

La Paz County, Arizona
Basic Financial Statements

Year ended June 30, 2012

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Independent Auditors' Report

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County, Arizona (the "County") as of and for the year ended June 30, 2012, 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 aggregate remaining fund information of the County as of June 30, 2012, 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.

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 12, the budgetary comparison schedules on pages 54 through 60, the schedule of agent retirement plans' funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards,

which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or to provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

REDW LLC

Phoenix, Arizona
September 10, 2013

Management's Discussion and Analysis

La Paz County
Management's Discussion and Analysis
June 30, 2012

This discussion and analysis, prepared by La Paz County's (the "County") management, is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions during the fiscal year ended June 30, 2012. 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 total assets exceeded liabilities by \$53,632,606 (net assets). Of this amount, \$18,295,171 is a deficit in unrestricted net assets, \$6,406,829 is restricted for specific purposes (restricted net assets), and \$65,520,948 is invested in capital assets, net of related debt.
- The County's total net assets as reported in the Statement of Activities decreased by \$2,789,169 in comparison to the prior year's decrease in total net assets of \$1,397,445.
- At June 30, 2012, the governmental funds reported combined fund balances of \$7,323,649, an increase of \$2,736,187 in comparison with the prior year. The components of fund balances consist of \$35,320 that is nonspendable, \$8,396,356 that is restricted or committed for specific purposes, and \$1,108,027 that is an accumulated deficit.
- At June 30, 2012 the unassigned fund balance for the General Fund was \$3,273,528 or 11.9% of General Fund expenditures. In accordance with Arizona Revised Statutes §42-17151, this entire amount is budgeted to be expended 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

Overview of the Financial Statements - Continued

Both of these government-wide financial statements distinguish 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 two business-type activities consisting of the Emerald Canyon Golf Course and the La Paz County Park.

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 street lighting districts that are also component units. Refer to Note 1 A, Reporting Entity, on page 25 of this report for more information on the County's component units.

The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

The County reports five 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, Jail District, Business 95 Road Improvement, and Debt Service funds. Data from the other governmental funds (non-major) are combined into a single, aggregated presentation.

Management's Discussion and Analysis - Continued

Overview of the Financial Statements - Continued

The governmental fund financial statements can be found on pages 15-18 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 enterprise funds to account for the Emerald Canyon Golf Course and the County Parks fund. Fund financial statements for the enterprise funds provide 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 19-22 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 23-24 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 25-51 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 for the County's Public Safety Personnel Retirement System.

Required supplementary information can be found on pages 53-60 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, improvements, machinery and equipment, and infrastructure), less accumulated depreciation and related outstanding debt used to acquire those assets. 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 outstanding 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

Government-Wide Financial Analysis - Continued

The following table summarizes the Statement of Net Assets at June 30, 2012 and 2011:

	2012	2011	2012	2011	2012 Total	2011 Total
	Governmental	Governmental	Business-	Business-		
	Activities	Activities	Type	Type		
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 10,033,496	\$ 7,184,696	\$ (571,753)	\$ (618,737)	\$ 9,461,743	\$ 6,565,959
Capital assets	66,706,820	68,435,259	1,669,131	1,879,650	68,375,951	70,314,909
Total assets	<u>76,740,316</u>	<u>75,619,955</u>	<u>1,097,378</u>	<u>1,260,913</u>	<u>77,837,694</u>	<u>76,880,868</u>
Other liabilities	2,050,791	2,415,841	156,989	101,997	2,207,780	2,517,838
Long-term liabilities	21,880,623	17,824,378	116,685	116,877	21,997,308	17,941,255
Total liabilities	<u>23,931,414</u>	<u>20,240,219</u>	<u>273,674</u>	<u>218,874</u>	<u>24,205,088</u>	<u>20,459,093</u>
Net assets						
Invested in capital assets, net of related debt	63,851,817	65,220,061	1,669,131	1,879,650	65,520,948	67,099,711
Restricted	6,406,829	5,491,624	-	-	6,406,829	5,491,624
Unrestricted net assets (deficit)	<u>(17,449,744)</u>	<u>(15,331,949)</u>	<u>(845,427)</u>	<u>(837,611)</u>	<u>(18,295,171)</u>	<u>(16,169,560)</u>
Total net assets	<u>\$ 52,808,902</u>	<u>\$ 55,379,736</u>	<u>\$ 823,704</u>	<u>\$ 1,042,039</u>	<u>\$ 53,632,606</u>	<u>\$ 56,421,775</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 \$53,632,606 at June 30, 2012, which is primarily the result of the County's investment in long-lived assets.

The decrease in the County's financial position is mostly related to a decrease in grants funding and a decrease in charges for services revenues. The decrease in grant revenue is primarily related to one-time funding received in 2011 from the state of Arizona pertaining to a flood clean-up project. The project did not incur expenditures during 2012. Additionally, the decrease in charges for services revenues is related to a decrease in inmate housing revenues during 2012.

Governmental activities current and other assets increased by \$2,848,800 and is primarily attributed to a portion of proceeds received from County issued tax revenue judgment bonds to reimburse the County for cost incurred in connection with the settlement of a judgment. The decrease in capital assets of \$1,728,439 is attributable to depreciation expense that exceeded capital assets expenditures during 2012. Governmental activities long-term liabilities increased by \$3,583,628 and is primarily the result of proceeds received from the issuance of County excise tax revenue judgment bonds used to settle a judgment liability. Additional information on the County's long term debt activity can be found in Note 7 of the notes to the financial statements on pages 41-45 of this report.

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

Business-type activities incurred a increase in current and other assets resulting from a change in the amount due to the General Fund for cumulative operating losses incurred in the Parks Fund.

Changes in Net Assets

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

	2012	2011	2012	2011	2012	2011
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,394,435	\$ 5,162,300	\$ 2,428,260	\$ 2,415,223	\$ 6,822,695	\$ 7,577,523
Operating grants & contributions	4,680,173	6,121,690	-	-	4,680,173	6,121,690
Capital grants & contributions	3,360,549	3,567,555	-	-	3,360,549	3,567,555
General revenues:						
Property taxes	4,694,932	4,425,543	-	-	4,694,932	4,425,543
Share of state sales taxes	1,940,327	1,712,784	-	-	1,940,327	1,712,784
Excise tax	2,834,936	2,112,049	-	-	2,834,936	2,112,049
Payments in lieu of taxes	1,842,363	1,806,515	-	-	1,842,363	1,806,515
Vehicle license tax	559,581	543,110	-	-	559,581	543,110
Investment earnings (loss)	2,115	3,274	-	(140)	2,115	3,134
Miscellaneous	676,932	393,558	24,115	7,040	701,047	400,598
Total revenues	<u>24,986,343</u>	<u>25,848,378</u>	<u>2,452,375</u>	<u>2,422,123</u>	<u>27,438,718</u>	<u>28,270,501</u>
<u>Expenses</u>						
General government	8,024,848	8,137,045	-	-	8,024,848	8,137,045
Public safety	9,861,874	10,311,771	-	-	9,861,874	10,311,771
Highways and streets	5,318,906	5,402,814	-	-	5,318,906	5,402,814
Sanitation	173,667	161,783	-	-	173,667	161,783
Health	2,498,672	2,170,451	-	-	2,498,672	2,170,451
Welfare	526,723	458,451	-	-	526,723	458,451
Culture and recreation	100,484	145,947	2,671,328	2,397,986	2,771,812	2,543,933
Education	274,475	279,012	-	-	274,475	279,012
Interest on long-term debt	776,910	202,686	-	-	776,910	202,686
Total expenses	<u>27,556,559</u>	<u>27,269,960</u>	<u>2,671,328</u>	<u>2,397,986</u>	<u>30,227,887</u>	<u>29,667,946</u>
Change in net assets before transfers	(2,570,216)	(1,421,582)	(218,953)	24,137	(2,789,169)	(1,397,445)
Transfers	(618)	134,178	618	(134,178)	-	-
	(618)	134,178	618	(134,178)	-	-
Change in net assets	(2,570,834)	(1,287,404)	(218,335)	(110,041)	(2,789,169)	(1,397,445)
Beginning net assets	55,379,736	56,667,140	1,042,039	1,152,080	56,421,775	57,819,220
Ending net assets	<u>\$ 52,808,902</u>	<u>\$ 55,379,736</u>	<u>\$ 823,704</u>	<u>\$ 1,042,039</u>	<u>\$ 53,632,606</u>	<u>\$ 56,421,775</u>

Management's Discussion and Analysis - Continued

Government-Wide Financial Analysis - Continued

As previously discussed, net assets of the governmental activities decreased during the year by \$2,789,169. Total revenues decreased by \$862,035, which, as previously discussed in page 6, is primarily a combination of a \$712,626 decrease in funding from the state of Arizona pertaining to a flood clean-up project and a \$518,855 decrease in charges for services revenue of the Jail District related to decreases in revenues pertaining to housed inmates. The decreases are offset by the collection transaction privilege excise taxes during 2012 totaling \$593,228. These taxes pertain to a levy issued during the year by the County Board of Supervisors for the purpose of principal and interest repayment on County issued judgment bonds.

Public safety expenses decreases due to cost reduction measures in this area while health expenses increased primarily due to a \$190,700 increase in the County's portion of the long-term care contribution to the state of Arizona. Interest expense increased due to the additional incurrence of interest on the bonds issued during 2012.

Business-type activities reported a negative unrestricted net deficit balance totaling \$845,427. This is an increase from the prior year and resulted primarily from a net loss incurred by the Parks Fund.

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, 2012, the County's governmental funds reported combined fund balances of \$7,323,649, an increase of \$2,736,187 in comparison with the prior year.

The General Fund is the County's primary operating fund. At the end of the current fiscal year, fund balance of the General Fund was \$3,305,402. Total General Fund revenue increased by \$838,927 primarily due to increases in the County's share of state sales tax revenue and an increase in County property tax revenues. General Fund expenditures increased by \$14,730,289 resulting from the settlement of a judgment liability totaling \$13,727,621, and the related cost of issuance pertaining to the judgment bonds totaling \$1,056,327.

The Road Fund, a major County Fund is used for various road projects within the County. During 2012, the fund had an overall increase in expenditures of \$53,842 used for the repair and rehabilitation of various County roads and streets.

The Jail District Fund, also a major County fund, is used to report the activity of the County's jail facility. During 2012, the Fund's overall revenues decreased by \$715,830 from 2011 because of a continued decrease in revenues related to inmate housing activity while expenditures decreased by \$95,415 from the prior year.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued

The Business 95 Road Improvement Fund had a decrease in expenditures totaling \$417,414 from the prior year pertaining to a decrease in expenditures for repairs and maintenance on the Business Route 95 Highway.

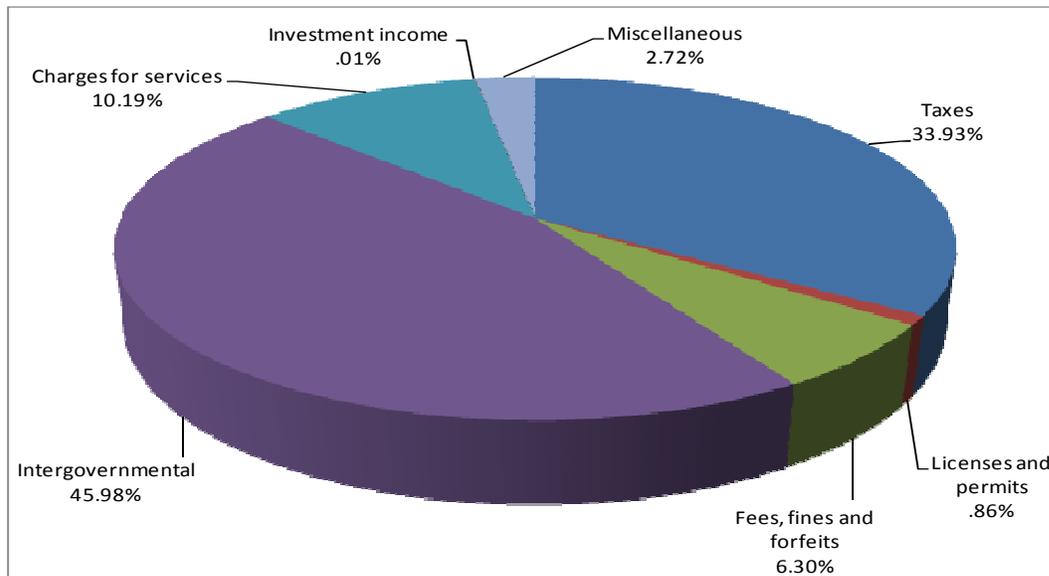
The Debt Service Fund was established during the 2012 fiscal year and accounts for unexpended bond proceeds and from a transaction privilege tax levy collected for the purpose of principal and interest repayment on County issued excise tax revenue judgment bonds. Revenues from the levy during 2012 totaled \$593,228.

The Other Governmental funds had a decrease in revenues totaling \$1,279,615 which was primarily caused by a \$340,038 decrease in County RICO fund revenues, a \$219,968 decrease in the County's Child Support grant revenues and a \$712,626 decrease in grant revenues received in the prior year for flood related restoration.

The Golf Course Fund, a County enterprise fund had an increase in revenues totaling \$81,859 due to increases in golf fees earned while expenses increased by \$152,836 due to an increase in various operating costs during the year.

The Parks Fund, also a County enterprise fund, had a decrease in revenues totaling \$51,607 while expenses increased by \$120,506. The increase in expenses is primarily from an increase in personnel costs and repairs and maintenance.

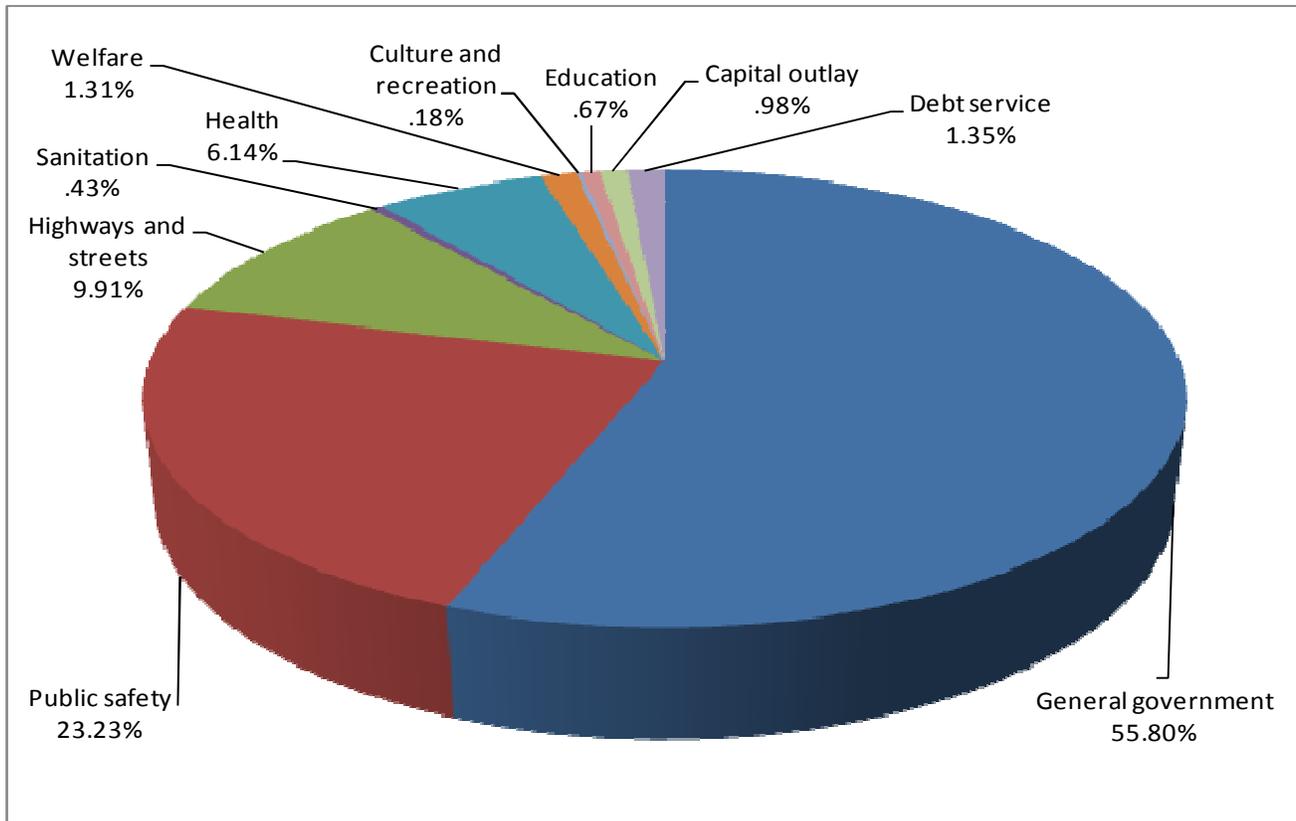
The following graphs present the amount of governmental revenues from various sources and expenditures by function:



The composition of revenues remained generally consistent with the prior year with a slight decrease in intergovernmental and charges for services revenues, and a slight increase in taxes.

Management's Discussion and Analysis - Continued

Financial Analysis of the County's Funds - Continued



During 2012, the composition of County's expenditures changed significantly as general government functions increased to 55.80% of total expenditures as the result of expenditures made during 2012 to settle a judgment liability. Public safety expenditures decreased to 23.23%. The County's highways and streets expenditures represent the third largest percentage of total expenditures at 9.91%.

General Fund Budgetary Highlights

The County did not amend the fiscal year 2011-12 adopted budget for the General Fund. General Fund actual expenditures were \$4.06 million less than the adopted budget and actual revenues were greater than estimated revenues by \$0.6 million.

Tax and intergovernmental revenues were greater than the budgeted amount predominately due to greater than anticipated property taxes and shared state tax revenues and federal payment in lieu revenues. Miscellaneous revenues are greater than budgeted primarily from greater than budgeted indirect cost recovery.

Management's Discussion and Analysis - Continued

General Fund Budgetary Highlights - Continued

The following General Fund departments had variances from their original (and final) budget by more than ten percent and \$20,000:

- The County Attorney exceeded budget by 11% primarily due to increases in salary expenditures during the year.
- The County Elections were \$73,006 below budget as cost to facilitate elections during 2012 was less than anticipated.
- Court Administration exceeded its budget by 149% due to greater than anticipated costs pertaining to court appointed legal counsel.
- During 2012, the Contingency line item was largely unused resulting in a \$440,130 favorable variance.
- During 2012, Management Information Services activity and related costs were greater than anticipated and resulted in an unfavorable variance of 37,083.
- The Public Defender incurred less than anticipated expenditures due to unfilled vacant positions.
- The General Administration budget includes costs for professional fees and other general government expenses that were not incurred as anticipated during 2012.
- Community Resources incurred less than anticipated expenditures resulting in a favorable variance of 33%.
- During 2012, Facilities Management activity and related costs was greater than anticipated and resulted in an unfavorable variance of 12%.
- The County's Judgment settlement expenditures were \$4.2 million less than budget because the County's budget included proceeds for settlement related cost incurred by the County in prior years.
- Sanitary Landfill exceeded the budget primarily due to unanticipated legal costs incurred pertaining to a litigation involving the County landfill that was settled during 2012.
- The Chronically Mentally Ill department had greater than anticipated expenditures due to an increase in the use of outside health care providers.
- Health Department Transit had an overall increase in operating costs resulting in an unfavorable budget variance of \$60,185.

Management's Discussion and Analysis - Continued

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets as of June 30, 2012 totaled \$68.4 million (net of accumulated depreciation and related debt). This investment in capital assets includes land and land improvements, water rights, buildings, machinery and equipment, construction equipment and vehicles, and infrastructure purchased, constructed or donated after July 1, 1982 (the year of the County's inception). The County's net investment in capital assets decreased 2.0% from the prior period. Major capital asset events during the current fiscal year included outlays for highway and street improvements and various vehicle and equipment purchases.

Additional information on the County's capital assets activity and balances can be found in Note 6 of the notes to the financial statements on pages 39-40 of this report.

Long-Term Liabilities

At June 30, 2012 the County had total long-term liabilities outstanding of \$22,016,303. This amount consists primarily of obligations under capital leases of \$1.6 million and \$18 million in bonds payable.

Additional information on the County's long-term debt can be found in Note 7 of the notes to the financial statements on pages 41-45 of this report.

Economic Factors

- Due to the improving economic environment, it is anticipated that future shared revenues received from the State of Arizona and property and sales tax revenues will increase.
- 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, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,964,692	\$ 16,688	\$ 4,981,380
Property taxes receivable	265,616	-	265,616
Internal balances	591,182	(591,182)	-
Due from:			
Others	69,776	-	69,776
Other governments	1,507,933	-	1,507,933
Prepaid items	35,320	2,741	38,061
Cash and investments held by trustee - restricted for debt service	1,568,458	-	1,568,458
Deferred charges	1,030,519	-	1,030,519
Capital assets, not being depreciated	45,059,406	-	45,059,406
Capital assets, being depreciated, net	21,647,414	1,669,131	23,316,545
Total assets	<u>76,740,316</u>	<u>1,097,378</u>	<u>77,837,694</u>
Liabilities			
Accounts payable	707,223	88,488	795,711
Accrued liabilities	493,437	44,314	537,751
Interest payable	594,329	-	594,329
Due to:			
Others	100,790	5,192	105,982
Other governments	155,012	-	155,012
Noncurrent liabilities:			
Due within one year	472,617	18,995	491,612
Due in more than one year	21,408,006	116,685	21,524,691
Total liabilities	<u>23,931,414</u>	<u>273,674</u>	<u>24,205,088</u>
Net Assets			
Invested in capital assets, net of related debt	63,851,817	1,669,131	65,520,948
Restricted for:			
Highways and streets	1,194,735	-	1,194,735
Judicial	1,757,460	-	1,757,460
Public safety	716,902	-	716,902
Health and welfare	592,337	-	592,337
Debt service	1,649,284	-	1,649,284
Other purposes	496,111	-	496,111
Unrestricted (deficit)	(17,449,744)	(845,427)	(18,295,171)
Total net assets	<u>\$ 52,808,902</u>	<u>\$ 823,704</u>	<u>\$ 53,632,606</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Activities
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 8,024,848	\$ 2,397,439	\$ 1,099,596	\$ -	\$ (4,527,813)	\$ -	\$ (4,527,813)
Public safety	9,861,874	1,407,283	2,032,200	-	(6,422,391)	-	(6,422,391)
Highways and streets	5,318,906	-	597,710	3,360,549	(1,360,647)	-	(1,360,647)
Sanitation	173,667	328,914	52,807	-	208,054	-	208,054
Health	2,498,672	196,655	626,290	-	(1,675,727)	-	(1,675,727)
Welfare	526,723	-	271,117	-	(255,606)	-	(255,606)
Culture and recreation	100,484	-	453	-	(100,031)	-	(100,031)
Education	274,475	64,144	-	-	(210,331)	-	(210,331)
Interest on long-term debt	776,910	-	-	-	(776,910)	-	(776,910)
Total governmental activities	<u>27,556,559</u>	<u>4,394,435</u>	<u>4,680,173</u>	<u>3,360,549</u>	<u>(15,121,402)</u>	<u>-</u>	<u>(15,121,402)</u>
Business-type activities							
Golf course	1,681,581	1,697,395	-	-	-	15,814	15,814
Parks	989,747	730,865	-	-	-	(258,882)	(258,882)
Total business-type activities	<u>2,671,328</u>	<u>2,428,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,068)</u>	<u>(243,068)</u>
Total primary government	<u>\$ 30,227,887</u>	<u>\$ 6,822,695</u>	<u>\$ 4,680,173</u>	<u>\$ 3,360,549</u>	<u>(15,121,402)</u>	<u>(243,068)</u>	<u>(15,364,470)</u>
General revenues:							
Taxes:							
Property taxes levied for general purposes					4,685,000	-	4,685,000
Property taxes levied for special districts					9,932	-	9,932
Excise tax					2,834,936	-	2,834,936
Payments in lieu of taxes					1,842,363	-	1,842,363
Share of state sales taxes					1,940,327	-	1,940,327
Vehicle license tax					559,581	-	559,581
Investment earnings					2,115	-	2,115
Miscellaneous					676,932	24,115	701,047
Transfers					(618)	618	-
Total general revenues and transfers					<u>12,550,568</u>	<u>24,733</u>	<u>12,575,301</u>
Changes in net assets					<u>(2,570,834)</u>	<u>(218,335)</u>	<u>(2,789,169)</u>
Net assets - July 1, 2011					<u>55,379,736</u>	<u>1,042,039</u>	<u>56,421,775</u>
Net assets - June 30, 2012					<u>\$ 52,808,902</u>	<u>\$ 823,704</u>	<u>\$ 53,632,606</u>

See the accompanying notes to the financial statements.

**La Paz County
Balance Sheet
Governmental Funds
June 30, 2012**

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Assets							
Cash and cash equivalents	\$ 915,271	\$ 1,420,734	\$ 99,114	\$ 1,253,140	\$ -	\$ 1,276,433	\$ 4,964,692
Cash and investments held by trustee	-	-	-	-	1,568,458	-	1,568,458
Property tax receivable	264,368	-	-	-	-	1,248	265,616
Due from:							
Others	68,150	-	-	-	-	1,626	69,776
Other governments	260,546	365,701	301,538	-	80,826	499,322	1,507,933
Other funds	3,398,436	-	-	500,000	-	235,306	4,133,742
Prepaid items	31,874	-	-	-	-	3,446	35,320
Total assets	<u>\$ 4,938,645</u>	<u>\$ 1,786,435</u>	<u>\$ 400,652</u>	<u>\$ 1,753,140</u>	<u>\$ 1,649,284</u>	<u>\$ 2,017,381</u>	<u>\$ 12,545,537</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 198,528	\$ 300,745	\$ 49,939	\$ -	\$ -	\$ 158,011	\$ 707,223
Accrued liabilities	255,315	47,570	61,366	-	-	129,186	493,437
Due to:							
Others	67,413	513	2,415	-	-	30,449	100,790
Other governments	155,012	-	-	-	-	-	155,012
Other funds	735,306	350,405	1,025,938	-	-	1,430,911	3,542,560
Deferred revenue	221,669	-	-	-	-	1,197	222,866
Total liabilities	<u>1,633,243</u>	<u>699,233</u>	<u>1,139,658</u>	<u>-</u>	<u>-</u>	<u>1,749,754</u>	<u>5,221,888</u>
Fund balances:							
Nonspendable:							
Prepaid items	31,874	-	-	-	-	3,446	35,320
Restricted	-	1,087,202	-	-	1,649,284	3,726,052	6,462,538
Committed	-	-	-	1,753,140	-	180,678	1,933,818
Unassigned	3,273,528	-	(739,006)	-	-	(3,642,549)	(1,108,027)
Total fund balances	<u>3,305,402</u>	<u>1,087,202</u>	<u>(739,006)</u>	<u>1,753,140</u>	<u>1,649,284</u>	<u>267,627</u>	<u>7,323,649</u>
Total liabilities and fund balances	<u>\$ 4,938,645</u>	<u>\$ 1,786,435</u>	<u>\$ 400,652</u>	<u>\$ 1,753,140</u>	<u>\$ 1,649,284</u>	<u>\$ 2,017,381</u>	<u>\$ 12,545,537</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2012

Fund balances—total governmental funds		\$ 7,323,649
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$121,707,891 and the accumulated depreciation is \$55,001,071.</p>		66,706,820
<p>Some of the County's receivables will be collected after year-end, but are not available soon enough to pay for the current-period expenditures, and therefore are deferred in the funds.</p>		222,866
<p>Interest payable on long-term debt is not reported in the governmental funds because it is not due and payable until after year-end.</p>		(594,329)
<p>Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.</p>		
Notes payable	\$ (1,247,941)	
Obligations under capital leases	(1,607,062)	
Compensated absences payable	(910,620)	
Bonds payable	(18,115,000)	
Unamortized deferred issuance cost	1,030,519	(20,850,104)
Net assets of governmental activities		\$ 52,808,902

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	Major Funds						Total Governmental Funds
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Revenues:							
Taxes	\$ 6,324,166	417,344	\$ 1,120,853	\$ -	\$ 593,228	\$ 9,728	\$ 8,465,319
Licenses and permits	215,068	-	-	-	-	-	215,068
Fees, fines and forfeits	1,557,610	-	-	-	-	14,954	1,572,564
Intergovernmental	3,947,886	3,360,549	705,509	-	-	3,456,268	11,470,212
Charges for services	654,007	-	1,265,637	-	-	623,015	2,542,659
Investment (loss) income	(46)	1,014	21	-	-	1,126	2,115
Miscellaneous	569,111	17,853	14,866	-	-	76,720	678,550
Total revenues	<u>13,267,802</u>	<u>3,796,760</u>	<u>3,106,886</u>	<u>-</u>	<u>593,228</u>	<u>4,181,811</u>	<u>24,946,487</u>
Expenditures:							
Current:							
General government	21,131,292	-	-	-	-	1,291,862	22,423,154
Public safety	4,082,584	-	3,160,963	-	-	2,090,144	9,333,691
Highways and streets	-	3,901,427	-	56,139	-	22,234	3,979,800
Sanitation	173,667	-	-	-	-	-	173,667
Health	1,483,124	-	-	-	-	985,596	2,468,720
Welfare	136,792	-	-	-	-	389,945	526,737
Culture and recreation	-	-	-	-	-	73,802	73,802
Education	210,312	-	-	-	-	59,236	269,548
Capital outlay	70,770	-	-	31,874	-	289,600	392,244
Debt service:							
Principal	189,900	-	170,295	-	-	-	360,195
Interest	105,065	-	77,516	-	-	-	182,581
Total expenditures	<u>27,583,506</u>	<u>3,901,427</u>	<u>3,408,774</u>	<u>88,013</u>	<u>-</u>	<u>5,202,419</u>	<u>40,184,139</u>
Excess (deficiency) of revenues over expenditures	(14,315,704)	(104,667)	(301,888)	(88,013)	593,228	(1,020,608)	(15,237,652)
Other financing sources (uses):							
Bonds proceeds	17,058,944	-	-	-	1,056,056	-	18,115,000
Discount on bonds issued	(140,543)	-	-	-	-	-	(140,543)
Transfers in	361,976	-	-	-	-	564,015	925,991
Transfers out	(564,633)	(32,624)	-	(74,354)	-	(254,998)	(926,609)
Total other financing sources (uses)	<u>16,715,744</u>	<u>(32,624)</u>	<u>-</u>	<u>(74,354)</u>	<u>1,056,056</u>	<u>309,017</u>	<u>17,973,839</u>
Net change in fund balances	2,400,040	(137,291)	(301,888)	(162,367)	1,649,284	(711,591)	2,736,187
Fund balances, July 1, 2011	<u>905,362</u>	<u>1,224,493</u>	<u>(437,118)</u>	<u>1,915,507</u>	<u>-</u>	<u>979,218</u>	<u>4,587,462</u>
Fund balances (deficit), June 30, 2012	<u>\$ 3,305,402</u>	<u>\$ 1,087,202</u>	<u>\$ (739,006)</u>	<u>\$ 1,753,140</u>	<u>\$ 1,649,284</u>	<u>\$ 267,627</u>	<u>\$ 7,323,649</u>

See the accompanying notes to the financial statements.

La Paz County
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2012

Net change in fund balances - total governmental funds		\$ 2,736,187
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for general capital assets	\$ 884,475	
Depreciation expense	<u>(2,612,914)</u>	(1,728,439)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:</p>		
Notes payable	142,569	
Obligations under capital leases	217,626	
Estimated liability for claims and judgments	<u>13,727,621</u>	14,087,816
<p>The issuance of long-term bond obligations provides current financial resources to governmental funds, however, issuances do not affect net asset balances. This amount represents proceeds from a bond issuance during the year, net of a discount of \$140,543.</p>		
		(17,974,457)
<p>Governmental funds report the cost of issuance on bond obligations as an expenditure. However, in the statement of activities, bond issuance costs are allocated over the life of the related bond obligation and reported as amortization expense.</p>		
		1,030,519
<p>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:</p>		
Net increase in compensated absences	(29,061)	
Interest accrued on bond obligations	(594,329)	
Discount on bonds	<u>(140,543)</u>	(763,933)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds</p>		
		<u>41,473</u>
Change in net assets of governmental activities		<u><u>\$ (2,570,834)</u></u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 16,188	\$ 500	\$ 16,688
Prepaid items	1,600	1,141	2,741
Noncurrent assets:			
Capital assets, net of accumulated depreciation	863,151	805,980	1,669,131
Total assets	880,939	807,621	1,688,560
Liabilities			
Current liabilities:			
Accounts payable	40,098	48,390	88,488
Accrued payroll and employee benefits	27,615	16,699	44,314
Due to others	976	4,216	5,192
Due to General Fund	56,984	534,198	591,182
Compensated absences payable, current portion	12,750	6,245	18,995
Total current liabilities	138,423	609,748	748,171
Noncurrent liabilities:			
Compensated absences payable	78,324	38,361	116,685
Total liabilities	216,747	648,109	864,856
Net Assets			
Invested in capital assets, net of related debt	863,151	805,980	1,669,131
Unrestricted (deficit)	(198,959)	(646,468)	(845,427)
Total net assets	\$ 664,192	\$ 159,512	\$ 823,704

See the accompanying notes to the financial statements.

La Paz County
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Operating revenues:			
Fees	\$ 1,697,395	\$ 730,865	\$ 2,428,260
Miscellaneous	1,191	22,924	24,115
Total operating revenues	1,698,586	753,789	2,452,375
Operating expenses:			
Personnel services	771,905	490,970	1,262,875
Professional services	147,760	8,895	156,655
Supplies	159,937	136,290	296,227
Communications	5,519	7,168	12,687
Utilities	85,904	178,696	264,600
Repairs and maintenance	323,610	72,753	396,363
Depreciation	148,519	81,027	229,546
Other	38,427	13,948	52,375
Total operating expenses	1,681,581	989,747	2,671,328
Increase (decrease) in net assets before transfers	17,005	(235,958)	(218,953)
Transfers in	-	618	618
Increase (decrease) in net assets	17,005	(235,340)	(218,335)
Total net assets, July 1, 2011	647,187	394,852	1,042,039
Total net assets, June 30, 2012	\$ 664,192	\$ 159,512	\$ 823,704

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 1,698,837	\$ 757,168	\$ 2,456,005
Payments to suppliers and providers of goods and services	(765,470)	(387,601)	(1,153,071)
Payments to employees	(754,350)	(485,932)	(1,240,282)
Net cash provided (used for) by operating activities	179,017	(116,365)	62,652
Cash flows from noncapital financing activities:			
Transfers in from other funds	-	618	618
Negative cash balance implicitly financed	56,984	534,198	591,182
Negative cash balance implicitly repaid	(230,990)	(406,636)	(637,626)
Net cash (used for) provided by noncapital financing activities	(174,006)	128,180	(45,826)
Cash flows from capital and related financing activities:			
Purchases of capital assets	(7,212)	(11,815)	(19,027)
Net cash used for capital and related financing activities	(7,212)	(11,815)	(19,027)
Net decrease in cash and cash equivalents	(2,201)	-	(2,201)
Cash and cash equivalents, July 1, 2011	18,389	500	18,889
Cash and cash equivalents, June 30, 2012	<u>\$ 16,188</u>	<u>\$ 500</u>	<u>\$ 16,688</u>

(continued)

See the accompanying notes to the financial statements.

La Paz County
Statement of Cash Flows - Continued
Proprietary Fund
Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds		
	Golf Course Fund	Parks Fund	Total Enterprise Funds
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 17,005	\$ (235,958)	\$ (218,953)
<i>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</i>			
Depreciation	148,519	81,027	229,546
Changes in assets and liabilities:			
Increase in prepaid items	(1,600)	(1,141)	(2,741)
(Decrease) increase in accounts payable	(2,713)	31,290	28,577
Increase (decrease) in due to others	251	1,434	1,685
Increase in accrued payroll and employee benefits	2,213	3,522	5,735
Increase in compensated absences payable	15,342	3,461	18,803
Net cash provided by (used for) operating activities	<u>\$ 179,017</u>	<u>\$ (116,365)</u>	<u>\$ 62,652</u>

See the accompanying notes to the financial statements.

La Paz County
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Investment Trust Fund	Agency Funds
Assets		
Cash and cash equivalents	\$ 14,059,096	\$ 664,267
Total assets	14,059,096	\$ 664,267
Liabilities		
Due to other governments	-	\$ 664,267
Total liabilities	-	\$ 664,267
Net Assets		
Held in trust for investment trust participants	\$ 14,059,096	

See the accompanying notes to the financial statements.

La Paz County
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Investment Trust Fund
Additions:	
Contributions from participants	\$ 35,927,913
Interest and dividends	226,931
Total additions	36,154,844
Deductions:	
Distributions to participants	34,815,615
Total deductions	34,815,615
Change in net assets	1,339,229
Net assets, July 1, 2011	12,719,867
Net assets, June 30, 2012	\$ 14,059,096

See the accompanying notes to the financial statements.

La Paz County
Notes to Financial Statements
June 30, 2012

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

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

A. Reporting Entity

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

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they 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
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
Various Street Lighting Districts	Operates and maintains street lighting in areas outside local city jurisdictions; County board of supervisors serves as board of directors.	Blended	Not available

Notes to Financial Statements - Continued

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

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

B. Basis of Presentation

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

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

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

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the County, 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, a special revenue fund, accounts for monies from Highway User Revenue Fund and Vehicle License Tax that are restricted for road maintenance and operations, pavement preservation, and fleet services.

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 monies received from excise sales tax revenue that is restricted for debt service, maintenance of effort payments received from the County General Fund and charges for services for prisoner incarceration. The monies are expended for the 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 Business 95 Road Improvement Fund accounts for monies from the Arizona Department of Transportation that is committed 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. This fund was reclassified from a special revenue fund to a capital projects fund as part of implementing GASB Statement No. 54.

The Debt Service Fund accounts for activity pertaining to the County's judgment bonds payable.

The County reports the following major enterprise funds:

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

The Parks Fund accounts for the activities and related operations and maintenance of the County's 6 public parks.

The County reports the following fiduciary 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.

Notes to Financial Statements - Continued

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

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.

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, in addition to 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.

All 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, 2012, were immaterial, they are not included in the Statements of Net Assets or the Balance Sheet.

Notes to Financial Statements - Continued

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

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.

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	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 comprised of interest, dividends, and net changes in the fair value of applicable investments.

Notes to Financial Statements - Continued

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

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.

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

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

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

Notes to Financial Statements - Continued

Note 2 - Stewardship, Compliance, and Accountability – Continued

Deficit fund balances—At June 30, 2012, the following nonmajor governmental funds reported deficit fund balances exceeding \$50,000:

Fund	Deficit
Governmental funds:	
Emergency Services	\$ 181,901
Health Department	719,054
La Paz Extension Fund	98,724
Education & Employment Fund LPCC	221,414
ACJC Drug Enforcement	325,277
Task Force Prosecutor	270,709
Child Support Program	333,217
Jail Commissary	97,641
Cops in School	285,007
Drug, Gang, Violent Crime Grant	54,073
HIDTA Grant	65,014
Highway Safety Grant	77,835
Bio Terrorism	142,304
Racketeer Influenced and Corrupt Organizations Act	112,195
Anti-Meth Initiative	55,096
Stone Garden Grant	64,690

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

Notes to Financial Statements - Continued

Note 3 - Fund Balance Classifications of the Governmental Funds

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as prepaid items, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved in a public meeting by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. The constraints placed on committed fund balances can only be removed or changed by the Board in a public meeting.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Manager, Elected Officials and the Finance Director to make the assignments or resources for specific purposes pursuant to resolution by the Board in a public meeting.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it's the County's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

Notes to Financial Statements - Continued

Note 3 - Fund Balance Classifications of the Governmental Funds – Continued

The fund balance categories and classifications for governmental funds as of June 30, 2012, were as follows:

	Major Funds						Total
	General Fund	Road Fund	Jail District Fund	Business 95 Road Improvement Fund	Debt Service Fund	Other Governmental Funds	
Fund balances:							
Nonspendable	\$ 31,874	\$ -	\$ -	\$ -	\$ -	\$ 3,446	\$ 35,320
Restricted for:							
Education	-	-	-	-	-	55,709	55,709
Health	-	-	-	-	-	404,656	404,656
Highways and streets	-	1,087,202	-	-	-	107,533	1,194,735
Judicial	-	-	-	-	-	1,757,460	1,757,460
Public safety	-	-	-	-	-	716,902	716,902
Transit	-	-	-	-	-	120,018	120,018
Water and sanitation	-	-	-	-	-	118,718	118,718
Welfare	-	-	-	-	-	187,681	187,681
Debt service	-	-	-	-	1,649,284	-	1,649,284
Other purposes	-	-	-	-	-	257,375	257,375
Total restricted	\$ -	\$1,087,202	\$ -	\$ -	\$1,649,284	\$3,726,052	\$6,462,538
Committed to:							
Highways and streets	\$ -	\$ -	\$ -	\$ 1,753,140	\$ -	\$ -	\$1,753,140
Judicial	-	-	-	-	-	110,558	110,558
Other	-	-	-	-	-	70,120	70,120
Total committed	-	-	-	1,753,140	-	180,678	1,933,818
Unassigned	3,273,528	-	(739,006)	-	-	(3,642,549)	(1,108,027)
Total fund balances	\$3,305,402	\$1,087,202	\$ (739,006)	\$ 1,753,140	\$1,649,284	\$ 267,627	\$7,323,649

Note 4 - Deposits and Investments

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer’s investment pool; U.S. Treasury or agency obligations; specified state and local government bonds and notes; 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; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, and notes must be rated within the top three ratings by a nationally recognized rating agency.
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 and certificates of deposit 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. 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, 2012, the carrying amount of the County's total cash in the bank was \$3,134,314 and the bank balance was \$3,210,979. All County's deposits are collateralized by the amount not covered by depository insurance.

Investments - The County's investments at June 30, 2012, were as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
U.S. Agency securities	Aaa	Moody's	\$ 13,706,693
U.S Government money market funds	Aaa	Moody's	1,568,458
State Treasurer's investment pool 7	Unrated	Not applicable	2,856,131
			<u>\$ 18,131,282</u>

Notes to Financial Statements - Continued

Note 4 - Deposits and Investments - Continued

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.

Interest rate risk - The County does not have a formal policy regarding interest rate risk. At June 30, 2012, 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>
U.S. Agency securities	\$ 13,706,693	\$ -	\$ 13,706,693
U.S Government money market	1,568,458	1,568,458	-
State Treasurer's investment pool	2,856,131	2,856,131	-
	<u>\$ 18,131,282</u>	<u>\$ 4,424,589</u>	<u>\$ 13,706,693</u>

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

	<u>County Treasurer's Investment Pool</u>	<u>Other</u>	<u>Total</u>
Cash on hand	\$ -	\$ 7,605	\$ 7,605
Carrying amount of deposits	2,447,878	686,436	3,134,314
Reported amount of investments	16,562,824	1,568,458	18,131,282
Total	<u>\$ 19,010,702</u>	<u>\$ 2,262,499</u>	<u>\$ 21,273,201</u>

Statements of Net Assets:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Investment Trust Fund</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,533,150	\$ 16,688	\$14,059,096	\$664,267	\$21,273,201
	<u>\$ 6,533,150</u>	<u>\$ 16,688</u>	<u>\$14,059,096</u>	<u>\$664,267</u>	<u>\$21,273,201</u>

Notes to Financial Statements - Continued

Note 5 - Condensed Financial Statements of County Treasurer's Investment Pool

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

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

Deposits and investments of the County's primary government are included in the County Treasurer's investment pool, except for \$7,605 of cash on hand, \$686,436 of deposits held in bank, and \$1,568,458 held in U.S. Government money market funds. Therefore, deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks. See Note 4 for disclosure of the County's deposit and investment risks.

Details of each major asset classification follow:

<u>Investment Type</u>	<u>Interest Rate(s)</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's investment pool	No stated interest rate	No stated maturity	\$ 2,856,131
U.S. Agency securities	.35% to .80%	1 - 5 yrs	13,706,693
Deposits	N/A	N/A	<u>2,447,878</u>
			<u>\$ 19,010,702</u>

Notes to Financial Statements - Continued

Note 5 - Condensed Financial Statements of County Treasurer's Investment Pool - Continued

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

Statement of Net Assets	
Assets	\$ 19,010,702
Net assets	<u>\$ 19,010,702</u>
Net assets held in trust for:	
Internal participants	\$ 4,287,340
External participants	<u>14,723,362</u>
Total net assets held in trust	<u>\$ 19,010,702</u>
Statement of Changes in Net Assets	
Total additions	\$ 67,581,428
Total deductions	<u>(65,059,524)</u>
Net increase	<u>2,521,904</u>
Net assets held in trust:	
July 1, 2011	<u>16,488,798</u>
June 30, 2012	<u>\$ 19,010,702</u>

Notes to Financial Statements - Continued

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Primary Government			Balance June 30, 2012
	Balance June 30, 2011	Increases	Decreases	
Governmental activities:				
<i>Capital assets</i>				
<i>not being depreciated</i>				
Land	\$ 671,596	\$ -	\$ -	\$ 671,596
Water rights	1,096,646	-	-	1,096,646
Gravel and dirt roads	41,460,031	-	-	41,460,031
Construction in progress	2,003,682	579,570	752,119	1,831,133
Total capital assets, not being depreciated	45,231,955	579,570	752,119	45,059,406
 <i>Capital assets being depreciated:</i>				
Land improvements	32,676	-	-	32,676
Building and improvements	16,621,522	600	1,620	16,620,502
Machinery and equipment Improvements	13,960,576	163,646	-	14,124,222
other than buildings	236,459	-	-	236,459
Infrastructure	44,740,228	894,398	-	45,634,626
Total capital assets being depreciated	75,591,461	1,058,644	1,620	76,648,485
Total	120,823,416	1,638,214	753,739	121,707,891
 <i>Less accumulated depreciation for:</i>				
Land improvements	17,567	603	-	18,170
Buildings and improvements Improvements	4,537,115	489,533	-	5,026,648
other than buildings	151,480	36,789	-	188,269
Machinery and equipment	11,972,855	826,188	-	12,799,043
Infrastructure	35,709,140	1,259,801	-	36,968,941
Total	52,388,157	2,612,914	-	55,001,071
Total capital assets being depreciated, net	23,203,304	(1,554,270)	1,620	21,647,414
Governmental activities capital assets, net	\$ 68,435,259	\$ (974,700)	\$ 753,739	\$ 66,706,820

Notes to Financial Statements - Continued

Note 6 - Capital Assets - Continued

	Primary Government			
	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Business-type activities:				
Capital assets being depreciated:				
Golf course and improvements	\$ 2,870,775	\$ -	\$ -	\$ 2,870,775
Land improvements	24,031	-	-	24,031
Building and improvements	828,568	-	-	828,568
Improvements other than buildings	610,582	11,815	-	622,397
Machinery and equipment	1,726,998	7,212	-	1,734,210
Total	6,060,954	19,027	-	6,079,981
Less accumulated depreciation for:				
Golf course and improvements	2,049,139	98,567	-	2,147,706
Land improvements	13,827	801	-	14,628
Buildings and improvements	306,846	25,775	-	332,621
Improvements other than buildings	319,389	38,701	-	358,090
Machinery and equipment	1,492,103	65,702	-	1,557,805
Total	4,181,304	229,546	-	4,410,850
Business-type activities capital assets, net	\$ 1,879,650	\$ (210,519)	\$ -	\$ 1,669,131

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 254,969
Public safety	487,789
Highways and streets	1,827,476
Welfare	1,011
Health	11,424
Culture and recreation	26,682
Education	3,563
Total governmental activities depreciation expense	\$ 2,612,914
Business-type activities:	
Culture and recreation – Golf Course	\$ 148,519
Culture and recreation – Parks	81,027
Total business-type activities depreciation expense	\$ 229,546

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, 2012:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due within</u> <u>1 year</u>
Governmental activities					
Notes payable	\$ 1,390,510	\$ -	\$ 142,569	\$ 1,247,941	\$ 153,213
Bonds payable	-	18,115,000	-	18,115,000	-
Obligations under capital leases	1,824,688	-	217,626	1,607,062	228,343
Compensated absences payable	881,559	910,620	881,559	910,620	91,061
Estimated liabilities for claims and judgments	13,727,621	-	13,727,621	-	-
Governmental activities long-term liabilities	<u>\$ 17,824,378</u>	<u>\$ 19,025,620</u>	<u>\$ 14,969,375</u>	<u>\$ 21,880,623</u>	<u>\$ 472,617</u>
Business-type activities					
Compensated absences payable	\$ 116,877	\$ 135,680	\$ 116,877	\$ 135,680	\$ 18,995
Business-type activities long-term liabilities	<u>\$ 116,877</u>	<u>\$ 135,680</u>	<u>\$ 116,877</u>	<u>\$ 135,680</u>	<u>\$ 18,995</u>

Capital leases

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

The assets acquired through capital leases are as follows:

	<u>Governmental</u> <u>Activities</u>
Jail facility	\$ 2,051,038
Machinery and equipment	195,232
Less: accumulated depreciation	332,840
Carrying value	<u>\$ 1,913,430</u>

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities- Continued

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

The Jail District has pledged the maintenance of effort payments from the County's general fund to the Jail District and voter approved excise tax for the payment of the debt service on the lease through 2020. Principal payments and interest expense incurred on this debt during 2012 totaled \$247,811 while maintenance of effort and voter approved excise taxes were \$705,509 and \$1,044,644, respectively. Annual principal and interest payments on the lease are expected to require 14% of total pledged revenue.

On March 26, 2010 the County entered into a \$195,232 lease agreement to purchase five vehicles for the County's public works department. The agreement requires the County to make annual lease payments on the obligation at 5.9% per annum through 2013, with the first payment due upon the leases inception. No County revenues have been pledged for payment of debt service under this obligation and the vehicles serve as collateral pursuant to the lease agreement.

The following schedule details debt service requirements to maturity for the County's capital leases payable at June 30, 2012:

Year Ending June 30,	Governmental Activities
2013	\$ 300,893
2014	247,811
2015	247,811
2016	247,811
2017	247,811
2018-2020	619,528
Total minimum lease payments	1,911,665
Less amount representing interest	304,603
Present value of net minimum lease payments	\$ 1,607,062

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

Notes Payable

In August 2008, the County entered into a financing agreement totaling \$1,250,000 in which the proceeds were used for the purchase of Colorado River water rights. The interest rate is 7.75% per annum and is payable with principal semiannually which began January 2010 and maturing in July 2018. Also, in January 2009 the County entered into financing agreement totaling \$350,000 to finance the construction of the Salome Community Center. The interest rate is 5.75% per annum and is payable with principal semiannually which began July 2009 and maturing in January 2019. Pursuant to these agreements, the County has pledged General Fund transaction privilege taxes. For the current year, principal and interest paid on the notes was \$241,882 and the total pledged transaction privilege tax revenues was \$1,028,935. Annual principal and interest payments on the notes are expected to require 24% of total pledged transaction privilege tax revenue.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 153,213	\$ 88,670
2014	164,662	77,221
2015	176,978	64,904
2016	190,227	51,655
2017	204,480	37,403
2018-2019	358,381	27,643
Total	\$ 1,247,941	\$ 347,496

Bonds payable – On September 12, 2011, the County issued excise tax revenue judgment bonds to finance the cost of settling obligations of a judgment, and related to cost incurred by the County. The bonds issued by the County are described as follows:

Description	Original Amount	Maturity Range	Interest Rates	Outstanding Principle
Excise Tax Revenue Judgment Bonds, Series 2011 A (Tax Exempt)	\$ 16,240,000	2013-2036	3.72% to 4.75%	\$ 16,240,000
Excise Tax Revenue Judgment Bonds, Series 2011 B (Taxable)	\$ 1,875,000	2013-2021	5.25%	1,875,000
				<u>\$ 18,115,000</u>

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

The bond proceeds of \$18,115,000 were used to settle the estimated judgment liability of \$13,727,621, as of June 30, 2011. In addition, \$2,155,000 was paid to the County as reimbursement for attorney fees and additional cost incurred in connection with the settlement. The remaining \$2,232,379 pertains to the cost of issuance and future interest payments.

On September 12, 2011, the County Board of Supervisors authorized a levy of a transaction privilege excise tax to be collected until all debt service cost have been paid relating to the County's judgment bonds. For the current year, the County incurred \$594,329 in interest expense on these bonds that is due on July 1, 2012. Annual principal and interest payments are expected to require 100% of total pledged transaction privilege tax revenues specifically assessed for this debt. During 2012, \$593,228 was levied and \$512,402 was collected.

The following schedule details debt service requirements to maturity for the County's bonds payable at June 30, 2012:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ -	\$ 987,636
2014	-	786,613
2015	650,000	774,669
2016	675,000	747,944
2017	705,000	717,719
2018-2022	3,960,000	3,152,528
2023-2027	3,190,000	2,459,253
2028-2032	3,955,000	1,669,506
2033-2036	4,980,000	613,225
Total	\$ 18,115,000	\$ 11,909,093

Line of credit – The County entered into a revolving line of credit agreement on August 4, 2010 that was amended on July 18, 2011. The revolving line of credit is renewed annually and the total commitment amount during 2012 was \$1,584,000. During 2012, there was no activity on the line.

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

Notes to Financial Statements - Continued

Note 7 - Long-Term Liabilities – Continued

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

Compensated absences - Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2012, the County paid for compensated absences as follows: 52 percent from the General Fund, 8 percent from the Road Fund, 12 percent from the Jail District Fund, 20 percent from the Enterprise Fund, and 8 percent from the other funds.

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. For these risks of loss 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 \$300 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.

Notes to Financial Statements - Continued

Note 8 - Risk Management – Continued

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

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

Note 9 – Pensions and Other Postemployment Benefits

Plan Descriptions - The County contributes to four plans, three of which are described below. The Corrections Officer Retirement Plan is not described due to its relative insignificance to the County's financial statements. Benefits are established by state statute and the plans generally provide retirement, long-term disability and health insurance premium benefits including death and survivor benefits.

The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

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 seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

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

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

<u>ASRS</u>	<u>PSPRS and EORP</u>
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, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 percent for retirement and 0.24 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 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium and 0.24 percent for long-term disability) of the members’ annual covered payroll.

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

<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2012	\$ 746,588	\$ 47,655	\$ 18,154
2011	\$ 762,488	\$ 49,931	\$ 21,159
2010	\$ 750,845	\$ 55,590	\$ 35,841

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Agent plans - For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65 percent of the members' annual covered payroll, and the County was required to contribute 25.07 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.57 percent of the members' annual covered payroll. Active EORP members were required by statute to contribute 10 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 17.96 percent of the members' annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 1.79 percent of covered payroll.

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2012, were established using the June 30, 2010 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 2012 contribution requirements, are as follows:

Actuarial valuation date	June 30, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	26 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7 - year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	5.50% - 8.50% for PSPRS and 5.00% for EORP
Includes inflation at	5.50% for PSPRS and 5.00% for EORP

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

Annual Pension/OPEB Cost—The County's pension/OPEB cost for the agent plans for the year ended June 30, 2012, and related information follows:

	<u>PSPRS</u>		<u>EORP</u>	
	<u>Pension</u>	<u>Health Insurance</u>	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 288,069	\$ 18,387	\$ 184,782	\$ 11,794
Contributions made	\$ 288,069	\$ 18,387	\$ 184,782	\$ 11,794

Trend Information—Annual pension and OPEB cost information for the current and 2 preceding years follows for each of the agent plans.

<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	2012	\$ 288,069	100%	\$ -0-
Health insurance	2012	\$ 18,387	100%	\$ -0-
Pension	2011	\$ 307,663	100%	\$ -0-
Health insurance	2011	\$ 22,108	100%	\$ -0-
Pension	2010	\$ 381,937	100%	\$ -0-
Health insurance	2010	\$ 31,069	100%	\$ -0-
<u>EORP</u>				
Pension	2012	\$ 184,782	100%	\$ -0-
Health insurance	2012	\$ 11,794	100%	\$ -0-
Pension	2011	\$ 160,057	100%	\$ -0-
Health insurance	2011	\$ 18,102	100%	\$ -0-
Pension	2010	\$ 146,254	100%	\$ -0-
Health insurance	2010	\$ 2,917	100%	\$ -0-

Funded Status—The funded status of the PSPRS as of the most recent valuation date, June 30, 2012, along with the actuarial assumptions and methods used in those valuations follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 45, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the County, as a participating government, is not available.

Notes to Financial Statements - Continued

Note 9 - Pensions and Other Postemployment Benefits – Continued

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Actuarial accrued liability (a)	\$11,914,451	\$ 243,678
Actuarial value of assets (b)	6,564,204	-
Unfunded actuarial accrued liability (funding excess) (a) – (b)	5,350,247	243,678
Funded ratio (b)/(a)	55.1%	0.00%
Covered payroll (c)	1,167,036	1,167,036
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll $([(a) - (b)] / (c))$	458.4%	20.88%

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, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.00% - 8.00% for PSPRS and 4.50% for EORP
Includes inflation at	5.00% for PSPRS; 4.50% for EORP

Note 10 - Interfund Balances and Activity

Interfund receivables and payables—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 balances at June 30, 2012, were as follows:

Notes to Financial Statements - Continued

Note 10 - Interfund Balances and Activity - Continued

	<u>Payable To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Business 95 Road Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	
Payable From:				
General Fund	\$ -	\$ 500,000	\$ 235,306	\$ 735,306
Road Fund	350,405	-	-	350,405
Jail District Fund	1,025,938	-	-	1,025,938
Nonmajor-Governmental Funds	1,430,911	-	-	1,430,911
Golf Course Fund	56,984	-	-	56,984
Parks Fund	534,198	-	-	534,198
	<u>\$ 3,398,436</u>	<u>\$ 500,000</u>	<u>\$ 235,306</u>	<u>\$ 4,133,742</u>

Interfund transfers—Interfund transfers for the year ended June 30, 2012, were as follows:

	<u>Transfers to</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Parks Fund</u>	
Transfers From				
General Fund	\$ -	\$ 564,015	\$ 618	\$ 564,633
Road Fund	32,624	-	-	32,624
B95 Improvement fund	74,354	-	-	74,354
Nonmajor governmental funds	254,998	-	-	254,998
	<u>\$ 361,976</u>	<u>\$ 564,015</u>	<u>\$ 618</u>	<u>\$ 926,609</u>

Transfers from the General Fund to Nonmajor Governmental Funds were to cover over-expenditures in certain special revenue funds. In addition, the Fill the GAP Local Court Assistance Funds, which are nonmajor governmental funds, transferred monies to the General Fund.

Notes to Financial Statements - Continued

Note 11 – Subsequent Event

The County entered into agreements dated August 23, 2012 to refinance two notes payables and a capital lease obligation. The terms of the agreements are as follows:

- **\$983,922 principal balance as of June 30, 2012 (4th Priority Colorado River Water Purchase):**

Refinanced at \$1,015,000 with the original interest rate of 7.75% per annum reduced to 4.00% per annum and the maturity date extended from July 2018 to July 2021. This obligation is pledged by future County excise tax that is not already been encumbered.

- **\$264,320 principal balance as of June 30, 2012 (Centennial Community Center):**

Refinanced at \$300,000 with the original interest rate of 5.75% per annum reduced to 2.60% per annum and the maturity date extended from January 2019 to July 2020. This obligation is also pledged by future County excise tax that is not already been encumbered.

- **\$1,556,937 principal balance as of June 30, 2012 (Jail Facility Expansion Lease):**

Refinanced at \$1,585,000 with the interest rate reduced from 4.60% per annum to 2.62% per annum and the maturity date extended from July 2019 to July 2022. This obligation is secured by Jail District transaction privilege tax and County maintenance of effort payments.

Required Supplementary Information

La Paz County
Required Supplementary Information
Schedule of Agent Retirement Plan's Funding Progress
June 30, 2012

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]
06/30/12						
Pension	\$ 6,564,204	\$ 11,914,451	\$(5,350,247)	55.1%	\$1,167,036	458.4%
Health Insurance	\$ -	\$ 243,678	\$ (243,678)	0.0%	\$1,167,036	20.9%
06/30/11						
Pension	\$ 6,723,112	\$ 11,183,460	\$(4,460,348)	60.1%	\$1,377,862	323.7%
Health Insurance	\$ -	\$ 287,027	\$ (287,027)	0.0%	\$1,377,862	20.8%
06/30/10						
Pension	\$ 6,354,159	\$ 10,738,464	\$(4,384,305)	59.2%	\$1,648,070	266.0%
Health Insurance	\$ -	\$ 265,326	\$ (265,326)	0.0%	\$1,648,070	16.1%

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Taxes	\$ 6,154,342	\$ 6,324,166	\$ 169,824
Licenses and permits	224,700	215,068	(9,632)
Fees, fines, and forfeits	1,312,000	1,557,610	245,610
Intergovernmental	3,829,589	3,947,886	118,297
Charges for services	554,133	654,007	99,874
Investment income (loss)	-	(46)	(46)
Miscellaneous	596,420	569,111	(27,309)
Total revenues	12,671,184	13,267,802	596,618
Expenditures:			
Current:			
General government:			
Assessor	406,080	443,747	(37,667)
County attorney	628,794	697,954	(69,160)
Board of supervisors	628,048	653,601	(25,553)
Clerk of the superior court	437,626	413,463	24,163
Constable	1,250	-	1,250
Elections	152,733	79,727	73,006
Justice of the Peace #4	455,142	415,784	39,358
Justice of the Peace #5	265,792	259,986	5,806
Justice of the Peace #6	322,463	327,606	(5,143)
Planning and zoning	257,555	245,012	12,543
Recorder	231,211	235,053	(3,842)
Superior court	145,822	142,477	3,345
Court administration	266,600	663,230	(396,630)
Treasurer	248,635	258,985	(10,350)
Contingency	500,000	59,870	440,130
Management information services	152,214	189,297	(37,083)
Public defender	410,683	368,983	41,700
General administration	418,451	340,781	77,670
Community resources	92,071	62,033	30,038
Finance personnel	258,459	251,447	7,012
GIS/Master planning	30,070	26,509	3,561
Facilities management	475,823	532,727	(56,904)
Judgment settlement	19,000,000	14,783,411	4,216,589
Total general government	25,785,522	21,451,683	4,333,839

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Public safety:			
Regional dispatch	\$ 687,213	\$ 669,677	\$ 17,536
Sheriff	2,510,951	2,494,779	16,172
Probation	121,895	118,526	3,369
Maintenance of effort	705,509	705,509	-
Juvenile probation	96,596	94,093	2,503
Total public safety	<u>4,122,164</u>	<u>4,082,584</u>	<u>39,580</u>
Sanitation:			
Sanitary landfill	<u>10,000</u>	<u>173,667</u>	<u>(163,667)</u>
Total sanitation	10,000	173,667	(163,667)
Health:			
Indigent health	442,163	423,635	18,528
County long term care ALTCS	843,300	830,045	13,255
C.M.I (chronically mentally ill)	25,000	129,970	(104,970)
Health department transit	<u>84,633</u>	<u>144,818</u>	<u>(60,185)</u>
Total health	1,395,096	1,528,468	(133,372)
Welfare:			
Public fiduciary	<u>130,473</u>	<u>136,792</u>	<u>(6,319)</u>
Total welfare	130,473	136,792	(6,319)
Education:			
School superintendent	<u>203,571</u>	<u>210,312</u>	<u>(6,741)</u>
Total education	203,571	210,312	(6,741)
Total expenditures	<u>31,646,826</u>	<u>27,583,506</u>	<u>4,063,320</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (18,975,642)</u>	<u>\$ (14,315,704)</u>	<u>\$ 4,659,938</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
General Fund - Continued
Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Other financing uses:			
Bond proceeds	\$ 19,000,000	\$ 17,058,944	\$ (1,941,056)
Discount on bonds issued	-	(140,543)	(140,543)
Transfers in	224,354	361,976	137,622
Transfers out	(599,629)	(564,633)	34,996
Total other financing uses	<u>18,624,725</u>	<u>16,715,744</u>	<u>(1,908,981)</u>
Net change in fund balances	(350,917)	2,400,040	2,750,957
Fund balances, July 1, 2011	<u>350,917</u>	<u>905,362</u>	<u>554,445</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ 3,305,402</u>	<u>\$ 3,305,402</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Road Fund
Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 473,000	\$ 417,344	\$ (55,656)
Intergovernmental	3,400,000	3,360,549	(39,451)
Investment income	1,600	1,014	(586)
Miscellaneous	17,500	17,853	353
Total revenues	<u>3,892,100</u>	<u>3,796,760</u>	<u>(95,340)</u>
Expenditures:			
Current:			
Highways and streets	<u>4,423,410</u>	<u>3,901,427</u>	<u>521,983</u>
Total expenditures	<u>4,423,410</u>	<u>3,901,427</u>	<u>521,983</u>
Excess (deficiency) of revenues over expenditures	(531,310)	(104,667)	426,643
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(32,624)</u>	<u>(32,624)</u>
Net change in fund balances	(531,310)	(137,291)	394,019
Fund balances, July 1, 2011	<u>531,310</u>	<u>1,224,493</u>	<u>693,183</u>
Fund balances, June 30, 2012	<u>\$ -</u>	<u>\$ 1,087,202</u>	<u>\$ 1,087,202</u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information
Budgetary Comparison Schedule
Jail District Fund
Year Ended June 30, 2012

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues:			
Taxes	\$ 1,000,000	\$ 1,120,853	\$ 120,853
Intergovernmental	705,509	705,509	-
Charges for services	1,888,000	1,265,637	(622,363)
Miscellaneous	20,500	14,887	(5,613)
Total revenues	<u>3,614,009</u>	<u>3,106,886</u>	<u>(507,123)</u>
Expenditures:			
Current:			
Public safety	3,264,914	3,160,963	103,951
Debt Service:			
Principal retirement	170,295	170,295	-
Interest and fiscal charges	77,516	77,516	-
Total expenditures	<u>3,512,725</u>	<u>3,408,774</u>	<u>103,951</u>
Excess (deficiency) of revenues over expenditures	<u>101,284</u>	<u>(301,888)</u>	<u>(403,172)</u>
Fund balances, July 1, 2011	<u>(146,517)</u>	<u>(437,118)</u>	<u>(290,601)</u>
Fund balances, June 30, 2012	<u><u>\$ (45,233)</u></u>	<u><u>\$ (739,006)</u></u>	<u><u>\$ (693,773)</u></u>

See accompanying notes to budgetary comparison schedule.

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2012

Note 1 - Budgeting and Budgetary Control

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

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

For the General Fund, capital outlay expenditures are budgeted by department and accumulated by function on the Budgetary Comparison Schedule.

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, 2012, expenditures that exceeded final budget amounts at the department level (the legal level of budgetary control) were as follows:

<u>Fund/Department</u>	<u>Excess</u>
General Fund:	
Assessor	\$ 37,667
County Attorney	69,160
Board of Supervisors	25,553
Justice of the Peace #6	5,143
Court Administration	396,630
Recorder	3,842
Treasurer	10,350
Management Information Services	37,083
Facilities Management	56,904
Sanitary Landfill	163,667
C.M.I (Chronically Mentally Ill)	104,970
Health Department Transit	60,185
Public Fiduciary	6,319
School Superintendent	6,741

La Paz County
Required Supplementary Information - Continued
Notes to Budgetary Comparison Schedule
June 30, 2012

Note 3 - Expenditures in Excess of Appropriations - Continued

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