

**LA PAZ COUNTY, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2009**

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Table of Contents

Page

Financial Section

Independent Auditors' Report 1-2

Management's Discussion and Analysis (Required Supplementary Information) 3-11

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets 12

Statement of Activities 13

Fund Financial Statements:

Governmental Funds:

Balance Sheet 14

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets 15

Statement of Revenues, Expenditures, and Changes in
Fund Balances 16

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities 17

Proprietary Fund:

Statement of Net Assets 18

Statement of Revenues, Expenses, and Changes in Fund Net Assets 19

Statement of Cash Flows 20-21

Fiduciary Funds:

Statement of Fiduciary Net Assets 22

Statement of Changes in Fiduciary Net Assets 23

Table of Contents – Continued

	<u>Page</u>
<i>Notes to Financial Statements</i>	24-50
<i>Other Required Supplementary Information:</i>	
Schedule of Agent Retirement Plan’s Funding Progress	51
Budgetary Comparison Schedule - General Fund	52-54
Budgetary Comparison Schedule – Road Fund	55
Budgetary Comparison Schedule – Business 95 Road Improvement Fund	56
Budgetary Comparison Schedule – Jail District Fund	57
Notes to Budgetary Comparison Schedules	58
<i>Supplementary Information:</i>	
Schedule of Expenditures of Federal Awards	59
Notes to Schedule of Expenditures of Federal Awards	60
<u>Single Audit Section</u>	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	63-64
Independent Auditors’ Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	65-66
Schedule of Findings and Questioned Costs	67-69
County Responses	
Summary Schedule of Prior Audit Findings	70



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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, 2009, 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, 2009, 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.

The Management's Discussion and Analysis on pages 3 through 11, the Schedule of Agent Retirement Plan's Funding Progress on page 51, and the Budgetary Comparison Schedules on pages 52 through 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133 *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2011, 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. 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.

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

Heinfeld, Meech & Co., P.C.

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

March 24, 2011

Management's Discussion and Analysis

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La Paz County
Management's Discussion and Analysis
June 30, 2009

This discussion and analysis, prepared by La Paz County's (the "County") management, is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2009. 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 \$64,898,504 (net assets). Of this amount, \$12,246,201 is a deficit in unrestricted net assets, \$7,165,664 is restricted for specific purposes (restricted net assets), and \$69,979,041 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities decreased by \$2,681,522. The decrease is due primarily to an increase in claims and judgments liabilities related to a lawsuit in which the County has been unsuccessful in appealing the verdict.
- At June 30, 2009 the governmental funds reported combined fund balances of \$7,372,637, an increase of \$763,756 in comparison with the prior year. Approximately 96% of the combined fund balances, or \$7,102,933 is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2009 unreserved fund balance for the general fund was \$2,772,829 or 21% 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).

Management's Discussion and Analysis - Continued

Both of these government-wide financial statements distinguishes functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education. The County has 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 24 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: *governmental funds, proprietary funds, and fiduciary funds.*

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

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

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

Management's Discussion and Analysis - Continued

The governmental fund financial statements can be found on pages 14-17 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 18-21 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 22-23 of this report.

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

The notes can be found on pages 24-50 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 51-58 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.

Management's Discussion and Analysis - Continued

The following table summarizes the Statement of Net Assets at June 30, 2009 and 2008:

	2009	2008	2009	2008	2009	2008
	Governmental Activities	Governmental Activities (as restated)	Business- Type Activities	Business- Type Activities	Total	Total (as restated)
Current and other assets	\$ 9,330,398	\$ 9,293,644	\$ (562,685)	\$ (522,338)	\$ 8,767,713	\$ 8,771,306
Capital assets	72,702,591	74,546,095	1,256,494	1,407,464	73,959,085	75,953,559
Total assets	<u>82,032,989</u>	<u>83,839,739</u>	<u>693,809</u>	<u>885,126</u>	<u>82,726,798</u>	<u>84,724,865</u>
Other liabilities	1,805,609	2,571,975	49,116	46,562	1,854,725	2,618,537
Long-term liabilities	15,691,428	13,909,658	282,141	616,644	15,973,569	14,526,302
Total liabilities	<u>17,497,037</u>	<u>16,481,633</u>	<u>331,257</u>	<u>663,206</u>	<u>17,828,294</u>	<u>17,144,839</u>
Net assets						
Invested in capital assets, net of related debt	68,945,515	72,044,020	1,033,526	844,947	69,979,041	72,888,967
Restricted	6,915,133	6,945,881	250,531	501,033	7,165,664	7,446,914
Unrestricted net assets (deficit)	(11,324,696)	(11,631,795)	(921,505)	(1,124,060)	(12,246,201)	(12,755,855)
Total net assets	<u>\$ 64,535,952</u>	<u>\$ 67,358,106</u>	<u>\$ 362,552</u>	<u>\$ 221,920</u>	<u>\$ 64,898,504</u>	<u>\$ 67,580,026</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 \$64,898,504 at June 30, 2009 which is primarily the result of the County's investment in long-lived assets.

Governmental activities current and other assets increased by \$36,754 primarily due to an increase in cash and amounts due from other governments for cost reimbursement grants and contracts. Current liabilities decreased by \$766,366 primarily due to greater amounts payable to construction contractors in 2008 than at the end of 2009.

Governmental activities long-term liabilities have increased by \$1,781,770 due to the acquisition of notes payable to finance construction of the Salome Community Center and for the purchase of Colorado River water rights. Additionally, long-term liabilities increased due to an accrual of interest related an unpaid judgment payable.

The ending net assets balance for 2008 has been restated to reflect interest accrued in the amount of \$500,250 related to unpaid claims and judgments payable.

Management's Discussion and Analysis - Continued

Changes in Net Assets

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

	2009	2008	2009	2008	2009	2008
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)	(as restated)
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 6,647,468	\$ 6,240,706	\$ 1,625,047	\$ 1,636,676	\$ 8,272,515	\$ 7,877,382
Operating grants & contributions	6,354,460	6,207,174	-	8,500	6,354,460	6,215,674
Capital grants & contributions	3,803,503	4,221,724	-	-	3,803,503	4,221,724
General revenues:						
Property taxes	3,938,780	3,708,512	-	-	3,938,780	3,708,512
Share of state sales taxes	1,772,992	1,950,464	-	-	1,772,992	1,950,464
Excise tax	2,055,645	2,244,534	-	-	2,055,645	2,244,534
Payments in lieu of taxes	2,387,088	1,248,672	-	-	2,387,088	1,248,672
Vehicle license tax	1,040,794	1,146,985	-	-	1,040,794	1,146,985
Share of state lottery	522,533	550,035	-	-	522,533	550,035
Investment earnings	89,956	296,119	1,182	9,849	91,138	305,968
Miscellaneous	57,976	336,131	-	-	57,976	336,131
Total revenues	<u>28,671,195</u>	<u>28,151,056</u>	<u>1,626,229</u>	<u>1,655,025</u>	<u>30,297,424</u>	<u>29,806,081</u>
<u>Expenses</u>						
General government	8,728,609	12,209,236	-	-	8,728,609	12,209,236
Public safety	10,833,098	10,921,813	-	-	10,833,098	10,921,813
Highways and streets	6,428,041	5,859,336	-	-	6,428,041	5,859,336
Sanitation	47,494	15,631	-	-	47,494	15,631
Health	2,682,179	2,508,133	-	-	2,682,179	2,508,133
Welfare	510,520	377,741	-	-	510,520	377,741
Culture and recreation	966,281	904,628	1,485,597	1,531,519	2,451,878	2,436,147
Education	254,987	244,360	-	-	254,987	244,360
Interest on long-term debt	1,042,140	523,157	-	-	1,042,140	523,157
Total expenses	<u>31,493,349</u>	<u>33,564,035</u>	<u>1,485,597</u>	<u>1,531,519</u>	<u>32,978,946</u>	<u>35,095,554</u>
Change in net assets	(2,822,154)	(5,412,979)	140,632	123,506	(2,681,522)	(5,289,473)
Beginning net assets, as restated	67,358,106	72,771,085	221,920	98,414	67,580,026	72,869,499
Ending net assets	<u>\$ 64,535,952</u>	<u>\$ 67,358,106</u>	<u>\$ 362,552</u>	<u>\$ 221,920</u>	<u>\$ 64,898,504</u>	<u>\$ 67,580,026</u>

As previously discussed, net assets of the governmental activities decreased during the year by \$2,822,154. Total revenues increased by \$520,139 which is a combination of a \$270,935 decrease in grant revenue offset by additional Payments in Lieu of Taxes revenues received as part of the Emergency Economic Stabilization Act of 2008 totaling \$1,138,416. Governmental activities expenses decreased from prior year primarily because a change in estimate for a judgment payable totaling approximately \$4 million was recorded in 2008. During 2009, a \$500,000 payment was made on the settlement. Personnel costs represent over 70% of the County's total expenditures and remained consistent overall with the prior year. Additional details of significant changes from prior year are further explained in the following section.

Management's Discussion and Analysis - Continued

Business-type activities reported a negative unrestricted net asset balance totaling \$921,505 which is a lower deficit than in prior year by \$202,555. Operating revenues for this fund decreased by \$20,126 while operating expenses decreased by \$37,717 caused primarily by reduced personnel costs and rental expenses.

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, 2009 the County's governmental funds reported combined fund balances of \$7,372,637, an increase of \$763,756 in comparison with the prior year.

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 \$2,701,157. Total General Fund revenue increased by \$1,033,819 primarily due to an increase in payments in lieu of taxes revenues. General Fund expenditures decreased by \$411,414 primarily due to additional capital outlay expenditures made in 2008 for the purchase of water rights. Certain departments such as the County Attorney and Public Defender had an increase in personnel costs while Probation and Health Department Transit had decreased personnel costs. In addition, planning and zoning incurred less expenditures due to decreased construction activity.

The Road Fund, a major County Fund used for various road projects within the County, had an overall decrease in capital outlay expenditures totaling \$883,598 due to the completion of certain projects.

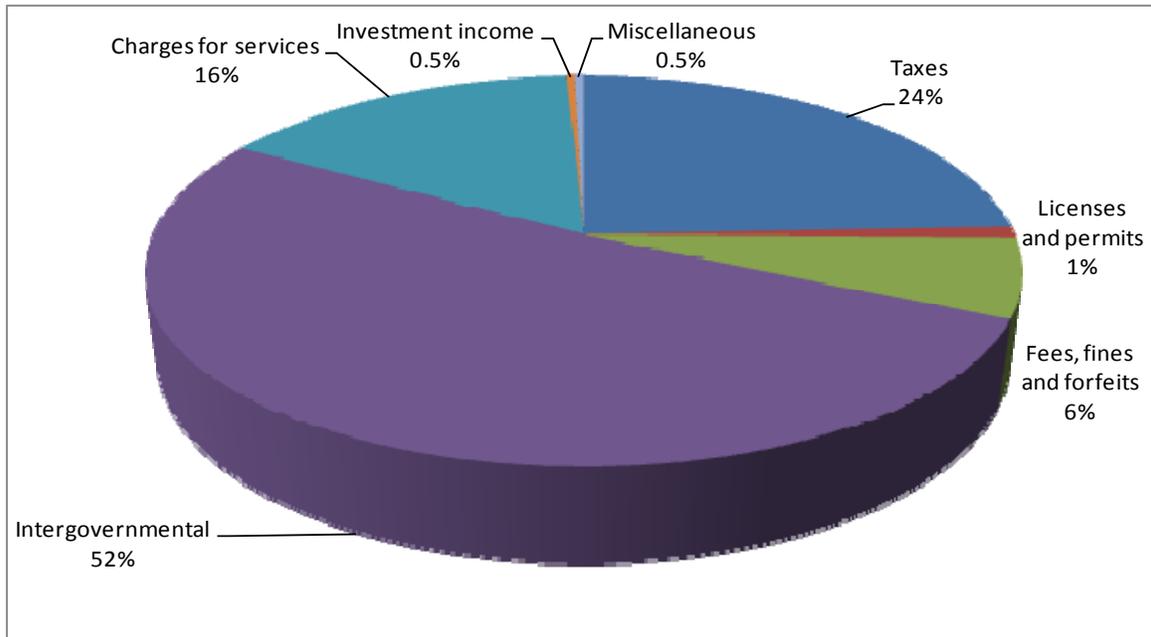
The other governmental funds had revenues consistent with the prior year and an \$837,346 increase in expenditures resulting primarily from construction costs incurred for the Salome Community Center Project and a \$267,101 increase in expenditures related to County park improvements.

The Jail District Fund is a major County fund used to report the activity of the County jail. During 2009, the Fund's overall revenues increased from 2008 because of an increase in revenues related to inmate housing activity while its expenditures decreased due to the completion of the jail expansion project. The fund also made transfers of \$877,738 to the County's general fund causing a net decrease in the fund balance.

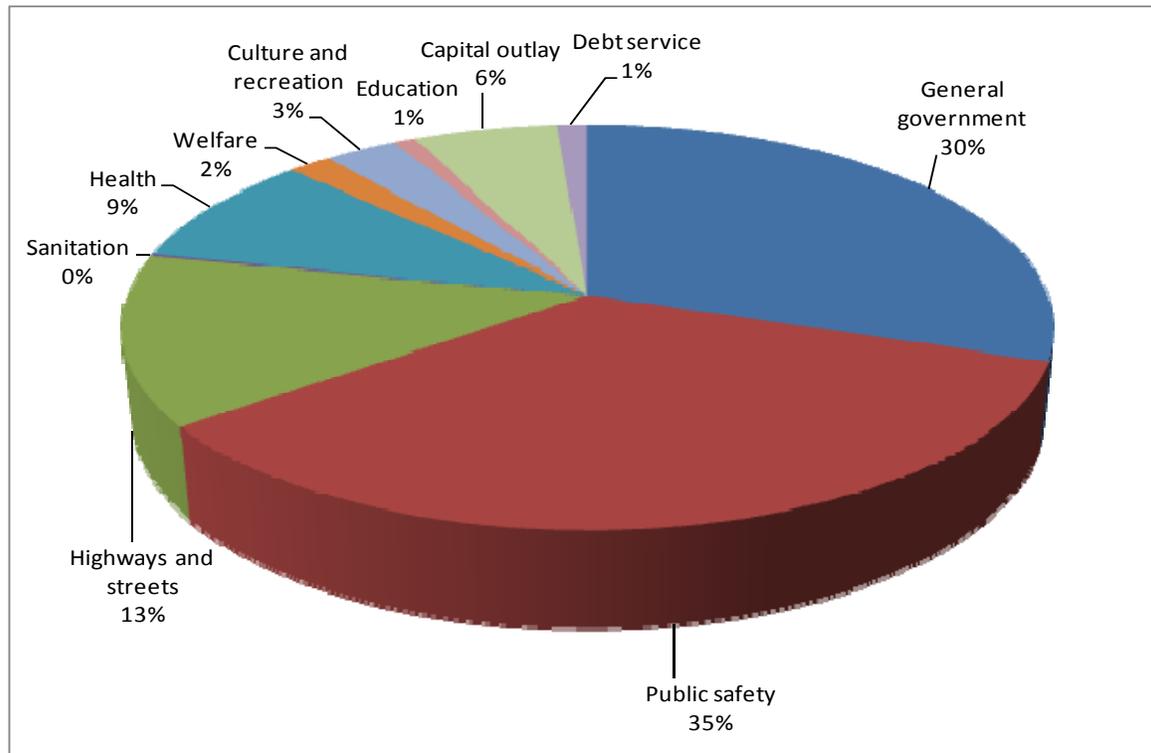
The Golf Course Fund is an enterprise fund of the County that had an increase of \$140,632 in net assets which was an incremental increase from prior year of \$17,126.

Management's Discussion and Analysis - Continued

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



Revenues generally remained consistent with prior year with a slight increase in charges for services, and a slight decrease in intergovernmental revenues.



Management's Discussion and Analysis - Continued

During 2009, the largest portion of the County's expenditures continued to be for public safety and general government functions. There were no major changes in public safety expenditures from the prior year, while the general government expenditures increased mostly related to increases of employee compensation. The County's highways and streets expenditures decreased from the prior year related to a decline in road projects constructed in 2009.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2008-09 adopted budget for the General Fund. General Fund actual expenditures were \$0.8 million under the adopted budget and actual revenues exceeded estimated revenues by \$0.2 million.

Fees, fines and forfeits were greater than anticipated due to an increase in fines and fees from the County's Justice Courts. Intergovernmental revenues were greater than anticipated due to the receipt of additional payments in lieu of taxes during 2009. Investment income was less than anticipated due to unexpected decreases in the interest rates earned on County cash and investments during 2009. Budgeted miscellaneous revenues are for various non-exchange transactions in which several did not commence during 2009.

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

- The County Attorney exceeded its budget by 13% due to unanticipated capital outlays and personnel costs.
- The debt service payments on the certificates of participation using cash held by the trustee of the general fund were not included in the adopted budget.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2009 amounted to \$74 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets decreased 2.6% from the prior period. Major capital asset events during the current fiscal year included outlays to complete the expansion of the County's jail district facility, the construction of the Salome community center, and outlays for machinery and equipment used in operations.

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 37-38 of this report.

Management's Discussion and Analysis - Continued

Long-Term Liabilities

At June 30, 2009 the County had total long-term liabilities outstanding of \$15,973,569. This amount consists primarily of obligations under capital leases of \$2.0 million and \$11.0 million in claims and judgments. During 2009, the County issued notes payable totaling \$1,600,000 to finance the purchase of Colorado River water rights and the Salome Community Center project. Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 39-42 of this report.

Economic Factors

- The ultimate settlement of the lawsuit in which the County has accrued an \$11.0 million liability is unknown. However, the County continues to pursue mutually agreeable settlement options.
- Due to the current economic environment, it is anticipated that future shared revenue received from the State of Arizona and property and sales tax revenues will continue to decrease.
- The County has taken into consideration the above economic factors in preparing future years' budgets.

Request for Information

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

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Basic Financial Statements

La Paz County
Statement of Net Assets
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,297,167	\$ 5,281	\$ 6,302,448
Property taxes receivables	184,171	-	184,171
Internal balances	849,982	(849,982)	-
Due from:			
Others	100,891	27,611	128,502
Other governments	1,628,483	-	1,628,483
Prepaid items	178,220	3,874	182,094
Cash and investments held by trustee - restricted for debt service	91,484	250,531	342,015
Capital assets, not being depreciated	45,539,616	-	45,539,616
Capital assets, being depreciated, net	27,162,975	1,256,494	28,419,469
Total assets	<u>82,032,989</u>	<u>693,809</u>	<u>82,726,798</u>
Liabilities			
Accounts payable	564,069	27,021	591,090
Accrued liabilities	443,927	22,095	466,022
Due to:			
Others	250,403	-	250,403
Other governments	547,210	-	547,210
Noncurrent liabilities:			
Due within one year	435,097	231,252	666,349
Due in more than one year	15,256,331	50,889	15,307,220
Total liabilities	<u>17,497,037</u>	<u>331,257</u>	<u>17,828,294</u>
Net Assets			
Invested in capital assets, net of related debt	68,945,515	1,033,526	69,979,041
Restricted for:			
Highways and streets	3,862,985	-	3,862,985
Sanitation	80,097	-	80,097
Health	103,710	-	103,710
Debt service	91,484	250,531	342,015
Other purposes	2,776,857	-	2,776,857
Unrestricted (deficit)	(11,324,696)	(921,505)	(12,246,201)
Total net assets	<u>\$ 64,535,952</u>	<u>\$ 362,552</u>	<u>\$ 64,898,504</u>

See accompanying notes to financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2009

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	\$ 8,728,609	\$ 3,354,724	\$ 1,353,559	\$ 1,094	\$ (4,019,232)	\$ -	\$ (4,019,232)
Public safety	10,833,098	2,347,253	3,667,336	-	(4,818,509)	-	(4,818,509)
Highways and streets	6,428,041	-	125,573	3,802,409	(2,500,059)	-	(2,500,059)
Sanitation	47,494	-	44,034	-	(3,460)	-	(3,460)
Health	2,682,179	191,362	581,320	-	(1,909,497)	-	(1,909,497)
Welfare	510,520	89,327	137,423	-	(283,770)	-	(283,770)
Culture and recreation	966,281	664,802	445,215	-	143,736	-	143,736
Education	254,987	-	-	-	(254,987)	-	(254,987)
Interest on long-term debt	1,042,140	-	-	-	(1,042,140)	-	(1,042,140)
Total governmental activities	31,493,349	6,647,468	6,354,460	3,803,503	(14,687,918)	-	(14,687,918)
Business-type activities							
Golf course	1,485,597	1,625,047	-	-	-	139,450	139,450
Total business-type activities	1,485,597	1,625,047	-	-	-	139,450	139,450
Total primary government	\$ 32,978,946	\$ 8,272,515	\$ 6,354,460	\$ 3,803,503	(14,687,918)	139,450	(14,548,468)
General revenues:							
Taxes:							
Property taxes levied for general purposes					3,927,630	-	3,927,630
Property taxes levied for special districts					11,150	-	11,150
Excise tax					2,055,645	-	2,055,645
Payments in lieu of taxes					2,387,088	-	2,387,088
Share of state sales taxes					1,772,992	-	1,772,992
Vehicle license tax					1,040,794	-	1,040,794
Share of state lottery					522,533	-	522,533
Investment earnings					89,956	1,182	91,138
Miscellaneous					57,976	-	57,976
Total general revenues					11,865,764	1,182	11,866,946
Changes in net assets					(2,822,154)	140,632	(2,681,522)
Net assets - July 1, 2008, as restated					67,358,106	221,920	67,580,026
Net assets - June 30, 2009					\$ 64,535,952	\$ 362,552	\$ 64,898,504

See accompanying notes to financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2009**

	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	\$ 798,392	\$ 1,355,946	\$ 1,431,222	\$ 217,294	\$ 2,494,313	\$ 6,297,167
Cash and investments held by trustee	91,484	-	-	-	-	91,484
Property tax receivables	183,713	-	-	-	458	184,171
Due from:						
Others	76,899	-	-	5,720	18,272	100,891
Other funds	4,026,372	-	1,234,710	-	147,487	5,408,569
Other governments	195,778	346,822	-	502,039	583,844	1,628,483
Prepaid items	71,672	-	-	100,000	6,548	178,220
Total assets	<u>\$ 5,444,310</u>	<u>\$ 1,702,768</u>	<u>\$ 2,665,932</u>	<u>\$ 825,053</u>	<u>\$ 3,250,922</u>	<u>\$ 13,888,985</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 129,136	\$ 130,845	\$ 1,063	\$ 32,791	\$ 270,234	\$ 564,069
Accrued liabilities	201,026	49,559	-	59,957	133,385	443,927
Due to:						
Others	199,503	-	-	50,048	852	250,403
Other governments	547,210	-	-	-	-	547,210
Other funds	1,351,850	323,563	-	1,024,096	1,859,078	4,558,587
Deferred revenue	151,272	-	-	-	880	152,152
Total liabilities	<u>2,579,997</u>	<u>503,967</u>	<u>1,063</u>	<u>1,166,892</u>	<u>2,264,429</u>	<u>6,516,348</u>
Fund balances:						
Reserved for:						
Certificates of participation payment	91,484	-	-	-	-	91,484
Unreserved, reported in:						
General fund	2,772,829	-	-	-	-	2,772,829
Special revenue funds	-	1,198,801	2,664,869	(341,839)	986,493	4,508,324
Total fund balances	<u>2,864,313</u>	<u>1,198,801</u>	<u>2,664,869</u>	<u>(341,839)</u>	<u>986,493</u>	<u>7,372,637</u>
Total liabilities and fund balances	<u>\$ 5,444,310</u>	<u>\$ 1,702,768</u>	<u>\$ 2,665,932</u>	<u>\$ 825,053</u>	<u>\$ 3,250,922</u>	<u>\$ 13,888,985</u>

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, 2009

Fund balances—total governmental funds	\$	7,372,637
<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</p>		
<p>and, therefore, are not reported in the funds. The cost of the assets is \$120,562,821 and the accumulated depreciation is \$47,860,230.</p>		
		72,702,591
<p>Some of the County's taxes will be collected after year-end, but are not</p>		
<p>available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.</p>		
		152,152
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Notes payable	\$ (1,600,000)	
Certificates of participation payable	(135,000)	
Obligations under capital leases	(2,022,075)	
Compensated absences payable	(911,574)	
Estimated liabilities for claims and judgments	(11,022,779)	(15,691,428)
Net assets of governmental activities	\$	64,535,952

See accompanying notes to financial statements.

La Paz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Revenues:						
Taxes	\$ 5,447,598	\$ 509,281	\$ -	\$ 1,027,827	\$ 11,150	\$ 6,995,856
Licenses and permits	230,414	-	-	-	14,177	244,591
Fees, fines, and forfeits	1,755,708	-	-	-	66,620	1,822,328
Intergovernmental	4,824,143	3,802,409	-	672,026	5,541,998	14,840,576
Charges for services	956,045	-	-	2,308,391	1,310,024	4,574,460
Investment income	26,794	16,203	-	10,179	36,780	89,956
Miscellaneous	48,258	-	-	-	74,547	122,805
Total revenues	<u>13,288,960</u>	<u>4,327,893</u>	<u>-</u>	<u>4,018,423</u>	<u>7,055,296</u>	<u>28,690,572</u>
Expenditures:						
Current:						
General government	7,078,003	-	-	-	1,809,964	8,887,967
Public safety	4,281,185	-	-	3,478,436	2,471,877	10,231,498
Highways and streets	-	3,923,460	33,631	-	9,116	3,966,207
Sanitation	3,365	-	-	-	47,494	50,859
Health	1,441,679	-	-	-	1,206,512	2,648,191
Welfare	134,172	-	-	-	380,054	514,226
Culture and recreation	-	-	-	-	882,960	882,960
Education	191,192	-	-	-	61,259	252,451
Capital outlay	29,164	-	-	355,671	1,338,010	1,722,845
Debt service:						
Principal	200,000	-	-	145,000	-	345,000
Interest	7,763	-	-	16,849	-	24,612
Total expenditures	<u>13,366,523</u>	<u>3,923,460</u>	<u>33,631</u>	<u>3,995,956</u>	<u>8,207,246</u>	<u>29,526,816</u>
Excess (deficiency) of revenues over expenditures	<u>(77,563)</u>	<u>404,433</u>	<u>(33,631)</u>	<u>22,467</u>	<u>(1,151,950)</u>	<u>(836,244)</u>
Other financing sources (uses):						
Notes payable issued	1,250,000	-	-	-	350,000	1,600,000
Transfers in	744,807	-	-	133,738	529,494	1,408,039
Transfers out	(395,756)	-	-	(877,738)	(134,545)	(1,408,039)
Total other financing sources and uses	<u>1,599,051</u>	<u>-</u>	<u>-</u>	<u>(744,000)</u>	<u>744,949</u>	<u>1,600,000</u>
Net change in fund balances	<u>1,521,488</u>	<u>404,433</u>	<u>(33,631)</u>	<u>(721,533)</u>	<u>(407,001)</u>	<u>763,756</u>
Fund balances, July 1, 2008	<u>1,342,825</u>	<u>794,368</u>	<u>2,698,500</u>	<u>379,694</u>	<u>1,393,494</u>	<u>6,608,881</u>
Fund balances, June 30, 2009	<u>\$ 2,864,313</u>	<u>\$ 1,198,801</u>	<u>\$ 2,664,869</u>	<u>\$ (341,839)</u>	<u>\$ 986,493</u>	<u>\$ 7,372,637</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, 2009

Net change in fund balances - total governmental funds \$ 763,756

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	\$ 1,939,055	
Depreciation expense	<u>(3,723,817)</u>	(1,784,762)

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

Net loss incurred on the disposal of capital assets	\$ <u>(58,742)</u>	(58,742)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:

Certificates of participation	\$ <u>345,000</u>	345,000
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The issuance of long-term debt under a note payable provides current financial resources to governmental funds, however, issuances do not affect net asset balances. This amount is the amount of proceeds from notes payable during the year. (1,600,000)

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	\$ (12,606)	
Increase in interest accrued on judgment payable	(1,017,528)	
Decrease in estimated liabilities for claims and judgments	<u>503,364</u>	(526,770)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		<u>39,364</u>
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Change in net assets of governmental activities		<u><u>\$ (2,822,154)</u></u>
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See accompanying notes to financial statements.

La Paz County
Statement of Net Assets
Proprietary Fund
June 30, 2009

	Business-Type Activities- Enterprise Fund Golf Course Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 5,281
Prepaid items	3,874
Due from others	27,611
Total current assets	36,766
Noncurrent assets:	
Restricted assets:	
Cash and investments held by trustee	250,531
Capital assets, net of accumulated depreciation	1,256,494
Total noncurrent assets	1,507,025
Total assets	1,543,791
Liabilities	
Current liabilities:	
Accounts payable	27,021
Accrued payroll and employee benefits	22,095
Due to General Fund	849,982
Capital leases payable, current portion	22,968
Certificates of participation payable, current portion	200,000
Compensated absences payable, current portion	8,284
Total current liabilities	1,130,350
Noncurrent liabilities:	
Compensated absences payable	50,889
Total noncurrent liabilities	50,889
Total liabilities	1,181,239
Net Assets	
Invested in capital assets, net of related debt	1,033,526
Restricted for debt service	250,531
Unrestricted (deficit)	(921,505)
Total net assets	\$ 362,552

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, 2009

	Business-Type Activities- Enterprise Fund Golf Course Fund
Operating revenues:	
Golf course fees	\$ 1,625,047
Operating expenses:	
Personnel services	727,195
Professional services	98,659
Supplies	139,021
Communications	6,658
Utilities	62,100
Repairs and maintenance	240,732
Depreciation	160,788
Other	41,172
Total operating expenses	1,476,325
Operating income	148,722
Nonoperating revenues (expenses):	
Investment income	1,182
Interest expense	(9,094)
Loss on disposal of capital assets	(178)
Total nonoperating revenues (expenses)	(8,090)
Increase in net assets	140,632
Total net assets, July 1, 2008	221,920
Total net assets, June 30, 2009	\$ 362,552

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2009

	Business-Type Activities- Enterprise Fund	Golf Course Fund
Cash flows from operating activities:		
Receipts from customers	\$ 1,602,003	
Payments to suppliers and providers of goods and services	(587,225)	
Payments to employees	(718,297)	
Net cash provided by operating activities	296,481	
Cash flows from noncapital financing activities:		
Negative cash balance implicitly financed	849,982	
Negative cash balance implicitly repaid	(1,057,428)	
Net cash used for noncapital financing activities	(207,446)	
Cash flows from capital and related financing activities:		
Purchase of capital assets	(9,995)	
Principal paid on capital leases	(44,549)	
Principal paid on certificates of participation	(295,000)	
Interest paid on certificates of participation	(9,094)	
Net cash used for capital and related financing activities	(358,638)	
Cash flows from investing activities:		
Interest received on investments	1,182	
Net cash provided by investing activities	1,182	
Net decrease in cash and cash equivalents	(268,421)	
Cash and cash equivalents, July 1, 2008	524,233	
Cash and cash equivalents, June 30, 2009	\$ 255,812	
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	\$ 5,281	
Cash and investments held by trustee	250,531	
	\$ 255,812	

(continued)

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2009

	Business-Type Activities- Enterprise Fund	Golf Course Fund
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	148,722
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation		160,788
Changes in assets and liabilities:		
Decrease in prepaid items		2,416
Increase in due from others		(23,044)
Decrease in accounts payable		(1,298)
Increase in accrued payroll and employee benefits		3,852
Increased in compensated absences payable		5,045
Net cash provided by operating activities	\$	296,481

See accompanying notes to financial statements.

La Paz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 16,579,938	\$ 645,471
Accrued interest receivable	133	-
Total assets	16,580,071	\$ 645,471
Liabilities		
Due to other governments	-	\$ 645,471
Total liabilities	-	\$ 645,471
Net Assets		
Held in trust for investment trust participants	\$ 16,580,071	

See accompanying notes to financial statements.

La Paz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2009

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 37,771,839
Interest and dividends	385,242
Total additions	38,157,081
Deductions:	
Distributions to participants	38,459,289
Total deductions	38,459,289
Change in net assets	(302,208)
Net assets, July 1, 2008	16,882,279
Net assets, June 30, 2009	\$ 16,580,071

See accompanying notes to financial statements.

La Paz County
Notes to Financial Statements
June 30, 2009

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).

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
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
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; County board of supervisors serves as board of directors	Blended	Not available

Notes to Financial Statements - Continued

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

The Industrial Development Authority of La Paz County (Authority) is a legal separate entity that was created to assist in the financing of commercial and industrial enterprises. The Authority fulfills its function through the issuance of tax exempt or taxable revenue bonds. The County's Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, based on the criterion of GASB Statements Nos. 14 and 39, the financial activities of the Authority have not been included in the accompanying financial statements.

B. Basis of Presentation

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

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

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

- charges to customers or applicants for goods, services, or privileges provided,
- operating and capital grants and contributions, including special assessments.

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

Notes to Financial Statements - Continued

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

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

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

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

The County reports the following major governmental funds:

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

The Road Fund 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.

Notes to Financial Statements - Continued

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

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.

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

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 cash on hand, demand deposits, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

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, 2009, 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
Water rights	All	N/A	N/A
Land improvements	\$5,000	Straight-line	10-30 years
Infrastructure	5,000	Straight-line	20-75 years
Buildings and improvements	5,000	Straight-line	25-50 years
Improvements other than buildings	1,000	Straight-line	7-30 years
Machinery and equipment	1,000	Straight-line	5-20 years
Golf course and improvements	1,000	Straight-line	30 years

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

H. Investment Income

Investment income is 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 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. A liability for these amounts is reported in the governmental funds' financial statements only for employees who have resigned or retired by fiscal year-end.

Note 2 - Beginning Balances Restated

For the year ended June 30, 2008 the County was required to accrue interest in accordance with Arizona state statute on an unpaid liability (see Note 7 for additional information regarding this judgment) which was not accrued during 2008. As a result, net assets as of July 1, 2008, have been restated for the unrecorded accrued interest. The effect of this correction on beginning net assets follows:

	<u>Governmental Activities</u>
Net assets as of June 30, 2008, as previously reported	\$ 67,858,356
Interest accrual	<u>(500,250)</u>
Net assets as of July 1, 2008, as restated	<u>\$ 67,358,106</u>

Note 3 - Stewardship, Compliance, and Accountability

Nine General Fund departments had an excess of actual expenditures over appropriations. General Fund departments with expenditures in excess of appropriations are caused mainly by excess expenditures for which budget modifications were not made. In total, the County's General Fund did not have expenditures in excess of appropriations since the County budgeted significant expenditures for the contingency department and no budget modifications were made.

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

Notes to Financial Statements - Continued

Note 3 - Stewardship, Compliance, and Accountability - Continued

Deficit fund balances—At June 30, 2009, the following funds reported significant deficits greater than \$5,000 in fund balances:

Fund	Deficit
Governmental funds:	
Emergency Services	\$ 159,469
La Paz Extension Fund	57,128
Health Department	1,147,310
Growing Smarter Planning Grant	6,954
La Paz County Park	317,514
Park Grants	155,501
Jail District	341,839
Education & Employment	94,053
Boat Patrol Grant	63,538
Workers Investment Act PY 99	82,514
Workers Investment Act Year II	15,927
County Anti-Racketeering (RICO)	112,029
Arizona Criminal Justice Commission Drug Enforcement	313,035
Victim Compensation Fund	10,549
JCEF Collection Enhancement	20,170
Adult State Aid Enhancement	89,979
Adult Intensive Probation	14,818
Tobacco Grant	11,160
Task Force Prosecutor	268,667
Jail Commissary	7,628
Business Services	6,856
Community Development	266,723
Child Support Program	66,995
Salome Community Lighting	6,055
Juvenile Rights Fund	14,025
Victim's Compensation Fund – Restitution	13,605
ACJC Records Improvement Grant	25,733
Anti-Meth Initiative	54,287
GIITEM Grant	30,267

Notes to Financial Statements - Continued

Note 3 - Stewardship, Compliance, and Accountability - Continued

Highway Safety Grant	\$ 142,669
CJEF Contract Sheriff	14,858
Underage Drinking Prevention	5,007
SLIF Project Boats	18,688
Parent Education Fund	9,723
JP5 Fees	13,797
JP5 Court Enhancement	35,699
JP4 Court Enhancement	22,698
Cops in School	254,807

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

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

Credit risk

Statutes have the following requirements for credit risk:

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

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

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

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

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, 2009, the carrying amount of the County's total cash in the bank was \$10,655,384 and the bank balance was \$10,640,492.

Investments - The County's investments at June 30, 2009, 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	\$12,865,580
U.S. Treasury money market funds	AAA	Standard and Poor's	342,015
			<u>\$13,207,595</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.

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, 2009, \$342,015 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.

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments – Continued

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2009, 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>
State Treasurer's investment pool	\$12,865,580	\$12,865,580
U.S. Treasury money market funds	342,015	342,015
	<u>\$13,207,595</u>	<u>\$13,207,595</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	\$ -	\$ 6,895	\$ 6,895
Carrying amount of deposits	9,827,739	827,645	10,655,384
Reported amount of investments	12,865,580	342,015	13,207,595
Total	<u>\$ 22,693,319</u>	<u>\$ 1,176,555</u>	<u>\$ 23,869,874</u>

Statements of Net Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,297,169	\$ 5,281	\$ 16,579,938	\$ 645,471	\$ 23,527,859
Cash and investments held by trustee	91,484	250,531	-	-	342,015
	<u>\$ 6,388,653</u>	<u>\$ 255,812</u>	<u>\$ 16,579,938</u>	<u>\$ 645,471</u>	<u>\$ 23,869,874</u>

Notes to Financial Statements - Continued

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 \$6,895 of cash on hand, \$827,645 of deposits held in bank and \$342,015 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.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's investment pool	No stated interest rate	No stated maturity	\$ 12,865,580
Certificates of deposit	1.6%-2.7%	11/2009 and 2/2010	73,212
Deposits	N/A	N/A	9,754,527
Interest receivable	N/A	N/A	133
			<u>\$ 22,693,452</u>

Notes to Financial Statements - Continued

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

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

Statement of Net Assets	
Assets	\$ 22,693,452
Net assets	<u>\$ 22,693,452</u>
Net assets held in trust for:	
Internal participants	\$ 6,113,381
External participants	<u>16,580,071</u>
Total net assets held in trust	<u>\$ 22,693,452</u>
Statement of Changes in Net Assets	
Total additions	\$ 71,511,516
Total deductions	<u>71,611,024</u>
Net decrease	<u>(99,508)</u>
Net assets held in trust:	
July 1, 2008	<u>22,792,960</u>
June 30, 2009	<u>\$ 22,693,452</u>

Notes to Financial Statements - Continued

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Primary Government			
	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities:				
<i>Capital assets</i>				
not being depreciated				
Land	\$ 630,070	\$ -	\$ -	\$ 630,070
Water Rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	3,116,560	933,190	1,696,881	2,352,869
Total capital assets, not being depreciated	46,303,307	933,190	1,696,881	45,539,616
 <i>Capital assets being depreciated:</i>				
Land improvements	56,707	-		56,707
Building and improvements	14,386,260	2,302,044	57,727	16,630,577
Machinery and equipment	16,192,497	351,910	1,863,646	14,680,761
Improvements other than buildings	840,233	5,634	-	845,867
Infrastructure	42,766,135	43,158	-	42,809,293
Total capital assets being depreciated	74,241,832	2,702,746	1,921,373	75,023,205
Total	120,545,139	3,635,936	3,618,254	120,562,821
 <i>Less accumulated depreciation for:</i>				
Land improvements	26,302	1,697	-	27,999
Buildings and improvements	3,445,371	456,233	49,074	3,852,530
Improvements other than buildings	337,102	48,425	-	385,527
Machinery and equipment	11,547,877	1,297,923	1,813,557	11,032,243
Infrastructure	30,642,392	1,919,539	-	32,561,931
Total	45,999,044	3,723,817	1,862,631	47,860,230
Total capital assets being depreciated, net	28,242,788	(1,021,071)	58,742	27,162,975
Governmental activities capital assets, net	\$ 74,546,095	\$ (87,881)	\$ 1,755,623	\$ 72,702,591

Notes to Financial Statements - Continued

Note 6 - Capital Assets - Continued

	Primary Government			
	Balance July 1, 2008	Increases	Decreases	
Business-type activities:				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,868,215	\$ -	\$ -	\$ 2,868,215
Machinery and equipment	1,216,960	9,995	(508)	1,226,447
Total	4,085,175	9,995	(508)	4,094,662
Less accumulated depreciation for:				
Golf course and improvements	1,759,779	98,876	-	1,858,655
Machinery and equipment	917,931	61,912	(330)	979,513
Total	2,677,710	160,788	(330)	2,838,168
Business-type activities capital assets, net	\$ 1,407,465	\$ (150,793)	\$ (178)	\$ 1,256,494

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 333,124
Public safety	609,997
Highways and streets	2,662,381
Welfare	3,954
Health	33,680
Sanitation	575
Culture and recreation	76,543
Education	3,563
Total governmental activities depreciation expense	\$ 3,723,817
Business-type activities:	
Golf course	\$ 160,788
Total business-type activities depreciation expense	\$ 160,788

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2009:

	Balance July 1, 2008 As restated	Additions	Reductions	Balance June 30, 2009	Due within 1 year
Governmental activities					
Notes payable	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000	\$ 76,820
Certificates of participation payable	480,000	-	345,000	135,000	135,000
Obligations under capital leases	2,022,075	-	-	2,022,075	132,120
Compensated absences payable	898,968	911,574	898,968	911,574	91,157
Estimated liabilities for claims and judgments - Yakima	<u>10,508,615</u>	<u>1,017,528</u>	<u>503,364</u>	<u>11,022,779</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 13,909,658</u>	<u>\$ 3,529,102</u>	<u>\$ 1,747,332</u>	<u>\$ 15,691,428</u>	<u>\$ 435,097</u>
Business-type activities					
Certificates of participation payable	\$ 495,000	\$ -	\$ 295,000	\$ 200,000	\$ 200,000
Obligations under capital leases	67,517	-	44,549	22,968	22,968
Compensated absences payable	<u>54,127</u>	<u>59,173</u>	<u>54,127</u>	<u>59,173</u>	<u>8,284</u>
Business-type activities long-term liabilities	<u>\$ 616,644</u>	<u>\$ 59,173</u>	<u>\$ 393,676</u>	<u>\$ 282,141</u>	<u>\$ 231,252</u>

As further discussed in Note 2, the beginning liability balance was restated by \$500,250 to properly report accrued interest on a judgment liability.

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.

Certificates outstanding at June 30, 2009, were as follows:

Description	Original Maturity	Maturity Ranges	Interest Rates	Outstanding Principal
Courthouse and government center complex – Series 2003 refunding	\$1,165,500	2009 - 2010	2.00– 3.00%	\$ 135,000
Emerald Canyon Golf Course – Series 2003 refunding	1,705,500	2009 - 2010	2.00– 3.00%	200,000
				<u>\$ 335,000</u>

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities - Continued

The following schedule details the debt service requirements for the County's certificates of participation payable for the fiscal year ended 2010, the year in which in which both payables mature:

Governmental Activities		Business-Type Activities	
Principal	Interest	Principal	Interest
\$ 135,000	\$ 2,025	\$ 200,000	\$ 3,000

Capital leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Jail Facility	\$ 2,051,038	\$ -
Machinery and equipment	-	210,118
Less: accumulated depreciation	39,881	81,844
Carrying value	<u>\$ 2,011,157</u>	<u>\$ 128,274</u>

On October 25, 2007, the County's Jail District entered into a \$2,022,075 lease purchase agreement to finance the expansion of the County's jail facility. The agreement is structured such that the facility is leased to the bank which then issued the lease proceeds to the County. The bank in turn leases the improvements back to the County that are paid in an amount totaling \$2,671,127 through 2020. Interest only payments were paid on the obligation at 4.6% per annum through June 30, 2009. Principle and interest payments are due biannually and began on July 1, 2009 in the amount of \$100,000 with subsequent bi-annual debt service payments totaling \$123,906. Upon the final lease payment, the title to the improvements will transfer to the County.

The Jail District has pledged the maintenance of effort payments from the County's general fund to the Jail District and voter approved excise tax for the payment of the debt service on the lease through 2020. Interest expense incurred on this debt during 2009 totaled \$93,015 and the maintenance of effort and voter approved excise taxes were \$672,026 and \$1,027,827, respectively. Annual principal and interest payments on the lease are expected to require 15% of total pledged revenue.

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities - Continued

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2009:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2010	\$ 223,906	\$ 23,243
2011	247,811	-
2012	247,811	-
2013	247,811	-
2014	247,811	-
2015-2019	1,239,056	-
2020	123,906	-
Total minimum lease payments	2,578,112	23,243
Less amount representing interest	556,037	275
Present value of net minimum lease payments	\$ 2,022,075	\$ 22,968

Notes Payable

In August 2008, the County entered into a financing agreement totaling \$1,250,000 in which the proceeds were used for the purchase of Colorado River water rights. The interest rate is 7.75% per annum and is payable with principal semiannually beginning January 2010 and maturing in July 2018. Also, in January 2009 the County entered into financing agreement totaling \$350,000 to finance the construction of the Salome Community Center Project. The interest rate is 5.75% per annum and is payable with principal semiannually beginning July 2009 and maturing in January 2019. Pursuant to these agreements, the County has pledged transaction privilege taxes. Annual principal and interest payments on the lease are expected to require 25% of total pledged transaction privilege tax revenue.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$ 76,820	\$ 115,760
2011	132,670	109,211
2012	142,568	99,315
2013	153,213	88,670
2014	164,662	77,221
2015-2019	930,067	181,606
Total	\$ 1,600,000	\$ 671,783

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

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

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

Compensated absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2009, the County paid for compensated absences as follows: 55 percent from the General Fund, 10 percent from the Road Fund, 11 percent from the Jail District Fund, 6 percent from the Enterprise Fund, and 18 percent from the other funds.

Claims and judgments - The County has recorded a liability for a judgment totaling approximately \$10 million accruing interest at 10% per annum in connection with a January 2008 judgment concerning a contractual matter. The estimated liability for this claim totaling \$11,022,779 including accrued interest is reported as a long-term liability in the Statement of Net Assets.

Note 8 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters; 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.

Notes to Financial Statements - Continued

Note 8 - Risk Management - Continued

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. However, lower limits apply to certain categories of losses. A county must participate in the pool at least 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 9 – Pensions and Other Postemployment Benefits

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

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

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

ASRS

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

PSPRS and EORP

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

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Cost-sharing plan - For the year ended June 30, 2009, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members' annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement, .96 percent for health insurance premium and 0.5 percent for long-term disability) of the members' annual covered payroll.

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

Year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2009	\$ 696,862	\$ 98,307	\$ 44,424
2008	\$ 687,853	\$ 89,720	\$ 42,724
2007	\$ 631,841	\$ 87,872	\$ 41,844

Agent plans - For the year ended June 30, 2009, 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 22.97 percent, of the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.55 percent of the members' annual covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members' annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 21.21 percent of the members' covered payroll through September 2008 and 14.05 percent of the members annual covered payroll for October through June 2009. The health insurance premium portion of the contribution rate was actuarially set at .91 percent of covered payroll.

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2009, were established using the June 30, 2007 actuarial valuations and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Projections of benefits are based on 1) the plans' structure as understood by the County and plans' members including the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to established the fiscal year 2009 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	29 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and 5.00% for EORP
Includes inflation at	5.00%

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2009, and related information follows:

	PSPRS		EORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 443,141	\$ 30,630	\$ 112,057	\$ 31,606
Contributions made	\$ 443,141	\$ 30,630	\$ 112,057	\$ 31,606

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Trend Information—Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans. Separately reported OPEB cost information for the last year of the required trend information will be reported next year when it becomes available.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
<u>PSPRS</u>				
Pension	2009	\$ 443,141	100%	\$ -0-
Health insurance	2009	\$ 30,630	100%	\$ -0-
Pension	2008	\$ 303,080	100%	\$ -0-
Health insurance	2008	\$ 28,093	100%	\$ -0-
Pension and health insurance	2007	\$ 216,870	100%	\$ -0-
<u>EORP</u>				
Pension	2009	\$ 112,057	100%	\$ -0-
Health insurance	2009	\$ 31,606	100%	\$ -0-
Pension and Health insurance	2008	\$ 90,006	100%	\$ -0-
Health insurance	2008	\$ 15,844	100%	\$ -0-
Pension and Health insurance	2007	\$ 88,074	100%	\$ -0-

Funded Status—The funded status of the PSPRS as of the most recent valuation date, June 30, 2009, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 45, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$9,803,198	\$ 265,914
Actuarial value of assets (b)	6,095,219	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	3,707,979	\$ 265,914
Funded ratio (b)/(a)	62.2%	0.00%
Covered payroll (c)	\$1,653,122	\$1,653,122
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $([(a) - (b)] / (c))$	224.3%	16.09%

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

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	27 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5% - 8.5% for PSPRS and 5.0% for EORP
Includes inflation at	5.5% for PSPRS and 5.0% for EORP

Notes to Financial Statements - Continued

Note 10 - Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2009, were as follows:

	Payable To			Total
	General Fund	Business 95 Road Improvement Fund	Nonmajor Governmental Fund	
Payable From				
General Fund	\$ -	\$ 1,234,710	\$ 117,140	\$ 1,351,850
Road Fund	323,563	-	-	323,563
Jail District Fund	993,749	-	30,347	1,024,096
Nonmajor Governmental Funds	1,859,078	-	-	1,859,078
Golf Course Fund	849,982	-	-	849,982
	<u>\$ 4,026,372</u>	<u>\$ 1,234,710</u>	<u>\$ 147,487</u>	<u>\$ 5,408,569</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made and (4) short-term borrowings between funds. Except for interfund balances between the General Fund, Business 95 Road Improvement Fund, 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. The majority of the general fund's interfund receivable relates to its overdrawing funds from pooled Treasurer's cash.

Interfund transfers—Interfund transfers for the year ended June 30, 2009, were as follows:

	Transfers To			Total
	General Fund	Jail District Fund	Nonmajor Governmental Funds	
Transfers From				
General Fund	\$ -	\$ -	\$ 395,756	\$ 395,756
Jail District Fund	744,000	-	133,738	877,738
Nonmajor Governmental Funds	807	133,738	-	134,545
	<u>\$ 744,807</u>	<u>\$ 133,738</u>	<u>\$ 529,494</u>	<u>\$ 1,408,039</u>

Notes to Financial Statements - Continued

Note 10 - Interfund Balances and Activity - Continued

Transfers from the General Fund to Nonmajor Governmental Funds were used primarily to subsidize the Parker Library, Animal Control Fund and the County Health and Parks funds. Also, unrestricted revenues collected in the Jail District Fund were transferred to the General Fund in accordance with budgetary authorizations.

Required Supplementary Information

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La Paz County
Required Supplementary Information
Schedule of Agent Retirement Plan's Funding Progress
June 30, 2009

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]
06/30/09						
Pension	\$ 6,095,219	\$ 9,803,198	\$(3,707,979)	62.2%	\$1,653,122	224.3%
Health Insurance	\$ -	\$ 265,914	\$ (265,914)	0.0%	\$1,653,122	16.1%
06/30/08						
Pension	\$ 5,788,423	\$ 9,576,871	\$(3,788,448)	60.4%	\$1,812,442	209.0%
Health Insurance	\$ -	\$ 298,817	\$ (298,817)	0.0%	\$1,812,442	16.5%
06/30/07						
Pension	\$ 5,342,710	\$ 8,668,559	\$(3,325,849)	61.6%	\$1,569,571	211.9%
Health Insurance	\$ -	\$ 270,928	\$ (270,928)	0.0%	\$1,569,571	17.3%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 5,567,508	\$ 5,447,598	\$ (119,910)
Licenses and permits	237,500	230,414	(7,086)
Fees, fines, and forfeits	1,640,300	1,755,708	115,408
Intergovernmental	3,705,232	4,824,143	1,118,911
Charges for services	950,000	956,045	6,045
Investment income	92,000	26,794	(65,206)
Miscellaneous	911,789	48,258	(863,531)
Total revenues	<u>13,104,329</u>	<u>13,288,960</u>	<u>184,631</u>
Expenditures:			
Current:			
General government			
Assessor	456,729	395,059	61,670
County attorney	560,991	635,835	(74,844)
Board of supervisors	743,050	589,687	153,363
Clerk of the superior court	461,178	422,430	38,748
Constable	2,250	-	2,250
Elections	179,027	123,764	55,263
Justice of the Peace #4	444,916	408,416	36,500
Justice of the Peace #5	257,727	280,775	(23,048)
Justice of the Peace #6	296,483	291,671	4,812
Planning and zoning	596,962	535,879	61,083
Recorder	257,643	238,762	18,881
Superior court	145,490	131,315	14,175
Court administration	328,400	302,386	26,014
Treasurer	292,575	287,694	4,881
Contingency	832,832	500,000	332,832
Management information services	222,621	203,244	19,377
Public defender	589,579	609,717	(20,138)
General administration	427,330	448,387	(21,057)
Finance personnel	336,093	346,756	(10,663)
GIS/Master planning	34,457	24,574	9,883
Facilities management	407,444	320,585	86,859
Total general government	<u>7,873,777</u>	<u>7,096,936</u>	<u>776,841</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 696,273	\$ 702,843	\$ (6,570)
Sheriff	2,594,783	2,650,853	(56,070)
Probation	150,404	148,577	1,827
Aircraft	26,300	26,760	(460)
Maintenance of effort	672,026	672,026	-
Juvenile probation	101,995	89,378	12,617
Total public safety	<u>4,241,781</u>	<u>4,290,437</u>	<u>(48,656)</u>
Sanitation:			
Sanitary landfill	10,000	3,365	6,635
Total sanitation	<u>10,000</u>	<u>3,365</u>	<u>6,635</u>
Health:			
Indigent health	436,207	434,915	1,292
County long term care ALTCS	1,021,475	890,778	130,697
C.M.I (chronically mental ill)	76,150	34,705	41,445
Health department transit	174,751	81,281	93,470
Total health	<u>1,708,583</u>	<u>1,441,679</u>	<u>266,904</u>
Welfare:			
Public fiduciary	124,770	134,172	(9,402)
Total welfare	<u>124,770</u>	<u>134,172</u>	<u>(9,402)</u>
Education:			
School superintendent	208,116	192,171	15,945
Total education	<u>208,116</u>	<u>192,171</u>	<u>15,945</u>
Debt service			
Principal	35,000	200,000	(165,000)
Interest	-	7,763	(7,763)
Total debt service	<u>35,000</u>	<u>207,763</u>	<u>(172,763)</u>
Total expenditures	<u>14,202,027</u>	<u>13,366,523</u>	<u>835,504</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,097,698)</u>	<u>\$ (77,563)</u>	<u>\$ 1,020,135</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Transfers in	\$ -	\$ 744,807	\$ 744,807
Transfers out	(937,764)	(395,756)	542,008
Proceeds from bonds issuance	-	1,250,000	1,250,000
Total other financing sources (uses)	<u>(937,764)</u>	<u>1,599,051</u>	<u>2,536,815</u>
Net change in fund balances	(2,035,462)	1,521,488	3,556,950
Fund balances, July 1, 2008	<u>2,035,462</u>	<u>1,342,825</u>	<u>(692,637)</u>
Fund balances, June 30, 2009	<u>\$ -</u>	<u>\$ 2,864,313</u>	<u>\$ 2,864,313</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 587,400	\$ 509,281	\$ (78,119)
Intergovernmental	5,030,000	3,802,409	(1,227,591)
Investment income	60,000	16,203	(43,797)
Total revenues	<u>5,677,400</u>	<u>4,327,893</u>	<u>(1,349,507)</u>
Expenditures:			
Current:			
Highways and streets	7,040,698	3,923,460	3,117,238
Total expenditures	<u>7,040,698</u>	<u>3,923,460</u>	<u>3,117,238</u>
Net change in fund balances	<u>(1,363,298)</u>	<u>404,433</u>	<u>1,767,731</u>
Fund balances, July 1, 2008	<u>1,363,298</u>	<u>794,368</u>	<u>(568,930)</u>
Fund balances, June 30, 2009	<u><u>\$ -</u></u>	<u><u>\$ 1,198,801</u></u>	<u><u>\$ 1,198,801</u></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, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ -	\$ -	\$ -
Expenditures:			
Current:			
Highways and streets	350,000	33,631	316,369
Total expenditures	<u>350,000</u>	<u>33,631</u>	<u>316,369</u>
Net change in fund balances	<u>(350,000)</u>	<u>(33,631)</u>	<u>(316,369)</u>
Fund balances, July 1, 2008	<u>350,000</u>	<u>2,698,500</u>	<u>2,348,500</u>
Fund balances, June 30, 2009	<u>\$ -</u>	<u>\$ 2,664,869</u>	<u>\$ 2,664,869</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,128,000	\$ 1,027,827	\$ (100,173)
Intergovernmental	672,026	672,026	-
Charges for services	2,000,000	2,308,391	308,391
Investment income	20,000	10,179	(9,821)
Total revenues	<u>3,820,026</u>	<u>4,018,423</u>	<u>198,397</u>
Expenditures:			
Current:			
Public safety	3,423,113	3,834,107	(410,994)
Debt Service:			
Principal retirement	-	145,000	(145,000)
Interest and fiscal charges	-	16,849	(16,849)
Total expenditures	<u>3,423,113</u>	<u>3,995,956</u>	<u>(572,843)</u>
Excess (deficiency) of revenues over expenditures	<u>396,913</u>	<u>22,467</u>	<u>(374,446)</u>
Other financing sources (uses):			
Transfers in	-	133,738	133,738
Transfers out	-	(877,738)	(877,738)
Proceeds from bond issuance	-	-	-
Net change in fund balances	<u>396,913</u>	<u>(721,533)</u>	<u>(1,118,446)</u>
Fund balances, July 1, 2008	<u>-</u>	<u>379,694</u>	<u>379,694</u>
Fund balances, June 30, 2009	<u>\$ 396,913</u>	<u>\$ (341,839)</u>	<u>\$ (738,752)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2009

Note 1 - Budgeting and Budgetary Control

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

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

For the General Fund, capital outlay 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 or for debt service of the Jail District 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, 2009, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
County Attorney	\$ 74,844
Justice of the Peace #5	23,048
Public Defender	20,138
General Administration	21,057
Finance Personnel	10,663
Regional Dispatch	6,570
Sheriff	56,070
Public Fiduciary	9,402
Debt Service	172,763
Jail District:	
Public Safety	410,994
Debt Service	161,849

The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenues, or both. On a combined fund basis, the County did not exceed its legally adopted budget amounts.

Supplementary Information

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LA PAZ COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

Federal Grantor/Pass-Through -- Grantor/Program Titles	CFDA Number	Pass-Through Grantor's Number	Expenditures and Transfers
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Arizona Department of Housing:			
Community Development Block Grants/State's Program	14.228	103-08, 145-07	\$ 379,406
<u>U.S. Department of Interior</u>			
Payments in Lieu of Taxes	15.226		2,387,088
<u>U.S. Department of Justice</u>			
Passed through Arizona Criminal Justice Commission:			
Crime Victim Assistance	16.575	VA 09-023	22,000
Crime Victim Compensation	16.576	VC 09-055	20,712
Enforcing Underage Drinking Laws Program	16.727	2008-OJJDP-66	5,541
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-09-006, DC-09-007	44,862
Total U.S. Department of Justice			<u>93,115</u>
<u>U.S. Department of Labor</u>			
Passed through Arizona Department of Economic Security:			
Employment Service/Wagner-Peyser Funded Activities	17.207	DE091071001	25,255
Incentive Grants - WIA Section 503	17.267	DE071147001	58,811
WIA Cluster:			
Passed through Mohave County Board of Supervisors:			
WIA Adult Program	17.258	88589442	44,716
WIA Youth Activities	17.259	88589455	51,428
Passed through Yuma County:			
WIA Dislocated Workers	17.260	None	17,000
Total WIA Cluster			<u>113,144</u>
Total U.S. Department of Labor			<u>197,210</u>
<u>U.S. Department of Education</u>			
Passed through the Arizona Department of Education:			
Adult Education-Basic Grants to States	84.002	V002A080003, V002A010003	59,298
<u>U.S. Department of Transportation</u>			
Passed through Arizona Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2007-HVE-003, 2007-06	199,458
Passed through Arizona Department of Emergency & Military Affairs:			
Interagency Hazardous Materials Public Sector Training and Planning Grants:	20.703	None	11,525
Total U.S. Department of Transportation			<u>210,983</u>
<u>Environmental Protection Agency</u>			
Passed through Arizona Department of Environmental Quality:			
Water Quality Cooperative Agreements	66.463	EV-05-0047	3,375
<u>U.S. Election Assistance Commission</u>			
Passed through Arizona Department of State - Secretary of State:			
Help America Vote Act Requirements Payments	90.401	None	8,959
<u>U.S. Department of Health and Human Services</u>			
Passed through the National Association of County & City Health Officials:			
Medical Reserve Corps Small Grant Program	93.008	MRC 080540	15,000
Passed through Arizona Department of Health Services:			
Public Health Emergency Preparedness	93.069	HG754198	273,502
Family Planning Services	93.217	HG854250	9,065
Immunization Grants	93.268	None	48,469
Teenage Pregnancy Prevention Program	93.297	861255	53,930
Passed through Arizona Department of Economic Security:			
Child Support Enforcement	93.563	E7201012	292,595
Total U.S. Department of Health and Human Services			<u>692,561</u>
<u>U.S. Executive Office of the President</u>			
Passed through Pima County Sheriff's Office:			
High Intensity Drug Trafficking Areas Program	95.001	DHI HT17-07-0000, HT18-08-1010	70,938
<u>U.S. Department of Homeland Security</u>			
Passed through Arizona Department of Homeland Security:			
Homeland Security Grant Program	97.067	None	31,112
Emergency Management Performance Grants	97.042	None	91,939
Passed through Arizona Department of Emergency & Military Affairs:			
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2007-GE-T7-6	2,117
Total U.S. Department of Homeland Security			<u>125,168</u>
Total Expenditures of Federal Awards			<u>\$ 4,228,101</u>

See accompanying notes to schedule.

LA PAZ COUNTY, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of La Paz County, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2009 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

NOTE 3 - SUBRECIPIENTS

The County did not award federal monies to subrecipients for the fiscal year ended June 30, 2009.

SINGLE AUDIT SECTION

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OFFINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Auditor General of the State of Arizona

The Board of Supervisors of
La Paz County, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona as of and for the year ended June 30, 2009, which collectively comprise La Paz County, Arizona's basic financial statements and have issued our report thereon dated March 24, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered La Paz County, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the La Paz County, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the La Paz County, Arizona's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 09-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Paz County, Arizona's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

La Paz County, Arizona's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit La Paz County, Arizona's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

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

March 24, 2011



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Auditor General of the State of Arizona

The Board of Supervisors
La Paz County, Arizona

Compliance

We have audited the compliance of La Paz County, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. La Paz County, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of La Paz County, Arizona's management. Our responsibility is to express an opinion on La Paz County, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about La Paz County, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of La Paz County, Arizona's compliance with those requirements.

In our opinion, La Paz County, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-2.

Internal Control Over Compliance

The management of La Paz County, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered La Paz County, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the La Paz County, Arizona's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

La Paz County, Arizona's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit La Paz County, Arizona's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Heinfeld, Meech & Co., P.C.

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

March 24, 2011

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? X yes no
- Significant deficiencies identified that are not considered to be material weaknesses? X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes X no
- Significant deficiency identified? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
15.226	Payments in Lieu of Taxes
14.228	Community Development Block Grants/State's Programs

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes X no

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (Section.315[b])? X yes no

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

09-1 CRITERIA

The County must issue accurate and timely financial statements to satisfy the audit requirements imposed by OMB Circular A-133, state laws, regulations, grants, and contracts.

CONDITION/CONTEXT

The County's fiscal year 2008-09 single audit reporting package was not submitted within nine months after the end of the audit period. In addition, the County has not submitted the Annual Expenditure Limitation Report for fiscal years 2007 and 2008 as required by State statute.

EFFECT

Due to the late submission of the County's single audit reporting package, the County has an internal control weakness and noncompliance with OMB Circular A-133 and state law report submission requirements.

CAUSE

The County lacked the comprehensive internal control policies and procedures necessary to prepare the financial statements in a timely manner.

RECOMMENDATION

To help ensure compliance with the OMB Circular A-133 and state laws, the County should implement internal control policies and procedures necessary to prepare accurate and complete financial statements in a timely manner to facilitate the submission of the single audit reporting package by the required deadline.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

The County has taken action to ensure compliance with the OMB Circular A-133 for upcoming audit submissions by procuring accounting services from a private firm and by seeking additional qualified staff.

**LA PAZ COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

U.S. DEPARTMENT OF EDUCATION

Finding Number: 09-2
Program Name: N/A
Pass-Through Agency: N/A

Questioned Costs: None
CFDA Number: N/A
Grantor Number: N/A

See finding 09-1 regarding the preparation of accurate and timely financial statements resulting in noncompliance with OMB Circular A-133.

Contact Person: Ava Alcaida, Finance Director
Anticipated Completion Date: May 31, 2011

**LA PAZ COUNTY, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

Status of Federal Award Findings and Questioned Costs

Finding Nos. 08-2, 07-1, 06-1, 05-2, 04-2

CFDA Nos. 14.228, 15.226, 93.563, 93.996, 97.004, 97.042, 97.053, 97.067

Program Names: Community Development Block Grants/State's Programs, Payments in Lieu of Taxes, Child Support Enforcement, Bioterrorism Training and Curriculum Development Program, Homeland Security Grant Program Cluster, Homeland Security Cluster

Status: Not corrected. See current year finding 09-2.

Views of Responsible Officials and Planned Corrective Actions:

The County has taken action to ensure compliance with the OMB Circular A-133 for upcoming audit submissions by procuring accounting services from a private firm and by seeking additional qualified staff.

Finding Nos. 08-3, 07-2, 06-2, 05-3, 04-3

CFDA Nos. 93.563, 93.996, 97.004, 97.042, 97.053, 97.067

Program Names: Child Support Enforcement, Bioterrorism Training and Curriculum Development Program, Homeland Security Grant Program Cluster, Citizen Corps, Homeland Security Cluster

Status: Corrected.