

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2005

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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, 2005, 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, 2005, 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.

As described in Note 1, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, for the year ended June 30, 2005, which represents a change in accounting principle.

The Management's Discussion and Analysis on pages 3 through 10, Schedule of Agent Retirement Plan's Funding Progress on page 45, and the Budgetary Comparison Schedules on pages 46 through 53 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

November 18, 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, 2005. 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 \$22,305,749 (net assets). Of this amount, \$946,602 (unrestricted net assets) may be used to meet ongoing general obligations, \$7,865,862 is restricted for specific purposes (restricted net assets), and \$13,493,285 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities increased by \$990,642. The increase is due primarily to an increase in tax and general revenue of \$0.6 million and an increase in operating and capital grants and contributions of \$1.4 million while the County's expenses increased by a smaller proportion of \$2.0 million.
- At June 30, 2005, the governmental funds reported combined fund balances of \$10,082,227, an increase of \$22,559 in comparison with the prior year. Approximately 94% of the combined fund balances, or \$9,519,109 is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2005, unreserved fund balance for the general fund was \$3,984,851 or 37% 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 distinguished functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or part of their costs through user fees and charges (*business-type activities*). 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 balances 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.

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

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

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

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

Management's Discussion and Analysis

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 23-44 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 45-53 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, 2005 and 2004:

	2005	2004	2005	2004	2005	2004
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total
Current and other assets	\$ 12,192,818	\$ 12,055,981	\$ (394,365)	\$ (338,171)	\$ 11,798,453	\$ 11,717,810
Capital assets	14,904,575	14,404,548	1,805,647	1,694,244	16,710,222	16,098,792
Total assets	<u>27,097,393</u>	<u>26,460,529</u>	<u>1,411,282</u>	<u>1,356,073</u>	<u>28,508,675</u>	<u>27,816,602</u>
Current and other liabilities	1,999,809	1,833,451	110,625	62,597	2,110,434	1,896,048
Long-term liabilities	2,516,161	2,928,197	1,576,331	1,677,250	4,092,492	4,605,447
Total liabilities	<u>4,515,970</u>	<u>4,761,648</u>	<u>1,686,956</u>	<u>1,739,847</u>	<u>6,202,926</u>	<u>6,501,495</u>
Net assets						
Invested in capital assets, net of related debt	13,027,638	12,158,528	465,647	84,244	13,493,285	12,242,772
Restricted for:						
Public safety	574,273	499,897	-	-	574,273	499,897
Highways and streets	5,258,250	5,306,547	-	-	5,258,250	5,306,547
Sanitation	83,567	79,091	-	-	83,567	79,091
Health	116,100	194,658	-	-	116,100	194,658
Debt service	540,146	532,633	511,485	503,316	1,051,631	1,035,949
Other purposes	604,155	397,040	177,886	-	782,041	397,040
Unrestricted net assets (deficit)	2,377,294	2,530,487	(1,430,692)	(971,334)	946,602	1,559,153
Total net assets	<u>\$ 22,581,423</u>	<u>\$ 21,698,881</u>	<u>\$ (275,674)</u>	<u>\$ (383,774)</u>	<u>\$ 22,305,749</u>	<u>\$ 21,315,107</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 \$22,305,749 at June 30, 2005, indicating that the County is in a favorable financial position.

Governmental activities capital assets, net of related debt (and the related net asset invested in capital assets) increased because of continued expenditures on several road projects that are in process and the purchase of machinery and equipment. Business-type activities capital assets, net of related debt, increased due primarily from the purchase of golf carts and equipment used in operations of the golf course.

Current liabilities increased as a result of an increase in amounts owed to vendors and employees.

Net assets increased by \$990,642 during the fiscal year 2004-05 resulting primarily from general and program revenues increasing in a greater proportion than expenses. Specifically, operating grants and contribution revenue increased because of an overall increase in grant funding for several federal and state grants such as those for the County anti-racketeering programs (\$.5 million), emergency services grants (\$.2 million) and the County Jail District (\$.25 million). Also, excise tax, which is received from the state of Arizona increased during 2005. Capital grants and contributions increased primarily from an increase in Highway User Road Fund revenues received from the state of Arizona (\$.4 million) and funding for various capital projects through a HUD community development block grant (\$.2 million). Public safety expenses increased due to an increase in spending of public safety grants such as those related to emergency services.

Also, the business-type activity reflected an unrestricted net deficit of (\$1,430,692) at June 30, 2005, which resulted primarily from net losses incurred since inception that have 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:

	2005 Governmental Activities	2004 Governmental Activities	2005 Business-Type Activities	2004 Business-Type Activities	2005 Total	2004 Total
Revenues						
Program revenues:						
Charges for services	\$ 4,123,637	\$ 4,153,799	\$ 1,443,279	\$ 1,560,357	\$ 5,566,916	\$ 5,714,156
Operating grants & contributions	4,286,105	3,789,084	-	-	4,286,105	3,789,084
Capital grants & contributions	4,395,866	3,481,115	-	-	4,395,866	3,481,115
General revenues:						
Property taxes	3,291,818	2,886,713	-	-	3,291,818	2,886,713
Share of state sales taxes	1,795,638	1,738,049	-	-	1,795,638	1,738,049
Excise tax	2,022,761	2,023,755	-	-	2,022,761	2,023,755
Payments in lieu of taxes	1,249,144	1,196,941	-	-	1,249,144	1,196,941
Vehicle license tax	1,239,870	989,660	-	-	1,239,870	989,660
Share of state lottery	550,035	550,035	-	-	550,035	550,035
Investment earnings	135,389	88,544	5,825	1,325	141,214	89,869
Miscellaneous	743,883	899,556	-	-	743,883	899,556
Total revenues	23,834,146	21,797,251	1,449,104	1,561,682	25,283,250	23,358,933
Expenses						
General government	6,437,749	5,780,803	-	-	6,437,749	5,780,803
Public safety	8,650,748	7,999,745	-	-	8,650,748	7,999,745
Highways and streets	4,282,459	4,011,208	-	-	4,282,459	4,011,208
Sanitation	172,644	67,463	-	-	172,644	67,463
Health	2,044,630	1,774,793	-	-	2,044,630	1,774,793
Welfare	363,167	333,673	-	-	363,167	333,673
Culture and recreation	772,285	766,341	1,305,952	1,347,648	2,078,237	2,113,989
Education	177,599	154,030	-	-	177,599	154,030
Interest on long-term debt	50,323	38,093	35,052	25,542	85,375	63,635
Total expenses	22,951,604	20,926,149	1,341,004	1,373,190	24,292,608	22,299,339
Change in net assets before transfers	882,542	871,102	108,100	188,492	990,642	1,059,594
Transfers	-	1,124	-	(1,124)	-	-
Change in net assets	882,542	872,226	108,100	187,368	990,642	1,059,594
Beginning net assets (deficit)	21,698,881	20,826,655	(383,774)	(571,142)	21,315,107	20,255,513
Ending net assets (deficit)	\$ 22,581,423	\$ 21,698,881	\$ (275,674)	\$ (383,774)	\$ 22,305,749	\$ 21,315,107

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.

Management's Discussion and Analysis

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, 2005, the County's governmental funds reported combined fund balances of \$10,082,227, an increase of \$22,559 in comparison with the prior year. Approximately 94% of the combined fund balances, \$9,512,109, 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 \$3,984,851. 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 37% of total General Fund expenditures while total fund balance represents 39% of that same amount.

The Jail District Fund is a major County fund used to report the activity of the County jail. During 2005, the Fund's overall revenues decreased slightly from 2004 due to less revenues earned from other governments that use the facility while expenses incurred in the operations of the District increased from the prior year. The increase in expense resulted from higher salaries and wages resulting from overtime costs incurred.

The Golf Course Fund is an enterprise fund of the County that had an increase of \$108,100 in net assets due primarily from a decrease in operating 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					
	2005		2004		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
Taxes	\$ 6,708,401	27.97%	\$ 5,965,165	27.31%	\$ 743,236	12.46%
Licenses and permits	277,085	1.16%	238,289	1.09%	38,796	16.28%
Fees, fines and forfeits	792,930	3.31%	740,011	3.39%	52,919	7.15%
Intergovernmental	12,276,788	51.18%	10,755,224	49.24%	1,521,564	14.15%
Charges for services	3,053,622	12.73%	3,175,499	14.54%	(121,877)	-3.84%
Investment income	135,389	0.56%	88,544	0.41%	46,845	52.91%
Miscellaneous	743,883	3.10%	878,513	4.02%	(134,630)	-15.32%
Total revenues	<u>\$23,988,098</u>	<u>100.00%</u>	<u>\$21,841,245</u>	<u>100.00%</u>	<u>\$2,146,853</u>	<u>9.83%</u>

The increase in tax revenue is caused primarily from an increase in property tax of \$0.4 million and vehicle license tax imposed by the State on behalf of the County of \$0.3 million. County property tax increased due to both an increase in property values and a higher tax rate for 2005. The increase in intergovernmental revenue is due primarily to an increase in the County anti-racketeering, bio-terrorism and emergency services and community development funding from grants and contracts received from Federal and state agencies.

Management's Discussion and Analysis

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

Governmental Funds Expenditure Comparison - By Function						
	2005		2004		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
General government	\$ 6,256,589	26.00%	\$ 5,800,371	26.52%	\$ 456,218	7.87%
Public safety	8,426,307	35.01%	7,468,173	34.15%	958,134	12.83%
Highways and streets	4,599,032	19.11%	4,244,413	19.41%	354,619	8.35%
Sanitation	172,644	0.72%	67,463	0.31%	105,181	155.91%
Health	1,930,083	8.02%	1,735,068	7.93%	195,015	11.24%
Welfare	369,408	1.53%	323,840	1.48%	45,568	14.07%
Culture and recreation	695,797	2.89%	654,683	2.99%	41,114	6.28%
Education	166,168	0.69%	152,177	0.70%	13,991	9.19%
Capital outlay	930,106	3.86%	1,070,487	4.89%	(140,381)	-13.11%
Debt service	521,273	2.17%	354,510	1.62%	166,763	47.04%
Total expenditures	\$24,067,407	100.00%	\$21,871,185	100.00%	\$ 2,196,222	10.04%

- Capital outlays continued to be significant due to expenditures on road construction projects such as improvements to Highway B-95, Salome Road and Vicksburg Road. Also, during 2005, the County entered into capital lease agreements for the purchase of vehicles and equipment.
- Sanitation increased due to professional fees incurred with the solid waste facility.
- General government, health, welfare and public safety expenditures increased due to an overall increase in the cost of providing necessary services to County citizens.
- The County's debt service expense increased in 2005 largely due to payments on additional equipment capital leases entered into during the year.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2004-05 adopted budget for the General Fund. General Fund actual expenditures were \$0.5 million under the adopted budget and actual revenues exceeded estimated revenues by \$0.6 million.

Tax revenues exceeded the anticipated budget amount primarily due to greater than anticipated property taxes and vehicle license tax received from the state of Arizona. Fees, fines and forfeits were greater than anticipated due to higher than anticipated fines and fees from the Justice Courts. Intergovernmental revenue did not meet the budget projection due to lower than anticipated grant and contract revenue. Miscellaneous revenues was less than anticipated due to fewer than anticipated recovery of indirect costs.

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

- The Superior Court exceeded its budget by 61% due to rising indigent defense attorney costs.
- Panning and zoning exceeded its budget by 10% due to greater than anticipated construction during the year.
- General Administration costs exceeded its budget by 33% due to greater than anticipated unemployment tax, association dues, waste clean-up costs and a salary study.
- Sanitary landfill expenditure exceeded budgetary amounts due to unanticipated legal fees.

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2005, amounted to \$16.7 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, and golf course improvements. The County's investment in capital assets increased 3.5 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 pages 35-36 of this report.

Long-Term Debt

At June 30, 2005, the County had total long-term debt outstanding of \$3,407,665. This amount consists of certificates of participation of \$3.1 million and capital leases of \$0.3 million. During 2003, the County refunded all existing certificates of participation to take advantage of lower interest rates. This resulted in continued reduced debt service requirements in 2005. Additional information on the County's long-term debt can be found in Note 6 of the notes to the financial statements on pages 37-40 of this report.

Economic Factors

- A significant portion of the County's revenues are from property and sales taxes and governmental grants. The County's economic growth remains relatively consistent and its tax revenue has continued to increase due to an increase in property values. Also the County's sales tax revenue also continues to remain stable due to constant tourism as the Colorado River attracts visitors in the summer, and both the river and desert areas attract visitors in the winter.
- The County continues with conservative budgeting practices, and believes it has sufficiently considered economic, demographic, and other factors that may affect future expenditures.

Request for Information

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

Basic Financial Statements

La Paz County
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 8,565,892	\$ 14,289	\$ 8,580,181
Cash and investments held by trustee	540,146	689,371	1,229,517
Property taxes receivables	142,527	-	142,527
Internal balances	1,101,899	(1,101,899)	-
Due from:			
Others	64,263	-	64,263
Other governments	1,755,119	-	1,755,119
Prepaid items	22,972	3,874	26,846
Capital assets, not being depreciated	1,356,164	-	1,356,164
Capital assets, being depreciated, net	13,548,411	1,805,647	15,354,058
Total assets	<u>27,097,393</u>	<u>1,411,282</u>	<u>28,508,675</u>
Liabilities			
Accounts payable	753,490	79,513	833,003
Accrued payroll and employee benefits	561,846	30,428	592,274
Due to:			
Others	284,324	684	285,008
Other governments	400,149	-	400,149
Noncurrent liabilities:			
Due within one year	524,161	336,049	860,210
Due in more than one year	1,992,000	1,240,282	3,232,282
Total liabilities	<u>4,515,970</u>	<u>1,686,956</u>	<u>6,202,926</u>
Net Assets			
Invested in capital assets, net of related debt	13,027,638	465,647	13,493,285
Restricted for:			
Public safety	574,273	-	574,273
Highways and streets	5,258,250	-	5,258,250
Sanitation	83,567	-	83,567
Health	116,100	-	116,100
Debt service	540,146	511,485	1,051,631
Other purposes	604,155	177,886	782,041
Unrestricted (deficit)	2,377,294	(1,430,692)	946,602
Total net assets	<u>\$ 22,581,423</u>	<u>\$ (275,674)</u>	<u>\$ 22,305,749</u>

See accompanying notes to financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2005

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	\$ 6,437,749	\$ 1,373,870	\$ 819,059	\$ 459,194	\$ (3,785,626)	\$ -	\$ (3,785,626)
Public safety	8,650,748	1,645,637	3,060,015	-	(3,945,096)	-	(3,945,096)
Highways and streets	4,282,459	-	48,289	3,936,672	(297,498)	-	(297,498)
Sanitation	172,644	251,605	49,261	-	128,222	-	128,222
Health	2,044,630	181,089	143,754	-	(1,719,787)	-	(1,719,787)
Welfare	363,167	109,243	109,696	-	(144,228)	-	(144,228)
Culture and recreation	772,285	518,560	55,875	-	(197,850)	-	(197,850)
Education	177,599	43,633	156	-	(133,810)	-	(133,810)
Interest on long-term debt	50,323	-	-	-	(50,323)	-	(50,323)
Total governmental activities	<u>22,951,604</u>	<u>4,123,637</u>	<u>4,286,105</u>	<u>4,395,866</u>	<u>(10,145,996)</u>	<u>-</u>	<u>(10,145,996)</u>
Business-type activities							
Golf course	1,341,004	1,443,279	-	-	-	102,275	102,275
Total business-type activities	<u>1,341,004</u>	<u>1,443,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,275</u>	<u>102,275</u>
Total primary government	<u>\$ 24,292,608</u>	<u>\$ 5,566,916</u>	<u>\$ 4,286,105</u>	<u>\$ 4,395,866</u>	<u>(10,145,996)</u>	<u>102,275</u>	<u>(10,043,721)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					3,280,662	-	3,280,662
Property taxes levied for special districts					11,156	-	11,156
Share of state sales taxes					1,795,638	-	1,795,638
Excise tax					2,022,761	-	2,022,761
Payments in lieu of taxes					1,249,144	-	1,249,144
Vehicle license tax					1,239,870	-	1,239,870
Share of state lottery					550,035	-	550,035
Investment earnings					135,389	5,825	141,214
Miscellaneous					743,883	-	743,883
Total general revenues					<u>11,028,538</u>	<u>5,825</u>	<u>11,034,363</u>
Changes in net assets					882,542	108,100	990,642
Net assets - July 1, 2004					21,698,881	(383,774)	21,315,107
Net assets - June 30, 2005					<u>\$ 22,581,423</u>	<u>\$ (275,674)</u>	<u>\$ 22,305,749</u>

See accompanying notes to financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2005**

	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	\$ 2,157,695	\$ 2,243,563	\$ 3,236,247	\$ 257,709	\$ 670,678	\$ 8,565,892
Cash and investments held by trustee	269,666	-	-	270,480	-	540,146
Property tax receivables	141,090	-	-	-	1,437	142,527
Due from:						
Others	48,665	-	-	217	15,381	64,263
Other funds	2,725,333	55,927	-	225,813	287,998	3,295,071
Other governments	432,067	537,182	-	371,721	414,149	1,755,119
Prepaid items	11,476	35	-	1,087	10,374	22,972
Total assets	<u>\$ 5,785,992</u>	<u>\$ 2,836,707</u>	<u>\$ 3,236,247</u>	<u>\$ 1,127,027</u>	<u>\$ 1,400,017</u>	<u>\$ 14,385,990</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 181,672	\$ 215,482	\$ 76,104	\$ 59,976	\$ 220,256	\$ 753,490
Accrued payroll and employee benefits	250,223	83,949	-	81,998	145,676	561,846
Due to:						
Others	280,278	929	-	2,101	1,016	284,324
Other governments	400,149	-	-	-	-	400,149
Other funds	298,329	437,246	5,426	466,275	985,896	2,193,172
Deferred revenue	109,348	-	-	-	1,434	110,782
Total liabilities	<u>1,519,999</u>	<u>737,606</u>	<u>81,530</u>	<u>610,350</u>	<u>1,354,278</u>	<u>4,303,763</u>
Fund balances:						
Reserved for:						
Certificates of participation payment	269,666	-	-	270,480	-	540,146
Prepaid items	11,476	35	-	1,087	10,374	22,972
Unreserved, reported in:						
General fund	3,984,851	-	-	-	-	3,984,851
Special revenue funds	-	2,099,066	3,154,717	245,110	35,365	5,534,258
Total fund balances	<u>4,265,993</u>	<u>2,099,101</u>	<u>3,154,717</u>	<u>516,677</u>	<u>45,739</u>	<u>10,082,227</u>
Total liabilities and fund balances	<u>\$ 5,785,992</u>	<u>\$ 2,836,707</u>	<u>\$ 3,236,247</u>	<u>\$ 1,127,027</u>	<u>\$ 1,400,017</u>	<u>\$ 14,385,990</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, 2005

Fund balances—total governmental funds		\$ 10,082,227
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 \$26,667,631 and the accumulated depreciation is \$11,763,056.		14,904,575
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.		110,782
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Obligations under capital leases	\$ (101,937)	
Compensated absences	(610,531)	
Certificates of participation	(1,775,000)	
Estimated liabilities for claims and judgments	(28,693)	(2,516,161)
Net assets of governmental activities		<u>\$ 22,581,423</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, 2005

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Revenues:						
Taxes	\$5,160,390	\$ 525,534	\$ -	\$1,011,321	\$ 11,156	\$ 6,708,401
Licenses and permits	268,294	-	-	-	8,791	277,085
Fees, fines, and forfeits	785,830	-	-	-	7,100	792,930
Intergovernmental	3,904,415	3,936,672	-	539,230	3,896,471	12,276,788
Charges for services	424,973	-	-	1,637,656	990,993	3,053,622
Investment income	74,916	36,704	-	4,020	19,749	135,389
Miscellaneous	475,444	17,533	-	16,843	234,063	743,883
Total revenues	<u>11,094,262</u>	<u>4,516,443</u>	<u>-</u>	<u>3,209,070</u>	<u>5,168,323</u>	<u>23,988,098</u>
Expenditures:						
Current:						
General government	5,431,800	-	-	-	824,789	6,256,589
Public safety	3,387,367	-	-	2,763,808	2,275,132	8,426,307
Highways and streets	-	4,473,144	91,879	-	34,009	4,599,032
Sanitation	127,859	-	-	-	44,785	172,644
Health	1,131,326	-	-	-	798,757	1,930,083
Welfare	93,189	-	-	-	276,219	369,408
Culture and recreation	-	-	-	-	695,797	695,797
Education	159,138	-	-	-	7,030	166,168
Capital outlay	243,067	-	-	37,517	649,522	930,106
Debt service:						
Principal	240,950	-	-	230,000	-	470,950
Interest	23,948	-	-	26,375	-	50,323
Total expenditures	<u>10,838,644</u>	<u>4,473,144</u>	<u>91,879</u>	<u>3,057,700</u>	<u>5,606,040</u>	<u>24,067,407</u>
Excess (deficiency) of revenues over expenditures	<u>255,618</u>	<u>43,299</u>	<u>(91,879)</u>	<u>151,370</u>	<u>(437,717)</u>	<u>(79,309)</u>
Other financing sources (uses):						
Capital lease agreements	17,129	-	-	-	84,739	101,868
Transfers in	-	-	-	-	7,500	7,500
Transfers out	(7,500)	-	-	-	-	(7,500)
Total other financing sources and uses	<u>9,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,239</u>	<u>101,868</u>
Net change in fund balances	<u>265,247</u>	<u>43,299</u>	<u>(91,879)</u>	<u>151,370</u>	<u>(345,478)</u>	<u>22,559</u>
Fund balances, July 1, 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>
Fund balances, June 30, 2005	<u>\$4,265,993</u>	<u>\$2,099,101</u>	<u>\$ 3,154,717</u>	<u>\$ 516,677</u>	<u>\$ 45,739</u>	<u>\$ 10,082,227</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, 2005

Net change in fund balances-total governmental funds \$ 22,559

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, infrastructure, and other related capital assets.	\$ 1,764,567	
Depreciation expense	(1,292,616)	
Loss on disposition of capital assets	<u>(73,792)</u>	398,159

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	415,000	
Capital leases	<u>55,950</u>	470,950

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.

Decrease in compensated absences	43,471	
Increase in estimated liabilities for claims and judgments	<u>(517)</u>	42,954

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.	<u>(52,080)</u>	
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Change in net assets of governmental activities \$ 882,542

See accompanying notes to financial statements.

La Paz County
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Business-Type Activities- Enterprise Fund	Golf Course Fund
Assets		
Current assets:		
Cash and cash equivalents	\$	14,289
Prepaid items		3,874
Total current assets		18,163
Noncurrent assets:		
Cash and investments held by trustee		689,371
Capital assets, net of accumulated depreciation		1,805,647
Total noncurrent assets		2,495,018
Total assets		2,513,181
Liabilities		
Current liabilities:		
Accounts payable		79,513
Accrued payroll and employee benefits		30,428
Due to others		684
Due to other funds		1,101,899
Capital lease payable, current portion		39,401
Certificates of participation payable, current portion		275,000
Compensated absences payable, current portion		21,648
Total current liabilities		1,548,573
Noncurrent liabilities:		
Capital lease payable		151,327
Certificates of participation payable		1,065,000
Compensated absences payable		23,955
Total noncurrent liabilities		1,240,282
Total liabilities		2,788,855
Net Assets		
Invested in capital assets, net of related debt		465,647
Restricted for debt service		511,485
Restricted for other purposes		177,886
Unrestricted (deficit)		(1,430,692)
Total net assets	\$	(275,674)

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, 2005

	Business-Type Activities- Enterprise Fund Golf Course Fund
Operating revenues:	
Golf course fees	\$ 1,438,983
Miscellaneous	4,296
Total operating revenues	1,443,279
Operating expenses:	
Personal services	620,534
Professional services	94,468
Supplies	117,197
Communication	4,665
Utilities	58,276
Repairs and maintenance	198,271
Depreciation	162,153
Other	44,637
Leases and rents	5,751
Total operating expenses	1,305,952
Operating income	137,327
Nonoperating revenues (expenses):	
Investment income	5,825
Interest expense	(35,052)
Total nonoperating revenues (expenses)	(29,227)
Increase in net assets	108,100
Total net assets, July 1, 2004	(383,774)
Total net assets, June 30, 2005	\$ (275,674)

See accompanying notes to financial statements.

**La Paz County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2005**

	Business-Type Activities- Enterprise Fund Golf Course Fund
Cash flows from operating activities:	
Receipts from customers	\$ 1,443,279
Payments to suppliers and providers of goods and services	(475,899)
Payments to employees	(644,190)
Net cash provided by operating activities	323,190
Cash flows from noncapital financing activities:	
Negative cash balance implicitly financed	1,101,899
Negative cash balance implicitly repaid	(872,409)
Net cash provided by noncapital financing activities:	229,490
Cash flows from capital and related financing activities:	
Purchases of capital assets	(273,556)
Principal paid on capital lease	(19,104)
Principal paid on certificates of participation	(270,000)
Proceeds from capital lease	209,832
Interest paid	(35,052)
Net cash used for capital and related financing activities	(387,880)
Cash flows from investing activities:	
Interest received on investments	5,825
Net cash provided by investing activities	5,825
Net increase in cash and cash equivalents	170,625
Cash and cash equivalents, July 1, 2004	533,035
Cash and cash equivalents, June 30, 2005	\$ 703,660
Reconciliation of total cash and cash equivalents:	
Cash and cash equivalents	\$ 14,289
Cash and investments held by trustee	689,371
	\$ 703,660

(continued)

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2005

	<u>Business-Type Activities- Enterprise Fund</u> <u>Golf Course Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 137,327
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	162,153
Changes in assets and liabilities:	
Decrease in:	
Due to others	(6,543)
Compensated absences payable	(21,647)
Increase in:	
Prepaid items	(2,671)
Accounts payable	50,037
Accrued payroll and employee benefits	4,534
Net cash provided by operating activities	\$ 323,190

See accompanying notes to financial statements.

La Paz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 14,320,474	\$ 674,361
Accrued interest receivable	67,646	-
Total assets	14,388,120	\$ 674,361
Liabilities		
Due to other governments	-	\$ 674,361
Total liabilities	-	\$ 674,361
Net Assets		
Held in trust for investment trust participants	\$ 14,388,120	

See accompanying notes to financial statements.

La Paz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2005

	<u>Investment Trust Funds</u>
Additions:	
Contributions from participants	\$ 33,549,579
Interest and dividends	426,625
Total additions	<u>33,976,204</u>
Deductions:	
Distributions to participants	33,256,232
Total deductions	<u>33,256,232</u>
Change in net assets	719,972
Net assets, July 1, 2004	<u>13,668,148</u>
Net assets, June 30, 2005	<u><u>\$ 14,388,120</u></u>

See accompanying notes to financial statements.

La Paz County
Notes to Financial Statements
Year ended June 30, 2005

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).

During the year ended June 30, 2005, the County implemented the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. GASB Statement No. 40 establishes and modifies the risk disclosures about the County's deposits and investments. The implementation of GASB Statement No. 40 requires only additional disclosures, and had no effect on reported amounts for deposits, investments, net assets, or changes in net assets.

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

Notes to Financial Statements - Continued

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.

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

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

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.

Notes to Financial Statements - Continued

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

D. Cash and Investments

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents. Money market investments with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2005, 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:

Notes to Financial Statements - Continued

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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

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.

Note 2 - Stewardship, Compliance, and Accountability

Fourteen General Fund departments and the Jail District Fund had an excess of actual expenditures over appropriations.

Notes to Financial Statements - Continued

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 appropriation was 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 2006 budget accordingly.

Deficit fund balances or net assets—At June 30, 2005, the following funds reported significant deficits greater than \$5,000 in fund balances or net assets:

Fund	Deficit
Governmental funds:	
Bio Terrorism	\$ 43,547
ACJC Drug Enforcement	39,002
Growing Smarter Planning Grant	7,755
CJEF Contract Sheriff	13,761
Undesignated Fund	13,605
SLIF Project Boats	18,788
AORCC Boat Patrol Grant	42,124
Help Loan	69,185
HIDTA Grant	7,265
Highway Safety Grant	43,286
Criminal Justice Enhancement	62,591
Park Grants	49,789
Task Force Prosecutor	68,906
Workforce Investment Act Year 1	58,427
Cops in School	64,577
La Paz Extension Fund	144,498
Rabies Control	120,674
Capital Projects Fund	120,053
Community Development Block Grant Fund	121,618
Parker Library	164,869
DES Child Support Program	166,503

Notes to Financial Statements - Continued

Bill Williams REC Angling	42,419
Fill the Gap	18,623
Adult State Aid Enhancement	16,254
JP5 Court Enhancement	44,240
Juvenile Rights	6,008
Juvenile Division Consequences	5,262
FEMA CTPA	188,079
Wendon Flood October 2000	6,042
Workforce Investment Act PY 1999	63,907
La Paz County Park	214,522
Health Department	553,647

Enterprise fund:

La Paz County Golf Course	\$ 275,674
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The above fund deficits resulted from the operations during the year or carryovers from prior years and are expected to be corrected through normal operations in the future.

Note 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. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

Credit risk

Statutes have the following requirements for credit risk:

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

Notes to Financial Statements - Continued

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

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

Interest rate risk - Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk - Statutes do not allow foreign investments.

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

At June 30, 2005, the carrying amount of the County's total cash in the bank was \$2,768,591, and the bank balance was \$2,827,013. Of the bank balance, \$349,147 was covered by federal depository insurance. At June 30, 2005, \$2,297,298 of the County's bank balance was subject to custodial credit risk as it was uninsured with collateral held by the pledging financial institution's trust department or agent in the County's name and \$180,568 was uninsured and uncollateralized.

Investments—The County's investments at June 30, 2005, 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	\$20,734,769
U.S. Treasury Money		Standard	
Market Funds	AAAm	and Poor's	1,229,517
Certificates of Deposit	Unrated	N/A	66,936
			<u>\$22,031,222</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, and the participant's shares are not identified with specific investments.

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

Notes to Financial Statements - Continued

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. The County’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the County’s portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2005, \$1,229,517 of the County’s U.S. treasury money market funds was uninsured and held by the counterparty.

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

Interest rate risk—The County does not have a formal policy regarding interest rate risk. At June 30, 2005, the County had the following investments in debt securities:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u>	
		<u>Less than 1 Year</u>	<u>1-5 Years</u>
State Treasurer’s investment pool	\$20,734,769	\$20,734,769	\$ -
U.S. Treasury Money Market Funds	1,229,517	1,229,517	-
	<u>\$21,964,286</u>	<u>\$21,964,286</u>	<u>\$ -</u>

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

Cash and investments:

	<u>County Treasurer's Investment Pool</u>	<u>Other</u>	<u>Total</u>
Cash on hand	\$ -	\$ 4,720	\$ 4,720
Carrying amount of deposits	1,980,573	788,018	2,768,591
Reported amount of investments	20,801,705	1,229,517	22,031,222
Total	<u>\$ 22,782,278</u>	<u>\$ 2,022,255</u>	<u>\$ 24,804,533</u>

Notes to Financial Statements - Continued

Statement 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	\$ 8,565,892	\$ 14,289	\$ 14,320,474	\$ 674,361	\$ 23,575,016
Cash and investments held by trustee	540,146	689,371	-	-	1,229,517
	<u>\$ 9,106,038</u>	<u>\$ 703,660</u>	<u>\$ 14,320,474</u>	<u>\$ 674,361</u>	<u>\$ 24,804,533</u>

Note 4 - 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 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.

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	\$ 20,734,769	No stated interest rate	No stated maturity	\$ 20,734,769
Certificates of deposit	66,936	1.2%-1.7%	July through August 2005	66,936
	<u>\$ 20,801,705</u>			<u>\$ 20,801,705</u>

Notes to Financial Statements - Continued

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

Statement of Net Assets

Assets	\$ 22,782,278
Net assets	<u>\$ 22,782,278</u>

Net assets held in trust for:

Internal participants	\$ 8,394,158
External participants	<u>14,388,120</u>
Total net assets held in trust	<u>\$ 22,782,278</u>

Statement of Changes in Net Assets

Total additions	\$ 59,398,092
Total deductions	<u>58,599,306</u>
Net increase	<u>798,786</u>
Net assets held in trust:	
July 1, 2004	<u>21,983,492</u>
June 30, 2005	<u>\$ 22,782,278</u>

Notes to Financial Statements – Continued

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Primary Government			
	Balance July 1, 2004	Increases	Decreases	
Governmental activities:				
Capital assets				
not being depreciated				
Land	\$ 630,070	\$ -	\$ -	\$ 630,070
Construction in progress	490,556	235,538	-	726,094
Total capital assets, not being depreciated	<u>1,120,626</u>	<u>235,538</u>	<u>-</u>	<u>1,356,164</u>
Capital assets being depreciated:				
Land improvements	49,302	-	-	49,302
Building and improvements	10,509,564	234,628	-	10,744,192
Machinery and equipment	11,989,464	1,146,207	222,105	12,913,566
Improvements				
other than buildings	505,878	67,972	-	573,850
Infrastructure	848,467	182,090	-	1,030,557
Total capital assets being depreciated	<u>23,902,675</u>	<u>1,630,897</u>	<u>222,105</u>	<u>25,311,467</u>
Total	<u>25,023,301</u>	<u>1,866,435</u>	<u>222,105</u>	<u>26,667,631</u>
Less accumulated depreciation for:				
Land improvements	19,569	1,739	-	21,308
Buildings and improvements	2,178,443	291,027	-	2,469,470
Improvements				
other than buildings	191,338	29,425	-	220,763
Machinery and equipment	8,211,219	928,374	148,313	8,991,280
Infrastructure	18,184	42,051	-	60,235
Total	<u>10,618,753</u>	<u>1,292,616</u>	<u>148,313</u>	<u>11,763,056</u>
Total capital assets being depreciated, net	<u>13,283,922</u>	<u>338,281</u>	<u>73,792</u> *	<u>13,548,411</u>
Governmental activities capital assets, net	<u>\$ 14,404,548</u>	<u>\$ 573,819</u>	<u>\$ 73,792</u>	<u>\$ 14,904,575</u>

* Recorded as a loss on disposal of capital assets in the government-wide financial statements.

Notes to Financial Statements - Continued

	Primary Government			Balance June 30, 2005
	Balance July 1, 2004	Increases	Decreases	
Business-type activities:				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,853,930	\$ -	\$ -	\$ 2,853,930
Machinery and equipment	854,033	273,556	-	1,127,589
Total	<u>3,707,963</u>	<u>273,556</u>	<u>-</u>	<u>3,981,519</u>
Less accumulated depreciation for:				
Golf course and improvements	1,377,781	100,650	-	1,478,431
Machinery and equipment	635,938	61,503	-	697,441
Total	<u>2,013,719</u>	<u>162,153</u>	<u>-</u>	<u>2,175,872</u>
Business-type activities capital assets, net	<u>\$ 1,694,244</u>	<u>\$ 111,403</u>	<u>\$ -</u>	<u>\$ 1,805,647</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 197,926
Public safety	373,317
Highways and streets	525,675
Welfare	2,978
Health	94,619
Culture and recreation	90,084
Education	8,017
Total governmental activities depreciation expense	<u>\$ 1,292,616</u>
Business-type activities:	
Golf course	<u>\$ 162,153</u>
Total business-type activities depreciation expense	<u>\$ 162,153</u>

Note 6 - Construction Commitments

The County had major contractual commitment related to a capital project at June 30, 2005 for a road project. At June 30, 2008, the County had a remaining contractual commitment with a contractor of \$223,570 that will be paid for by the road fund.

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, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2005</u>	<u>Due within 1 year</u>
Governmental activities					
Certificates of participation payable	\$ 2,190,000	\$ -	\$ 415,000	\$ 1,775,000	\$ 425,000
Obligations under capital leases	56,020	101,867	55,950	101,937	55,687
Compensated absences payable	654,001	595,100	638,570	610,531	43,474
Estimated liabilities for claims and judgments	<u>28,176</u>	<u>5,827</u>	<u>5,310</u>	<u>28,693</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 2,928,197</u>	<u>\$702,794</u>	<u>\$1,114,830</u>	<u>\$ 2,516,161</u>	<u>\$ 524,161</u>
Business-type activities					
Certificates of participation payable	\$ 1,610,000	\$ -	\$ 270,000	\$ 1,340,000	\$ 275,000
Obligations under capital leases	-	209,832	19,104	190,728	39,401
Compensated absences payable	<u>67,250</u>	<u>32,956</u>	<u>54,603</u>	<u>45,603</u>	<u>21,648</u>
Business-type activities long-term liabilities	<u>\$ 1,677,250</u>	<u>\$242,788</u>	<u>\$ 343,707</u>	<u>\$ 1,576,331</u>	<u>\$ 336,049</u>

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

Notes to Financial Statements - Continued

Certificates outstanding at June 30, 2005, were as follows:

Description	Original Maturity	Maturity Ranges	Interest Rates	Outstanding Principal
Courthouse and government center complex – 2003 refunding	\$1,165,000	2005 - 2010	2.00– 3.00%	\$ 910,000
Jail facility – series 2003 refunding	1,330,000	2005 - 2010	2.00– 3.00%	865,000
Emerald Canyon Golf Course – series 2003 refunding	1,705,000	2005 - 2010	2.00– 3.00%	1,340,000
				<u>\$ 3,115,000</u>

The following schedule details debt service requirements to maturity for the County's certificates of participation payable as of June 30, 2005:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
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	345,000	11,150	295,000	10,056
2010	135,000	2,025	200,000	3,000
Total	<u>\$1,775,000</u>	<u>\$ 110,454</u>	<u>\$1,340,000</u>	<u>\$ 83,906</u>

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Machinery and equipment	\$ 170,873	\$ 210,118
Less: accumulated depreciation	(17,510)	(7,082)
Carrying value	<u>\$ 153,363</u>	<u>\$ 203,036</u>

Notes to Financial Statements - Continued

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2005:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2006	\$ 59,577	\$ 46,486
2007	46,318	46,486
2008	1,630	46,486
2009	-	46,486
2010	-	23,243
Total minimum lease payments	107,525	209,187
Less amount representing interest	(5,588)	(18,459)
Present value of net minimum lease payments	\$ 101,937	\$ 190,728

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.

Notes to Financial Statements - Continued

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 2005, the County paid for compensated absences as follows: 50 percent from the General Fund, 11 percent from the Road Fund, 11 percent from the Jail District Fund, 7 percent from the Enterprise Fund, and 21 percent from the other funds. The County paid for claims and judgments from the General Fund.

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.

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. 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.

Notes to Financial Statements - Continued

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 9 - Retirement Plans

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

The *Employee Security Plan* (ESP) is a defined contribution plan administered by Massachusetts Mutual Life Insurance Company that 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 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 181 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.

Notes to Financial Statements - Continued

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 \$550,184 by the County and \$683,746 by covered employees.

Agent plan—For the year ended June 30, 2005, 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.

Annual Pension Cost—The County's pension cost for the agent plan for the year ended June 30, 2005, and related information follows:

	<u>PSPRS</u>
Contribution rates:	
County	14.11%
Plan members	7.65%
Annual pension cost	\$178,894
Contributions made	\$178,894

The current-year annual required contribution for the PSPRS was determined as part of their June 30, 2003, 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, 2003, was 20 years.

Notes to Financial Statements - Continued

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	2005	\$ 178,894	100%	\$0
	2004	164,042	100%	0
	2003	99,177	100%	0

Cost-sharing plan—For the year ended June 30, 2005, active EORP members were required by statute to contribute 7 percent of the members’ annual covered payroll. During the years ended June 30, 2005, 2004 and 2003, employee contributions to the plan were \$52,585, \$54,597 and \$54,519, respectively, which equaled the required contributions for the year. The County was required to remit a designated portion of certain court fees plus contributions of 7 percent and 6 percent of the members’ covered payroll during 2005 and 2004, respectively, and there were no required contributions for 2003. The County’s contributions to EORP for the years ended June 30, 2005, 2004 and 2003 were \$45,073, \$46,798 and \$0, which equaled the required contributions for the year.

Note 10 - Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2005, were as follows:

<u>Payable from</u>	<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>	
General Fund	\$ -	\$ -	\$ 225,813	\$ 72,516	\$ 298,329
Road Fund	256,426	26,611	-	154,209	437,246
Business 95 Road Improvement Fund	-	-	-	5,426	5,426
Jail District Fund	465,381	894	-	-	466,275
Nonmajor Governmental Funds	901,627	28,422	-	55,847	985,896
Golf Course Fund	1,101,899	-	-	-	1,101,899
	<u>\$ 2,725,333</u>	<u>\$ 55,927</u>	<u>\$ 225,813</u>	<u>\$ 287,998</u>	<u>\$ 3,295,071</u>

Notes to Financial Statements - Continued

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Except for interfund balances between the 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, 2005, were as follows:

	<u>Transfers To</u>	
	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Transfer from</u>		
General Fund	\$ 7,500	\$ 7,500
Total	<u>\$ 7,500</u>	<u>\$ 7,500</u>

Transfers were used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11 - Subsequent Event

In September 2007, the County, the plaintiff in a lawsuit filed 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 2005 basic financial statements for any loss that may be incurred as the events leading to the company'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, 2005

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)
06/30/05	\$ 5,318,584	\$ 7,206,347	\$ (1,887,763)	73.8%	\$ 1,402,295	134.6%
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%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 3,822,934	\$ 5,160,390	\$ 1,337,456
Licenses and permits	234,200	268,294	34,094
Fees, fines, and forfeits	730,000	785,830	55,830
Intergovernmental	4,155,241	3,904,415	(250,826)
Charges for services	577,333	424,973	(152,360)
Investment income	51,000	74,916	23,916
Miscellaneous	929,994	475,444	(454,550)
Total revenues	<u>10,500,702</u>	<u>11,094,262</u>	<u>593,560</u>
Expenditures:			
Current:			
General government			
Assessor	403,722	357,076	46,646
County attorney	527,901	547,873	(19,972)
Board of supervisors	496,158	444,791	51,367
Clerk of the superior court	315,330	312,070	3,260
Constable	2,675	305	2,370
Elections	102,125	91,126	10,999
Justice of the Peace #4	320,338	319,865	473
Justice of the Peace #5	163,765	142,179	21,586
Justice of the Peace #6	238,190	240,531	(2,341)
Planning and zoning	397,485	438,896	(41,411)
Recorder	218,226	180,518	37,708
Superior court	423,417	683,090	(259,673)
Treasurer	233,500	222,459	11,041
Contingency	704,846	35,748	669,098
Management information services	184,982	159,293	25,689
Public defender	498,881	521,756	(22,875)
General administration	303,819	404,831	(101,012)
Finance personnel	211,973	215,776	(3,803)
GIS/Master planning	26,073	9,860	16,213
Facilities Management	453,637	442,084	11,553
Total general government	<u>6,227,043</u>	<u>5,770,127</u>	<u>456,916</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 538,806	\$ 562,672	\$ (23,866)
Sheriff	2,130,147	2,233,089	(102,942)
Probation	104,511	107,850	(3,339)
Aircraft	17,550	17,811	(261)
Maintenance of effort	539,230	539,621	(391)
Juvenile probation	92,943	94,406	(1,463)
Total public safety	<u>3,423,187</u>	<u>3,555,449</u>	<u>(132,262)</u>
Sanitation:			
Sanitary landfill	10,000	127,859	(117,859)
Total sanitation	<u>10,000</u>	<u>127,859</u>	<u>(117,859)</u>
Health:			
Indigent health	381,740	195,701	186,039
County long term care ALTCS	792,232	737,873	54,359
C.M.I (chronically mental ill)	116,850	64,504	52,346
Health department transit	144,463	134,804	9,659
Total health	<u>1,435,285</u>	<u>1,132,882</u>	<u>302,403</u>
Welfare:			
Public fiduciary	100,283	93,189	7,094
Total welfare	<u>100,283</u>	<u>93,189</u>	<u>7,094</u>
Education:			
School superintendent	166,023	159,138	6,885
Total education	<u>166,023</u>	<u>159,138</u>	<u>6,885</u>
Total expenditures	<u>11,361,821</u>	<u>10,838,644</u>	<u>523,177</u>
Excess (deficiency) of revenues over expenditures	<u>(861,119)</u>	<u>255,618</u>	<u>1,116,737</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Capital lease agreements	\$ -	\$ 17,129	\$ 17,129
Transfers out	(431,221)	(7,500)	423,721
Total other financing sources (uses)	<u>(431,221)</u>	<u>9,629</u>	<u>440,850</u>
Net change in fund balances	(1,292,340)	265,247	1,557,587
Fund balances, July 1, 2004	<u>1,292,340</u>	<u>4,000,746</u>	<u>2,708,406</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ 4,265,993</u>	<u>\$ 4,265,993</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,130,000	\$ 525,534	\$ (604,466)
Intergovernmental	3,300,000	3,936,672	636,672
Investment income	25,000	36,704	11,704
Miscellaneous	-	17,533	17,533
Total revenues	<u>4,455,000</u>	<u>4,516,443</u>	<u>61,443</u>
Expenditures:			
Current:			
Highways and streets	<u>5,703,093</u>	<u>4,473,144</u>	<u>1,229,949</u>
Total expenditures	<u>5,703,093</u>	<u>4,473,144</u>	<u>1,229,949</u>
Net change in fund balances	<u>(1,248,093)</u>	<u>43,299</u>	<u>1,291,392</u>
Fund balances, July 1, 2004	<u>1,248,093</u>	<u>2,055,802</u>	<u>807,709</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ 2,099,101</u>	<u>\$ 2,099,101</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, 2005

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ -	\$ -	\$ -
Expenditures:			
Current:			
Highways and streets	-	91,879	(91,879)
Total expenditures	-	91,879	(91,879)
Net change in fund balances	-	(91,879)	(91,879)
Fund balances, July 1, 2004	-	3,246,596	3,246,596
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ 3,154,717</u>	<u>\$ 3,154,717</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2005

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 890,000	\$ 1,011,321	\$ 121,321
Intergovernmental	539,230	539,230	-
Charges for services	1,600,000	1,637,656	37,656
Investment income	16,500	4,020	(12,480)
Miscellaneous	-	16,843	16,843
Total revenues	<u>3,045,730</u>	<u>3,209,070</u>	<u>163,340</u>
Expenditures:			
Current:			
Public safety	<u>2,993,593</u>	<u>3,057,700</u>	<u>(64,107)</u>
Total expenditures	<u>2,993,593</u>	<u>3,057,700</u>	<u>(64,107)</u>
Excess of revenues over expenditures	<u>52,137</u>	<u>151,370</u>	<u>99,233</u>
Net change in fund balances	52,137	151,370	99,233
Fund balances, July 1, 2004	<u>(52,137)</u>	<u>365,307</u>	<u>417,444</u>
Fund balances, June 30, 2005	<u>\$ -</u>	<u>\$ 516,677</u>	<u>\$ 516,677</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Notes to Budgetary Comparison Schedule
June 30, 2005

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.

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

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

Note 2 - Budgetary Basis of Accounting

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

Note 3 - Expenditures in Excess of Appropriations

For the year ended June 30, 2005, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

La Paz County
Required Supplementary Information
Notes to Budgetary Comparison Schedule - Continued
June 30, 2005

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
County attorney	\$ 19,972
Justice of the Peace # 6	2,341
Planning and zoning	41,111
Superior Court	259,673
Public defender	22,875
General administration	101,012
Finance personnel	3,803
Regional dispatch	23,866
Sheriff	102,942
Probation	3,339
Aircraft	261
Maintenance of effort	391
Juvenile probation	1,463
Sanitation landfill	117,859
Jail District Fund	64,107

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