

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Board of Supervisors
La Paz County, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of La Paz County, Arizona (County), as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008, which represents changes in accounting principles.

The Management's Discussion and Analysis on pages 3 through 11, the Schedule of Agent Retirement Plan's Funding Progress on page 48, and the Budgetary Comparison Schedules on pages 49 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

September 29, 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, 2008. 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 \$68,080,276 (net assets). Of this amount, \$12,255,605 is a deficit in unrestricted net assets, \$7,446,914 is restricted for specific purposes (restricted net assets), and \$72,888,967 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities decreased by \$4,789,223. The decrease is due primarily from an increase in claims and judgments liabilities related to a lawsuit in which the County has been unsuccessful in appealing the verdict.
- At June 30, 2008 the governmental funds reported combined fund balances of \$6,608,881, a decrease of \$1,354,402 in comparison with the prior year. Approximately 94% of the combined fund balances, or \$6,179,427 is available to meet the County's current and future needs (unreserved fund balance).
- At June 30, 2008 unreserved fund balance for the general fund was \$1,075,573 or 8% 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 24 of this report for more information on the County's component units.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds 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.

Management's Discussion and Analysis - Continued

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

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

The enterprise fund financial statements can be found on pages 18-21 of this report.

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

The fiduciary funds financial statements can be found on pages 22-23 of this report.

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

The notes can be found on pages 24-47 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 48-55 of this report.

Government-Wide Financial Analysis

Net Assets

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

Management's Discussion and Analysis - Continued

The following table summarizes the Statement of Net Assets at June 30, 2008 and 2007:

	2008	2007	2008	2007	2008	2007
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total
Current and other assets	\$ 9,293,644	\$ 9,916,206	\$ (522,338)	\$ (494,526)	\$ 8,771,306	\$ 9,421,680
Capital assets	74,546,095	72,566,724	1,407,464	1,572,259	75,953,559	74,138,983
Total assets	<u>83,839,739</u>	<u>82,482,930</u>	<u>885,126</u>	<u>1,077,733</u>	<u>84,724,865</u>	<u>83,560,663</u>
Current and other liabilities	2,571,975	1,875,195	46,562	34,092	2,618,537	1,909,287
Long-term liabilities	13,409,408	7,836,650	616,644	945,227	14,026,052	8,781,877
Total liabilities	<u>15,981,383</u>	<u>9,711,845</u>	<u>663,206</u>	<u>979,319</u>	<u>16,644,589</u>	<u>10,691,164</u>
Net assets						
Invested in capital assets, net of related debt	72,044,020	71,645,108	844,947	676,980	72,888,967	72,322,088
Restricted	6,945,881	6,099,573	501,033	525,096	7,446,914	6,624,669
Unrestricted net assets (deficit)	(11,131,545)	(4,973,596)	(1,124,060)	(1,103,662)	(12,255,605)	(6,077,258)
Total net assets	<u>\$ 67,858,356</u>	<u>\$ 72,771,085</u>	<u>\$ 221,920</u>	<u>\$ 98,414</u>	<u>\$ 68,080,276</u>	<u>\$ 72,869,499</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 \$68,080,276 at June 30, 2008 which is primarily the result of the County's investment in long-lived assets.

Governmental activities current and other assets decreased by \$622,562 caused primarily by the use of cash from operations and capital outlays. Current liabilities increased by \$696,780 primarily due to an increase in accounts payables to construction contractors at year-end.

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:

	2008 Governmental Activities	2007 Governmental Activities	2008 Business-Type Activities	2007 Business-Type Activities	2008 Total	2007 Total
Revenues						
Program revenues:						
Charges for services	\$ 6,240,706	\$ 6,211,217	\$ 1,636,676	\$ 1,638,245	\$ 7,877,382	\$ 7,849,462
Operating grants & contributions	6,207,174	5,564,584	8,500	-	6,215,674	5,564,584
Capital grants & contributions	4,221,724	4,946,588	-	-	4,221,724	4,946,588
General revenues:						
Property taxes	3,708,512	3,575,855	-	-	3,708,512	3,575,855
Share of state sales taxes	1,950,464	2,024,497	-	-	1,950,464	2,024,497
Excise tax	2,244,534	2,335,951	-	-	2,244,534	2,335,951
Payments in lieu of taxes	1,248,672	1,248,580	-	-	1,248,672	1,248,580
Vehicle license tax	1,146,985	1,178,431	-	-	1,146,985	1,178,431
Share of state lottery	550,035	550,035	-	-	550,035	550,035
Investment earnings	296,119	455,480	9,849	15,433	305,968	470,913
Miscellaneous	336,131	270,976	-	-	336,131	270,976
Total revenues	<u>28,151,056</u>	<u>28,362,194</u>	<u>1,655,025</u>	<u>1,653,678</u>	<u>29,806,081</u>	<u>30,015,872</u>
Expenses						
General government	12,209,236	7,899,523	-	-	12,209,236	7,899,523
Public safety	10,921,813	9,681,319	-	-	10,921,813	9,681,319
Highways and streets	5,859,336	5,523,700	-	-	5,859,336	5,523,700
Sanitation	15,631	80,994	-	-	15,631	80,994
Health	2,508,133	2,231,934	-	-	2,508,133	2,231,934
Welfare	377,741	412,658	-	-	377,741	412,658
Culture and recreation	904,628	948,293	1,531,519	1,472,763	2,436,147	2,421,056
Education	244,360	191,028	-	-	244,360	191,028
Interest on long-term debt	22,907	32,668	-	-	22,907	32,668
Total expenses	<u>33,063,785</u>	<u>27,002,117</u>	<u>1,531,519</u>	<u>1,472,763</u>	<u>34,595,304</u>	<u>28,474,880</u>
Change in net assets	(4,912,729)	1,360,077	123,506	180,915	(4,789,223)	1,540,992
Beginning net assets (deficit), as restated	72,771,085	71,411,008	98,414	(82,501)	72,869,499	71,328,507
Ending net assets (deficit)	<u>\$ 67,858,356</u>	<u>\$ 72,771,085</u>	<u>\$ 221,920</u>	<u>\$ 98,414</u>	<u>\$ 68,080,276</u>	<u>\$ 72,869,499</u>

As previously discussed, net assets of the governmental activities decreased during the year by \$4,912,729. The decrease is due primarily from an increase in claims and judgment liabilities recognized during 2008. Overall program and general revenues are consistent generally with prior year, however, expenses increased by over \$6 million due to the recognition of the claims expense and overall increase in expenses incurred in connection with providing services to the County's citizens.

Also, the business-type activity reflected an unrestricted net assets deficit of \$1,124,060 at June 30, 2008, which resulted primarily from net losses incurred since inception that have not yet been recovered.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds – The focus of the County's governmental funds is to provide information of near-term inflows, outflows, and balances of useable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2008 the County's governmental funds reported combined fund balances of \$6,608,881, a decrease of \$1,354,402 in comparison with the prior year. Approximately 94% of the combined fund balances, \$6,179,427, 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.

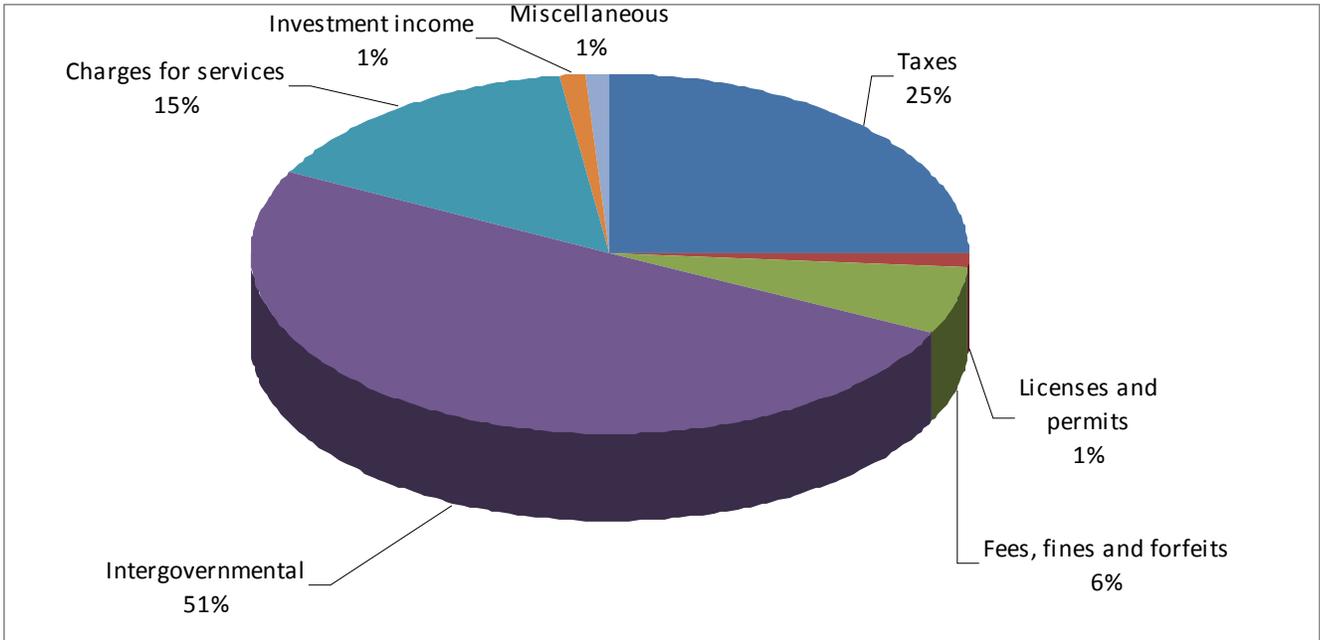
The General Fund is the County's primary operating fund. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,075,573. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 8% of total General Fund expenditures while total fund balance represents 10% of that same amount.

The Jail District Fund is a major County fund used to report the activity of the County jail. During 2008 the Fund's overall revenues decreased from 2007 because of a decrease in revenues related to inmate housing activity while its expenditures increased for capital outlays related to the expansion of its facilities.

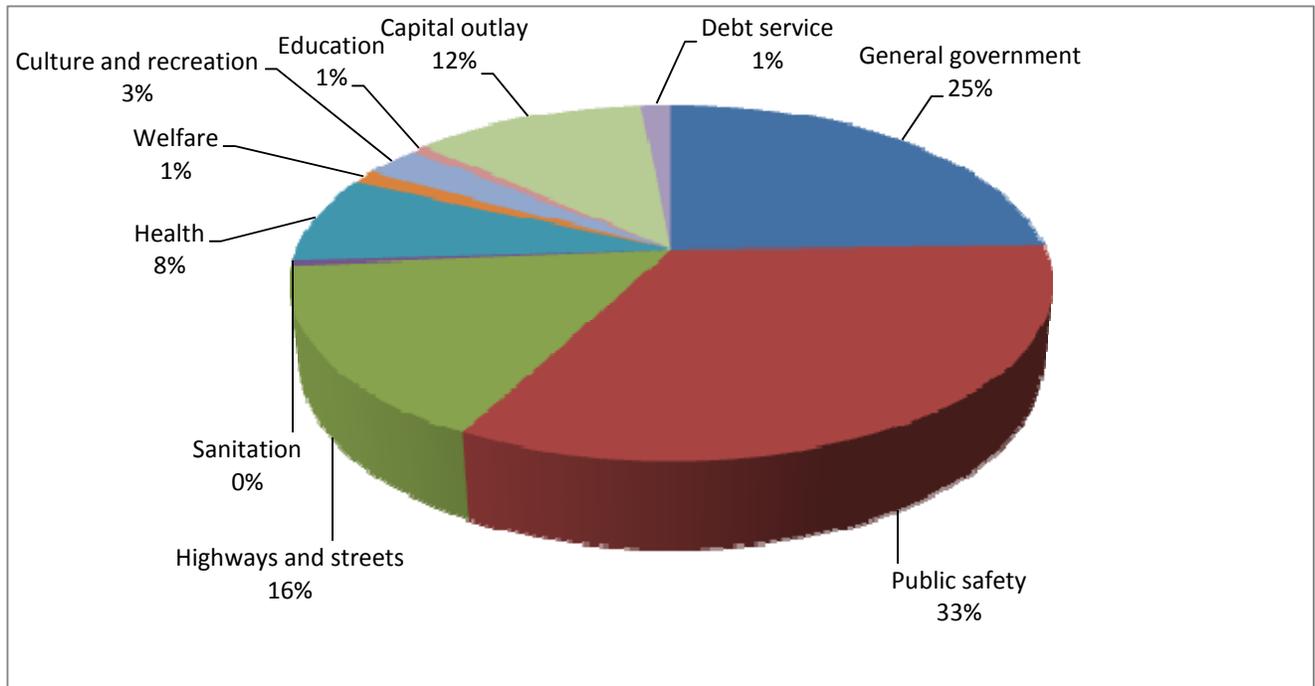
The Golf Course Fund is an enterprise fund of the County that had an increase of \$123,506 in net assets which was down from the prior year by \$57,409 due primarily from a slight increase in operating expenses.

Management's Discussion and Analysis - Continued

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



Revenues generally remained consistent with prior year with slight decreases in most revenue types except for fees, fines, and forfeits and miscellaneous revenues which increased during 2008.



Management's Discussion and Analysis - Continued

During 2008, the largest portion of the County's expenditures continued to be for public safety and general government functions. Capital outlays increased during the year due to the expansion of jail facilities and the purchase of water rights from the neighboring Colorado River. Highway and Street expenditures decreased due to fewer road improvement projects during 2008.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2007-08 adopted budget for the General Fund. General Fund actual expenditures were \$0.5 million under the adopted budget and actual revenues were less than estimated revenues by \$0.6 million.

Fees, fines and forfeits were greater than anticipated due to an increase in fines and fees from the Justice Courts. Investment income was less than anticipated due to unexpected decreases in the interest rates earned on County cash and investments during 2008. Budgeted miscellaneous revenues are for various non-exchange transactions in which several did not commence during 2008.

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

- The contingency line item exceeded its budget by 32% due to an unbudgeted purchase of water rights during 2008.
- The Superior Court exceeded its budget by 11% due to an increase in contracted outside legal costs related to rising indigent defense.
- The landfill exceeded its budget due to legal costs incurred in connection with the ongoing litigation involving the judgment further discussed in Note 7.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2008 amounted to \$75.9 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets increased 2% from the prior period. Major capital asset events during the current fiscal year included outlays for expansion of the County's jail district facility, the purchase of water rights, continued outlays to complete the County's new public works building, outlays for the road construction projects, and outlays for machinery and equipment used in operations.

Additional information on the County's capital assets activity and balances can be found in Note 5 of the notes to the financial statements on pages 36-37 of this report.

Management's Discussion and Analysis - Continued

Long-Term Liabilities

At June 30, 2008 the County had total long-term liabilities outstanding of \$14,026,052. This amount consists primarily of obligations under capital leases of \$2.1 million and \$10 million in claims and judgments. Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 38-41 of this report.

Economic Factors

- The ultimate settlement of the lawsuit in which the County has accrued a \$10 million liability is unknown. However, the County continues to pursue mutually agreeable settlement options.
- Due to the current economic environment, it is anticipated that future shared revenue received from the State of Arizona and property and sales tax revenues will continue to decrease.
- The County has taken into consideration the above economic factors in preparing future years' budgets.

Request for Information

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

Basic Financial Statements

La Paz County
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,105,984	\$ 23,200	\$ 6,129,184
Property taxes receivables	158,506	-	158,506
Internal balances	1,057,428	(1,057,428)	-
Due from:			
Others	80,234	4,567	84,801
Other governments	1,462,038	-	1,462,038
Prepaid items	4,939	6,290	11,229
Cash and investments held by trustee - restricted for debt service	424,515	501,033	925,548
Capital assets, not being depreciated	46,303,307	-	46,303,307
Capital assets, being depreciated, net	28,242,788	1,407,464	29,650,252
Total assets	<u>83,839,739</u>	<u>885,126</u>	<u>84,724,865</u>
Liabilities			
Accounts payable	1,219,445	28,319	1,247,764
Accrued liabilities	478,251	18,243	496,494
Due to:			
Others	218,854	-	218,854
Other governments	655,425	-	655,425
Noncurrent liabilities:			
Due within one year	438,261	347,037	785,298
Due in more than one year	12,971,147	269,607	13,240,754
Total liabilities	<u>15,981,383</u>	<u>663,206</u>	<u>16,644,589</u>
Net Assets			
Invested in capital assets, net of related debt	72,044,020	844,947	72,888,967
Restricted for:			
Highways and streets	3,491,635	-	3,491,635
Sanitation	83,558	-	83,558
Health	54,323	-	54,323
Debt service	424,515	501,033	925,548
Other purposes	2,891,850	-	2,891,850
Unrestricted (deficit)	(11,131,545)	(1,124,060)	(12,255,605)
Total net assets	<u>\$ 67,858,356</u>	<u>\$ 221,920</u>	<u>\$ 68,080,276</u>

See accompanying notes to financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 12,209,236	\$ 3,115,962	\$ 1,067,794	\$ 4,621	\$ (8,020,859)	\$ -	\$ (8,020,859)
Public safety	10,921,813	2,113,119	4,523,165	-	(4,285,529)	-	(4,285,529)
Highways and streets	5,859,336	-	118,251	4,217,103	(1,523,982)	-	(1,523,982)
Sanitation	15,631	-	59,318	-	43,687	-	43,687
Health	2,508,133	174,774	270,725	-	(2,062,634)	-	(2,062,634)
Welfare	377,741	115,318	98,164	-	(164,259)	-	(164,259)
Culture and recreation	904,628	721,533	69,757	-	(113,338)	-	(113,338)
Education	244,360	-	-	-	(244,360)	-	(244,360)
Interest on long-term debt	22,907	-	-	-	(22,907)	-	(22,907)
Total governmental activities	<u>33,063,785</u>	<u>6,240,706</u>	<u>6,207,174</u>	<u>4,221,724</u>	<u>(16,394,181)</u>	<u>-</u>	<u>(16,394,181)</u>
Business-type activities							
Golf course	<u>1,531,519</u>	<u>1,636,676</u>	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>113,657</u>	<u>113,657</u>
Total business-type activities	<u>1,531,519</u>	<u>1,636,676</u>	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>113,657</u>	<u>113,657</u>
Total primary government	<u>\$ 34,595,304</u>	<u>\$ 7,877,382</u>	<u>\$ 6,215,674</u>	<u>\$ 4,221,724</u>	<u>(16,394,181)</u>	<u>113,657</u>	<u>(16,280,524)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					3,700,932	-	3,700,932
Property taxes levied for special districts					7,580	-	7,580
Excise tax					2,244,534	-	2,244,534
Payments in lieu of taxes					1,248,672	-	1,248,672
Share of state sales taxes					1,950,464	-	1,950,464
Vehicle license tax					1,146,985	-	1,146,985
Share of state lottery					550,035	-	550,035
Investment earnings					296,119	9,849	305,968
Miscellaneous					336,131	-	336,131
Total general revenues					<u>11,481,452</u>	<u>9,849</u>	<u>11,491,301</u>
Changes in net assets					(4,912,729)	123,506	(4,789,223)
Net assets - July 1, 2007					72,771,085	98,414	72,869,499
Net assets - June 30, 2008					<u>\$ 67,858,356</u>	<u>\$ 221,920</u>	<u>\$ 68,080,276</u>

See accompanying notes to financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2008**

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 855,365	\$ 1,136,456	\$ 569,625	\$ 848,843	\$ 2,695,695	\$ 6,105,984
Cash and investments held by trustee	263,404	-	-	161,111	-	424,515
Property tax receivables	158,291	-	-	-	215	158,506
Due from:						
Others	46,969	-	-	1,885	31,380	80,234
Other funds	3,319,613	-	2,132,383	-	48,209	5,500,205
Other governments	370,832	405,675	-	335,022	350,509	1,462,038
Prepaid items	3,848	500	-	38	553	4,939
Total assets	<u>\$ 5,018,322</u>	<u>\$ 1,542,631</u>	<u>\$ 2,702,008</u>	<u>\$ 1,346,899</u>	<u>\$ 3,126,561</u>	<u>\$ 13,736,421</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 286,215	\$ 614,467	\$ 3,508	\$ 90,309	\$ 224,946	\$ 1,219,445
Accrued liabilities	272,104	45,593	-	51,352	109,202	478,251
Due to:						
Others	168,624	-	-	50,048	182	218,854
Other governments	655,425	-	-	-	-	655,425
Other funds	2,180,592	88,203	-	775,496	1,398,486	4,442,777
Deferred revenue	112,537	-	-	-	251	112,788
Total liabilities	<u>3,675,497</u>	<u>748,263</u>	<u>3,508</u>	<u>967,205</u>	<u>1,733,067</u>	<u>7,127,540</u>
Fund balances:						
Reserved for:						
Certificates of participation payment	263,404	-	-	161,111	-	424,515
Prepaid items	3,848	500	-	38	553	4,939
Unreserved, reported in:						
General fund	1,075,573	-	-	-	-	1,075,573
Special revenue funds	-	793,868	2,698,500	218,545	1,392,941	5,103,854
Total fund balances	<u>1,342,825</u>	<u>794,368</u>	<u>2,698,500</u>	<u>379,694</u>	<u>1,393,494</u>	<u>6,608,881</u>
Total liabilities and fund balances	<u>\$ 5,018,322</u>	<u>\$ 1,542,631</u>	<u>\$ 2,702,008</u>	<u>\$ 1,346,899</u>	<u>\$ 3,126,561</u>	<u>\$ 13,736,421</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, 2008

Fund balances—total governmental funds	\$	6,608,881
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$120,545,139 and the accumulated depreciation is \$45,999,044.		74,546,095
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.		112,788
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds:		
Certificates of participation	\$ (480,000)	
Obligation under capital lease	(2,022,075)	
Compensated absences	(898,968)	
Estimated liabilities for claims and judgments	(10,008,365)	(13,409,408)
Net assets of governmental activities	\$	<u><u>67,858,356</u></u>

See accompanying notes to financial statements.

La Paz County
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2008

	Major Funds					Total Governmental Funds
	General Fund	Road Fund	Business 95 Road Improvement Fund	Jail District Fund	Other Governmental Funds	
Revenues:						
Taxes	\$ 5,358,480	\$ 576,643	\$ -	\$ 1,122,266	\$ 7,580	\$ 7,064,969
Licenses and permits	271,266	-	-	-	11,214	282,480
Fees, fines, and forfeits	1,664,832	-	-	-	9,363	1,674,195
Intergovernmental	3,875,781	4,217,103	-	648,986	5,446,724	14,188,594
Charges for services	905,047	-	-	2,069,050	1,309,934	4,284,031
Investment income	92,625	53,100	-	47,178	103,216	296,119
Miscellaneous	87,110	-	-	6,241	242,776	336,127
Total revenues	<u>12,255,141</u>	<u>4,846,846</u>	<u>-</u>	<u>3,893,721</u>	<u>7,130,807</u>	<u>28,126,515</u>
Expenditures:						
Current:						
General government	6,247,797	-	-	-	1,531,481	7,779,278
Public safety	4,275,141	-	-	3,373,827	2,748,651	10,397,619
Highways and streets	-	4,807,058	216,332	-	9,043	5,032,433
Sanitation	107,531	-	-	-	15,631	123,162
Health	1,279,139	-	-	-	1,186,155	2,465,294
Welfare	124,521	-	-	-	254,047	378,568
Culture and recreation	-	-	-	-	904,132	904,132
Education	184,679	-	-	-	59,252	243,931
Capital outlay	1,348,831	-	-	1,701,850	661,508	3,712,189
Debt service:						
Principal	196,617	-	-	245,000	-	441,617
Interest	13,681	-	-	11,088	-	24,769
Total expenditures	<u>13,777,937</u>	<u>4,807,058</u>	<u>216,332</u>	<u>5,331,765</u>	<u>7,369,900</u>	<u>31,502,992</u>
Excess (deficiency) of revenues over expenditures	(1,522,796)	39,788	(216,332)	(1,438,044)	(239,093)	(3,376,477)
Other financing sources (uses):						
Capital lease agreement	-	-	-	2,022,075	-	2,022,075
Transfers in	960,000	-	-	833	2,439,275	3,400,108
Transfers out	<u>(2,439,002)</u>	<u>(1,106)</u>	<u>-</u>	<u>(960,000)</u>	<u>-</u>	<u>(3,400,108)</u>
Total other financing sources and uses	(1,479,002)	(1,106)	-	1,062,908	2,439,275	2,022,075
Net change in fund balances	<u>(3,001,798)</u>	<u>38,682</u>	<u>(216,332)</u>	<u>(375,136)</u>	<u>2,200,182</u>	<u>(1,354,402)</u>
Fund balances, July 1, 2007	<u>4,344,623</u>	<u>755,686</u>	<u>2,914,832</u>	<u>754,830</u>	<u>(806,688)</u>	<u>7,963,283</u>
Fund balances, June 30, 2008	<u>\$ 1,342,825</u>	<u>\$ 794,368</u>	<u>\$ 2,698,500</u>	<u>\$ 379,694</u>	<u>\$ 1,393,494</u>	<u>\$ 6,608,881</u>

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, 2008

Net change in fund balances-total governmental funds \$ (1,354,402)

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	\$ 5,581,410	
Depreciation expense	(3,591,490)	
Net loss incurred on the disposal of capital assets.	(10,549)	1,979,371

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

Certificates of participation	440,000	
Capital leases	1,617	441,617

The issuance of long-term debt under a lease purchase agreement provides current financial resources to governmental funds; however, issuances do not affect net assets balances. This amount is the amount of proceeds from a capital lease during the year. (2,022,075)

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	(108,654)	
Increase in estimated liabilities for claims and judgments	(3,883,646)	(3,992,300)

Collections of revenues in the governmental funds were less than the accrual basis revenues reported in the Statement of Activities. 35,060

Change in net assets of governmental activities \$ (4,912,729)

See accompanying notes to financial statements.

La Paz County
Statement of Net Assets
Proprietary Fund
June 30, 2008

	Business-Type Activities- Enterprise Fund Golf Course Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 23,200
Prepaid items	6,290
Due from others	4,567
Total current assets	34,057
Noncurrent assets:	
Restricted assets:	
Cash and investments held by trustee	501,033
Capital assets, net of accumulated depreciation	1,407,464
Total noncurrent assets	1,908,497
Total assets	1,942,554
Liabilities	
Current liabilities:	
Accounts payable	28,319
Accrued payroll and employee benefits	18,243
Due to General Fund	1,057,428
Capital lease, current portion	44,459
Certificates of participation payable, current portion	295,000
Compensated absences payable, current portion	7,578
Total current liabilities	1,451,027
Noncurrent liabilities:	
Capital lease payable	23,058
Certificates of participation payable	200,000
Compensated absences payable	46,549
Total noncurrent liabilities	269,607
Total liabilities	1,720,634
Net Assets	
Invested in capital assets, net of related debt	844,947
Restricted for debt service	501,033
Unrestricted (deficit)	(1,124,060)
Total net assets	\$ 221,920

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, 2008

	Business-Type Activities- Enterprise Fund Golf Course Fund
Operating revenues:	
Golf course fees	\$ 1,645,173
Operating expenses:	
Personnel services	757,841
Professional services	78,016
Supplies	132,920
Communication	5,539
Utilities	68,027
Repairs and maintenance	228,325
Depreciation	181,094
Other	38,638
Leases and rents	23,820
Total operating expenses	1,514,220
Operating income	130,953
Nonoperating revenues (expenses):	
Investment income	9,852
Interest expense	(17,299)
Total nonoperating revenues (expenses)	(7,447)
Increase in net assets	123,506
Total net assets, July 1, 2007	98,414
Total net assets, June 30, 2008	\$ 221,920

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2008

	Business-Type Activities- Enterprise Fund	Golf Course Fund
Cash flows from operating activities:		
Receipts from customers	\$ 1,647,606	
Payments to suppliers and providers of goods and services	(561,701)	
Payments to employees	(749,088)	
Net cash provided by operating activities	336,817	
Cash flows from noncapital financing activities:		
Negative cash balance implicitly financed	1,057,428	
Negative cash balance implicitly repaid	(1,070,742)	
Net cash used for noncapital financing activities	(13,314)	
Cash flows from capital and related financing activities:		
Purchase of capital assets		(16,299)
Principal paid on capital leases		(42,762)
Principal paid on certificates of participation		(290,000)
Interest paid on certificates of participation		(17,299)
Net cash used for capital and related financing activities		(366,360)
Cash flows from investing activities:		
Interest received on investments		9,852
Net cash provided by investing activities		9,852
Net decrease in cash and cash equivalents		(33,005)
Cash and cash equivalents, July 1, 2007		557,238
Cash and cash equivalents, June 30, 2008	\$	524,233
Reconciliation of total cash and cash equivalents:		
Cash and cash equivalents	\$	23,200
Cash and investments held by trustee		501,033
	\$	524,233

(continued)

See accompanying notes to financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2008

		<u>Business-Type Activities- Enterprise Fund Golf Course Fund</u>
Reconciliation of operating		
income to net cash provided by operating activities:		
Operating income	\$	130,953
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>		
Depreciation		181,094
Changes in assets and liabilities:		
Decrease in prepaid items		5,688
Decrease in due from others		2,433
Decrease in due to others		(684)
Increase in accounts payable		7,897
Increase in accrued payroll and employee benefits		5,257
Increased in compensated absences payable		4,179
Net cash provided by operating activities	\$	<u>336,817</u>

See accompanying notes to financial statements.

La Paz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 16,874,377	\$ 852,896
Accrued interest receivable	7,902	-
Total assets	16,882,279	852,896
Liabilities		
Due to other governments	-	852,896
Total liabilities	-	\$ 852,896
Net Assets		
Held in trust for investment participants	\$ 16,882,279	

See accompanying notes to financial statements.

La Paz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 35,817,675
Interest and dividends	790,085
Total additions	36,607,760
Deductions:	
Distributions to participants	39,378,027
Total deductions	39,378,027
Change in net assets	(2,770,267)
Net assets, July 1, 2007	19,652,546
Net assets, June 30, 2008	\$ 16,882,279

See accompanying notes to financial statements.

La Paz County
Notes to Financial Statements
June 30, 2008

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

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

For the year ended June 30, 2008, the County implemented the provisions of GASB Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*. GASB Statement No. 45 establishes governmental employer accounting and financial reporting requirements for postemployment benefits other than pensions. GASB Statement No. 48 establishes note disclosure requirements for governments that pledge future revenues as security for its debt. GASB Statement No. 50 amends GASB Statement Nos. 25 and 27 to require governmental employers to present certain additional pension disclosures in the notes and additional required supplementary information.

A. Reporting Entity

The County is a general purpose local government located in southwestern Arizona that was established in 1983. It is governed by a separately elected board of three county supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

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

Component Unit	Description; Criteria for Inclusion	Reporting Method	Separate Financial Statements
La Paz County Jail District	A tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems pursuant to Arizona Revised Statutes; County board of supervisors serves as board of directors	Blended	Not available
La Paz County Municipal Property Corporation	A nonprofit corporation created by the County to assist in the acquisition of real and personal property for the County; County board of supervisors serves as board of directors	Blended	Not available

Notes to Financial Statements - Continued

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

Component Unit	Description; Criteria for Inclusion	Reporting Method	Separate Financial Statements
La Paz County Health Services District	A tax-levying public improvement district that provides or finances health services; County board of supervisors serves as board of directors	Blended	Not available
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; County board of supervisors serves as board of directors	Blended	Not available

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.

Notes to Financial Statements - Continued

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

Notes to Financial Statements - Continued

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

The County reports the following major enterprise fund:

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

The County reports the following fund types:

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

The agency funds account for assets held by the County as an agent for the State and various local governments, and for property taxes collected and distributed to the State, local school districts, community college districts, and special districts.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus, with the exception of the agency funds, and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. The County's major revenue sources that are susceptible to accrual are property taxes, sales taxes, licenses and permits, intergovernmental, charges for services, and investment income. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Notes to Financial Statements - Continued

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

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

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

D. Cash and Investments

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

Money market investments with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Inventories

Purchases of inventory items are recorded at the time of purchase as expenses or expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2008, were immaterial, they are not included in the Statements of Net Assets or the Balance Sheet.

F. Property Tax Calendar

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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

Notes to Financial Statements - Continued

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

G. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Construction in progress	All	N/A	N/A
Gravel and dirt roads	All	N/A	N/A
Water rights	All	N/A	N/A
Land improvements	\$5,000	Straight-line	10-30 years
Infrastructure	5,000	Straight-line	20-75 years
Buildings and improvements	5,000	Straight-line	25-50 years
Improvements other than buildings	1,000	Straight-line	7-30 years
Machinery and equipment	1,000	Straight-line	5-20 years
Golf course and improvements	1,000	Straight-line	30 years

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

H. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary fund's financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Notes to Financial Statements - Continued

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

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. However, employees who accumulate unused sick leave in excess of 384 hours are paid a percentage of the excess unused sick leave based on the number of years of consecutive service with the County; therefore, the excess sick leave is accrued in the government-wide and proprietary fund’s financial statements. A liability for these amounts is reported in the governmental funds’ financial statements only for employees who have resigned or retired by fiscal year-end.

Note 2 - Stewardship, Compliance, and Accountability

Eleven 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 2009 budget accordingly.

Deficit fund balances—At June 30, 2008, the following funds reported significant deficits greater than \$5,000 in fund balances:

Fund	Deficit
Governmental funds:	
Emergency Services	\$ 150,722
La Paz Extension Fund	26,596
Health Department	927,405
Growing Smarter Planning Grant	6,954
La Paz County Park	299,210
Park Grants	130,292
JCEF Collection Enhancement	26,760
Education & Employment	103,142

Notes to Financial Statements - Continued

Note 2 - Stewardship, Compliance, and Accountability - Continued

Boat Patrol Grant	\$ 44,017
Workers Investment Act PY 99	78,398
CA RICO	70,300
Arizona Criminal Justice Commission Drug Enforcement	238,331
Victim Compensation Fund	10,550
Fill the Gap Pre-sentence	22,771
Adult State Aid Enhancement	58,097
Adult Intensive Probation	22,697
Tobacco Grant	184,562
Task Force Prosecutor	222,511
Deferred Prosecution	5,024
Business Services	9,093
Community Development Block Grant	185,200
Child Support Program	84,370
Family Planning	126,011
Juvenile Rights Fund	12,321
Victim's Compensation Fund – Restitution	13,605
ACJC Records Improvement Grant	25,733
Anti-Meth Initiative	52,872
GIITEM Grant	44,670
Highway Safety Grant	33,404
CJEF Contract Sheriff	14,858
Juvenile Division Consequences	6,783
SLIF Project Boats	152,814
Parent Education Fund	7,743
HAVA Choice	6,493
JP5 Court Enhancement	33,613
JP4 Court Enhancement	45,676
Cops in School	203,926

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 or will be settled by future transfers between funds.

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

Credit risk

Statutes have the following requirements for credit risk:

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

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

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

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

Foreign currency risk - Statutes do not allow foreign investments.

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

At June 30, 2008, the carrying amount of the County's total cash in the bank was \$2,244,683 and the bank balance was \$2,343,932.

Notes to Financial Statements - Continued

Note 3 - Deposits and Investments – Continued

Investments—The County’s investments at June 30, 2008, 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	\$21,605,474
U.S. Treasury money market funds	AAA	Standard and Poor’s	925,548
			<u>\$22,531,022</u>

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

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

Custodial credit risk—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal investment policy with respect to custodial credit risk. At June 30, 2008, \$925,548 of the County’s U.S. Treasury money market funds was uninsured and held by the counterparty.

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

Interest rate risk—The County does not have a formal policy regarding interest rate risk. At June 30, 2008, 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	\$21,605,474	\$21,605,474	\$ -
U.S. Treasury money market funds	925,548	925,548	-
	<u>\$22,531,022</u>	<u>\$22,531,022</u>	<u>\$ -</u>

Notes to Financial Statements - Continued

Note 3 - Deposits and Investments – Continued

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

Cash and investments:

	County Treasurer's Investment Pool	Other	Total
Cash on hand	\$ -	\$ 6,300	\$ 6,300
Carrying amount of deposits	1,179,584	1,065,099	2,244,683
Reported amount of investments	21,605,474	925,548	22,531,022
Total	\$ 22,785,058	\$ 1,996,947	\$ 24,782,005

Statements of Net Assets:

	Governmental Activities	Business-Type Activities	Investment Trust Fund	Agency Funds	Total
Cash and cash equivalents	\$ 6,105,984	\$ 23,200	\$ 16,874,377	\$ 852,896	\$ 23,856,457
Cash and investments held by trustee	424,515	501,033	-	-	925,548
	\$ 6,530,499	\$ 524,233	\$ 16,874,377	\$ 852,896	\$ 24,782,005

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’s monies under her stewardship. The Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the Treasurer determines the fair value of those pooled investments annually at June 30.

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

Notes to Financial Statements - Continued

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

Deposits and investments of the County's primary government are included in the County treasurer's investment pool, except for \$6,300 of cash on hand, \$1,065,099 of deposits held in bank and \$925,548 of collateralized investments held in trust. Therefore, deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 3 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's investment pool	No stated interest rate	No stated maturity	\$ 21,605,474
Certificates of deposit	1.6%-2.7%	9/2008 and 2/2009	72,121
Deposits	N/A	N/A	1,107,463
Interest receivable	N/A	N/A	7,902
			<u>\$ 22,792,960</u>

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

Statement of Net Assets	
Assets	<u>\$ 22,792,960</u>
Net assets	<u>\$ 22,792,960</u>
Net assets held in trust for:	
Internal participants	\$ 5,910,681
External participants	<u>16,882,279</u>
Total net assets held in trust	<u>\$ 22,792,960</u>
Statement of Changes in Net Assets	
Total additions	\$ 70,691,520
Total deductions	<u>74,534,014</u>
Net decrease	<u>(3,842,494)</u>
Net assets held in trust:	
July 1, 2007	<u>26,635,454</u>
June 30, 2008	<u>\$ 22,792,960</u>

Notes to Financial Statements - Continued

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Primary Government			Balance June 30, 2008
	Balance July 1, 2007	Increases	Decreases	
Governmental activities:				
<i>Capital assets</i>				
<i>not being depreciated:</i>				
Land	\$ 630,070	\$ -	\$ -	\$ 630,070
Water rights	-	1,096,646	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	4,226,157	2,105,009	3,214,606	3,116,560
Total capital assets, not being depreciated	46,316,258	3,201,655	3,214,606	46,303,307
<i>Capital assets being depreciated:</i>				
Land improvements	49,302	7,405	-	56,707
Building and improvements	10,886,773	3,499,486	-	14,386,259
Machinery and equipment Improvements	14,907,324	1,309,816	24,641	16,192,499
other than buildings	703,384	136,849	-	840,233
Infrastructure	42,135,311	640,805	9,982	42,766,134
Total capital assets being depreciated	68,682,094	5,594,361	34,623	74,241,832
Total	114,998,352	8,796,016	3,249,229	120,545,139
<i>Less accumulated depreciation for:</i>				
Land improvements	24,605	1,697	-	26,302
Buildings and improvements Improvements	3,049,490	395,881	-	3,445,371
other than buildings	290,874	46,228	-	337,102
Machinery and equipment Infrastructure	10,346,516	1,225,435	24,074	11,547,877
	28,720,143	1,922,249	-	30,642,392
Total	42,431,628	3,591,490	24,074	45,999,044
Total capital assets being depreciated, net	26,250,466	2,002,871	10,549	28,242,788
Governmental activities capital assets, net	\$ 72,566,724	\$ 5,204,526	\$ 3,225,155	\$ 74,546,095

Notes to Financial Statements - Continued

Note 5 - Capital Assets - Continued

	Primary Government			Balance June 30, 2008
	Balance July 1, 2007	Increases	Decreases	
Business-type activities:				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,853,930	\$ 14,286	\$ -	\$ 2,868,216
Machinery and equipment	1,214,945	2,013	-	1,216,958
Total	4,068,875	16,299	-	4,085,174
Less accumulated depreciation for:				
Golf course and improvements	1,661,221	98,557	-	1,759,778
Machinery and equipment	835,395	82,537	-	917,932
Total	2,496,616	181,094	-	2,677,710
Business-type activities capital assets, net	\$ 1,572,259	\$ (164,795)	\$ -	\$ 1,407,464

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 337,035
Public safety	579,593
Highways and streets	2,555,192
Welfare	4,034
Health	37,802
Sanitation	575
Culture and recreation	76,287
Education	972
Total governmental activities depreciation expense	\$ 3,591,490
Business-type activities:	
Golf course	\$ 181,094
Total business-type activities depreciation expense	\$ 181,094

Note 6 - Construction Commitment

The County had a contractual commitment related to the expansion of the jail facility for which the remaining outstanding commitment amount was \$355,671 at June 30, 2008. The County has incurred costs totaling \$1,666,404 related to this project which is being financed by a lease purchase agreement that will be repaid by a County half-cent sales tax.

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, 2008:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Due within 1 year</u>
Governmental activities					
Certificates of participation payable	\$ 920,000	\$ -	\$ 440,000	\$ 480,000	\$ 345,000
Obligations under capital leases	1,617	2,022,075	1,617	2,022,075	-
Compensated absences payable	790,314	898,968	790,314	898,968	89,897
Estimated liabilities for claims and judgments	<u>6,124,719</u>	<u>3,991,175</u>	<u>107,529</u>	<u>10,008,365</u>	<u>3,364</u>
Governmental activities long-term liabilities	<u>\$ 7,836,650</u>	<u>\$ 6,912,218</u>	<u>\$ 1,339,460</u>	<u>\$ 13,409,408</u>	<u>\$ 438,261</u>
Business-type activities					
Certificates of participation payable	\$ 785,000	\$ -	\$ 290,000	\$ 495,000	\$ 295,000
Obligations under capital leases	110,279	-	42,762	67,517	44,459
Compensated absences payable	<u>49,948</u>	<u>54,127</u>	<u>49,948</u>	<u>54,127</u>	<u>7,578</u>
Business-type activities long-term liabilities	<u>\$ 945,227</u>	<u>\$ 54,127</u>	<u>\$ 382,710</u>	<u>\$ 616,644</u>	<u>\$ 347,037</u>

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

Certificates outstanding at June 30, 2008, were as follows:

<u>Description</u>	<u>Original Maturity</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Courthouse and government center complex – Series 2003 refunding	\$1,165,500	2008 - 2010	2.00– 3.00%	\$ 335,000
Jail facility –Series 2003 Refunding	1,330,000	2008 - 2009	2.00– 3.00%	145,000
Emerald Canyon Golf Course – Series 2003 refunding	1,705,500	2008- 2010	2.00– 3.00%	495,000
				<u>\$ 975,000</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 certificates of participation payable as of June 30, 2008:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 345,000	\$ 11,150	\$ 295,000	\$ 10,056
2010	135,000	2,025	200,000	3,000
Total	<u>\$ 480,000</u>	<u>\$ 13,175</u>	<u>\$ 495,000</u>	<u>\$ 13,056</u>

Capital leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Jail Facility - CIP	\$ 1,666,404	\$ -
Machinery and equipment	170,873	210,118
Less: accumulated depreciation	91,268	63,125
Carrying value	<u>\$ 1,746,009</u>	<u>\$ 146,993</u>

On October 25, 2007, the County's Jail District entered into a \$2,022,075 lease purchase agreement to finance the expansion of the County's jail facility. The terms of the agreement is structured such that the facility is leased to the bank which then issued the lease proceeds to the County. The bank in turn leases the improvements back to the County that are paid in an amount totaling \$2,671,127 through 2025. Interest only payments are paid on the obligation at 4.6% per annum through June 30, 2009. Principal payments begin on July 1, 2009 at which time payments totaling \$123,906 begin. Upon the final lease payment, the title to the improvements will transfer to the County.

The Jail District has pledged the maintenance of effort payments from the County's general fund to the Jail District and voter approved excise tax for the payment of the debt service on the lease through 2025. Interest expense incurred on this debt during 2008 totaled \$63,819 and the maintenance of effort and voter approved excise taxes were \$648,423 and \$1,122,266, respectively. Annual principal and interest payments on the lease are expected to require 7% of total pledged revenue.

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities - Continued

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2008:

Year Ending June 30,	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2009	\$ 93,015	\$ 46,486
2010	223,906	23,243
2011	247,811	-
2012	247,811	-
2013	247,811	-
2014-2018	1,239,056	-
2019-2020	371,717	-
Total minimum lease payments	2,671,127	69,729
Less amount representing interest	649,052	2,212
Present value of net minimum lease payments	<u>\$ 2,022,075</u>	<u>\$ 67,517</u>

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

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

Compensated absences—Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2008, the County paid for compensated absences as follows: 49 percent from the General Fund, 9 percent from the Road Fund, 12 percent from the Jail District Fund, 6 percent from the Enterprise Fund, and 24 percent from the other funds.

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Claims and judgments—In addition to the County’s obligation for its deductible on claims covered by Arizona Counties Property and Casualty Pool and certain obligations related to property tax matters, the County has recorded a liability totaling approximately \$10 million in connection with a September 2007 judgment concerning a contractual matter. The alleged breach of contract that resulted in the loss occurred during the 2006 fiscal year. The estimated liability for this claim is reported as a long-term liability in the Statement of Net Assets and includes the total judgment amount and certain related attorney fees incurred by the County. In November 2009, the County paid \$500,000 in connection with this suit.

Note 8 - Risk Management

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

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

Notes to Financial Statements - Continued

Note 8 - Risk Management - Continued

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

Note 9 – Pensions and Other Postemployment Benefits

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

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

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

The *Elected Officials Retirement Plan (EORP)* administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing, multiple employer defined benefit health insurance premium plan that covers 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. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, the EORP is reported in accordance with GASB No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

ASRS	PSPRS and EORP
3300 North Central Avenue P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or 1-800-621-3778	3010 E. Camelback Road, Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

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

Cost-sharing plan—For the year ended June 30, 2008, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.6 percent (9.1 percent for retirement and 0.5 percent for long-term disability) of the members’ annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 9.6 percent (8.05 percent for retirement, 1.05 percent for health insurance premium and 0.5 percent for long-term disability) of the members’ annual covered payroll.

The County’s contributions to ASRS for the current and the 2 preceding years, all of which were equal to the required contributions, were as follows:

Year ended June 30	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2008	\$ 687,853	\$ 89,720	\$ 42,724
2007	\$ 631,841	\$ 87,872	\$ 41,844
2006	\$ 106,009	\$ 24,518	\$ 11,675

Agent plans—For the year ended June 30, 2008, 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 8.00 percent the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.55 percent of the members’ annual covered payroll. Active EORP members were required by statute to contribute 7.00 percent of the members’ annual covered payroll. The County was required to remit a designated portion of certain court fees plus additional contributions at the actuarially determined rate of 7.00 percent of the members’ covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 2.22 percent of covered payroll.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Actuarial methods and assumptions—The contribution requirements for the year ended June 30, 2008, were established using the June 30, 2006 actuarial valuations and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans' structure as understood by the County and plans' members including the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to established the fiscal year 2008 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2006
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	30 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and 5.00% for EORP
Inflation rate	5.00%

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2008, and related information follows:

	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 303,080	\$ 28,093	\$ 90,006	\$ 15,884
Contributions made	\$ 303,080	\$ 28,093	\$ 90,006	\$ 15,884

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Trend Information—Annual pension cost information for the current and 2 preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next 2 years.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
<u>PSPRS</u>				
Pension	2008	\$ 303,080	100%	\$ -0-
Health insurance	2008	\$ 28,093	100%	\$ -0-
Pension and health insurance	2007	\$ 216,870	100%	\$ -0-
Pension and health insurance	2006	\$ 200,453	100%	\$ -0-
<u>EORP</u>				
Pension	2008	\$ 90,006	100%	\$ -0-
Health insurance	2008	\$ 15,844	100%	\$ -0-
Pension and Health insurance	2007	\$ 88,074	100%	\$ -0-
Pension and Health insurance	2006	\$ 103,554	100%	\$ -0-

Funded Status—The funded status of the PSPRS as of the most recent valuation date, June 30, 2008, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$9,576,871	\$ 298,817
Actuarial value of assets (b)	5,788,423	\$0
Unfunded actuarial accrued liability (funding excess) (a) – (b)	3,788,448	\$ 298,817
Funded ratio (b)/(a)	60.4%	0.00%
Covered payroll (c)	\$1,812,441	\$ 1,812,441
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll [(a) – (b)] / (c)	209.0%	16.50%

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 9.00% for PSPRS and 5.00% for EORP
Inflation rate	5.50% for PSPRS and EORP

Note 10 - Interfund Balances and Activity

Interfund receivables and payables—Interfund balances at June 30, 2008, were as follows:

	Payable To			
	Business 95			Total
	General Fund	Road Improvement Fund	Nonmajor Governmental Funds	
<u>Payable From:</u>				
General Fund	\$ -	\$ 2,132,383	\$ 48,209	\$ 2,180,592
Road Fund	88,203	-	-	88,203
Jail District Fund	775,496	-	-	775,496
Nonmajor				
Governmental Funds	1,398,486	-	-	1,398,486
Golf Course Fund	1,057,428	-	-	1,057,428
	<u>\$ 3,319,613</u>	<u>\$ 2,132,383</u>	<u>\$ 48,209</u>	<u>\$ 5,500,205</u>

Notes to Financial Statements - Continued

Note 10 - Interfund Balances and Activity - Continued

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

Interfund transfers—Interfund transfers for the year ended June 30, 2008, were as follows:

		Transfers To			
		General Fund	Jail District Fund	Other Governmental Funds	Total
Transfers From					
General Fund	\$ -	\$ 833	\$ 2,438,169	\$ 2,439,002	
Road Fund	-	-	1,106	1,106	
Jail District Fund	960,000	-	-	960,000	
	\$ 960,000	\$ 833	\$ 2,439,275	\$ 3,400,108	

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

Note 11 – Subsequent Events

In August 2008, the County entered into a financing agreement totaling \$1,250,000 in which the proceeds are used for the 2008 purchase of Colorado River water rights. The interest rate is 7.75% per annum and is payable with principal semiannually beginning January 2010 and maturing in July 2018.

In addition, in January 2009 the County entered into a financing agreement totaling \$350,000 to finance the construction of the Salome Community Center Project. The interest rate is 5.75% per annum and is payable with principal semiannually beginning July 2009 and maturing in January 2019.

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Required Supplementary Information

La Paz County
Required Supplementary Information
Schedule of Agent Retirement Plan's Funding Progress
June 30, 2008

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)
06/30/08						
Pension	\$ 5,788,423	\$9,576,871	\$(3,788,448)	60.4%	\$1,812,442	209.0%
Health Insurance	\$ -	\$ 298,817	\$ (298,817)	0.0%	\$1,812,442	16.5%
06/30/07						
Pension	\$ 5,342,710	\$8,668,559	\$(3,325,849)	61.6%	\$1,569,571	211.9%
Health Insurance	\$ -	\$ 270,928	\$ (270,928)	0.0%	\$1,569,571	17.3%
06/30/06						
Pension	\$ 5,415,526	\$8,079,282	\$(2,663,756)	67.0%	\$1,521,862	175.0%
Health Insurance 06/30/06	\$ -	\$ 209,479	\$ (209,479)	0.0%	\$1,521,862	13.8%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 5,371,465	\$ 5,358,480	\$ (12,985)
Licenses and permits	290,500	271,266	(19,234)
Fees, fines, and forfeits	1,140,000	1,664,832	524,832
Intergovernmental	3,963,685	3,875,781	(87,904)
Charges for services	952,833	905,047	(47,786)
Investment income	190,000	92,625	(97,375)
Miscellaneous	974,185	87,110	(887,075)
Total revenues	<u>12,882,668</u>	<u>12,255,141</u>	<u>(627,527)</u>
Expenditures:			
Current:			
General government			
Assessor	444,458	403,350	41,108
County attorney	534,338	446,897	87,441
Board of supervisors	717,314	535,621	181,693
Clerk of the superior court	453,580	403,398	50,182
Constable	2,250	-	2,250
Elections	122,288	113,135	9,153
Justice of the Peace #4	396,972	362,156	34,816
Justice of the Peace #5	240,923	254,812	(13,889)
Justice of the Peace #6	283,988	265,857	18,131
Planning and zoning	614,829	577,326	37,503
Recorder	236,542	226,501	10,041
Superior court	134,558	150,026	(15,468)
Court Administration	391,300	337,264	54,036
Treasurer	269,235	253,097	16,138
Contingency	832,832	1,099,034	(266,202)
Management information services	275,576	208,249	67,327
Public defender	650,062	563,850	86,212
General administration	507,238	332,625	174,613
Finance personnel	337,639	327,090	10,549
GIS/Master planning	36,959	33,962	2,997
Facilities management	477,581	497,633	(20,052)
Total general government	<u>7,960,462</u>	<u>7,391,883</u>	<u>568,579</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 711,453	\$ 693,259	\$ 18,194
Sheriff	2,749,259	2,848,554	(99,295)
Probation	120,590	121,190	(600)
Aircraft	18,000	26,606	(8,606)
Maintenance of effort	648,423	648,423	-
Juvenile probation	122,421	125,656	(3,235)
Total public safety	<u>4,370,146</u>	<u>4,463,688</u>	<u>(93,542)</u>
Sanitation:			
Sanitary landfill	10,000	107,531	(97,531)
Total sanitation	<u>10,000</u>	<u>107,531</u>	<u>(97,531)</u>
Health:			
Indigent health	430,678	454,064	(23,386)
County long term care ALTCS	945,084	862,410	82,674
C.M.I (chronically mental ill)	82,650	48,567	34,083
Health department transit	175,333	122,779	52,554
Total health	<u>1,633,745</u>	<u>1,487,820</u>	<u>145,925</u>
Welfare:			
Public fiduciary	128,747	124,521	4,226
Total welfare	<u>128,747</u>	<u>124,521</u>	<u>4,226</u>
Education:			
School superintendent	197,749	202,494	(4,745)
Total education	<u>197,749</u>	<u>202,494</u>	<u>(4,745)</u>
Total expenditures	<u>13,974,353</u>	<u>13,777,937</u>	<u>523,431</u>
Excess (deficiency) of revenues over expenditures	<u>(1,091,685)</u>	<u>(1,522,796)</u>	<u>(431,111)</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing sources (uses):			
Transfers in	-	960,000	960,000
Transfers out	(545,961)	(2,439,002)	(1,893,041)
Total other financing sources (uses)	<u>(545,961)</u>	<u>(1,479,002)</u>	<u>(933,041)</u>
Net change in fund balances	(1,637,646)	(3,001,798)	(1,364,152)
Fund balances, July 1, 2007	<u>1,964,142</u>	<u>4,344,623</u>	<u>2,380,481</u>
Fund balances, June 30, 2008	<u>\$ 326,496</u>	<u>\$ 1,342,825</u>	<u>\$ 1,016,329</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 655,000	\$ 576,643	\$ (78,357)
Intergovernmental	5,935,000	4,217,103	(1,717,897)
Investment income	75,000	53,100	(21,900)
Total revenues	<u>6,665,000</u>	<u>4,846,846</u>	<u>(1,818,154)</u>
Expenditures:			
Current:			
Highways and streets	<u>6,897,255</u>	<u>4,807,058</u>	<u>2,090,197</u>
Total expenditures	<u>6,897,255</u>	<u>4,807,058</u>	<u>2,090,197</u>
Excess (deficiency) of revenues over expenditures	(232,255)	39,788	272,043
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(1,106)</u>	<u>(1,106)</u>
Total other financing (uses)	-	(1,106)	(1,106)
Net change in fund balances	(232,255)	38,682	270,937
Fund balances, July 1, 2007	<u>232,255</u>	<u>755,686</u>	<u>523,431</u>
Fund balances, June 30, 2008	<u>\$ -</u>	<u>\$ 794,368</u>	<u>\$ 794,368</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, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues	\$ -	\$ -	\$ -
Expenditures:			
Current:			
Highways and streets	350,000	216,332	133,668
Total expenditures	<u>350,000</u>	<u>216,332</u>	<u>133,668</u>
Net change in fund balances	<u>(350,000)</u>	<u>(216,332)</u>	<u>133,668</u>
Fund balances, July 1, 2007	<u>350,000</u>	<u>2,914,832</u>	<u>2,564,832</u>
Fund balances, June 30, 2008	<u>\$ -</u>	<u>\$ 2,698,500</u>	<u>\$ 2,698,500</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2008

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,147,000	\$ 1,122,266	\$ (24,734)
Intergovernmental	648,423	648,986	563
Charges for services	2,400,000	2,069,050	(330,950)
Investment income	27,000	47,178	20,178
Miscellaneous	-	6,241	6,241
Total revenues	<u>4,222,423</u>	<u>3,893,721</u>	<u>(328,702)</u>
Expenditures:			
Current:			
Public safety	3,402,890	3,373,827	29,063
Capital outlay	1,947,075	1,701,850	245,225
Debt Service:			
Principal retirement	318,079	245,000	73,079
Interest and fiscal charges	11,088	11,088	-
Total expenditures	<u>5,679,132</u>	<u>5,331,765</u>	<u>347,367</u>
Excess (deficiency) of revenues over expenditures	<u>(1,456,709)</u>	<u>(1,438,044)</u>	<u>18,665</u>
Other financing sources (uses):			
Transfers in	-	833	833
Transfers out	-	(960,000)	(960,000)
Capital lease agreement	2,022,075	2,022,075	-
Net change in fund balances	<u>565,366</u>	<u>(375,136)</u>	<u>(940,502)</u>
Fund balances, July 1, 2007	<u>(565,366)</u>	<u>754,830</u>	<u>1,320,196</u>
Fund balances, June 30, 2008	<u>\$ -</u>	<u>\$ 379,694</u>	<u>\$ 379,694</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2008

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, 2008, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Justice of the Peace #5	\$ 13,889
Superior Court	15,468
Contingency	266,202
Facilities Management	20,052
Sheriff	99,295
Probation	600
Aircraft	8,606
Juvenile Probation	3,235
Sanitary Landfill	97,531
Indigent Health	23,386
School Superintendent	4,745

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

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