

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

---

**Year ended June 30, 2006**

## Table of Contents

Independent Auditors' Report	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-10
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	11
Statement of Activities	12
<i>Fund Financial Statements:</i>	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Proprietary Fund:	
Statement of Net Assets	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets	18
Statement of Cash Flows	19-20
Fiduciary Funds:	
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22

**Table of Contents – Continued**

	<u>Page</u>
<i>Notes to Financial Statements</i> .....	23-46
<b><i>Other Required Supplementary Information:</i></b>	
Schedule of Agent Retirement Plan’s Funding Progress .....	47
Budgetary Comparison Schedule - General Fund .....	48-50
Budgetary Comparison Schedule – Road Fund .....	51
Budgetary Comparison Schedule – Business 95 Road Improvement Fund .....	52
Budgetary Comparison Schedule –Jail District Fund.....	53
Notes to Budgetary Comparison Schedules.....	54-55



## 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, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 3 through 10, the Schedule of Agent Retirement Plan's Funding Progress on page 47, and the Budgetary Comparison Schedules on pages 48 through 55 are not 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

February 22, 2010

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

## Management's Discussion and Analysis

---

This discussion and analysis, prepared by the County's management, is intended to be an easily readable analysis of La Paz County's (County) financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2006. 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 \$17,435,259 (net assets). Of this amount, \$5,925,008 is a deficit in unrestricted net assets, \$8,622,918 is restricted for specific purposes (restricted net assets), and \$14,737,349 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities decreased by \$4,870,490. The decrease is due primarily to expenses incurred in connection with a liability resulting from the settlement of a lawsuit and related attorney fees totaling approximately \$6.8 million.
- At June 30, 2006, the governmental funds reported combined fund balances of \$10,375,648, an increase of \$293,421 in comparison with the prior year. Approximately 94% of the combined fund balances, or \$9,788,889 is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2006, unreserved fund balance for the general fund was \$3,724,145 or 31% of general fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be spent in the next fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. Required supplementary information is included in addition to the basic financial statements.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of the County's finances, in a manner similar to private-sector businesses.

The *Statement of Net Assets* presents information on all County assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

## Management's Discussion and Analysis - Continued

---

Both of these government-wide financial statements 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 - Continued

---

*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 23-47 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 48-56 of this report.*

### Government-Wide Financial Analysis

#### *Net Assets*

The largest portion of the County's net assets reflects the investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less accumulated depreciation and related debt used to acquire those assets still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to the citizens and creditors.

## Management's Discussion and Analysis - Continued

The following table summarizes the Statement of Net Assets at June 30, 2006 and 2005:

	2006	2005	2006	2005	2006	2005
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total
Current and other assets	\$ 12,886,769	\$ 12,192,818	\$ (433,490)	\$ (394,365)	\$ 12,453,279	\$ 11,798,453
Capital assets	15,701,310	14,904,575	1,648,616	1,805,647	17,349,926	16,710,222
Total assets	<u>28,588,079</u>	<u>27,097,393</u>	<u>1,215,126</u>	<u>1,411,282</u>	<u>29,803,205</u>	<u>28,508,675</u>
Current and other liabilities	2,426,820	1,999,809	39,616	110,625	2,466,436	2,110,434
Long-term liabilities	8,643,499	2,516,161	1,258,011	1,576,331	9,901,510	4,092,492
Total liabilities	<u>11,070,319</u>	<u>4,515,970</u>	<u>1,297,627</u>	<u>1,686,956</u>	<u>12,367,946</u>	<u>6,202,926</u>
Net assets						
Invested in capital assets, net of related debt	14,305,060	13,027,638	432,289	465,647	14,737,349	13,493,285
Restricted for:						
Public safety	828,917	574,273	-	-	828,917	574,273
Highways and streets	5,325,070	5,258,250	-	-	5,325,070	5,258,250
Sanitation	70,494	83,567	-	-	70,494	83,567
Health	33,747	116,100	-	-	33,747	116,100
Debt service	546,711	540,146	522,406	511,485	1,069,117	1,051,631
Other purposes	1,295,573	604,155	-	177,886	1,295,573	782,041
Unrestricted net assets (deficit)	<u>(4,887,812)</u>	<u>2,377,294</u>	<u>(1,037,196)</u>	<u>(1,430,692)</u>	<u>(5,925,008)</u>	<u>946,602</u>
Total net assets	<u>\$ 17,517,760</u>	<u>\$ 22,581,423</u>	<u>\$ (82,501)</u>	<u>\$ (275,674)</u>	<u>\$ 17,435,259</u>	<u>\$ 22,305,749</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 \$17,435,259 at June 30, 2006, 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 continued construction of a new judicial complex. Business-type activities capital assets, net of related debt, decreased due primarily from the disposal of old equipment that was used in operations of the golf course.

Current liabilities of the governmental activities increased as a result of an increase in amounts due to other governments. Net assets decreased by \$5,063,663 during the fiscal year 2005-06. Overall expenses increased during the year, particularly for public safety caused primarily by greater expenses related to emergency services and general government caused primarily by losses incurred in connection with a lawsuit settlement. Revenues also increased during the year, particularly for intergovernmental revenues related to certain federal and state grants and contracts which includes a Park Improvement grant, the Child Support grant and a Bio-Terrorism Grant. Charges for services related to fees charged to other governments for the use of the Jail District's facilities also increased during the year due to an increase in usage. While revenues and expenses increased proportionately, overall net assets decreased and long-term liabilities increased due to losses incurred in connection with the settlement of a lawsuit.

Also, the business-type activity reflected an unrestricted net deficit of (\$1,037,196) at June 30, 2006, which resulted primarily from net losses incurred since inception that have not yet been recovered.

## Management's Discussion and Analysis - Continued

### Changes in Net Assets

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

	2006 Governmental Activities	2005 Governmental Activities	2006 Business-Type Activities	2005 Business-Type Activities	2006 Total	2005 Total
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,557,874	\$ 4,123,637	\$ 1,537,951	\$ 1,443,279	\$ 7,095,825	\$ 5,566,916
Operating grants & contributions	5,026,060	4,286,105	-	-	5,026,060	4,286,105
Capital grants & contributions	3,886,629	4,395,866	-	-	3,886,629	4,395,866
General revenues:						
Property taxes	3,361,792	3,291,818	-	-	3,361,792	3,291,818
Share of state sales taxes	2,049,616	1,795,638	-	-	2,049,616	1,795,638
Excise tax	2,294,727	2,022,761	-	-	2,294,727	2,022,761
Payments in lieu of taxes	1,537,632	1,249,144	-	-	1,537,632	1,249,144
Vehicle license tax	920,339	1,239,870	-	-	920,339	1,239,870
Share of state lottery	550,035	550,035	-	-	550,035	550,035
Investment earnings	323,804	135,389	12,240	5,825	336,044	141,214
Miscellaneous	468,981	743,883	-	-	468,981	743,883
Total revenues	<u>25,977,489</u>	<u>23,834,146</u>	<u>1,550,191</u>	<u>1,449,104</u>	<u>27,527,680</u>	<u>25,283,250</u>
<b>Expenses</b>						
General government	13,071,176	6,437,749	-	-	13,071,176	6,437,749
Public safety	9,380,197	8,650,748	-	-	9,380,197	8,650,748
Highways and streets	3,784,583	4,282,459	-	-	3,784,583	4,282,459
Sanitation	1,045,384	172,644	-	-	1,045,384	172,644
Health	2,185,717	2,044,630	-	-	2,185,717	2,044,630
Welfare	382,622	363,167	-	-	382,622	363,167
Culture and recreation	892,709	772,285	1,409,460	1,305,952	2,302,169	2,078,237
Education	205,590	177,599	-	-	205,590	177,599
Interest on long-term debt	40,732	50,323	-	35,052	40,732	85,375
Total expenses	<u>30,988,710</u>	<u>22,951,604</u>	<u>1,409,460</u>	<u>1,341,004</u>	<u>32,398,170</u>	<u>24,292,608</u>
Change in net assets before transfers	(5,011,221)	882,542	140,731	108,100	(4,870,490)	990,642
Transfers	(52,442)	-	52,442	-	-	-
Change in net assets	(5,063,663)	882,542	193,173	108,100	(4,870,490)	990,642
Beginning net assets (deficit)	<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>
Ending net assets (deficit)	<u>\$ 17,517,760</u>	<u>\$ 22,581,423</u>	<u>\$ (82,501)</u>	<u>\$ (275,674)</u>	<u>\$ 17,435,259</u>	<u>\$ 22,305,749</u>

### 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 - Continued

*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, 2006, the County's governmental funds reported combined fund balances of \$10,375,648, an increase of \$293,421 in comparison with the prior year. Approximately 94% of the combined fund balances, \$9,788,889, 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 \$3,724,145. 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 31% of total General Fund expenditures while total fund balance represents 34% of that same amount.

The Jail District Fund is a major County fund used to report the activity of the County jail. During 2006, the Fund's overall revenues increased from 2005 because of an increase in revenues earned from other governments, which use the facility. Expenses incurred in the operations of the District remained relatively consistent with the prior year.

The Golf Course Fund is an enterprise fund of the County that had an increase of \$193,173 in net assets due primarily from an increase in operating revenues and a transfer in from the general fund.

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					
	2006		2005		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
Taxes	\$ 6,603,336	25.39%	\$ 6,708,401	27.97%	\$ (105,065)	-1.57%
Licenses and permits	291,790	1.12%	277,085	1.16%	14,705	5.31%
Fees, fines and forfeits	1,105,224	4.25%	792,930	3.31%	312,294	39.38%
Intergovernmental	13,049,972	50.18%	12,276,788	51.18%	773,184	6.30%
Charges for services	4,160,860	16.00%	3,053,622	12.73%	1,107,238	36.26%
Investment income	323,804	1.25%	135,389	0.56%	188,415	139.17%
Miscellaneous	468,948	1.80%	743,883	3.10%	(274,935)	-36.96%
Total revenues	<u>\$26,003,934</u>	<u>100.00%</u>	<u>\$23,988,098</u>	<u>100.00%</u>	<u>\$ 2,015,836</u>	<u>8.40%</u>

The decrease in tax revenue is caused primarily from a decrease in vehicle license tax imposed by the State on behalf of the County of \$0.3 million. The increase in intergovernmental revenue is due primarily to an increase in grants and contracts received from Federal and state agencies which includes a Park Improvement grant, Child Support grant and a Bio Terrorism grant. Charges for service revenue increased due to additional revenue generated from contracts with other governments for the use of jail facilities.

## Management's Discussion and Analysis - Continued

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

Governmental Funds Expenditure Comparison - By Function						
	2006		2005		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% Change
General government	\$ 6,787,964	26.46%	\$ 6,256,589	26.00%	\$ 531,375	8.49%
Public safety	9,001,643	35.08%	8,426,307	35.01%	575,336	6.83%
Highways and streets	4,815,038	18.77%	4,599,032	19.11%	216,006	4.70%
Sanitation	545,119	2.12%	172,644	0.72%	372,475	215.75%
Health	2,061,511	8.03%	1,930,083	8.02%	131,428	6.81%
Welfare	377,705	1.47%	369,408	1.53%	8,297	2.25%
Culture and recreation	812,212	3.17%	695,797	2.89%	116,415	16.73%
Education	198,671	0.77%	166,168	0.69%	32,503	19.56%
Capital outlay	536,789	2.09%	930,106	3.86%	(393,317)	-42.29%
Debt service	521,419	2.03%	521,273	2.17%	146	0.03%
Total expenditures	\$ 25,658,071	100.00%	\$ 24,067,407	100.00%	\$ 1,590,664	6.61%

- Capital outlays continued to be significant due to expenditures on road construction projects such as improvements to Highway B-95, and Salome Road.
- Sanitation increased due to professional fees incurred in relation to the lawsuit that was settled during the year.
- General government, public safety, health, and welfare, culture and recreation and education expenditures increased due to an overall increase in the cost of providing necessary services to County citizens.
- The County's debt service expense decreased in 2006 largely due to the reduction of certificates of participation obligations and the reduction of capital lease payments during the year.

### General Fund Budgetary Highlights

The County did not amend the fiscal year 2005-06 adopted budget for the General Fund. General Fund actual expenditures were \$0.1 million under the adopted budget and actual revenues exceeded estimated revenues by \$0.2 million.

Fees, fines and forfeits were greater than anticipated due to higher than anticipated fines and fees from the Justice Courts. Intergovernmental revenue was greater than the projected budget due to greater than anticipated shared state tax revenue distributed to the County. Budgeted miscellaneous revenues consist of various nonexchange revenues that may be received in which there were none during 2006.

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

- The Superior Court exceeded its budget by 105% due to the substantial increase in contracted outside legal costs related to rising indigent defense.
- Justice of the Peace Courts exceeded their budgets by an average of 22% due to greater than anticipated operating expenses.
- Indigent health cost exceeded its budget by 10% due to greater than anticipated health care cost.
- Sanitation increased due to professional fees incurred in relation to the lawsuit that was settled during the year.

## Management's Discussion and Analysis - Continued

---

### Capital Assets and Debt Administration

#### *Capital Assets*

The County's investment in capital assets as of June 30, 2006, amounted to \$17.3 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 3.8 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 36-37 of this report.

#### *Long-Term Debt*

At June 30, 2006, the County had total long-term debt outstanding of \$2,612,577. This amount consists of certificates of participation of \$2.4 million and capital leases of \$0.2 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 2006. Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 38-40 of this report.

### Economic Factors

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

### Request for Information

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

## **Basic Financial Statements**

**La Paz County**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,467,420	\$ 17,480	\$ 9,484,900
Cash and investments held by trustee	546,711	522,406	1,069,117
Property taxes receivables	131,732	-	131,732
Internal balances	981,480	(981,480)	-
Due from:			
Others	63,228	-	63,228
Other governments	1,656,150	-	1,656,150
Prepaid items	40,048	8,104	48,152
Capital assets, not being depreciated	2,160,545	-	2,160,545
Capital assets, being depreciated, net	13,540,765	1,648,616	15,189,381
Total assets	<u>28,588,079</u>	<u>1,215,126</u>	<u>29,803,205</u>
<b>Liabilities</b>			
Accounts payable	629,681	22,086	651,767
Accrued liabilities	519,689	16,846	536,535
Due to:			
Others	202,600	684	203,284
Other governments	1,074,850	-	1,074,850
Noncurrent liabilities:			
Due within one year	549,680	340,836	890,516
Due in more than one year	8,093,819	917,175	9,010,994
Total liabilities	<u>11,070,319</u>	<u>1,297,627</u>	<u>12,367,946</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	14,305,060	432,289	14,737,349
Restricted for:			
Public safety	828,917	-	828,917
Highways and streets	5,325,070	-	5,325,070
Sanitation	70,494	-	70,494
Health	33,747	-	33,747
Debt service	546,711	522,406	1,069,117
Other purposes	1,295,573	-	1,295,573
Unrestricted (deficit)	(4,887,812)	(1,037,196)	(5,925,008)
Total net assets	<u>\$ 17,517,760</u>	<u>\$ (82,501)</u>	<u>\$ 17,435,259</u>

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Activities**  
**Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 13,071,176	\$ 2,557,342	\$ 1,388,316	\$ 1,617	\$ (9,123,901)	\$ -	\$ (9,123,901)
Public safety	9,380,197	2,128,758	3,094,835	-	(4,156,604)	-	(4,156,604)
Highways and streets	3,784,583	-	80,082	3,885,012	180,511	-	180,511
Sanitation	1,045,384	-	46,927	-	(998,457)	-	(998,457)
Health	2,185,717	135,243	281,949	-	(1,768,525)	-	(1,768,525)
Welfare	382,622	154,683	74,962	-	(152,977)	-	(152,977)
Culture and recreation	892,709	581,848	22,999	-	(287,862)	-	(287,862)
Education	205,590	-	35,990	-	(169,600)	-	(169,600)
Interest on long-term debt	40,732	-	-	-	(40,732)	-	(40,732)
Total governmental activities	<u>30,988,710</u>	<u>5,557,874</u>	<u>5,026,060</u>	<u>3,886,629</u>	<u>(16,518,147)</u>	<u>-</u>	<u>(16,518,147)</u>
Business-type activities							
Golf course	1,409,460	1,537,951	-	-	-	128,491	128,491
Total business-type activities	<u>1,409,460</u>	<u>1,537,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,491</u>	<u>128,491</u>
Total primary government	<u>\$ 32,398,170</u>	<u>\$ 7,095,825</u>	<u>\$ 5,026,060</u>	<u>\$ 3,886,629</u>	<u>(16,518,147)</u>	<u>128,491</u>	<u>(16,389,656)</u>
<b>General revenues:</b>							
Taxes:							
Property taxes levied for general purposes					3,353,965	-	3,353,965
Property taxes levied for special districts					7,827	-	7,827
Excise tax					2,294,727	-	2,294,727
Payments in lieu of taxes					1,537,632	-	1,537,632
Share of state sales taxes					2,049,616	-	2,049,616
Vehicle license tax					920,339	-	920,339
Share of state lottery					550,035	-	550,035
Investment earnings					323,804	12,240	336,044
Miscellaneous					468,981	-	468,981
Transfers					(52,442)	52,442	-
Total general revenues and transfers					<u>11,454,484</u>	<u>64,682</u>	<u>11,519,166</u>
Changes in net assets					(5,063,663)	193,173	(4,870,490)
Net assets - July 1, 2005					22,581,423	(275,674)	22,305,749
Net assets - June 30, 2006					<u>\$ 17,517,760</u>	<u>\$ (82,501)</u>	<u>\$ 17,435,259</u>

See accompanying notes to financial statements.

**La Paz County  
Balance Sheet  
Governmental Funds  
June 30, 2006**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Jail District Fund</b>	<b>Other Governmental Funds</b>	
<b>Assets</b>						
Cash and cash equivalents	\$ 2,671,556	\$ 2,519,962	\$ 2,967,197	\$ 515,267	\$ 793,438	\$ 9,467,420
Cash and investments held by trustee	277,234	-	-	269,477	-	546,711
Property tax receivables	130,864	-	-	-	868	131,732
Due from:						
Others	47,113	-	-	16,115	-	63,228
Other funds	2,792,251	69,118	-	132,907	70,461	3,064,737
Other governments	228,564	413,308	-	493,314	520,964	1,656,150
Prepaid items	25,197	603	-	1,523	12,725	40,048
Total assets	<u>\$ 6,172,779</u>	<u>\$ 3,002,991</u>	<u>\$ 2,967,197</u>	<u>\$ 1,428,603</u>	<u>\$ 1,398,456</u>	<u>\$ 14,970,026</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 173,030	\$ 173,494	\$ -	\$ 39,111	\$ 244,046	\$ 629,681
Accrued liabilities	343,801	41,540	-	46,975	87,373	519,689
Due to:						
Others	198,504	929	-	2,101	1,066	202,600
Other governments	1,074,850	-	-	-	-	1,074,850
Other funds	272,486	432,900	-	478,970	898,901	2,083,257
Deferred revenue	83,532	-	-	-	769	84,301
Total liabilities	<u>2,146,203</u>	<u>648,863</u>	<u>-</u>	<u>567,157</u>	<u>1,232,155</u>	<u>4,594,378</u>
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Certificates of participation payment	277,234	-	-	269,477	-	546,711
Prepaid items	25,197	603	-	1,523	12,725	40,048
<b>Unreserved, reported in:</b>						
General fund	3,724,145	-	-	-	-	3,724,145
Special revenue funds	-	2,353,525	2,967,197	590,446	153,576	6,064,744
Total fund balances	<u>4,026,576</u>	<u>2,354,128</u>	<u>2,967,197</u>	<u>861,446</u>	<u>166,301</u>	<u>10,375,648</u>
Total liabilities and fund balances	<u>\$ 6,172,779</u>	<u>\$ 3,002,991</u>	<u>\$ 2,967,197</u>	<u>\$ 1,428,603</u>	<u>\$ 1,398,456</u>	<u>\$ 14,970,026</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, 2006**

---

Fund balances—total governmental funds		\$ 10,375,648
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$28,402,893 and the accumulated depreciation is \$12,701,583.</p>		15,701,310
<p>Some of the County's taxes will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.</p>		84,301
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Obligations under capital leases	\$ (46,250)	
Compensated absences	(702,837)	
Certificates of participation	(1,350,000)	
Estimated liabilities for claims and judgments	<u>(6,544,412)</u>	<u>(8,643,499)</u>
Net assets of governmental activities:		<u>\$ 17,517,760</u>

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2006**

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road Fund</b>	<b>Business 95 Road Improvement Fund</b>	<b>Jail District Fund</b>	<b>Other Governmental Funds</b>	
<b>Revenues:</b>						
Taxes	\$4,858,772	\$ 589,376	\$ -	\$1,147,361	\$ 7,827	\$ 6,603,336
Licenses and permits	281,716	-	-	-	10,074	291,790
Fees, fines, and forfeits	1,097,028	-	-	-	8,196	1,105,224
Intergovernmental	4,047,780	3,885,012	-	600,543	4,516,637	13,049,972
Charges for services	928,643	-	-	2,104,929	1,127,288	4,160,860
Investment income	156,045	86,892	-	20,647	60,220	323,804
Miscellaneous	20,660	196,069	-	29	252,190	468,948
Total revenues	<u>11,390,644</u>	<u>4,757,349</u>	<u>-</u>	<u>3,873,509</u>	<u>5,982,432</u>	<u>26,003,934</u>
<b>Expenditures:</b>						
Current:						
General government	5,883,356	-	-	-	904,608	6,787,964
Public safety	3,680,134	-	-	2,877,573	2,443,936	9,001,643
Highways and streets	-	4,502,322	187,520	-	125,196	4,815,038
Sanitation	485,119	-	-	-	60,000	545,119
Health	1,226,849	-	-	-	834,662	2,061,511
Welfare	112,042	-	-	-	265,663	377,705
Culture and recreation	-	-	-	-	812,212	812,212
Education	169,697	-	-	-	28,974	198,671
Capital outlay	122,787	-	-	26,121	387,881	536,789
Debt service:						
Principal	245,687	-	-	235,000	-	480,687
Interest	18,957	-	-	21,775	-	40,732
Total expenditures	<u>11,944,628</u>	<u>4,502,322</u>	<u>187,520</u>	<u>3,160,469</u>	<u>5,863,132</u>	<u>25,658,071</u>
Excess (deficiency) of revenues over expenditures	<u>(553,984)</u>	<u>255,027</u>	<u>(187,520)</u>	<u>713,040</u>	<u>119,300</u>	<u>345,863</u>
<b>Other financing sources (uses):</b>						
Transfers in	319,773	-	-	-	159,935	479,708
Transfers out	(5,206)	-	-	(368,271)	(158,673)	(532,150)
Total other financing sources and uses	<u>314,567</u>	<u>-</u>	<u>-</u>	<u>(368,271)</u>	<u>1,262</u>	<u>(52,442)</u>
Net change in fund balances	<u>(239,417)</u>	<u>255,027</u>	<u>(187,520)</u>	<u>344,769</u>	<u>120,562</u>	<u>293,421</u>
Fund balances, July 1, 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>
Fund balances, June 30, 2006	<u>\$ 4,026,576</u>	<u>\$ 2,354,128</u>	<u>\$ 2,967,197</u>	<u>\$ 861,446</u>	<u>\$ 166,301</u>	<u>\$ 10,375,648</u>

See accompanying notes to financial statements.

**La Paz County**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**June 30, 2006**

---

Net change in fund balances-total governmental funds		\$ 293,421
--	--	------------

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

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

Expenditures for general capital assets, infrastructure, and other related capital assets.	\$ 2,175,345	
Depreciation expense	<u>(1,378,610)</u>	796,735

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	425,000	
Capital leases	<u>55,687</u>	480,687

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Increase in compensated absences	(92,306)	
Increase in estimated liabilities for claims and judgments	<u>(6,515,720)</u>	(6,608,026)

Collections of revenues in the governmental funds exceeded revenues reported in the Statement of Activities.		<u>(26,480)</u>
--	--	-----------------

Change in net assets of governmental activities		<u><u>\$ (5,063,663)</u></u>
---	--	------------------------------

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2006**

	<b>Business-Type Activities- Enterprise Fund</b>	<b>Golf Course Fund</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$	17,480
Prepaid items		8,104
Total current assets		25,584
Noncurrent assets:		
Cash and investments held by trustee		522,406
Capital assets, net of accumulated depreciation		1,648,616
Total noncurrent assets		2,171,022
Total assets		2,196,606
<b>Liabilities</b>		
Current liabilities:		
Accounts payable		22,086
Accrued payroll and employee benefits		16,846
Due to others		684
Due to other funds		981,480
Capital lease, current portion		41,048
Certificates of participation payable, current portion		280,000
Compensated absences payable, current portion		19,788
Total current liabilities		1,361,932
Noncurrent liabilities:		
Capital lease payable		110,279
Certificates of participation payable		785,000
Compensated absences payable		21,896
Total noncurrent liabilities		917,175
Total liabilities		2,279,107
<b>Net Assets</b>		
Invested in capital assets, net of related debt		432,289
Restricted for debt service		522,406
Unrestricted (deficit)		(1,037,196)
Total net assets	\$	(82,501)

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, 2006**

	<b>Business-Type Activities- Enterprise Fund</b>	<b>Golf Course Fund</b>
<b>Operating revenues:</b>		
Golf course fees	\$	1,537,951
<b>Operating expenses:</b>		
Personnel services		653,647
Professional services		92,037
Supplies		126,371
Communication		5,461
Utilities		64,427
Repairs and maintenance		190,975
Depreciation		171,008
Other		40,805
Leases and rents		33,886
Total operating expenses		1,378,617
Operating income		159,334
<b>Nonoperating revenues (expenses):</b>		
Investment income		12,240
Interest expense		(30,843)
Total nonoperating revenues (expenses)		(18,603)
Increase in net assets before transfers		140,731
Transfers in		52,442
Increase in net assets		193,173
Total net assets, July 1, 2005		(275,674)
Total net assets, June 30, 2006	\$	(82,501)

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	<b>Business-Type Activities- Enterprise Fund Golf Course Fund</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers	\$ 1,537,951
Payments to suppliers and providers of goods and services	(629,201)
Payments to employees	(657,566)
Net cash provided by operating activities	251,184
<b>Cash flows from noncapital financing activities:</b>	
Negative cash balance implicitly financed	981,480
Negative cash balance implicitly repaid	(1,101,899)
Operating transfers in	52,442
Net cash used for noncapital financing activities	(67,977)
<b>Cash flows from capital and related financing activities:</b>	
Purchase of capital assets	(13,977)
Principal paid on capital leases	(39,401)
Principal paid on certificates of participation	(275,000)
Interest paid on certificates of participation	(30,843)
Net cash used for capital and related financing activities	(359,221)
<b>Cash flows from investing activities:</b>	
Interest received on investments	12,240
Net cash provided by investing activities	12,240
Net decrease in cash and cash equivalents	(163,774)
Cash and cash equivalents, July 1, 2005	703,660
Cash and cash equivalents, June 30, 2006	\$ 539,886
<b>Reconciliation of total cash and cash equivalents:</b>	
Cash and cash equivalents	\$ 17,480
Cash and investments held by trustee	522,406
	\$ 539,886

(continued)

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Cash Flows - Continued**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	<u>Business-Type</u> <u>Activities-</u> <u>Enterprise Fund</u> <u>Golf Course Fund</u>
<b>Reconciliation of operating</b>	
<b>income to net cash provided by operating activities:</b>	
Operating income	\$ 159,334
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	171,008
Changes in assets and liabilities:	
Increase in:	
Prepaid items	(4,230)
Decrease in:	
Accounts payable	(57,427)
Accrued payroll and employee benefits	(13,582)
Compensated absences payable	(3,919)
Net cash provided by operating activities	\$ 251,184

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	<u>Investment Trust Fund</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 14,878,126	\$ 893,328
Accrued interest receivable	112,745	-
Total assets	<u>14,990,871</u>	<u>893,328</u>
<b>Liabilities</b>		
Due to other governments	-	893,328
Total liabilities	<u>-</u>	<u>\$ 893,328</u>
<b>Net Assets</b>		
Held in trust for investment participants	<u>\$ 14,990,871</u>	

See accompanying notes to financial statements.

**La Paz County**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2006**

	<u>Investment Trust Fund</u>
<b>Additions:</b>	
Contributions from participants	\$ 34,511,190
Interest and dividends	901,267
Total additions	<u>35,412,457</u>
<b>Deductions:</b>	
Distributions to participants	<u>34,809,706</u>
Total deductions	<u>34,809,706</u>
Change in net assets	602,751
Net assets, July 1, 2005	<u>14,388,120</u>
Net assets, June 30, 2006	<u><u>\$ 14,990,871</u></u>

See accompanying notes to financial statements.

**La Paz County**  
**Notes to Financial Statements**  
**June 30, 2006**

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

The accounting policies of La Paz County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

**A. Reporting Entity**

The County is a general purpose local government 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:

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

## Notes to Financial Statements - Continued

---

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

#### B. Basis of Presentation

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

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

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

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

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

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

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

## Notes to Financial Statements - Continued

---

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

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

## Notes to Financial Statements - Continued

---

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

The County reports the following fund types:

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

Property taxes, sales taxes, 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.

## Notes to Financial Statements - Continued

---

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

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

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

#### D. Cash and Investments

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

#### E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2006, 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.

**Notes to Financial Statements - Continued**

---

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

G. Capital Assets

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

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

	<b>Capitalization Threshold</b>	<b>Depreciation Method</b>	<b>Estimated Useful Life</b>
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.

Notes to Financial Statements - Continued

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

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, employees who accumulate unused sick leave in excess of 384 hours are paid a percentage of the excess unused sick leave based on the number of years of consecutive service with the County; therefore, the excess sick leave is accrued.

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

Ten General Fund departments had an excess of actual expenditures over appropriations.

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

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

**Deficit fund balances or net assets**—At June 30, 2006, the following funds reported significant deficits greater than \$5,000 in fund balances or net assets:

<b>Fund</b>	<b>Deficit</b>
<b>Governmental funds:</b>	
Emergency Services	190,862
Wenden Road Flood	42,166
Rabies Control	185,391
La Paz Extension Fund	233,966
Health Department	887,376
La Paz County Park	231,935

**Notes to Financial Statements - Continued**

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

Park Grants	54,115
Workers Investment Act PY 99	78,803
Workers Investment Act Year 1	11,290
Parent Education Fund	5,299
Arizona Outdoor Recreation Coordinating Commission Boat Patrol Grant	66,345
Arizona Criminal Justice Commission Drug Enforcement	94,566
Fill the Gap Pre-sentence	19,960
Adult State Aid Enhancement	19,029
Task Force Prosecutor	65,365
Parker Library	258,751
Criminal Justice Enhancement Fund	14,883
Community Development Block Grant	121,618
Child Support Program	169,382
SLIF Project Boats	18,788
Help Loan	25,733
Victims' Rights	13,605
Bio Terrorism	11,113
Local Law Enforcement Grant	119,399
Highway Safety Grant	22,861
Cops in School	90,819
Juvenile Division Consequences	6,303
JP5 Court Enhancement	39,003
High Intensity Drug Trafficking Area	12,826
Capital Projects Fund	120,054
 <b>Enterprise fund:</b>	
La Paz County Golf Course	\$ 82,501

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

## Notes to Financial Statements - Continued

---

### **Note 3 - Deposits and Investments**

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

#### *Credit risk*

Statutes have the following requirements for credit risk:

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

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

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

*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.

**Notes to Financial Statements - Continued**

**Note 3 - Deposits and Investments - Continued**

At June 30, 2006, the County’s cash on hand was \$5,795. The carrying amount of the County’s total cash in the bank was \$2,178,454 and the bank balance was \$2,403,614. Of the bank balance, \$368,334 was covered by federal depository insurance and \$2,035,280 was uninsured with collateral held by the pledging financial institution’s trust department or agent in the County’s name.

*Investments*—The County’s investments at June 30, 2006, 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	\$22,994,076
U.S. Treasury money market funds	AAAm	Standard and Poor’s	1,069,116
Certificates of Deposit	Unrated	N/A	78,030
			<u>\$24,141,222</u>

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

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

*Custodial credit risk*—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy with respect to custodial credit risk. 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, 2006, \$1,069,116 of the County’s U.S. Treasury money market funds was uninsured and held by the counterparty.

**Notes to Financial Statements - Continued**

**Note 3 - Deposits and Investments - Continued**

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, 2006, 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	\$22,994,076	\$22,994,076	\$ -
U.S. Treasury money market funds	1,069,116	1,069,116	-
Certificates of deposit	78,030	78,030	-
	<u>\$24,141,222</u>	<u>\$24,141,222</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	\$ -	\$ 5,795	\$ 5,795
Carrying amount of deposits	1,434,552	743,902	2,178,454
Reported amount of investments	<u>23,072,106</u>	<u>1,069,116</u>	<u>24,141,222</u>
Total	<u>\$ 24,506,658</u>	<u>\$ 1,818,813</u>	<u>\$ 26,325,471</u>

**Notes to Financial Statements - Continued**

**Note 3 - Deposits and Investments - Continued**

Statements of Net Assets:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 9,467,420	\$ 17,480	\$ 14,878,126	\$ 893,328	\$ 25,256,354
Cash and investments held by trustee	546,711	522,406	-	-	1,069,117
	<u>\$ 10,014,131</u>	<u>\$ 539,886</u>	<u>\$ 14,878,126</u>	<u>\$ 893,328</u>	<u>\$ 26,325,471</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.

Deposit and investments of the County's primary government are included in the County treasurer's investment pool, except for \$5,795 of cash on hand, \$743,902 of deposits held in bank and \$1,069,117 of collateralized investments held in trust. Therefore, deposits and investment risk of the Treasurer's investment pool are substantially the same as the County's deposit and investment risk. See Note 3 for disclosure of the County's deposit and investment risk.

**Notes to Financial Statements - Continued**

**Note 4 - Condensed Financial Statement of County Treasurer's Investment Pool –  
Continued**

Details of the Pool's assets classification follows:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	No stated interest rate	No stated maturity	\$ 22,994,076
Certificates of deposit	1.2%-1.7%	January through April 2007	78,030
Deposits			1,434,552
Interest receivable			112,745
			<u>\$24,619,403</u>

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

**Statement of Net Assets**

Assets	\$ 24,619,403
Net assets	<u>\$ 24,619,403</u>
Net assets held in trust for:	
Internal participants	\$ 9,628,532
External participants	14,990,871
Total net assets held in trust	<u>\$ 24,619,403</u>

**Statement of Changes in Net Assets**

Total additions	\$ 65,461,092
Total deductions	63,623,967
Net increase	<u>1,837,125</u>
Net assets held in trust:	
July 1, 2005	22,782,278
June 30, 2006	<u>\$ 24,619,403</u>

**Notes to Financial Statements - Continued**

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

	<b>Primary Government</b>			
	<b>Balance July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Governmental activities:</b>				
Capital assets				
not being depreciated				
Land	\$ 630,070	\$ -	\$ -	\$ 630,070
Construction in progress	726,094	804,381	-	1,530,475
Total capital assets, not being depreciated	<u>1,356,164</u>	<u>804,381</u>	<u>-</u>	<u>2,160,545</u>
Capital assets being depreciated:				
Land improvements	49,302	-	-	49,302
Building and improvements	10,744,192	25,832	-	10,770,024
Machinery and equipment	12,913,566	851,267	440,083	13,324,750
Improvements other than buildings	573,850	10,043	-	583,893
Infrastructure	<u>1,030,557</u>	<u>483,822</u>	<u>-</u>	<u>1,514,379</u>
Total capital assets being depreciated	<u>25,311,467</u>	<u>1,370,964</u>	<u>440,083</u>	<u>26,242,348</u>
Total	<u>26,667,631</u>	<u>2,175,345</u>	<u>440,083</u>	<u>28,402,893</u>
Less accumulated depreciation for:				
Land improvements	21,308	1,738	-	23,046
Buildings and improvements	2,469,470	304,511	-	2,773,981
Improvements other than buildings	220,763	31,818	-	252,581
Machinery and equipment	8,991,280	973,837	(440,083)	9,525,034
Infrastructure	<u>60,235</u>	<u>66,706</u>	<u>-</u>	<u>126,941</u>
Total	<u>11,763,056</u>	<u>1,378,610</u>	<u>(440,083)</u>	<u>12,701,583</u>
Total capital assets				
being depreciated, net	<u>13,548,411</u>	<u>(7,646)</u>	<u>-</u>	<u>13,540,765</u>
Governmental activities capital assets, net	<u>\$ 14,904,575</u>	<u>\$ 796,735</u>	<u>\$ -</u>	<u>\$ 15,701,310</u>

**Notes to Financial Statements - Continued**

**Note 5 - Capital Assets - Continued**

	Primary Government			Balance June 30, 2006
	Balance July 1, 2005	Increases	Decreases	
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,853,930	\$ -	\$ -	\$ 2,853,930
Machinery and equipment	1,127,589	13,977	(38,373)	1,103,193
Total	3,981,519	13,977	(38,373)	3,957,123
Less accumulated depreciation for:				
Golf course and improvements	1,472,275	99,086	-	1,571,361
Machinery and equipment	703,597	71,922	(38,373)	737,146
Total	2,175,872	171,008	(38,373)	2,308,507
Business-type activities capital assets, net	\$ 1,805,647	\$ (157,031)	\$ -	\$ 1,648,616

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 208,510
Public safety	386,189
Highways and streets	573,547
Welfare	3,000
Health	111,792
Culture and recreation	87,555
Education	8,017
Total governmental activities depreciation expense	\$ 1,378,610
Business-type activities:	
Golf course	\$ 171,008
Total business-type activities depreciation expense	\$ 171,008

**Note 6 - Construction Commitments**

The County had contractual commitments related to the construction of a new Public Works building in which the remaining outstanding commitment amount was \$2,363,678 at June 30, 2006. The County has incurred costs totaling \$559,268 related to this project which is being funded by shared revenues received from the state of Arizona.

**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, 2006:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Due within 1 year</u>
<b>Governmental activities</b>					
Certificates of participation payable	\$ 1,775,000	\$ -	\$ 425,000	\$ 1,350,000	\$ 430,000
Obligations under capital leases	101,937	-	55,687	46,250	44,633
Compensated absences payable	610,531	702,837	610,531	702,837	50,047
Estimated liabilities for claims and judgments	<u>28,693</u>	<u>6,521,224</u>	<u>5,505</u>	<u>6,544,412</u>	<u>25,000</u>
Governmental activities long-term liabilities	<u>\$ 2,516,161</u>	<u>\$7,224,061</u>	<u>\$1,096,723</u>	<u>\$ 8,643,499</u>	<u>\$ 549,680</u>
<b>Business-type activities</b>					
Certificates of participation payable	\$ 1,340,000	\$ -	\$ 275,000	\$ 1,065,000	\$ 280,000
Obligations under capital leases	190,728	-	39,401	151,327	41,048
Compensated absences payable	<u>45,603</u>	<u>41,684</u>	<u>45,603</u>	<u>41,684</u>	<u>19,788</u>
Business-type activities long-term liabilities	<u>\$ 1,576,331</u>	<u>\$ 41,684</u>	<u>\$ 360,004</u>	<u>\$ 1,258,011</u>	<u>\$ 340,836</u>

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

**Notes to Financial Statements - Continued**

**Note 7 - Long-Term Liabilities - Continued**

Certificates outstanding at June 30, 2006, were as follows:

<u>Description</u>	<u>Original Maturity</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Courthouse and government center complex – 2003 refunding	\$1,165,500	2006 - 2010	2.00– 3.00%	\$ 720,000
Jail facility – series 2003 refunding	1,330,000	2006 - 2009	2.00– 3.00%	630,000
Emerald Canyon Golf Course – series 2003 refunding	1,705,500	2006 - 2010	2.00– 3.00%	1,065,000
				<u>\$ 2,415,000</u>

The following schedule details debt service requirements to maturity for the County’s certificates of participation payable as of June 30, 2006:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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>\$1,350,000</u>	<u>\$ 68,567</u>	<u>\$1,065,000</u>	<u>\$ 54,219</u>

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 170,873	\$ 210,118
Less: accumulated depreciation	( 50,974)	( 25,800)
Carrying value	<u>\$ 119,899</u>	<u>\$ 184,318</u>

**Notes to Financial Statements - Continued**

**Note 7 - Long-Term Liabilities - Continued**

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2006:

<b>Year Ending June 30,</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
2007	\$ 46,318	\$ 46,486
2008	1,630	46,486
2009	-	46,486
2010	-	23,243
Total minimum lease payments	47,948	162,701
Less amount representing interest	( 1,698)	( 11,374)
	<b>\$ 46,250</b>	<b>\$ 151,327</b>

**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

---

### Note 7 - Long-Term Liabilities - Continued

**Compensated absences**—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2006, the County paid for compensated absences as follows: 52 percent from the General Fund, 10 percent from the Road Fund, 12 percent from the Jail District Fund, 6 percent from the Enterprise Fund, and 20 percent from the other funds.

**Claims and judgments**—During the year ended June 30, 2006, the County recorded a liability totaling \$6,773,114 in connection with a September 2007 judgment concerning a contractual matter. The event, an alleged breach of contract, occurred in 2006 and accordingly, the full amount of the liability and incidental costs have been recognized.

The estimated liability is reported as a long-term liability in the Statement of Net Assets and a General Government expense in the Statement of Activities. The incremental costs incurred by the County but paid subsequent to year-end consist of outside attorney fees of \$1,045,964 in which \$272,849 were accrued as a current liability in the General Fund. The remaining attorney fees of \$773,114 are reported as a long-term liability in the Statement of Net Assets. In November 2009, the County paid \$500,000 in connection with this suit.

### 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.

## Notes to Financial Statements - Continued

---

### **Note 8 - Risk Management - Continued**

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

A County must participate in the pool at least 3 years after becoming a member; however, it may withdraw after the initial 3-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

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

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

### **Note 9 - Retirement Plans**

**Plan Descriptions**—The County contributes to the four 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.

## Notes to Financial Statements - Continued

---

### Note 9 - Retirement Plans - Continued

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.

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

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

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

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

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

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

Notes to Financial Statements - Continued

---

**Note 9 - Retirement Plans - 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 \$478,763 by the County and \$570,392 by covered employees.

*Agent plan*—For the year ended June 30, 2006, 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 16.33 percent.

**Annual Pension Cost**—The County's pension cost for the agent plan for the year ended June 30, 2006, and related information follows:

	<u>PSPRS</u>
Contribution rates:	
County	16.33%
Plan members	7.65%
Annual pension cost	\$205,576
Contributions made	\$205,576

The current-year annual required contribution for the PSPRS was determined as part of their June 30, 2004, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 8.75 percent investment rate of return and (b) projected salary increases ranging from 6.25 percent to 9.25 percent per year. Both (a) and (b) included an inflation component of 5.25 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 7-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004, was 20 years.

**Notes to Financial Statements - Continued**

**Note 9 - Retirement Plans - 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	2006	\$ 205,576	100%	\$0
	2005	178,894	100%	0
	2004	164,042	100%	0

*Cost-sharing plan*—For the year ended June 30, 2006, active EORP members were required by statute to contribute 7 percent of the members’ annual covered payroll. During the years ended June 30, 2006, 2005 and 2004, employee contributions to the plan were \$56,894, \$52,585 and \$54,597, 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 of the members’ covered payroll during 2006 and 2005, and 6 percent for 2004. The County’s contributions to EORP for the years ended June 30, 2006, 2005 and 2004 were \$103,554, \$45,073 and \$46,798, which equaled the required contributions for the year.

*Cost-sharing-plans*—For the year ended June 30, 2006, active ASRS members and the County were required by statute to contribute at the actuarially determined rate of 7.4 percent (6.9 percent for retirement and 0.5 percent for long-term disability) of the members’ annual covered payroll. Both the County and covered employees made the required contributions of 6.9 percent for retirement and 0.5 percent for long-term disability amounting to contributions of \$142,202 by the County and \$142,202 by covered employees.

**Note 10 - Interfund Balances and Activity**

**Interfund receivables and payables**—Interfund balances at June 30, 2006, were as follows:

**Notes to Financial Statements - Continued**

**Note 10 - Interfund Balances and Activity - Continued**

	Payable To				Total
	General Fund	Road Fund	Jail District Fund	Nonmajor Governmental Funds	
<b>Payable from</b>					
General Fund	\$ -	\$ 69,118	\$ 132,907	\$ 70,461	\$ 272,486
Road Fund	432,900	-	-	-	432,900
Jail District Fund	478,970	-	-	-	478,970
Nonmajor					
Governmental Funds	898,901	-	-	-	898,901
Golf Course Fund	981,480	-	-	-	981,480
	<u>\$ 2,792,251</u>	<u>\$ 69,118</u>	<u>\$ 132,907</u>	<u>\$ 70,461</u>	<u>\$ 3,064,737</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Except for interfund balances between the General Fund and certain Nonmajor Governmental Funds and the Golf Course Fund, all interfund balances are expected to be repaid within 1 year from the date of the financial statements.

**Interfund transfers**—Interfund transfers for the year ended June 30, 2006, were as follows:

	Transfer To			Total
	General Fund	Golf Course Fund	Nonmajor Governmental Funds	
<b>Transfer from</b>				
General Fund	\$ -	\$ 3,944	\$ 1,262	\$ 5,206
Jail District Fund	319,773	48,498	-	368,271
Nonmajor				
Governmental Funds	-	-	158,673	158,673
	<u>\$ 319,773</u>	<u>\$ 52,442</u>	<u>\$ 159,935</u>	<u>\$ 532,150</u>

Transfers were primarily used to move unrestricted revenues collected in the jail district fund to the general fund and golf course fund, to supplement operations in accordance with budgetary authorizations.

**Required Supplementary Information**

**La Paz County**  
**Required Supplementary Information**  
**Schedule of Agent Retirement Plan's Funding Progress**  
**June 30, 2006**

---

**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)
06/30/06	\$ 5,415,526	\$8,079,282	\$(2,663,756)	67.0%	\$1,521,862	175.0%
06/30/05	\$ 5,318,584	\$7,206,347	\$(1,887,763)	73.8%	\$1,402,295	134.6%
06/30/04	\$ 5,151,913	\$6,204,379	\$(1,052,466)	83.0%	\$1,444,771	72.8%

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2006**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>			
Taxes	\$ 4,882,123	\$ 4,858,772	\$ (23,351)
Licenses and permits	362,500	281,716	(80,784)
Fees, fines, and forfeits	730,000	1,097,028	367,028
Intergovernmental	3,707,483	4,047,780	340,297
Charges for services	998,533	928,643	(69,890)
Investment income	70,000	156,045	86,045
Miscellaneous	427,750	20,660	(407,090)
Total revenues	<u>11,178,389</u>	<u>11,390,644</u>	<u>212,255</u>
<b>Expenditures:</b>			
<b>Current:</b>			
<b>General government</b>			
Assessor	399,263	384,268	14,995
County attorney	571,448	522,216	49,232
Board of supervisors	541,409	499,250	42,159
Clerk of the superior court	365,119	327,678	37,441
Constable	2,500	-	2,500
Elections	56,743	45,449	11,294
Justice of the Peace #4	334,991	403,656	(68,665)
Justice of the Peace #5	167,768	209,708	(41,940)
Justice of the Peace #6	248,976	300,269	(51,293)
Planning and zoning	462,411	440,816	21,595
Recorder	218,874	202,395	16,479
Superior court	428,408	878,281	(449,873)
Treasurer	248,483	235,768	12,715
Contingency	708,123	-	708,123
Management information services	155,523	158,273	(2,750)
Public defender	557,405	368,218	189,187
General administration	348,890	291,207	57,683
Finance personnel	234,306	231,126	3,180
GIS/Master planning	23,052	16,288	6,764
Facilities Management	467,605	436,274	31,331
Total general government	<u>6,541,297</u>	<u>5,951,140</u>	<u>590,157</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund - Continued**  
**Year Ended June 30, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 577,887	\$ 551,251	\$ 26,636
Sheriff	2,288,380	2,406,383	(118,003)
Probation	115,505	115,427	78
Aircraft	18,250	16,149	2,101
Maintenance of effort	600,543	600,543	-
Juvenile probation	93,989	101,071	(7,082)
Total public safety	<u>3,694,554</u>	<u>3,790,824</u>	<u>(96,270)</u>
Sanitation:			
Sanitary landfill	10,000	485,119	(475,119)
Total sanitation	<u>10,000</u>	<u>485,119</u>	<u>(475,119)</u>
Health:			
Indigent health	409,338	450,619	(41,281)
County long term care ALTCS	859,492	797,064	62,428
C.M.I (chronically mental ill)	82,650	63,171	19,479
Health department transit	163,959	124,952	39,007
Total health	<u>1,515,439</u>	<u>1,435,806</u>	<u>79,633</u>
Welfare:			
Public fiduciary	105,714	112,042	(6,328)
Total welfare	<u>105,714</u>	<u>112,042</u>	<u>(6,328)</u>
Education:			
School superintendent	178,891	169,697	9,194
Total education	<u>178,891</u>	<u>169,697</u>	<u>9,194</u>
Total expenditures	<u>12,045,895</u>	<u>11,944,628</u>	<u>101,267</u>
Excess (deficiency) of revenues over expenditures	<u>(867,506)</u>	<u>(553,984)</u>	<u>313,522</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund - Continued**  
**Year Ended June 30, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Transfers in	452,591	319,773	(132,818)
Transfers out	<u>(452,591)</u>	<u>(5,206)</u>	<u>447,385</u>
Total other financing sources (uses)	<u>-</u>	<u>314,567</u>	<u>314,567</u>
Net change in fund balances	(867,506)	(239,417)	628,089
Fund balances, July 1, 2005	<u>867,506</u>	<u>4,265,993</u>	<u>3,133,240</u>
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ 4,026,576</u>	<u>\$ 3,761,329</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Road Fund**  
**Year Ended June 30, 2006**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>Revenues:</b>			
Taxes	\$ 500,000	\$ 589,376	\$ 89,376
Intergovernmental	5,375,000	3,885,012	(1,489,988)
Investment income	30,000	86,892	56,892
Miscellaneous	17,000	196,069	179,069
Total revenues	<u>5,922,000</u>	<u>4,757,349</u>	<u>(1,164,651)</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Highways and streets	8,002,595	4,502,322	3,500,273
Total expenditures	<u>8,002,595</u>	<u>4,502,322</u>	<u>3,500,273</u>
Net change in fund balances	<u>(2,080,595)</u>	<u>255,027</u>	<u>2,335,622</u>
Fund balances, July 1, 2005	<u>2,080,595</u>	<u>2,099,101</u>	<u>18,506</u>
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ 2,354,128</u>	<u>\$ 2,354,128</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, 2006**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
Revenues	\$ -	\$ -	\$ -
Expenditures:			
Current:			
Highways and streets	575,000	187,520	387,480
Total expenditures	<u>575,000</u>	<u>187,520</u>	<u>387,480</u>
Net change in fund balances	<u>(575,000)</u>	<u>(187,520)</u>	<u>(387,480)</u>
Fund balances, July 1, 2005	<u>575,000</u>	<u>3,154,717</u>	<u>2,579,717</u>
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ 2,967,197</u>	<u>\$ 2,192,237</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Jail District Fund**  
**Year Ended June 30, 2006**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Taxes	\$ 1,000,000	\$ 1,147,361	\$ 147,361
Intergovernmental	600,543	600,543	-
Charges for services	1,600,000	2,104,929	504,929
Investment income	11,500	20,647	9,147
Miscellaneous	-	29	29
Total revenues	<u>3,212,043</u>	<u>3,873,509</u>	<u>661,466</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Public safety	4,405,714	2,903,694	1,502,020
<b>Debt Service:</b>			
Principal retirement	235,000	235,000	-
Interest and fiscal charges	24,575	21,775	2,800
Total expenditures	<u>4,665,289</u>	<u>3,160,469</u>	<u>1,504,820</u>
Excess of revenues over expenditures	<u>(1,453,246)</u>	<u>713,040</u>	<u>2,166,286</u>
<b>Other financing sources (uses):</b>			
Transfers in	1,500,000	(368,271)	1,868,271
Net change in fund balances	46,754	344,769	4,034,557
Fund balances, July 1, 2005	<u>(46,754)</u>	<u>516,677</u>	<u>563,431</u>
Fund balances, June 30, 2006	<u>\$ -</u>	<u>\$ 861,446</u>	<u>\$ 4,597,988</u>

See accompanying notes to budgetary comparison schedule.

**La Paz County**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2006**

---

**Note 1 - Budgeting and Budgetary Control**

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

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

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

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

**Note 2 - Budgetary Basis of Accounting**

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

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

For the year ended June 30, 2006, 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, 2006**

---

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

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Justice of the Peace # 4	68,665
Justice of the Peace # 5	41,940
Justice of the Peace # 6	51,293
Superior Court	449,873
Management information systems	2,750
Sheriff	118,003
Juvenile probation	7,082
Sanitary landfill	475,119
Indigent health	41,281
Public Fiduciary	6,328

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

(This page intentionally left blank)