

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Board of Supervisors
La Paz County, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona (County), as of and for the year ended June 30, 2004, 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 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. 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 10, Schedule of Agent Retirement Plan's Funding Progress on page 41, and the Budgetary Comparison Schedules on pages 42 through 48 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.

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

Heinfeld, Meech & Co., P.C.

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

September 15, 2008

Management's Discussion and Analysis

Management's Discussion and Analysis

This discussion and analysis, prepared by the County's management, is intended to be an easily readable analysis of La Paz County's (County) financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2004. 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 \$21,315,107 (net assets). Of this amount, \$2,530,487 (unrestricted net assets) may be used to meet ongoing general obligations, \$7,009,866 is restricted for specific purposes (restricted net assets), and \$12,158,628 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$1,059,594. The increase is due primarily to an increase in general revenues of \$1.1 million and an increase in operating and capital grants and contributions of \$.7 million while the County's expenses increased by a smaller proportion of \$.8 million.
- At June 30, 2004, the governmental funds reported combined fund balances of \$10,059,668, an increase of \$5,477 in comparison with the prior year. The increase is a result of an increase in revenues in a greater proportion than the increase in expenditures. Approximately 94% of the combined fund balances, or \$9,502,962 is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2004, unreserved fund balance for the general fund was \$3,717,307 or 39% 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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*government activities*) and 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 23 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund 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 balance for the General, Road, Business 95 Road Improvement, and Jail District funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.

The governmental fund financial statements can be found on pages 13-16 of this report.

Management's Discussion and Analysis

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

The enterprise fund financial statements can be found on pages 17-20 of this report.

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

The fiduciary funds financial statements can be found on pages 21-22 of this report.

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

The notes can be found on pages 23-40 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 41-49 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

The following table summarizes the Statement of Net Assets at June 30, 2004:

	2004	2003	2004	2003	2004	2003
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total
Current and other assets	\$ 12,055,981	\$ 11,403,370	\$ (338,171)	\$ (558,186)	\$ 11,717,810	\$ 10,845,184
Capital assets	14,404,548	13,727,968	1,694,244	1,785,552	16,098,792	15,513,520
Total assets	<u>26,460,529</u>	<u>25,131,338</u>	<u>1,356,073</u>	<u>1,227,366</u>	<u>27,816,602</u>	<u>26,358,704</u>
Current and other liabilities	1,833,451	1,121,280	62,597	60,913	1,896,048	1,182,193
Long-term liabilities	2,928,197	3,183,403	1,677,250	1,737,595	4,605,447	4,920,998
Total liabilities	<u>4,761,648</u>	<u>4,304,683</u>	<u>1,739,847</u>	<u>1,798,508</u>	<u>6,501,495</u>	<u>6,103,191</u>
Net assets						
Invested in capital assets, net of related debt	12,158,528	11,199,824	84,244	80,552	12,242,772	11,280,376
Restricted for:						
Public safety	499,897	260,158	-	-	499,897	260,158
Highways and streets	5,306,547	5,618,453	-	-	5,306,547	5,618,453
Sanitation	79,091	101,050	-	-	79,091	101,050
Health	194,658	191,334	-	-	194,658	191,334
Debt service	532,633	329,563	503,316	331,746	1,035,949	661,309
Other purposes	397,040	550,979	-	-	397,040	550,979
Unrestricted net assets (deficit)	2,530,487	2,575,294	(971,334)	(983,440)	1,559,153	1,591,854
Total net assets	<u>\$ 21,698,881</u>	<u>\$ 20,826,655</u>	<u>\$ (383,774)</u>	<u>\$ (571,142)</u>	<u>\$ 21,315,107</u>	<u>\$ 20,255,513</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 \$21,315,107 at June 30, 2004, indicating that the County is in a strong financial position.

Capital assets (and the related net asset invested in capital assets) increased as a result of continued expenditures on several road projects that are in process. Current liabilities increased as a result of an increase in amounts owed to vendors and amounts held in trust by the court system. Operating grants and contribution revenue increased as a result of an overall increase in grant funding for several federal and state grants. Excise tax increased during 2004. This amount is received from the state of Arizona which is dependent on the amount collected by the state. Public safety expenses increased due to an increase in spending on public safety grants such as those related to emergency services.

Net assets increased by \$1,059,594 during the fiscal year 2003-04 resulting primarily from general and program revenues increasing in a greater proportion than expenses. Also, the business-type activity reflected an unrestricted net deficit of (\$971,334) at June 30, 2004, which resulted primarily from initial start up costs incurred in 1989 that has not yet been recovered.

Management's Discussion and Analysis

Changes in Net Assets

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

	2004 Governmental Activities	2003 Governmental Activities	2004 Business-Type Activities	2003 Business-Type Activities	2004 Total	2003 Total
Revenues						
Program revenues:						
Charges for services	\$ 4,153,799	\$ 3,803,923	\$ 1,560,357	\$ 1,491,691	\$ 5,714,156	\$ 5,295,614
Operating grants & contributions	3,789,084	3,083,846	-	-	3,789,084	3,083,846
Capital grants & contributions	3,481,115	3,489,990	-	-	3,481,115	3,489,990
General revenues:						
Property taxes	2,886,713	3,001,500	-	-	2,886,713	3,001,500
Share of state sales taxes	1,738,049	1,692,572	-	-	1,738,049	1,692,572
Excise tax	2,023,755	1,650,446	-	-	2,023,755	1,650,446
Payments in lieu of taxes	1,196,941	1,053,245	-	-	1,196,941	1,053,245
Vehicle license tax	989,660	892,948	-	-	989,660	892,948
Share of state lottery	550,035	550,035	-	-	550,035	550,035
Investment earnings	88,544	160,760	1,325	46,208	89,869	206,968
Miscellaneous	899,556	222,364	-	205	899,556	222,569
Total revenues	<u>21,797,251</u>	<u>19,601,629</u>	<u>1,561,682</u>	<u>1,538,104</u>	<u>23,358,933</u>	<u>21,139,733</u>
Expenses						
General government	5,780,803	5,674,042	-	-	5,780,803	5,674,042
Public safety	7,999,745	7,216,057	-	-	7,999,745	7,216,057
Highways and streets	4,011,208	3,686,559	-	-	4,011,208	3,686,559
Sanitation	67,463	86,493	-	-	67,463	86,493
Health	1,774,793	1,969,574	-	-	1,774,793	1,969,574
Welfare	333,673	339,391	-	-	333,673	339,391
Culture and recreation	766,341	706,819	1,347,648	1,494,430	2,113,989	2,201,249
Education	154,030	147,586	-	-	154,030	147,586
Interest on long-term debt	38,093	272,468	25,542	-	63,635	272,468
Total expenses	<u>20,926,149</u>	<u>20,098,989</u>	<u>1,373,190</u>	<u>1,494,430</u>	<u>22,299,339</u>	<u>21,593,419</u>
Change in net assets before transfers	871,102	(497,360)	188,492	43,674	1,059,594	(453,686)
Transfers	1,124	-	(1,124)	-	-	-
	<u>1,124</u>	<u>-</u>	<u>(1,124)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	872,226	(497,360)	187,368	43,674	1,059,594	(453,686)
Beginning net assets (deficit)	<u>20,826,655</u>	<u>21,324,015</u>	<u>(571,142)</u>	<u>(614,816)</u>	<u>20,255,513</u>	<u>20,709,199</u>
Ending net assets (deficit)	<u>\$ 21,698,881</u>	<u>\$ 20,826,655</u>	<u>\$ (383,774)</u>	<u>\$ (571,142)</u>	<u>\$ 21,315,107</u>	<u>\$ 20,255,513</u>

During 2004, certain reclassifications were made to tax and intergovernmental revenues, accordingly, the 2003 tax and intergovernmental revenues were changed to reflect these reclassifications.

Management's Discussion and Analysis

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, 2004, the County's governmental funds reported combined fund balances of \$10,059,668, an increase of \$5,477 in comparison with the prior year. The increase is a result of an increase in revenues in the General and Jail District Funds in a greater proportion than expenditures in these funds. Approximately 94% of the combined fund balances, \$9,502,962, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has been committed for prepaid items and debt service expenditures.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$3,717,307. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 39% of total General Fund expenditures while total fund balance represents 43% of that same amount.

The Jail District Fund is a major County fund used to report the activity of the County jail. During 2004, the fund balance of this fund increased primarily due to an increase in charges for services which represent charges to other governments that use the facility.

The Golf Course Fund is an enterprise fund of the County that had an increase in net assets due primarily from golf course fees that increased in greater proportion than golf course expenses.

The following table presents the amount of governmental revenues from various sources as well as the increases or decreases from the prior year:

Governmental Funds
Revenue Comparison - By Source

	2004		2003		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
Taxes	\$ 5,965,165	27.31%	\$ 5,523,787	28.13%	\$ 441,378	7.99%
Licenses and permits	238,289	1.09%	208,300	1.06%	29,989	14.40%
Intergovernmental	10,755,224	49.24%	10,012,731	50.98%	742,493	7.42%
Fees, fines and forfeits	740,011	3.39%	728,387	3.71%	11,624	1.60%
Charges for services	3,175,499	14.54%	2,827,384	14.40%	348,115	12.31%
Investment income	88,544	0.41%	160,760	0.82%	(72,216)	-44.92%
Miscellaneous	878,513	4.02%	178,533	0.91%	699,980	392.07%
Total revenues	<u>\$ 21,841,245</u>	<u>100.00%</u>	<u>\$ 19,639,882</u>	<u>100.00%</u>	<u>\$ 2,201,363</u>	<u>11.21%</u>

The increase in tax revenue is caused primarily from an increase in excise tax imposed by the State on behalf of the County. The increase in intergovernmental revenue is due to an increase in funding from grants and contracts received from Federal and state agencies. The increase in charges for services is due primarily from an increase in charges to other governments for use of the County Jail Facility. Miscellaneous revenues increased primarily due to a greater amount of private contributions and indirect cost recovery.

Management's Discussion and Analysis

The following table presents governmental expenditures by function compared to prior year amounts:

Governmental Funds
Expenditure Comparison - By Function

	2004		2003		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
General government	\$ 5,800,371	26.52%	\$ 5,184,745	24.32%	\$ 615,626	11.87%
Public safety	7,468,173	34.15%	7,042,079	33.04%	426,094	6.05%
Highways and streets	4,244,413	19.41%	4,647,736	21.81%	(403,323)	-8.68%
Sanitation	67,463	0.31%	85,918	0.40%	(18,455)	-21.48%
Health	1,735,068	7.93%	2,017,745	9.47%	(282,677)	-14.01%
Welfare	323,840	1.48%	338,599	1.59%	(14,759)	-4.36%
Culture and recreation	654,683	2.99%	688,489	3.23%	(33,806)	-4.91%
Education	152,177	0.70%	147,499	0.69%	4,678	3.17%
Capital outlay	1,070,487	4.89%	14,763	0.07%	1,055,724	7151.15%
Debt service	354,510	1.62%	1,147,132	5.38%	(792,622)	-69.10%
Total expenditures	\$ 21,871,185	100.00%	\$ 21,314,705	100.00%	\$ 556,480	2.61%

The following provides an explanation of the expenditures by function that changed significantly over the prior year:

- Capital outlay was significant due to expenditures on road construction projects such as improvements to Highway B-95, Salome Road and Vicksburg Road.
- General government expenditures increased due to an overall increase in the cost of providing necessary services to County citizens.
- The County's debt service expense decreased in 2004 largely due to the cost savings resulting from the refunding of certificates of participation that occurred in 2003.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2003-04 adopted budget for the General Fund. General Fund actual expenditures were \$1.2 million under the adopted budget and actual revenues exceeded estimated revenues by \$0.2 million.

Tax revenues exceeded the anticipated budget amount primarily due to greater than anticipated excise tax and intergovernmental revenue did not meet the budgeted projection due to lower than anticipated grant and contract revenues.

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

- The Superior Court exceeded its budget by 49% due to rising indigent defense attorney costs.
- Total costs of the Health Department's Transit department exceeded the budgeted amount by 39% due to greater than anticipated operating costs.
- Management information services exceeded its budget by 26% due to greater than anticipated outside consultant costs.

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2004, amounted to \$16.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, construction equipment and vehicles, infrastructure purchased or constructed after June 30, 2002, construction in progress, and golf course improvements. The County's investment in capital assets increased 4.2 percent from the prior period. Major capital asset events during the current fiscal year included outlays for the new judicial complex, Business 95 road improvements, and for machinery and equipment, particularly heavy machinery.

Additional information on the County's capital assets activity and balances can be found in Note 5 of the notes to the financial statements on page 33 of this report.

Long-Term Debt

At June 30, 2004, the County had total long-term debt outstanding of \$3,856,020. This amount consists of certificates of participation of \$3.8 million and capital leases of \$56,020. During 2003, the County refunded all existing certificates of participation to take advantage of lower interest rates. This resulted in reduced debt service requirements in 2004. Additional information on the County's long-term debt can be found in Note 6 of the Notes to the Financial Statements on page 35 of this report.

Economic Factors

- Despite a slow economy, the County's tax revenue is relatively stable. The County's sales tax revenue has remained stable because of tourism. The Colorado River attracts visitors in the summer, and both the river and desert areas attract visitors in the winter.
- In 2003, the County took advantage of lower interest rates by refunding all outstanding certificates of participation for a combined economic gain of \$406,053. This refunding also extended the amount of time the County has to repay the debt.
- For the years ended June 30, 2003, and June 30, 2004, the County has budgeted \$1 million and \$.75 million respectively, for contingencies. This practice may enable the County to better weather the current economic climate.

Request for Information

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

Basic Financial Statements

La Paz County
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,037,947	\$ 29,719	\$ 9,067,666
Cash and investments held by trustee	532,633	503,316	1,035,949
Receivables, net			
Accounts	6,481	-	6,481
Property taxes	184,664	-	184,664
Internal balances	872,409	(872,409)	-
Due from:			
Others	110,057	-	110,057
Other governments	1,287,717	-	1,287,717
Prepaid items	24,073	1,203	25,276
Capital assets, not being depreciated	1,120,626	-	1,120,626
Capital assets, being depreciated, net	13,283,922	1,694,244	14,978,166
Total assets	<u>26,460,529</u>	<u>1,356,073</u>	<u>27,816,602</u>
Liabilities			
Accounts payable	633,044	29,476	662,520
Accrued payroll and employee benefits	492,333	25,894	518,227
Due to:			
Others	442,243	7,227	449,470
Other governments	265,831	-	265,831
Noncurrent liabilities:			
Due within one year	634,131	290,175	924,306
Due in more than one year	2,294,066	1,387,075	3,681,141
Total liabilities	<u>4,761,648</u>	<u>1,739,847</u>	<u>6,501,495</u>
Net Assets			
Invested in capital assets, net of related debt	12,158,528	84,244	12,242,772
Restricted for:			
Public safety	499,897	-	499,897
Highways and streets	5,306,547	-	5,306,547
Sanitation	79,091	-	79,091
Health	194,658	-	194,658
Debt service	532,633	503,316	1,035,949
Other purposes	397,040	-	397,040
Unrestricted (deficit)	2,530,487	(971,334)	1,559,153
Total net assets	<u>\$ 21,698,881</u>	<u>\$ (383,774)</u>	<u>\$ 21,315,107</u>

See accompanying notes to financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2004

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	\$ 5,780,803	\$ 1,326,883	\$ 1,000,267	\$ 25,061	\$ (3,428,592)	\$ -	\$ (3,428,592)
Public safety	7,999,745	1,879,612	2,224,334	-	(3,895,799)	-	(3,895,799)
Highways and streets	4,011,208	-	49,949	3,456,054	(505,205)	-	(505,205)
Sanitation	67,463	212,740	42,626	-	187,903	-	187,903
Health	1,774,793	128,839	152,684	-	(1,493,270)	-	(1,493,270)
Welfare	333,673	32,058	235,210	-	(66,405)	-	(66,405)
Culture and recreation	766,341	510,717	53,356	-	(202,268)	-	(202,268)
Education	154,030	62,950	30,658	-	(60,422)	-	(60,422)
Interest on long-term debt	38,093	-	-	-	(38,093)	-	(38,093)
Total governmental activities	<u>20,926,149</u>	<u>4,153,799</u>	<u>3,789,084</u>	<u>3,481,115</u>	<u>(9,502,151)</u>	<u>-</u>	<u>(9,502,151)</u>
Business-type activities							
Golf course	1,373,190	1,560,357	-	-	-	187,167	187,167
Total business-type activities	<u>1,373,190</u>	<u>1,560,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,167</u>	<u>187,167</u>
Total primary government	<u>\$ 22,299,339</u>	<u>\$ 5,714,156</u>	<u>\$ 3,789,084</u>	<u>\$ 3,481,115</u>	(9,502,151)	187,167	(9,314,984)
General revenues:							
Taxes:							
Property taxes levied for general purposes					2,877,795	-	2,877,795
Property taxes levied for improvement districts					8,918	-	8,918
Share of state sales taxes					1,738,049	-	1,738,049
Excise tax					2,023,755	-	2,023,755
Payments in lieu of taxes					1,196,941	-	1,196,941
Vehicle license tax					989,660	-	989,660
Share of state lottery					550,035	-	550,035
Investment earnings					88,544	1,325	89,869
Miscellaneous					899,556	-	899,556
Transfers					1,124	(1,124)	-
Total general revenues and transfers					<u>10,374,377</u>	<u>201</u>	<u>10,374,578</u>
Changes in net assets					872,226	187,368	1,059,594
Net assets - July 1, 2003					20,826,655	(571,142)	20,255,513
Net assets - June 30, 2004					<u>\$ 21,698,881</u>	<u>\$ (383,774)</u>	<u>\$ 21,315,107</u>

See accompanying notes to financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2004**

	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	\$ 2,937,639	\$ 2,050,317	\$ 3,246,596	\$ 44,081	\$ 759,314	\$ 9,037,947
Cash and investments held by trustee	264,617	-	-	268,016	-	532,633
Receivables (net of allowances for uncollectibles):						
Accounts	6,481	-	-	-	-	6,481
Property taxes	183,075	-	-	-	1,589	184,664
Due from:						
Others	63,141	-	-	2,575	44,341	110,057
Other funds	1,701,821	36,893	-	47,971	174,818	1,961,503
Other governments	202,122	353,076	-	398,123	334,396	1,287,717
Prepaid items	18,822	35	-	-	5,216	24,073
Total assets	<u>\$ 5,377,718</u>	<u>\$ 2,440,321</u>	<u>\$ 3,246,596</u>	<u>\$ 760,766</u>	<u>\$ 1,319,674</u>	<u>\$ 13,145,075</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 172,886	\$ 89,161	\$ -	\$ 71,783	\$ 299,214	\$ 633,044
Accrued payroll and employee benefits	244,260	68,090	-	64,584	115,399	492,333
Due to:						
Others	439,959	929	-	-	1,355	442,243
Other governments	265,831	-	-	-	-	265,831
Other funds	92,461	226,339	-	259,092	511,202	1,089,094
Deferred revenue	161,575	-	-	-	1,287	162,862
Total liabilities	<u>1,376,972</u>	<u>384,519</u>	<u>-</u>	<u>395,459</u>	<u>928,457</u>	<u>3,085,407</u>
Fund balances:						
Reserved for:						
Certificates of participation payment	264,617	-	-	268,016	-	532,633
Prepaid items	18,822	35	-	-	5,216	24,073
Unreserved, reported in:						
General fund	3,717,307	-	-	-	-	3,717,307
Special revenue funds	-	2,055,767	3,246,596	97,291	386,001	5,785,655
Total fund balances	<u>4,000,746</u>	<u>2,055,802</u>	<u>3,246,596</u>	<u>365,307</u>	<u>391,217</u>	<u>10,059,668</u>
Total liabilities and fund balances	<u>\$ 5,377,718</u>	<u>\$ 2,440,321</u>	<u>\$ 3,246,596</u>	<u>\$ 760,766</u>	<u>\$ 1,319,674</u>	<u>\$ 13,145,075</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, 2004

Fund balances—total governmental funds		\$ 10,059,668
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$25,023,301 and the accumulated depreciation is \$10,618,753.		14,404,548
Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.		162,862
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Obligations under capital leases	(56,020)	
Compensated absences	(654,001)	
Certificates of participation	(2,190,000)	
Estimated liabilities for claims and judgments	<u>(28,176)</u>	<u>(2,928,197)</u>
Net assets of governmental activities		<u>\$ 21,698,881</u>

See accompanying notes to financial statements.

La Paz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Revenues:						
Taxes	\$ 4,408,435	\$ 498,571	\$ -	\$ 1,049,212	\$ 8,947	\$ 5,965,165
Licenses and permits	227,616	-	-	-	10,673	238,289
Fees, fines, and forfeits	732,544	-	-	-	7,467	740,011
Intergovernmental	3,531,827	3,456,054	-	279,032	3,488,311	10,755,224
Charges for services	539,911	-	-	1,871,294	764,294	3,175,499
Investment income	51,779	23,441	-	1,360	11,964	88,544
Miscellaneous	485,002	54,219	-	260	339,032	878,513
Total revenues	<u>9,977,114</u>	<u>4,032,285</u>	<u>-</u>	<u>3,201,158</u>	<u>4,630,688</u>	<u>21,841,245</u>
Expenditures:						
Current:						
General government	5,000,797	-	-	-	799,574	5,800,371
Public safety	3,166,985	-	-	2,572,567	1,728,621	7,468,173
Highways and streets	-	4,236,055	108,606	-	8,358	4,353,019
Sanitation	2,879	-	-	-	64,584	67,463
Health	859,790	-	-	-	875,278	1,735,068
Welfare	90,960	-	-	-	232,880	323,840
Culture and recreation	-	-	-	-	654,683	654,683
Education	152,177	-	-	-	-	152,177
Capital outlay	113,861	-	-	-	848,020	961,881
Debt service:						
Principal	81,418	-	-	235,000	-	316,418
Interest	17,375	-	-	20,717	-	38,092
Total expenditures	<u>9,486,242</u>	<u>4,236,055</u>	<u>108,606</u>	<u>2,828,284</u>	<u>5,211,998</u>	<u>21,871,185</u>
Excess (deficiency) of revenues over expenditures	<u>490,872</u>	<u>(203,770)</u>	<u>(108,606)</u>	<u>372,874</u>	<u>(581,310)</u>	<u>(29,940)</u>
Other financing sources (uses):						
Capital lease agreements	34,293	-	-	-	-	34,293
Transfers in	93,624	-	-	-	3,750	97,374
Transfers out	(3,750)	-	-	(92,500)	-	(96,250)
Total other financing sources and uses	<u>124,167</u>	<u>-</u>	<u>-</u>	<u>(92,500)</u>	<u>3,750</u>	<u>35,417</u>
Net change in fund balances	<u>615,039</u>	<u>(203,770)</u>	<u>(108,606)</u>	<u>280,374</u>	<u>(577,560)</u>	<u>5,477</u>
Fund balances, July 1, 2003	<u>3,385,707</u>	<u>2,259,572</u>	<u>3,355,202</u>	<u>84,933</u>	<u>968,777</u>	<u>10,054,191</u>
Fund balances, June 30, 2004	<u>\$ 4,000,746</u>	<u>\$ 2,055,802</u>	<u>\$ 3,246,596</u>	<u>\$ 365,307</u>	<u>\$ 391,217</u>	<u>\$ 10,059,668</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
Year Ended June 30, 2004

Net change in fund balances-total governmental funds \$ 5,477

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

Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets.	\$ 2,033,585	
Depreciation expense	<u>(1,391,298)</u>	642,287

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

Principal repayments:		
Certificates of participation	305,000	
Capital leases	<u>11,418</u>	316,418

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	(228,368)	
Decrease in estimated liabilities for claims and judgments	<u>201,450</u>	(26,918)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.		<u>(65,038)</u>
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Change in net assets of governmental activities		<u><u>\$ 872,226</u></u>
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La Paz County
Statement of Net Assets
Proprietary Fund
June 30, 2004

		Business-Type Activities- Enterprise Fund <u>Golf Course Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$	29,719
Prepaid items		1,203
Total current assets		<u>30,922</u>
Noncurrent assets:		
Cash and investments held by trustee		503,316
Capital assets, net of accumulated depreciation		1,694,244
Total noncurrent assets		<u>2,197,560</u>
Total assets		<u>2,228,482</u>
Liabilities		
Current liabilities:		
Accounts payable		29,476
Accrued payroll and employee benefits		25,894
Due to others		7,227
Due to other funds		872,409
Certificates of participation payable, current portion		270,000
Compensated absences payable, current portion		20,175
Total current liabilities		<u>1,225,181</u>
Noncurrent liabilities:		
Certificates of participation payable		1,340,000
Compensated absences payable		47,075
Total noncurrent liabilities		<u>1,387,075</u>
Total liabilities		<u>2,612,256</u>
Net Assets		
Invested in capital assets, net of related debt		84,244
Restricted for debt service		503,316
Unrestricted (deficit)		(971,334)
Total net assets	\$	<u>(383,774)</u>

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, 2004

	Business-Type Activities- Enterprise Fund <u>Golf Course Fund</u>
Operating revenues:	
Golf course fees	\$ 1,559,663
Miscellaneous	694
Total operating revenues	<u>1,560,357</u>
Operating expenses:	
Personnel services	628,699
Professional services	130,414
Supplies	116,346
Communication	6,155
Utilities	55,256
Repairs and maintenance	198,272
Depreciation	157,767
Other	40,020
Leases and rents	2,179
Total operating expenses	<u>1,335,108</u>
Operating income	<u>225,249</u>
Nonoperating revenues (expenses):	
Investment income	1,325
Interest expense	(25,542)
Loss on disposal of capital assets	(12,540)
Total nonoperating revenues (expenses)	<u>(36,757)</u>
Income before transfers	188,492
Transfers out	<u>(1,124)</u>
Increase in net assets	187,368
Total net assets, July 1, 2003	<u>(571,142)</u>
Total net assets, June 30, 2004	<u>\$ (383,774)</u>

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2004

	Business-Type Activities- Enterprise Fund <u>Golf Course Fund</u>
Cash flows from operating activities:	
Receipts from customers	\$ 1,567,584
Payments to suppliers and providers of goods and services	(554,781)
Payments to employees	(594,044)
Net cash provided by operating activities	<u>418,759</u>
Cash flows from noncapital financing activities:	
Negative cash balance implicitly financed	872,409
Negative cash balance implicitly repaid	(899,419)
Cash transfers to other funds	(1,124)
Net cash used for noncapital financing activities:	<u>(28,134)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(78,999)
Principal paid on certificates of participation	(95,000)
Interest paid on certificates of participation	(25,542)
Net cash used for capital and related financing activities	<u>(199,541)</u>
Cash flows from investing activities:	
Interest received on investments	<u>1,325</u>
Net cash provided by investing activities	<u>1,325</u>
Net increase in cash and cash equivalents	192,409
Cash and cash equivalents, July 1, 2003	<u>340,626</u>
Cash and cash equivalents, June 30, 2004	<u>\$ 533,035</u>
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 29,719
Cash and investments held by trustee	<u>503,316</u>
	<u>\$ 533,035</u>
Reconciliation of beginning cash and cash equivalents:	
Beginning cash and cash equivalents, as previously reported	\$ 8,880
Beginning cash held by trustee originally excluded	<u>331,746</u>
Adjusted beginning cash and cash equivalents	<u>\$ 340,626</u>

(continued)

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2004

**Business-Type
Activities-
Enterprise Fund
Golf Course Fund**

**Reconciliation of operating
income to net cash provided by operating activities:**

Operating income	\$	225,249
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		157,767
Changes in assets and liabilities:		
Increase in:		
Prepaid items		(596)
Due to others		7,227
Compensated absences payable		34,655
Decrease in:		
Accounts payable		(477)
Accrued payroll and employee benefits		(5,066)
Net cash provided by operating activities	\$	418,759

See accompanying notes to financial statements.

La Paz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 13,635,004	\$ 982,053
Accrued interest receivable	33,144	-
Total assets	13,668,148	982,053
Liabilities		
Due to other governments	-	982,053
Total liabilities	-	\$ 982,053
Net Assets		
Held in trust for investment participants	\$ 13,668,148	

See accompanying notes to financial statements.

La Paz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004

	<u>Investment Trust Funds</u>
Additions:	
Contributions from participants	\$ 31,187,929
Interest and dividends	313,404
Total additions	<u>31,501,333</u>
Deductions:	
Distributions to participants	<u>33,265,287</u>
Total deductions	<u>33,265,287</u>
Change in net assets	(1,763,954)
Net assets, July 1, 2003	<u>15,432,102</u>
Net assets, June 30, 2004	<u><u>\$ 13,668,148</u></u>

See accompanying notes to financial statements.

La Paz County
Notes to Financial Statements
June 30, 2004

Note 1 - 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 that is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended component unit discussed below has a June 30 year-end. The County has no discretely presented component units.

The following table describes the County's component units:

<u>Component Unit</u>	<u>Description; Criteria for Inclusion</u>	<u>Reporting Method</u>	<u>For Separate Financial Statements</u>
La Paz County Jail District	A tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems pursuant to Arizona Revised Statutes; County board of supervisors serves as board of directors	Blended	Not available
La Paz County Municipal Property Corporation	A nonprofit corporation created by the County to assist in the acquisition of real and personal property for the County; County board of supervisors serves as board of directors	Blended	Not available
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; County board of supervisors serves as board of directors	Blended	Not available
La Paz County Health Services District	A tax-levying public improvement district that provides or finances health services; County board of supervisors serves as board of directors	Blended	Not available

Notes to Financial Statements - Continued

B. Basis of Presentation

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

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

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

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

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

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

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

Notes to Financial Statements - Continued

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. Other revenues, such as investment income, result from transactions in which the parties do not exchange equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be nonoperating expenses.

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

The County reports the following fund types:

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

Notes to Financial Statements - Continued

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 and the accrual basis of accounting. 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 measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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

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

D. Cash and Investments

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

Money market investments are stated at amortized cost. All other investments are stated at fair value.

Notes to Financial Statements - Continued

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2004, were immaterial, they are not included in the Statements of Net Assets or the Balance Sheet.

F. Property Tax Calendar

The County levies real 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.

During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

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

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

	<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
Land improvements	\$5,000	Straight-line	10-30 years
Infrastructure	5,000	Straight-line	25-50 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

Notes to Financial Statements - Continued

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 financial statements.

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.

J. Reclassifications

During 2004, certain changes were made to the classification of certain revenues and expenses/expenditures from the prior year presentation. These changes had no effect on the County's beginning net assets or fund balances.

Note 2 - Stewardship, Compliance, and Accountability

Eleven General Fund departments and the Jail District Fund 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 Jail District Fund's excess of expenditures over appropriations occurred due to variable costs exceeding original expectations and these costs were funded by greater than anticipated charges for services.

To avoid similar future overruns, the County analyzed the line items resulting in greater than anticipated costs to determine whether such costs will be recurring and adjusted its 2005 budget accordingly.

Notes to Financial Statements - Continued

Deficit fund balances or net assets—At June 30, 2004, the following funds reported significant deficits greater than \$5,000 in fund balances or net assets:

Fund	Deficit
Governmental funds:	
Bio Terrorism	\$ 6,598
ACJC Drug Enforcement	6,899
Growing Smarter Planning Grant	7,755
CJEF Contract Sheriff	13,934
Undesignated Fund	15,715
SLIF Project Boats	18,787
AORCC Boat Patrol Grant	20,045
CA Rico	23,854
HIDTA Grant	27,600
Highway Safety Grant	28,897
Criminal Justice Enhancement	35,127
Park Grants	36,216
Task Force Prosecutor	45,500
WIA Year 1	47,460
County Racketeering	51,537
Cops in School	58,973
La Paz Extension Fund	61,185
Rabies Control	65,854
Capital Projects Fund	72,863
CDBG Grant	76,590
Parker Library	80,915
Emergency Services	85,962
DES Child Support Program	90,331
Bill Williams REC Angling	97,875
La Paz County Park	123,658
Health Department	279,722
Enterprise fund:	
La Paz County Golf Course	383,774

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

Notes to Financial Statements - Continued

Note 3 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

County Treasurer's Investment Pool—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. Those monies are pooled with County monies for investment purposes.

Deposits—At June 30, 2004, the carrying amount of the investment pool's total cash in bank was \$3,504,035, and the bank balance was \$3,525,922. Of the bank balance, \$100,000 was covered by federal depository insurance and \$3,425,922 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

Investments—At June 30, 2004, the investments in the County Treasurer's investment pool consisted of the following:

	<u>Fair Value</u>
Investment in State Treasurer's investment pool	<u>\$19,357,723</u>

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Other deposits—At June 30, 2004, the total nonpooled cash on hand was \$2,720. The carrying amount of the County's total nonpooled cash in bank was \$820,245, and the bank balance was \$865,122. Of the bank balance, \$209,207 was covered by federal depository insurance or by collateral held by the County or its agent in the County's name and \$655,915 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

Notes to Financial Statements - Continued

Other investments—At June 30, 2004, the County’s nonpooled investments consisted of the following:

	Fair Value
U.S. government securities	<u>\$ 1,035,949</u>
Total	<u>\$ 1,035,949</u>

These investments were uninsured and unregistered with securities held by the counterparty or by its trust department or agent, but not in the County’s name.

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

Cash and investments:

	County Treasurer’s Investment Pool	Other	Total
Cash on hand	\$ -	\$ 2,720	\$ 2,720
Carrying amount of deposits	3,504,035	820,245	4,324,280
Reported amount of investments	<u>19,357,723</u>	<u>1,035,949</u>	<u>20,393,672</u>
Total	<u>\$ 22,861,758</u>	<u>\$ 1,858,914</u>	<u>\$ 24,720,672</u>

Statement of Net Assets:

	Total Primary Government	Total Fiduciary Funds	Total
Cash and cash equivalents	\$ 9,067,666	\$14,617,057	\$23,684,723
Cash and investments held by trustee	<u>1,035,949</u>	<u>-</u>	<u>1,035,949</u>
Total	<u>\$ 10,103,615</u>	<u>\$14,617,057</u>	<u>\$24,720,672</u>

Note 4 - Condensed Financial Statements of County Treasurer’s Investment Pool

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

Notes to Financial Statements - Continued

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.

Details of each major investment classification follow:

<u>Investment Type</u>	<u>Principal</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	\$19,357,723	No stated interest rate	No stated maturity	\$19,357,723

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

Statement of Net Assets

Assets	<u>\$21,983,492</u>
Net assets	<u>\$21,983,492</u>

Net assets held in trust for:

Internal participants	\$ 8,315,344
External participants	<u>13,668,148</u>
Total net assets held in trust	<u>\$ 21,983,492</u>

Statement of Changes in Net Assets

Total additions	\$ 53,854,746
Total deductions	<u>56,613,494</u>
Net decrease	<u>(2,758,748)</u>
Net assets held in trust:	
July 1, 2003	<u>24,742,240</u>
June 30, 2004	<u>\$ 21,983,492</u>

Notes to Financial Statements - Continued

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Primary Government			Balance June 30, 2004
	Balance July 1, 2003	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 630,070	\$ -	\$ -	\$ 630,070
Construction in progress	<u>1,034,168</u>	<u>147,886</u>	<u>691,498</u>	<u>490,556</u>
Total capital assets, not being depreciated	<u>1,664,238</u>	<u>147,886</u>	<u>691,498</u>	<u>1,120,626</u>
Capital assets being depreciated:				
Land improvements	49,302	-	-	49,302
Buildings and improvements	9,413,450	1,096,114	-	10,509,564
Improvements other than buildings	341,075	164,803	-	505,878
Machinery and equipment	11,649,935	502,106	162,577	11,989,464
Infrastructure	-	<u>848,467</u>	-	<u>848,467</u>
Total	<u>21,453,762</u>	<u>2,611,490</u>	<u>162,577</u>	<u>23,902,675</u>
Less accumulated depreciation for:				
Land improvements	17,830	1,739	-	19,569
Buildings and improvements	1,903,503	274,940	-	2,178,443
Improvements other than buildings	159,074	32,264	-	191,338
Machinery and equipment	7,309,625	1,064,171	162,577	8,211,219
Infrastructure	-	<u>18,184</u>	-	<u>18,184</u>
Total	<u>9,390,032</u>	<u>1,391,298</u>	<u>162,577</u>	<u>10,618,753</u>
Total capital assets being depreciated, net	<u>12,063,730</u>	<u>1,220,192</u>	-	<u>13,283,922</u>
Governmental activities capital assets, net	<u>\$13,727,968</u>	<u>\$ 1,368,078</u>	<u>\$ (691,498)</u>	<u>\$14,404,548</u>

Notes to Financial Statements - Continued

	Primary Government			Balance June 30, 2004
	Balance July 1, 2003	Increases	Decreases	
Business-type activities:				
Capital assets being depreciated:				
Golf course and improvements	\$2,853,632	\$ 298	\$ -	\$ 2,853,930
Machinery and equipment	<u>837,968</u>	<u>78,701</u>	<u>62,636</u>	<u>854,033</u>
Total	<u>3,691,600</u>	<u>78,999</u>	<u>62,636</u>	<u>3,707,963</u>
Less accumulated depreciation for:				
Golf course and improvements	1,281,138	96,643		1,377,781
Machinery and equipment	<u>624,910</u>	<u>61,124</u>	<u>50,096</u>	<u>635,938</u>
Total	<u>1,906,048</u>	<u>157,767</u>	<u>50,096</u>	<u>2,013,719</u>
Business-type activities capital assets, net	<u>\$1,785,552</u>	<u>\$ (78,768)</u>	<u>\$ 12,540</u>	<u>\$ 1,694,244</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 257,974
Public safety	425,342
Highways and streets	581,798
Welfare	26,058
Health	7,677
Culture and recreation	91,241
Education	<u>1,208</u>
Total governmental activities depreciation expense	<u>\$ 1,391,298</u>
Business-type activities:	
Golf course	<u>\$ 157,767</u>
Total business-type activities depreciation expense	<u>\$ 157,767</u>

Notes to Financial Statements - Continued

Note 6 - Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2004:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Due within</u> <u>1 year</u>
Governmental activities					
Certificates of participation payable	\$ 2,495,000	\$ -	\$ 305,000	\$ 2,190,000	\$ 415,000
Obligations under capital leases	33,144	34,294	11,418	56,020	22,929
Compensated absences payable	425,633	931,335	702,967	654,001	196,202
Estimated liabilities for claims and judgments	<u>229,626</u>	<u>-</u>	<u>201,450</u>	<u>28,176</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 3,183,403</u>	<u>\$ 965,629</u>	<u>\$1,220,835</u>	<u>\$ 2,928,197</u>	<u>\$ 634,131</u>
Business-type activities					
Certificates of participation payable	\$ 1,705,000	\$ -	\$ 95,000	\$ 1,610,000	\$ 270,000
Compensated absences payable	<u>32,595</u>	<u>81,852</u>	<u>47,197</u>	<u>67,250</u>	<u>20,175</u>
Business-type activities long-term liabilities	<u>\$ 1,737,595</u>	<u>\$ 81,852</u>	<u>\$ 142,197</u>	<u>\$ 1,677,250</u>	<u>\$ 290,175</u>

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

Certificates outstanding at June 30, 2004, were as follows:

<u>Description</u>	<u>Original</u> <u>Amount</u>	<u>Maturity</u> <u>Ranges</u>	<u>Interest</u> <u>Rates</u>	<u>Outstanding</u> <u>Principal</u>
Courthouse and government center complex – 2003 refunding	\$ 1,165,000	2004 - 2009	2.00 – 3.00%	\$ 1,095,000
Jail facility – series 2003 refunding	1,330,000	2004 - 2009	2.00 – 3.00%	1,095,000
Emerald Canyon Golf Course – series 2003 refunding	1,705,000	2004 – 2009	2.00 – 3.00%	<u>1,610,000</u>
				<u>\$ 3,800,000</u>

Notes to Financial Statements - Continued

The following schedule details debt service requirements to maturity for the County's certificates of participation payable at June 30, 2004:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 415,000	\$ 50,238	\$ 270,000	\$ 35,138
2006	425,000	41,887	275,000	29,687
2007	430,000	32,562	280,000	23,788
2008	440,000	22,830	290,000	17,375
2009	480,000	13,175	495,000	13,056
Total	\$ 2,190,000	\$160,692	\$1,610,000	\$ 119,044

In prior years, the County defeased certain certificates of participation by placing the proceeds of new certificates of participation in an irrevocable trust to provide resources for all future debt service payments on the old debt. The refunded debt is considered defeased and the related liabilities are not included in the County's financial statements. During the year ended June 30, 2004, the remaining balance of the outstanding refunded certificates of participation were repaid.

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

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

Compensated absences and claims and judgments—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. Claims and judgments are generally paid from the fund that accounts for the activity that gave rise to the claim. During fiscal year 2004, the County paid for compensated absences as follows: 49 percent from the General Fund, 5 percent from the Road Fund, 13 percent from the Jail District Fund, 13 percent from the Enterprise Fund, and 20 percent from the other funds. The County paid for claims and judgments from the General Fund.

Notes to Financial Statements - Continued

Note 7 - Risk Management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$10 million per occurrence for liability claims. 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 triennially. 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 8 - Retirement Plans

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

Notes to Financial Statements - Continued

The *Employee Security Plan* (ESP) is a defined contribution plan administered by Massachusetts Mutual Life Insurance Company that covers all permanent full-time employees of the County except for participants in the Public Safety Personnel Retirement System and the Elected Officials Retirement Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its 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 199 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

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

ESP

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

PSPRS and EORP

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

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

ESP—All employees under this plan were allowed to select a contribution rate of 6 to 10 percent. The plan also requires that the County contribute an amount equal to 6 percent of the employees' compensation for employees with service of 4 years or less, 8 percent for employees with service of at least 4 years but less than 7 years, and 10 percent for employees with service greater than 7 years.

Both the County and covered employees made the required contributions of 6 to 10 percent amounting to contributions of \$525,103 by the County and \$870,963 by covered employees.

Agent plan—For the year ended June 30, 2004, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 14.11 percent.

Notes to Financial Statements - Continued

Cost-sharing plan—For the years ended June 30, 2004, 2003 and 2002, active EORP members were required by statute to contribute 7 percent of the members’ annual covered payroll. During the years ended June 30, 2004, 2003 and 2002, employee contributions to the plan were \$54,597, \$54,519 and \$53,966, respectively, which equaled the required contributions for the year. The County was required to contribute 6 percent of the members’ covered payroll during 2004 and there were no required contributions for 2003 and 2002. The County’s contributions to EORP for the years ended June 30, 2004, 2003 and 2002 were \$46,798, \$0 and \$0, which equaled the required contributions for the year.

Annual Pension Cost—The County’s pension cost for the agent plan for the year ended June 30, 2004, and related information follows:

	<u>PSPRS</u>
Contribution rates:	
County	14.11%
Plan members	7.65%
Annual pension cost	\$164,042
Contributions made	\$164,042

The current-year annual required contribution for the PSPRS was determined as part of their June 30, 2002, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2002, was 20 years.

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2004	\$ 164,042	100%	\$0
	2003	99,177	100%	0
	2002	116,995	100%	0

Notes to Financial Statements - Continued

Note 9 - Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2004, were as follows:

	<u>Payable To</u>				<u>Total</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail District Fund</u>	<u>Nonmajor Governmental Funds</u>	
<u>Payable from</u>					
General Fund	\$ 211	\$ 26,730	47,971	\$ 17,549	\$ 92,461
Road Fund	226,339	-	-	-	226,339
Jail District Fund	255,538	3,554	-	-	259,092
Nonmajor Governmental Funds	348,100	5,953	-	157,149	511,202
Golf Course Fund	<u>871,633</u>	<u>656</u>	<u>-</u>	<u>120</u>	<u>872,409</u>
Total	<u>\$ 1,701,821</u>	<u>\$ 36,893</u>	<u>\$ 47,971</u>	<u>\$ 174,818</u>	<u>\$ 1,961,503</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. Except for interfund balances between the Golf Course Fund and the General Fund, all interfund balances are expected to be repaid within 1 year from the date of the financial statements.

Interfund transfers—Interfund transfers for the year ended June 30, 2004, were as follows:

	<u>Transfer To</u>		
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Transfer from</u>			
General Fund	\$ -	\$ 3,750	\$ 3,750
Jail District Fund	92,500	-	92,500
Golf Course Fund	<u>1,124</u>	<u>-</u>	<u>1,124</u>
Total	<u>\$ 93,624</u>	<u>\$ 3,750</u>	<u>\$ 97,374</u>

Transfers were used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 - Subsequent Event

In September 2007, the County, the plaintiff in a lawsuit against an out-of-state company regarding a contractual agreement, lost a counter suit filed by the company against the County. The jury awarded the company \$9.2 million in damages and the County intends to appeal the verdict. Based on the nature of the lawsuit, a contractual matter, the County's insurance does not cover losses related to the matter. Management and legal counsel intend to vigorously defend the County's position. No provision has been made in the 2004 basic financial statements for any loss that may be incurred as the events leading to the defendant's claim and the related suit occurred subsequent to year-end.

Required Supplementary Information

La Paz County
Required Supplementary Information
Schedule of Agent Retirement Plan's Funding Progress
June 30, 2004

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)
06/30/04	\$ 5,151,913	\$ 6,204,379	\$ (1,052,466)	83.0%	\$ 1,444,771	72.8%
06/30/03	5,145,450	5,765,572	(620,122)	89.2%	1,398,063	44.4%
06/30/02	5,250,603	5,391,985	(141,382)	97.4%	1,290,428	11.0%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 3,399,242	\$ 4,408,435	\$ 1,009,193
Licenses and permits	223,000	227,616	4,616
Fees, fines, and forfeits	710,000	732,544	22,544
Intergovernmental	4,095,184	3,531,827	(563,357)
Charges for services	535,833	539,911	4,078
Investment income	64,000	51,779	(12,221)
Miscellaneous	707,479	485,002	(222,477)
Total revenues	<u>9,734,738</u>	<u>9,977,114</u>	<u>242,376</u>
Expenditures:			
Current:			
General government			
Assessor	362,773	332,793	29,980
County attorney	503,673	471,827	31,846
Board of supervisors	462,724	453,857	8,867
Clerk of the superior court	297,079	276,855	20,224
Constable	1,000	1,978	(978)
Elections	74,574	39,969	34,605
Justice of the Peace #4	338,549	339,097	(548)
Justice of the Peace #5	163,710	156,455	7,255
Justice of the Peace #6	249,070	241,976	7,094
Planning and zoning	371,731	336,696	35,035
Recorder	172,867	173,476	(609)
Superior court	394,791	586,479	(191,688)
Treasurer	217,356	209,421	7,935
Contingency	750,000	-	750,000
Management information services	124,506	157,033	(32,527)
Public defender	447,551	433,864	13,687
General administration	301,021	302,634	(1,613)
Finance personnel	192,955	184,201	8,754
GIS/Master planning	21,099	10,628	10,471
Facilities Management	438,091	414,130	23,961
Total general government	<u>5,885,120</u>	<u>5,123,369</u>	<u>761,751</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Public safety:			
Regional dispatch	\$ 497,002	\$ 508,592	\$ (11,590)
Sheriff	1,853,497	1,938,269	(84,772)
Probation	99,043	104,014	(4,971)
Aircraft	16,850	19,149	(2,299)
Maintenance of effort	575,653	575,653	-
Juvenile probation	87,356	70,746	16,610
Total public safety	<u>3,129,401</u>	<u>3,216,423</u>	<u>(87,022)</u>
Sanitation:			
Sanitary landfill	10,000	2,879	7,121
Total sanitation	<u>10,000</u>	<u>2,879</u>	<u>7,121</u>
Health:			
Indigent health	434,130	201,630	232,500
County long term care ALTCS	731,997	553,373	178,624
C.M.I (chronically mental ill)	116,850	17,240	99,610
Health department transit	92,064	128,191	(36,127)
Total health	<u>1,375,041</u>	<u>900,434</u>	<u>474,607</u>
Welfare:			
Public fiduciary	93,229	90,960	2,269
Total welfare	<u>93,229</u>	<u>90,960</u>	<u>2,269</u>
Education:			
School superintendent	153,662	152,177	1,485
Total education	<u>153,662</u>	<u>152,177</u>	<u>1,485</u>
Total expenditures	<u>10,646,453</u>	<u>9,486,242</u>	<u>1,160,211</u>
Excess (deficiency) of revenues over expenditures	<u>(911,715)</u>	<u>490,872</u>	<u>1,402,587</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Other financing sources (uses):			
Capital lease agreements	-	\$ 34,293	\$ 34,293
Transfers in	-	93,624	93,624
Transfers out	\$ (486,916)	(3,750)	483,166
Total other financing sources (uses)	<u>(486,916)</u>	<u>124,167</u>	<u>611,083</u>
Net change in fund balances	(1,398,631)	615,039	2,013,670
Fund balances, July 1, 2003	<u>1,398,631</u>	<u>3,385,707</u>	<u>1,987,076</u>
Fund balances, June 30, 2004	<u>\$ -</u>	<u>\$ 4,000,746</u>	<u>\$ 4,000,746</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 1,097,000	\$ 498,571	\$ (598,429)
Intergovernmental	3,140,000	3,456,054	316,054
Investment income	31,000	23,441	(7,559)
Miscellaneous	-	54,219	54,219
Total revenues	4,268,000	4,032,285	(235,715)
Expenditures:			
Current:			
Highways and streets	5,784,112	4,236,055	1,548,057
Total expenditures	5,784,112	4,236,055	1,548,057
Net change in fund balances	(1,516,112)	(203,770)	1,312,342
Fund balances, July 1, 2003	1,516,112	2,259,572	743,460
Fund balances, June 30, 2004	\$ -	\$ 2,055,802	\$ 2,055,802

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, 2004

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:			
Current:			
Highways and streets	300,000	108,606	191,394
Total expenditures	<u>300,000</u>	<u>108,606</u>	<u>191,394</u>
Net change in fund balances	<u>(300,000)</u>	<u>(108,606)</u>	<u>191,394</u>
Fund balances, July 1, 2003	<u>300,000</u>	<u>3,355,202</u>	<u>3,055,202</u>
Fund balances, June 30, 2004	<u>\$ -</u>	<u>\$ 3,246,596</u>	<u>\$ 3,246,596</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2004

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 855,000	\$ 1,049,212	\$ 194,212
Intergovernmental	575,653	279,032	(296,621)
Charges for services	1,400,000	1,871,294	471,294
Investment income	15,500	1,360	(14,140)
Miscellaneous	-	260	260
Total revenues	<u>2,846,153</u>	<u>3,201,158</u>	<u>355,005</u>
Expenditures:			
Current:			
Public safety	2,395,574	2,572,567	(176,993)
Debt Service:			
Principal retirement	359,085	235,000	124,085
Interest and fiscal charges	-	20,717	(20,717)
Total expenditures	<u>2,754,659</u>	<u>2,828,284</u>	<u>(73,625)</u>
Excess of revenues over expenditures	<u>91,494</u>	<u>372,874</u>	<u>281,380</u>
Other financing uses:			
Transfers out	-	(92,500)	(92,500)
Total other financing uses	<u>-</u>	<u>(92,500)</u>	<u>(92,500)</u>
Net change in fund balances	91,494	280,374	188,880
Fund balances, July 1, 2003	<u>(91,494)</u>	<u>84,933</u>	<u>176,427</u>
Fund balances, June 30, 2004	<u>\$ -</u>	<u>\$ 365,307</u>	<u>\$ 365,307</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2004

Note 1 - Budgeting and Budgetary Control

A.R.S. require 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. prohibit 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.

Capital outlay and debt service expenditures are budgeted by department and accumulated by function on the Budgetary Comparison Schedule.

Note 2 - Budgetary Basis of Accounting

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

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2004, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Fund/Department	Excess
General Fund:	
Constable	\$ 978
Justice of the Peace #4	548
Recorder	609
Superior Court	191,688
Management information services	32,527
General administration	1,613
Regional dispatch	11,590
Sheriff	84,772
Probation	4,971
Aircraft	2,299
Health department transit	36,127
Jail District Fund	73,625

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