 3 through 10, the Schedule of Agent Retirement Plan's Funding Progress on page 47, and the Budgetary Comparison Schedules on pages 48 through 55 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 accordance with *Government Auditing Standards*, we will also issue our report on our consideration of La Paz County, Arizona'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 at a future date. 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 the 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

April 16, 2010

Management's Discussion and Analysis

Management's Discussion and Analysis

This discussion and analysis, prepared by the County's management, is intended to be an easily readable analysis of La Paz County's (County) financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2007. 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 assets exceeded liabilities by \$72,869,499 (net assets). Of this amount, \$6,077,258 is a deficit in unrestricted net assets, \$6,624,669 is restricted for specific purposes (restricted net assets), and \$72,322,088 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$1,540,992. The increase is due primarily from an increase in grant and contract revenues and an increase in charges for services in connection with the County's jail district.
- At June 30, 2007, the governmental funds reported combined fund balances of \$7,963,283, a decrease of \$2,412,365 in comparison with the prior year. Approximately 93% of the combined fund balances, or \$7,379,772 is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2007, unreserved fund balance for the general fund was \$4,053,727 or 32% of general fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be spent 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).

Both of these government-wide financial statements distinguished 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*).

Management's Discussion and Analysis

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 one business-type activity, the Emerald Canyon Golf Course.

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 smaller component units. Refer to Note 1 A, Reporting Entity, on page 23 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 11-12 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 balances 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, Business 95 Road Improvement, and Jail District funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.

The governmental fund financial statements can be found on pages 13-16 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 an enterprise fund to account for the Emerald Canyon Golf Course. Fund financial statements for the enterprise fund provides 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 17-20 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 21-22 of this report.

Management's Discussion and Analysis

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 23-46 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.

Required supplementary information can be found on pages 47-55 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, machinery and equipment, and infrastructure), less accumulated depreciation and related debt used to acquire those assets still outstanding. 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 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.

The following table summarizes the Statement of Net Assets at June 30, 2007 and 2006:

	2007	2006	2007	2006	2007	2006
	Governmental Activities	Governmental Activities (as restated)	Business- Type Activities	Business- Type Activities	Total	Total (as restated)
Current and other assets	\$ 9,916,206	\$ 12,886,769	\$ (494,526)	\$ (433,490)	\$ 9,421,680	\$ 12,453,279
Capital assets	72,566,724	69,594,558	1,572,259	1,648,616	74,138,983	71,243,174
Total assets	<u>82,482,930</u>	<u>82,481,327</u>	<u>1,077,733</u>	<u>1,215,126</u>	<u>83,560,663</u>	<u>83,696,453</u>
Current and other liabilities	1,875,195	2,426,820	34,092	39,616	1,909,287	2,466,436
Long-term liabilities	7,836,650	8,643,499	945,227	1,258,011	8,781,877	9,901,510
Total liabilities	<u>9,711,845</u>	<u>11,070,319</u>	<u>979,319</u>	<u>1,297,627</u>	<u>10,691,164</u>	<u>12,367,946</u>
Net assets						
Invested in capital assets, net of related debt	71,645,108	68,198,308	676,980	432,289	72,322,088	68,630,597
Restricted	6,099,573	8,100,512	525,096	522,406	6,624,669	8,622,918
Unrestricted net assets (deficit)	<u>(4,973,596)</u>	<u>(4,887,812)</u>	<u>(1,103,662)</u>	<u>(1,037,196)</u>	<u>(6,077,258)</u>	<u>(5,925,008)</u>
Total net assets	<u>\$ 72,771,085</u>	<u>\$ 71,411,008</u>	<u>\$ 98,414</u>	<u>\$ (82,501)</u>	<u>\$ 72,869,499</u>	<u>\$ 71,328,507</u>

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 \$72,869,499 at June 30, 2007, indicating that the County is in a favorable financial position.

Management's Discussion and Analysis

Governmental activities capital assets, net of related debt (and the related net asset invested in capital assets) increased because of continued expenditures on several road projects that are in process and the continued construction of a new judicial complex. Business-type activities capital assets, net of related debt, increased because of equipment purchased for the golf course's operations.

Current and other assets decreased primarily because of the \$3.3 million decrease in cash and cash equivalents resulting primarily from the decrease in net assets during 2007 caused primarily by an overall decrease in revenues combined with an increase in cash outflows for road projects. Current liabilities for governmental activities decreased largely because of the remittance of approximately \$.5 million in 2006 court collections that were remitted to the State in 2007.

Changes in Net Assets

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

	2007	2006	2007	2006	2007	2006
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 6,211,217	\$ 5,557,874	\$ 1,638,245	\$ 1,537,951	\$ 7,849,462	\$ 7,095,825
Operating grants & contributions	5,564,584	5,026,060	-	-	5,564,584	5,026,060
Capital grants & contributions	4,946,588	3,886,629	-	-	4,946,588	3,886,629
General revenues:						
Property taxes	3,575,855	3,361,792	-	-	3,575,855	3,361,792
Share of state sales taxes	2,024,497	2,049,616	-	-	2,024,497	2,049,616
Excise tax	2,335,951	2,294,727	-	-	2,335,951	2,294,727
Payments in lieu of taxes	1,248,580	1,537,632	-	-	1,248,580	1,537,632
Vehicle license tax	1,178,431	920,339	-	-	1,178,431	920,339
Share of state lottery	550,035	550,035	-	-	550,035	550,035
Investment earnings	455,480	323,804	15,433	12,240	470,913	336,044
Miscellaneous	270,976	468,981	-	-	270,976	468,981
Total revenues	<u>28,362,194</u>	<u>25,977,489</u>	<u>1,653,678</u>	<u>1,550,191</u>	<u>30,015,872</u>	<u>27,527,680</u>
<u>Expenses</u>						
General government	7,899,523	13,071,176	-	-	7,899,523	13,071,176
Public safety	9,681,319	9,380,197	-	-	9,681,319	9,380,197
Highways and streets	5,523,700	3,784,583	-	-	5,523,700	3,784,583
Sanitation	80,994	1,045,384	-	-	80,994	1,045,384
Health	2,231,934	2,185,717	-	-	2,231,934	2,185,717
Welfare	412,658	382,622	-	-	412,658	382,622
Culture and recreation	948,293	892,709	1,472,763	1,409,460	2,421,056	2,302,169
Education	191,028	205,590	-	-	191,028	205,590
Interest on long-term debt	32,668	40,732	-	-	32,668	40,732
Total expenses	<u>27,002,117</u>	<u>30,988,710</u>	<u>1,472,763</u>	<u>1,409,460</u>	<u>28,474,880</u>	<u>32,398,170</u>
Change in net assets before transfers	1,360,077	(5,011,221)	180,915	140,731	1,540,992	(4,870,490)
Transfers	-	(52,442)	-	52,442	-	-
Change in net assets	1,360,077	(5,063,663)	180,915	193,173	1,540,992	(4,870,490)
Beginning net assets (deficit), as restated	71,411,008	76,474,671	(82,501)	(275,674)	71,328,507	76,198,997
Ending net assets (deficit)	<u>\$ 72,771,085</u>	<u>\$ 71,411,008</u>	<u>\$ 98,414</u>	<u>\$ (82,501)</u>	<u>\$ 72,869,499</u>	<u>\$ 71,328,507</u>

Management's Discussion and Analysis

As further discussed in Note 2 to the financial statements, the County implemented the provisions of GASB 34 pertaining to the recording of general infrastructure assets purchased, donated or constructed between July 1, 1982 through June 30, 2002. The effect of implementing these provisions was an increase in general infrastructure capital assets, net of accumulated depreciation totaling \$53,893,248.

Net assets increased during the year by \$1,540,992. Expenses for governmental activities decreased significantly during the year because of losses incurred and accrued during 2006 totaling approximately \$6.8 million in connection with an ongoing lawsuit (see Note 8 to the financial statements) in which the loss was reported as a general government expense. During 2006, certain incremental expenses were incurred in connection with this suit and were reported as sanitation expenses.

Despite the decrease in expenses resulting from the lawsuit, the overall costs of providing critical services increased as did outlays for road maintenance which are reported as highways and streets expenses.

Revenues for governmental activities also increased during the year, particularly for operating and capital grants related to certain federal and state grants and contracts which includes reimbursements from ADOT for the construction of Salome Road. Charges for services related to fees charged to other governments for the use of the Jail District's facilities also increased during the year due to an increase in usage. To summarize, during 2007, overall revenues increased and expenses decreased resulting in an overall increase in net assets.

Also, the business-type activity reflected an unrestricted net deficit of (\$1,103,662) at June 30, 2007, which resulted primarily from net losses incurred since inception that have not yet been recovered.

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, 2007, the County's governmental funds reported combined fund balances of \$7,963,283, a decrease of \$2,412,365 in comparison with the prior year. Approximately 93% of the combined fund balances, \$7,379,772, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has been committed for prepaid items and debt service expenditures.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$4,053,727. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 32% of total General Fund expenditures while total fund balance represents 34% of that same amount.

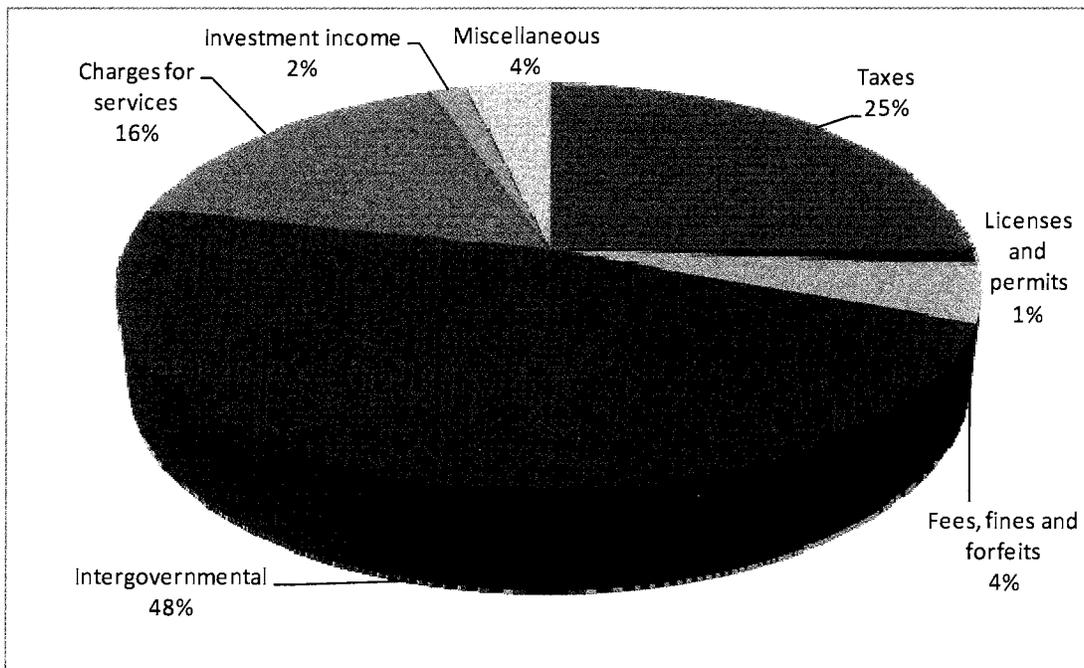
The Jail District Fund is a major County fund used to report the activity of the County jail. During 2007, the Fund's overall revenues increased from 2006 because of an increase in revenues earned for charges for services. Expenses incurred in the operations of the District increased by \$418,307, a higher amount than revenues, due primarily to costs incurred in connection with an overall increase in the number of inmates housed.

Management's Discussion and Analysis

The Road Fund incurred a decrease in fund balance during 2007 totaling \$1.6 million due to an increase in expenditures incurred in connection with the ongoing construction of Salome Road in which the accumulated fund balance was partially used to pay for such expenditures.

The Golf Course Fund is an enterprise fund of the County that had an increase of \$180,915 in net assets due primarily to a slight increase in operating revenues.

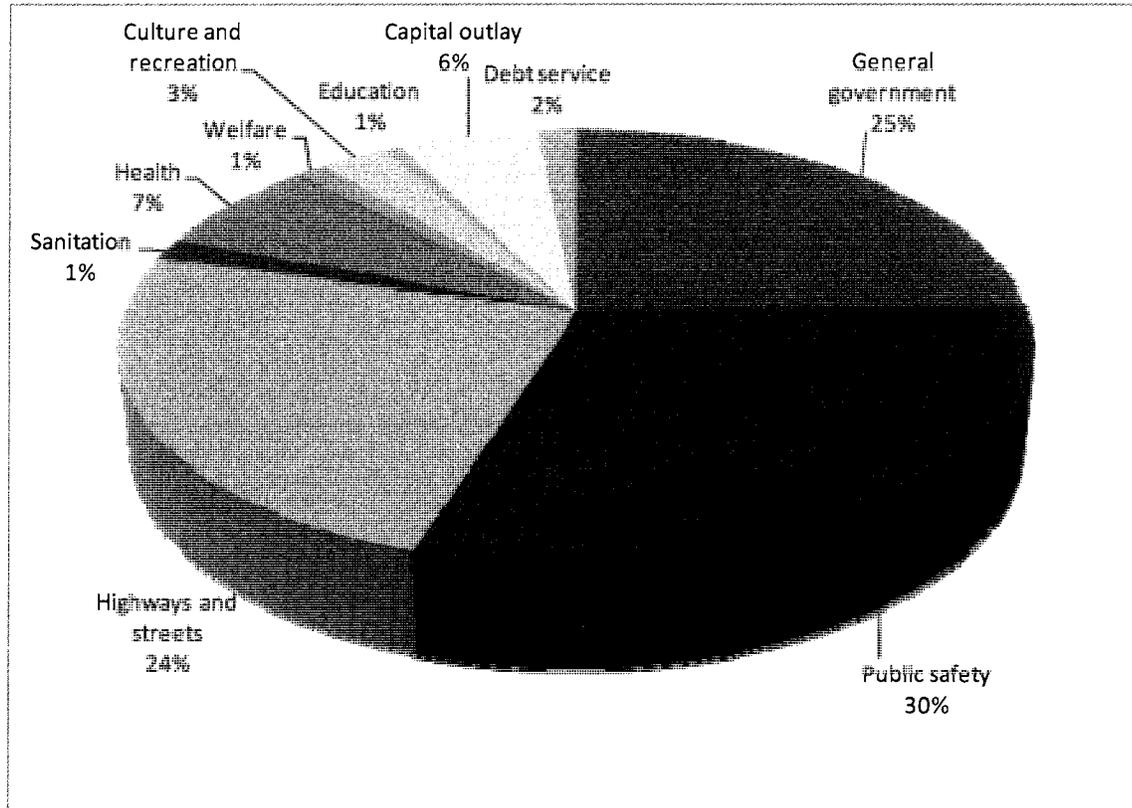
The following graph presents the amount of governmental funds revenues from various sources:



During 2007, the increase in tax revenue was caused primarily by a \$0.3 million increase in vehicle license tax distributed to the County by the State as well as a \$0.1 million increase in state shared sales tax. Intergovernmental revenue increased primarily due to an increase in grants and contracts revenue earned from Federal and state agencies. The most significant increase in this revenue type resulted for State of Arizona's reimbursement to the County for a road being constructed during the year. Charges for service revenue increased due to additional revenue generated from contracts with other governments for the use of jail facilities.

Management's Discussion and Analysis

The following graph presents governmental funds' expenditures by function:



During 2007, capital outlays continued to be significant due to expenditures on road construction projects such as improvements to Highway B-95, and Salome Road. Sanitation expenditures continued to be higher than budget due to the continued cost of attorney fees incurred in connection with an ongoing lawsuit. General government, public safety, health, and welfare and culture and recreation expenditures increased due to an overall increase in the cost of providing necessary services to County citizens.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2006-07 adopted budget for the General Fund. General Fund actual expenditures were \$0.8 million under the adopted budget and actual revenues were less than estimated revenues by \$0.2 million.

Fees, fines and forfeits were greater than anticipated due to an increase in fines and fees from the Justice Courts. Intergovernmental revenue was greater than the projected budget due to greater than anticipated shared state tax revenue distributed to the County. Budgeted miscellaneous revenues are for various non-exchange transactions in which several did not commence during 2007.

Management's Discussion and Analysis

The following departments exceeded their General Fund expenditure budgets by more than ten percent and \$10,000:

- The Superior Court exceeded its budget by 25% due to an increase in contracted outside legal costs related to rising indigent defense.
- Planning and zoning exceeded its budget by 25% due to an increase in the legal and engineering cost related to development activities.
- Sanitation expenses continued to be greater than budget due to professional fees incurred in relation to the ongoing lawsuit.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2007, amounted to \$74.2 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982. The County's investment in capital assets increased 4.2 percent from the prior period. Major capital asset events during the current fiscal year included outlays for the new judicial complex, Salome road, and for machinery and equipment, particularly heavy machinery.

Additional information on the County's capital assets activity and balances can be found in Note 6 of the notes to the financial statements on pages 36-37 of this report.

Long-Term Liabilities

At June 30, 2007, the County had total long-term liabilities outstanding of \$8,781,877. This amount consists primarily of certificates of participation of \$1.7 million and \$6.1 million in claims and judgments. Additional information on the County's long-term debt can be found in Note 8 of the notes to the financial statements on pages 38-41 of this report.

Economic Factors

- Economic trends in La Paz County are comparable to national indices.
- Due to the current economic environment, it is anticipated that the State of Arizona may reduce revenues paid to La Paz County in future fiscal years. Also, it is anticipated that property and sales tax revenue will continue to decrease in future years.
- The County continues with conservative budgeting practices, and believes it has sufficiently considered economic, demographic, and other factors that may affect future expenditures.

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, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,173,190	\$ 32,142	\$ 6,205,332
Cash and investments held by trustee	546,236	525,096	1,071,332
Property taxes receivables	205,089	-	205,089
Internal balances	1,070,742	(1,070,742)	-
Due from:			
Others	106,180	7,000	113,180
Other governments	1,777,493	-	1,777,493
Prepaid items	37,275	11,978	49,253
Capital assets, not being depreciated	46,316,258	-	46,316,258
Capital assets, being depreciated, net	26,250,466	1,572,259	27,822,725
Total assets	<u>82,482,929</u>	<u>1,077,733</u>	<u>83,560,662</u>
Liabilities			
Accounts payable	530,121	20,422	550,543
Accrued liabilities	592,040	12,986	605,026
Due to:			
Others	184,033	684	184,717
Other governments	569,000	-	569,000
Noncurrent liabilities:			
Due within one year	650,451	341,026	991,477
Due in more than one year	7,186,199	604,201	7,790,400
Total liabilities	<u>9,711,844</u>	<u>979,319</u>	<u>10,691,163</u>
Net Assets			
Invested in capital assets, net of related debt	71,645,108	676,980	72,322,088
Restricted for:			
Public safety	444,316	-	444,316
Highways and streets	3,751,692	-	3,751,692
Sanitation	39,871	-	39,871
Debt service	546,236	525,096	1,071,332
Other purposes	1,317,458	-	1,317,458
Unrestricted (deficit)	(4,973,596)	(1,103,662)	(6,077,258)
Total net assets	<u>\$ 72,771,085</u>	<u>\$ 98,414</u>	<u>\$ 72,869,499</u>

See accompanying notes to financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2007

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
Primary government:							
Governmental activities:							
General government	\$ 7,899,523	\$ 2,739,857	\$ 1,056,002	\$ 1,132	\$ (4,102,532)	\$ -	\$ (4,102,532)
Public safety	9,681,319	2,503,769	3,659,083	-	(3,518,467)	-	(3,518,467)
Highways and streets	5,523,700	-	162,682	4,945,456	(415,562)	-	(415,562)
Sanitation	80,994	-	49,377	-	(31,617)	-	(31,617)
Health	2,231,934	156,378	266,109	-	(1,809,447)	-	(1,809,447)
Welfare	412,658	100,015	122,877	-	(189,766)	-	(189,766)
Culture and recreation	948,293	711,198	236,393	-	(702)	-	(702)
Education	191,028	-	12,061	-	(178,967)	-	(178,967)
Interest on long-term debt	32,668	-	-	-	(32,668)	-	(32,668)
Total governmental activities	<u>27,002,117</u>	<u>6,211,217</u>	<u>5,564,584</u>	<u>4,946,588</u>	<u>(10,279,728)</u>	<u>-</u>	<u>(10,279,728)</u>
Business-type activities:							
Golf course	<u>1,472,763</u>	<u>1,638,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,482</u>	<u>165,482</u>
Total business-type activities	<u>1,472,763</u>	<u>1,638,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>165,482</u>	<u>165,482</u>
Total primary government	<u>\$ 28,474,880</u>	<u>\$ 7,849,462</u>	<u>\$ 5,564,584</u>	<u>\$ 4,946,588</u>	<u>(10,279,728)</u>	<u>165,482</u>	<u>(10,114,246)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					3,571,269	-	3,571,269
Property taxes levied for special districts					4,586	-	4,586
Excise tax					2,335,951	-	2,335,951
Payments in lieu of taxes					1,248,580	-	1,248,580
Share of state sales taxes					2,024,497	-	2,024,497
Vehicle license tax					1,178,431	-	1,178,431
Share of state lottery					550,035	-	550,035
Investment earnings					455,480	15,433	470,913
Miscellaneous					270,976	-	270,976
Total general revenues					<u>11,639,805</u>	<u>15,433</u>	<u>11,655,238</u>
Changes in net assets					1,360,077	180,915	1,540,992
Net assets - July 1, 2006, as restated					71,411,008	(82,501)	71,328,507
Net assets - June 30, 2007					<u>\$ 72,771,085</u>	<u>\$ 98,414</u>	<u>\$ 72,869,499</u>

See accompanying notes to financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2007**

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 1,431,238	\$ 420,677	\$ 2,914,832	\$ 1,203,923	\$ 202,520	\$ 6,173,190
Cash and investments held by trustee	279,844	-	-	266,392	-	546,236
Property tax receivables	204,801	-	-	-	288	205,089
Due from:						
Others	43,823	-	-	5,885	56,472	106,180
Other funds	3,955,337	67,143	-	275,910	102,947	4,401,337
Other governments	233,802	918,927	-	473,639	151,125	1,777,493
Prepaid items	11,052	1,109	-	1,523	23,591	37,275
Total assets	\$ 6,159,897	\$ 1,407,856	\$ 2,914,832	\$ 2,227,272	\$ 536,943	\$ 13,246,800
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 195,893	\$ 106,148	\$ -	\$ 79,109	\$ 148,971	\$ 530,121
Accrued liabilities	442,449	31,210	-	36,697	81,684	592,040
Due to:						
Others	179,352	929	-	2,461	1,291	184,033
Other governments	569,000	-	-	-	-	569,000
Other funds	351,040	513,883	-	1,354,175	1,111,497	3,330,595
Deferred revenue	77,540	-	-	-	188	77,728
Total liabilities	1,815,274	652,170	-	1,472,442	1,343,631	5,283,517
Fund balances:						
Reserved for:						
Certificates of participation payment	279,844	-	-	266,392	-	546,236
Prepaid items	11,052	1,109	-	1,523	23,591	37,275
Unreserved, reported in:						
General fund	4,053,727	-	-	-	-	4,053,727
Special revenue funds	-	754,577	2,914,832	486,915	(830,279)	3,326,045
Total fund balances	4,344,623	755,686	2,914,832	754,830	(806,688)	7,963,283
Total liabilities and fund balances	\$ 6,159,897	\$ 1,407,856	\$ 2,914,832	\$ 2,227,272	\$ 536,943	\$ 13,246,800

See accompanying notes to financial statements.

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

Fund balances—total governmental funds		\$ 7,963,283
<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 \$114,998,352 and the accumulated depreciation is \$42,431,628.</p>		72,566,724
<p>Some of the County's taxes 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>		77,728
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Obligations under capital leases	\$ (1,617)	
Compensated absences	(790,314)	
Certificates of participation	(920,000)	
Estimated liabilities for claims and judgments	<u>(6,124,719)</u>	<u>(7,836,650)</u>
Net assets of governmental activities		<u>\$ 72,771,085</u>

See accompanying notes to financial statements.

La Paz County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2007

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Revenues:						
Taxes	\$ 5,337,569	\$ 586,837	\$ -	\$ 1,167,821	\$ 4,586	\$ 7,096,813
Licenses and permits	325,680	-	-	-	14,740	340,420
Fees, fines, and forfeits	1,255,362	-	-	-	9,071	1,264,433
Intergovernmental	4,005,226	4,945,456	-	624,024	4,759,578	14,334,284
Charges for services	921,082	-	-	2,467,347	1,217,935	4,606,364
Investment income	202,242	79,051	-	49,997	124,190	455,480
Miscellaneous	46,953	-	-	2,971	221,052	270,976
Total revenues	<u>12,094,114</u>	<u>5,611,344</u>	<u>-</u>	<u>4,312,160</u>	<u>6,351,152</u>	<u>28,368,770</u>
Expenditures:						
Current:						
General government	6,278,001	-	-	-	1,325,648	7,603,649
Public safety	3,851,002	-	-	3,197,485	2,257,076	9,305,563
Highways and streets	-	7,209,786	52,365	-	214,335	7,476,486
Sanitation	390,364	-	-	-	80,000	470,364
Health	1,208,564	-	-	-	981,862	2,190,426
Welfare	118,615	-	-	-	277,078	395,693
Culture and recreation	-	-	-	-	888,424	888,424
Education	177,476	-	-	-	13,326	190,802
Capital outlay	330,837	-	-	124,803	1,296,787	1,752,427
Debt service:						
Principal	234,633	-	-	240,000	-	474,633
Interest	16,180	-	-	16,488	-	32,668
Total expenditures	<u>12,605,672</u>	<u>7,209,786</u>	<u>52,365</u>	<u>3,578,776</u>	<u>7,334,536</u>	<u>30,781,135</u>
Excess (deficiency) of revenues over expenditures	<u>(511,558)</u>	<u>(1,598,442)</u>	<u>(52,365)</u>	<u>733,384</u>	<u>(983,384)</u>	<u>(2,412,365)</u>
Other financing sources (uses):						
Transfers in	840,000	-	-	-	10,395	850,395
Transfers out	(10,395)	-	-	(840,000)	-	(850,395)
Total other financing sources and uses	<u>829,605</u>	<u>-</u>	<u>-</u>	<u>(840,000)</u>	<u>10,395</u>	<u>-</u>
Net change in fund balances	<u>318,047</u>	<u>(1,598,442)</u>	<u>(52,365)</u>	<u>(106,616)</u>	<u>(972,989)</u>	<u>(2,412,365)</u>
Fund balances, July 1, 2006	<u>4,026,576</u>	<u>2,354,128</u>	<u>2,967,197</u>	<u>861,446</u>	<u>166,301</u>	<u>10,375,648</u>
Fund balances, June 30, 2007	<u>\$ 4,344,623</u>	<u>\$ 755,686</u>	<u>\$ 2,914,832</u>	<u>\$ 754,830</u>	<u>\$ (806,688)</u>	<u>\$ 7,963,283</u>

See accompanying notes to 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
June 30, 2007

Net change in fund balances-total governmental funds \$ (2,412,365)

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

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.

Expenditures for general capital assets	\$ 6,019,954	
Depreciation expense	<u>(3,047,788)</u>	2,972,166

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments:		
Certificates of participation	430,000	
Capital leases	<u>44,633</u>	474,633

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.

Increase in compensated absences	(87,477)	
Decrease in estimated liabilities for claims and judgments	<u>419,693</u>	332,216

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.		<u>(6,573)</u>
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Change in net assets of governmental activities		<u>\$ 1,360,077</u>
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See accompanying notes to financial statements.

La Paz County
Statement of Net Assets
Proprietary Fund
June 30, 2007

	<u>Business-Type Activities- Enterprise Fund Golf Course Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 32,142
Prepaid items	11,978
Due from others	7,000
Total current assets	51,120
Noncurrent assets:	
Restricted assets:	
Cash and investments held by trustee	525,096
Capital assets, net of accumulated depreciation	1,572,259
Total noncurrent assets	2,097,355
Total assets	2,148,475
Liabilities	
Current liabilities:	
Accounts payable	20,422
Accrued payroll and employee benefits	12,986
Due to others	684
Due to other funds	1,070,742
Capital leases payable, current portion	42,762
Certificates of participation payable, current portion	290,000
Compensated absences payable, current portion	8,264
Total current liabilities	1,445,860
Noncurrent liabilities:	
Capital leases payable	67,517
Certificates of participation payable	495,000
Compensated absences payable	41,684
Total noncurrent liabilities	604,201
Total liabilities	2,050,061
Net Assets	
Invested in capital assets, net of related debt	676,980
Restricted for debt service	525,096
Unrestricted (deficit)	(1,103,662)
Total net assets	\$ 98,414

See accompanying notes to financial statements.

La Paz County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2007

	Business-Type Activities- Enterprise Fund Golf Course Fund
Operating revenues:	
Golf course fees	\$ 1,638,245
Operating expenses:	
Personal services	715,332
Professional services	83,123
Supplies	137,163
Communication	5,510
Utilities	59,583
Repairs and maintenance	208,592
Depreciation	188,109
Other	46,166
Leases and rents	5,504
Total operating expenses	1,449,082
Operating income	189,163
Nonoperating revenues (expenses):	
Investment income	15,434
Interest expense	(23,682)
Total nonoperating revenues (expenses)	(8,248)
Increase in net assets	180,915
Total net assets (deficit), July 1, 2006	(82,501)
Total net assets, June 30, 2007	\$ 98,414

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2007

	Business-Type Activities- Enterprise Fund	Golf Course Fund
Cash flows from operating activities:		
Receipts from customers	\$ 1,638,245	
Payments to suppliers and providers of goods and services	(558,178)	
Payments to employees	(710,929)	
Net cash provided by operating activities	369,138	
Cash flows from noncapital financing activities:		
Negative cash balance implicitly financed	1,070,742	
Negative cash balance implicitly repaid	(981,480)	
Net cash provided by noncapital financing activities	89,262	
Cash flows from capital and related financing activities:		
Purchase of capital assets	(111,752)	
Principal paid on capital leases	(41,048)	
Principal paid on certificates of participation	(280,000)	
Interest paid on certificates of participation	(23,682)	
Net cash used for capital and related financing activities	(456,482)	
Cash flows from investing activities:		
Interest received on investments	15,434	
Net cash provided by investing activities	15,434	
Net increase in cash and cash equivalents	17,352	
Cash and cash equivalents, July 1, 2006	539,886	
Cash and cash equivalents, June 30, 2007	\$ 557,238	
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	\$ 32,142	
Cash and investments held by trustee	525,096	
	\$ 557,238	

(Continued)

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2007

	Business-Type Activities- Enterprise Fund Golf Course Fund
Reconciliation of operating	
income to net cash provided by operating activities:	
Operating income	\$ 189,163
<i>Adjustments to reconcile operating income to</i>	
<i>net cash provided by operating activities:</i>	
Depreciation	188,109
Changes in assets and liabilities:	
Increase in prepaid items	(3,874)
Increase in due from others	(7,000)
Decrease in accounts payable	(1,664)
Decrease in accrued payroll and employee benefits	(3,860)
Increased in compensated absences payable	8,264
Net cash provided by operating activities	\$ 369,138

See accompanying notes to financial statements.

La Paz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 19,511,508	\$ 1,775,541
Accrued interest receivable	141,038	-
Total assets	19,652,546	\$ 1,775,541
Liabilities		
Due to other governments	-	\$ 1,775,541
Total liabilities	-	\$ 1,775,541
Net Assets		
Held in trust for investment trust participants	\$ 19,652,546	

See accompanying notes to financial statements.

La Paz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007

	<u>Investment Trust Fund</u>
Additions:	
Contributions from participants	\$ 36,333,112
Interest and dividends	1,205,050
Total additions	<u>37,538,162</u>
Deductions:	
Distributions to participants	<u>32,876,487</u>
Total deductions	<u>32,876,487</u>
Change in net assets	4,661,675
Net assets, July 1, 2006	<u>14,990,871</u>
Net assets, June 30, 2007	<u><u>\$ 19,652,546</u></u>

See accompanying notes to financial statements.

La Paz County
Notes to Financial Statements
June 30, 2007

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, 2007, the County implemented the transitional provisions of GASB Statement No. 34, *Basic Financial Statements—Management’s Discussion and Analysis—for State and Local Governments* that requires at the applicable transition date the retroactive capitalization and reporting of all major general infrastructure assets.

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 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:

Component Unit	Description; Criteria for Inclusion	Reporting Method	Separate Financial Statements
La Paz County 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
La Paz County Municipal Property Corporation	A nonprofit corporation created by the County to assist in the acquisition of real and personal property for the County; 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
La Paz County Health Services District	A tax-levying public improvement district that provides or finances health services; County board of supervisors serves as board of directors	Blended	Not available

Notes to Financial Statements - Continued

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

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 segment 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.

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

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

Notes to Financial Statements - Continued

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

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

The County reports the following major governmental funds:

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

The Road Fund accounts for monies from specific revenue sources that are restricted for road maintenance and operations, pavement preservation, and fleet services.

The Business 95 Road Improvement Fund accounts for monies from the Arizona Department of Transportation that is restricted 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.

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 the receipt of tax revenue, maintenance of effort, intergovernmental revenue, debt service, and operating expenditures of the County's jail.

The County reports the following major enterprise fund:

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

Notes to Financial Statements - Continued

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

The County reports the following fund types:

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

The agency funds account for assets held by the County as an agent for 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. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. 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.

Property taxes, sales taxes, licenses and permits, and interest associated with the current fiscal period are all considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Notes to Financial Statements - Continued

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

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; 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 only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents. Money market investments with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other 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, 2007, were immaterial, they are not included in the Statements of Net Assets or the Balance Sheet.

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.

Notes to Financial Statements - Continued

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

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Construction in progress	All	N/A	N/A
Gravel and dirt roads	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 composed of interest, dividends, and net changes in the fair value of applicable investments.

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 a matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Notes to Financial Statements - Continued

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

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.

Note 2 – Beginning Balances Restated

For the year ended June 30, 2007, the County implemented the provisions of GASB Statement No. 34, *Basic Financial Statements—Management's Discussion and Analysis—for State and Local Governments* that requires at the applicable transition date the retroactive capitalization and reporting of all major general infrastructure assets. As a result, the net assets on the Government Wide Statement of Activities as of July 1, 2006, have been restated for the County's major general infrastructure assets acquired prior to the year ended June 30, 2003, the fiscal year in which the County implemented GASB Statement No. 34, consisting of road networks and other infrastructure that were constructed, purchased, or donated to the County, or that received substantial improvements subsequent to July 1, 1982, the year in which the County was established. The effect on beginning net assets of implementing this provision was as follows:

	<u>Governmental Activities</u>
Net assets as of June 30, 2006, as previously reported	\$ 17,517,760
General infrastructure assets, net of accumulated depreciation	<u>53,893,248</u>
Net assets as of July 1, 2006, as restated	<u>\$ 71,411,008</u>

Note 3 - Stewardship, Compliance, and Accountability

Seven 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.

Notes to Financial Statements - Continued

Note 3 - Stewardship, Compliance, and Accountability - Continued

To avoid similar future overruns, the County analyzed the line items resulting in greater than anticipated costs to determine whether such costs will be recurring and adjusted its 2007 budget accordingly.

Deficit fund balances or net assets—At June 30, 2007, the following funds reported significant deficits greater than \$5,000 in fund balances or net assets:

Fund	Deficit
Governmental funds:	
Emergency Services	\$ 164,258
Rabies Control	257,391
La Paz Extension Fund	315,903
Health Department	1,287,772
Growing Smarter Planning Grant	5,891
La Paz County Park	264,454
Park Grants	118,797
JCEF Collection Enhancement	24,404
JCEF Payment Fee Support	38,159
Local JCEF Grant	14,216
Workers Investment Act PY 99	90,901
CA Rico	29,645
Arizona Criminal Justice Commission Drug Enforcement	134,005
Fill the Gap Pre-sentence	25,972
Adult State Aid Enhancement	42,523
Adult Intensive Probation	8,607
Tobacco Grant	52,090
Task Force Prosecutor	195,717
Parker Library	391,713
Criminal Justice Enhancement Fund	11,451
Community Development Block Grant	121,618
Child Support Program	248,578
Family Planning	66,066
Juvenile Rights Fund	9,777
Victims' Rights	13,605
Help Loan	25,733

Notes to Financial Statements - Continued

Note 3 - Stewardship, Compliance, and Accountability - Continued

Anti-Meth Initiative	20,767
Bio Terrorism	33,076
Highway Safety Grant	145,641
CJEF Contract Sheriff	14,883
Juvenile Division Consequences	6,541
SLIF Project Boats	37,284
Parent Education Fund	6,526
HAVA Choice	6,373
HIDTA Grant	23,427
JP5 Court Enhancement	34,891
JP4 Court Enhancement	10,987
Cops in School	154,305
Capital Projects Fund	120,054

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

Note 4 - Deposits and Investments

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

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

Custodial credit risk - Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

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

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 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, 2007, the carrying amount of the County’s total cash in the bank was \$2,097,512 and the bank balance was \$2,204,922.

Investments—The County’s investments at June 30, 2007, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
State Treasurer’s investment pool	Unrated	Not applicable	\$25,388,874
U.S. Treasury money market funds	AAA	Standard and Poor’s	1,071,332
			<u>\$26,460,206</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.

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments – Continued

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2007, \$1,071,332 of the County’s U.S. Treasury money market funds was uninsured and held by the counterparty.

Concentration of credit risk—The County does not have a formal investment policy with respect to concentration of credit risk.

Interest rate risk—The County does not have a formal policy regarding interest rate risk. At June 30, 2007, the County had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
State Treasurer’s investment pool	\$25,388,874	\$25,388,874	\$ -
U.S. Treasury money market funds	1,071,332	1,071,332	-
	<u>\$26,460,206</u>	<u>\$26,460,206</u>	<u>\$ -</u>

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

Cash and investments:

	<u>County Treasurer's Investment Pool</u>	<u>Other</u>	<u>Total</u>
Cash on hand	\$ -	\$ 5,995	\$ 5,995
Carrying amount of deposits	1,105,542	991,970	2,097,512
Reported amount of investments	<u>25,388,874</u>	<u>1,071,332</u>	<u>26,460,206</u>
Total	<u>\$ 26,494,416</u>	<u>\$ 2,069,297</u>	<u>\$ 28,563,713</u>

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments – Continued

Statements of Net Assets:

	Governmental Activities	Business-Type Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 6,173,190	\$ 32,142	\$ 19,511,508	\$ 1,775,541	\$ 27,492,381
Cash and investments held by trustee	546,236	525,096	-	-	1,071,332
	\$ 6,719,426	\$ 557,238	\$ 19,511,508	\$ 1,775,541	\$ 28,563,713

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

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

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

Deposits and investments of the County’s primary government are included in the County treasurer’s investment pool, except for \$5,995 of cash on hand, \$991,970 of deposits held in bank and \$1,071,332 of collateralized investments held in trust. Therefore, deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks. See Note 4 for disclosure of the County’s deposit and investment risks.

Notes to Financial Statements - Continued

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

Details of each major asset classification follow:

	Interest Rates	Maturities	Fair Value
State Treasurer's Investment Pool	No stated interest rate	No stated maturity	\$ 25,388,874
Certificates of deposit	1.2%-1.7%	October through November 2008	68,815
Deposits	N/A	N/A	1,036,727
Interest receivable	N/A	N/A	141,038
			<u>\$ 26,635,454</u>

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

Statement of Net Assets

Assets	\$ 26,635,454
Net assets	<u>\$ 26,635,454</u>
Net assets held in trust for:	
Internal participants	\$ 6,982,908
External participants	19,652,546
Total net assets held in trust	<u>\$ 26,635,454</u>

Statement of Changes in Net Assets

Total additions	\$ 69,019,262
Total deductions	67,003,211
Net increase	<u>2,016,051</u>
Net assets held in trust:	
July 1, 2007	24,619,403
June 30, 2007	<u>\$ 26,635,454</u>

Notes to Financial Statements - Continued

Note 6 - Capital Assets

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

	Primary Government			Balance June 30, 2007
	Balance July 1, 2006, (as restated)	Increases	Decreases	
Governmental activities:				
Capital assets				
not being depreciated				
Land	\$ 630,070	\$ -	\$ -	\$ 630,070
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	1,530,475	2,695,682	-	4,226,157
Total capital assets, not being depreciated	<u>43,620,576</u>	<u>2,695,682</u>	<u>-</u>	<u>46,316,258</u>
Capital assets being depreciated:				
Land improvements	49,302	-	-	49,302
Buildings and improvements	10,770,024	116,749	-	10,886,773
Improvements other than buildings	583,893	119,491	-	703,384
Machinery and equipment	13,324,750	1,643,890	(61,316)	14,907,324
Infrastructure	40,661,588	1,473,723	-	42,135,311
Total capital assets being depreciated	<u>65,389,557</u>	<u>3,353,853</u>	<u>(61,316)</u>	<u>68,682,094</u>
Total	<u>109,010,133</u>	<u>6,049,535</u>	<u>(61,316)</u>	<u>114,998,352</u>
Less accumulated depreciation for:				
Land improvements	23,046	1,559	-	24,605
Buildings and improvements	2,773,981	275,509	-	3,049,490
Improvements other than buildings	252,581	38,293	-	290,874
Machinery and equipment	9,525,034	853,217	(31,735)	10,346,516
Infrastructure	26,840,933	1,879,210	-	28,720,143
Total	<u>39,415,575</u>	<u>3,047,788</u>	<u>(31,735)</u>	<u>42,431,628</u>
Total capital assets being depreciated, net	<u>25,973,982</u>	<u>306,065</u>	<u>(29,581)</u>	<u>26,250,466</u>
Governmental activities capital assets, net	<u>\$ 69,594,558</u>	<u>\$ 3,001,747</u>	<u>\$ (29,581)</u>	<u>\$ 72,566,724</u>

As further described in Note 2, the July 1, 2006, governmental activities capital asset balances were restated to include retroactive capitalization of certain major general infrastructure assets of the County.

Notes to Financial Statements - Continued

Note 6 - Capital Assets - Continued

	Primary Government			Balance June 30, 2007
	Balance July 1, 2006	Increases	Decreases	
Business-type activities:				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,853,930	\$ -	\$ -	\$ 2,853,930
Machinery and equipment	1,103,193	111,752	-	1,214,945
Total	3,957,123	111,752	-	4,068,875
Less accumulated depreciation for:				
Golf course and improvements	1,571,361	89,860	-	1,661,221
Machinery and equipment	737,146	98,249	-	835,395
Total	2,308,507	188,109	-	2,496,616
Business-type activities capital assets, net	\$ 1,648,616	\$ (76,357)	\$ -	\$ 1,572,259

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 310,104
Public safety	437,385
Highways and streets	2,182,146
Welfare	16,275
Health	39,376
Culture and recreation	61,909
Education	593
Total governmental activities depreciation expense	\$ 3,047,788
Business-type activities:	
Golf course	\$ 188,109
Total business-type activities depreciation expense	\$ 188,109

Notes to Financial Statements - Continued

Note 7 - Construction Commitment

The County had a contractual commitment related to the construction of a new Public Works building in which the remaining outstanding commitment amount was \$113,166 at June 30, 2007. The County has incurred costs totaling \$2,471,459 related to this project which is being funded by shared revenues received from the state of Arizona.

Note 8 - Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due within</u> <u>1 year</u>
Governmental activities					
Certificates of participation payable	\$ 1,350,000	\$ -	\$ 430,000	\$ 920,000	\$ 440,000
Obligations under capital leases	46,250	-	44,633	1,617	1,617
Compensated absences payable	702,837	790,314	702,837	790,314	87,477
Estimated liabilities for claims and judgments - non Yakima	44,149	-	30,323	13,826	13,826
Estimated liabilities for claims and judgments - Yakima	<u>6,500,263</u>	<u>-</u>	<u>389,370</u>	<u>6,110,893</u>	<u>107,531</u>
Governmental activities long-term liabilities	<u>\$ 8,643,499</u>	<u>\$ 790,314</u>	<u>\$ 1,597,163</u>	<u>\$ 7,836,650</u>	<u>\$ 650,451</u>
Business-type activities					
Certificates of participation payable	\$ 1,065,000	\$ -	\$ 280,000	\$ 785,000	\$ 290,000
Obligations under capital leases	151,327	-	41,048	110,279	42,762
Compensated absences payable	<u>41,684</u>	<u>49,948</u>	<u>41,684</u>	<u>49,948</u>	<u>8,264</u>
Business-type activities long-term liabilities	<u>\$ 1,258,011</u>	<u>\$ 49,948</u>	<u>\$ 362,732</u>	<u>\$ 945,227</u>	<u>\$ 341,026</u>

Certificates of participation—The County has issued certificates of participation that are generally callable with interest payable semiannually to finance construction of the courthouse and government center complex, the jail facility, and the Emerald Canyon golf course.

Notes to Financial Statements - Continued

Note 8 - Long-Term Liabilities - Continued

Certificates outstanding at June 30, 2007, were as follows:

<u>Description</u>	<u>Original Maturity</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Courthouse and government center complex – Series 2003 refunding	\$1,165,500	2007 - 2010	2.00– 3.00%	\$ 530,000
Jail facility –Series 2003 refunding	1,330,000	2007 - 2009	2.00– 3.00%	390,000
Emerald Canyon Golf Course – Series 2003 refunding	1,705,500	2007 - 2010	2.00– 3.00%	785,000
				<u>\$ 1,705,000</u>

The following schedule details debt service requirements to maturity for the County’s certificates of participation payable as of June 30, 2007:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 440,000	\$ 22,830	\$ 290,000	\$ 17,375
2009	345,000	11,150	295,000	10,056
2010	135,000	2,025	200,000	3,000
Total	<u>\$ 920,000</u>	<u>\$ 36,005</u>	<u>\$ 785,000</u>	<u>\$ 30,431</u>

Capital leases—The County has acquired 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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 170,873	\$ 210,118
Less: accumulated depreciation	56,108	44,406
Carrying value	<u>\$ 114,765</u>	<u>\$ 165,712</u>

Notes to Financial Statements - Continued

Note 8 - Long-Term Liabilities - Continued

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

Year Ending June 30,	Governmental Activities	Business-Type Activities
2008	\$ 1,630	\$ 46,486
2009	-	46,486
2010	-	23,243
Total minimum lease payments	1,630	116,215
Less amount representing interest	13	5,936
Present value of net minimum lease payments	\$ 1,617	\$ 110,279

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 may require its employees to contribute a portion of that premium. If it withdraws from the Trust, the County is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the County would be responsible for its proportional share of any Trust deficit.

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2007, the County paid for compensated absences as follows: 50 percent from the General Fund, 10 percent from the Road Fund, 12 percent from the Jail District Fund, 6 percent from the Enterprise Fund, and 22 percent from the other funds.

Notes to Financial Statements - Continued

Note 8 - Long-Term Liabilities - Continued

Claims and judgments—In addition to the County's obligation for its deductible on claims covered by Arizona Counties Property and Casualty Pool and certain obligations related to property tax matters, the County has recorded a liability totaling \$6,500,263 in connection with a September 2007 judgment concerning a contractual matter. The alleged breach of contract that resulted in the loss occurred during the 2006 fiscal year. The estimated liability for this claim is reported as a long-term liability in the Statement of Net Assets and includes the total judgment amount and certain related attorney fees incurred by the County. In November 2009, the County paid \$500,000 in connection with this suit.

Note 9 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; but was unable to obtain insurance at a cost it considered to be economically justifiable. Therefore, the County joined and is covered by three public entity risk pools: the Arizona Counties Property and Casualty Pool and the Arizona Counties Workers' Compensation Pool, which are described below, and the Arizona Local Government Employee Benefit Trust, which is described above.

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

The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses.

Notes to Financial Statements - Continued

Note 9 - Risk Management - Continued

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.

Note 10 - Retirement Plans

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

The *Employee Security Plan* (ESP) is a defined contribution plan administered by Massachusetts Mutual Life Insurance Company that covered all permanent full-time employees of the County except for participants in the Public Safety Personnel Retirement System and the Elected Officials Retirement Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Effective April 1, 2006 no contributions were made to the plan due to the participants joining the *Arizona State Retirement System* (ASRS).

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

Notes to Financial Statements - Continued

Note 10 - Retirement Plans – Continued

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

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

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.

ESP

1295 State Street
Springfield, MA 01111
(413) 788-8411

PSPRS and EORP

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

ASRS

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

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 plans.

Notes to Financial Statements - Continued

Note 10 - Retirement Plans – Continued

Agent plan—For the year ended June 30, 2007, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the County was required to contribute at the actuarially determined rate of 14.41 percent.

Annual Pension Cost—The County’s pension cost for the agent plan for the year ended June 30, 2007, and related information follows:

	<u>PSPRS</u>
Contribution rates:	
County	14.41%
Plan members	7.65%
Annual pension cost	\$222,051
Contributions made	\$222,051

The current-year annual required contribution for the PSPRS was determined as part of the June 30, 2005, actuarial valuations using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 percent to 8.50 percent per year. Both (a) and (b) included an inflation component of 5.00 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2005, was 30 years.

Trend Information—Annual pension cost information for the current and two preceding years follows for the agent plan:

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2007	\$ 222,051	100%	\$0
	2006	205,576	100%	0
	2005	178,894	100%	0

Notes to Financial Statements - Continued

Note 10 - Retirement Plans - Continued

Cost-sharing plans—For the year ended June 30, 2007, active EORP members were required by statute to contribute 7 percent of the members’ annual covered payroll. The County was required to remit a designated portion of certain court fees plus contributions of 7 percent of the members’ covered payroll during 2007, 2006 and 2005. The County’s contributions to EORP for the years ended June 30, 2007, 2006 and 2005 were \$88,074, \$103,554 and \$45,073, which equaled the required contributions for the year.

In addition, active ASRS members and the County were required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent for retirement and 0.5 percent for long-term disability) of the members’ annual covered payroll. The County’s contributions to ASRS for the years ended June 30, 2007 and 2006 were \$761,557 and \$142,202, respectively, which were equal to the required contributions for the year. County employees were not members of the ASRS for the year ended June 30, 2005.

Note 11 - Interfund Balances and Activity

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

	Payable To				Total
	General Fund	Road Fund	Jail District Fund	Nonmajor Governmental Funds	
Payable from					
General Fund	\$ -	\$ 67,143	\$ 185,741	\$ 98,156	\$ 351,040
Road Fund	513,883	-	-	-	513,883
Jail District Fund	1,350,286	-	-	3,889	1,354,175
Nonmajor					
Governmental Funds	1,021,328	-	90,169	-	1,111,497
Golf Course Fund	1,069,840	-	-	902	1,070,742
	<u>\$ 3,955,337</u>	<u>\$ 67,143</u>	<u>\$ 275,910</u>	<u>\$ 102,947</u>	<u>\$ 4,401,337</u>

Notes to Financial Statements - Continued

Note 11 - Interfund Balances and Activity - Continued

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. Except for interfund balances between the General Fund and certain Nonmajor Governmental Funds and the Golf Course Fund, all interfund balances are expected to be repaid within 1 year from the date of the financial statements.

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

	Transfer To		
	General Fund	Nonmajor Governmental Funds	Total
Transfer from			
General Fund	\$ -	\$ 10,395	\$ 10,395
Jail District Fund	840,000	-	840,000
	\$ 840,000	\$ 10,395	\$ 850,395

Transfers were primarily used to move unrestricted revenues collected in the jail district fund to the general fund in accordance with budgetary authorizations.

Required Supplementary Information

La Paz County
Required Supplementary Information
Schedule of Agent Retirement Plan's Funding Progress
June 30, 2007

Public Safety Personnel Retirement System

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/07	\$ 5,342,710	\$8,939,487	\$(3,596,777)	59.8%	\$1,569,571	229.2%
06/30/06	\$ 5,415,526	\$8,079,282	\$(2,663,756)	67.0%	\$1,521,862	175.0%
06/30/05	\$ 5,318,584	\$7,206,347	\$(1,887,763)	73.8%	\$1,402,295	134.6%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 5,208,873	\$ 5,337,569	\$ 128,696
Licenses and permits	238,500	325,680	87,180
Fees, fines, and forfeits	882,000	1,255,362	373,362
Intergovernmental	3,907,043	4,005,226	98,183
Charges for services	1,023,133	921,082	(102,051)
Investment income	130,000	202,242	72,242
Miscellaneous	856,900	46,953	(809,947)
Total revenues	<u>12,246,449</u>	<u>12,094,114</u>	<u>(152,335)</u>
Expenditures:			
Current:			
General government			
Assessor	439,736	411,875	27,861
County attorney	548,090	525,239	22,851
Board of supervisors	758,059	595,679	162,380
Clerk of the superior court	405,364	368,341	37,023
Constable	2,500	48	2,452
Elections	117,409	113,701	3,708
Justice of the Peace #4	383,565	352,140	31,425
Justice of the Peace #5	234,566	222,256	12,310
Justice of the Peace #6	281,106	301,530	(20,424)
Planning and zoning	490,218	614,576	(124,358)
Recorder	228,877	215,099	13,778
Superior court	529,280	662,385	(133,105)
Treasurer	267,048	252,989	14,059
Contingency	748,101	16,580	731,521
Management information services	223,285	215,653	7,632
Public defender	613,513	532,010	81,503
General administration	411,804	340,819	70,985
Finance personnel	261,587	239,109	22,478
GIS/Master planning	30,038	18,081	11,957
Facilities management	465,511	465,287	224
Total general government	<u>7,439,657</u>	<u>6,463,397</u>	<u>976,260</u>

(Continued)

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 639,345	\$ 578,766	\$ 60,579
Sheriff	2,486,276	2,585,772	(99,496)
Probation	118,119	115,561	2,558
Aircraft	19,000	21,699	(2,699)
Maintenance of effort	624,024	624,024	-
Juvenile probation	120,364	110,676	9,688
Total public safety	<u>4,007,128</u>	<u>4,036,498</u>	<u>(29,370)</u>
Sanitation:			
Sanitary landfill	10,000	390,364	(380,364)
Total sanitation	<u>10,000</u>	<u>390,364</u>	<u>(380,364)</u>
Health:			
Indigent health	421,262	424,889	(3,627)
County long term care ALTCS	911,234	815,885	95,349
C.M.I (chronically mental ill)	82,650	47,099	35,551
Health department transit	187,920	131,449	56,471
Total health	<u>1,603,066</u>	<u>1,419,322</u>	<u>183,744</u>
Welfare:			
Public fiduciary	122,575	118,615	3,960
Total welfare	<u>122,575</u>	<u>118,615</u>	<u>3,960</u>
Education:			
School superintendent	188,605	177,476	11,129
Total education	<u>188,605</u>	<u>177,476</u>	<u>11,129</u>
Total expenditures	<u>13,371,031</u>	<u>12,605,672</u>	<u>765,359</u>
Excess (deficiency) of revenues over expenditures	<u>(1,124,582)</u>	<u>(511,558)</u>	<u>613,024</u>

(Continued)

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2007

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):			
Transfers in	-	840,000	840,000
Transfers out	(592,430)	(10,395)	582,035
Total other financing sources (uses)	<u>(592,430)</u>	<u>829,605</u>	<u>1,422,035</u>
Net change in fund balances	(1,717,012)	318,047	2,035,059
Fund balances, July 1, 2006	<u>1,717,012</u>	<u>4,026,576</u>	<u>2,309,564</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 4,344,623</u>	<u>\$ 4,344,623</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 575,000	\$ 586,837	\$ 11,837
Intergovernmental	5,650,000	4,945,456	(704,544)
Investment income	50,000	79,051	29,051
Miscellaneous	25,000	-	(25,000)
Total revenues	<u>6,300,000</u>	<u>5,611,344</u>	<u>(688,656)</u>
Expenditures:			
Current:			
Highways and streets	<u>8,891,320</u>	<u>7,209,786</u>	<u>1,681,534</u>
Total expenditures	<u>8,891,320</u>	<u>7,209,786</u>	<u>1,681,534</u>
Net change in fund balances	<u>(2,591,320)</u>	<u>(1,598,442)</u>	<u>992,878</u>
Fund balances, July 1, 2006	<u>2,591,320</u>	<u>2,354,128</u>	<u>(237,192)</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 755,686</u>	<u>\$ 755,686</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Business 95 Road Improvement Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ -	\$ -	\$ -
Expenditures:			
Current:			
Highways and streets	<u>100,000</u>	<u>52,365</u>	<u>47,635</u>
Total expenditures	<u>100,000</u>	<u>52,365</u>	<u>47,635</u>
Net change in fund balances	<u>(100,000)</u>	<u>(52,365)</u>	<u>47,635</u>
Fund balances, July 1, 2006	<u>100,000</u>	<u>2,967,197</u>	<u>2,867,197</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 2,914,832</u>	<u>\$ 2,914,832</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2007

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,116,000	\$ 1,167,821	\$ 51,821
Intergovernmental	624,024	624,024	-
Charges for services	2,031,000	2,467,347	436,347
Investment income	28,000	49,997	21,997
Miscellaneous	-	2,971	2,971
Total revenues	<u>3,799,024</u>	<u>4,312,160</u>	<u>513,136</u>
Expenditures:			
Current:			
Public safety	4,696,602	3,322,288	1,374,314
Debt Service:			
Principal retirement	330,564	240,000	90,564
Interest and fiscal charges	16,488	16,488	-
Total expenditures	<u>5,043,654</u>	<u>3,578,776</u>	<u>1,464,878</u>
Excess (deficiency) of revenues over expenditures	<u>(1,244,630)</u>	<u>733,384</u>	<u>1,978,014</u>
Other financing sources (uses):			
Transfers out	-	(840,000)	(840,000)
Proceeds from bond issuance	1,500,000	-	(1,500,000)
Net change in fund balances	<u>255,370</u>	<u>(106,616)</u>	<u>(361,986)</u>
Fund balances, July 1, 2006	<u>(255,370)</u>	<u>861,446</u>	<u>1,116,816</u>
Fund balances, June 30, 2007	<u>\$ -</u>	<u>\$ 754,830</u>	<u>\$ 754,830</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2007

Note 1 - Budgeting and Budgetary Control

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

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

Except for the Jail District Fund's debt service expenditures, capital outlay and debt service expenditures are budgeted by department and accumulated by function on the Budgetary Comparison Schedule.

The County did not budget for the revenues of the Business 95 Road Improvement Fund, a County major fund.

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, 2007, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2007

Note 3 - Expenditures in Excess of Appropriations - Continued

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Justice of the Peace # 6	\$ 20,424
Planning and zoning	124,358
Superior Court	133,105
Sheriff	99,496
Aircraft	2,699
Sanitary landfill	380,364
Indigent health	3,627

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