



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# La Paz County

June 30, 2002

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**Debra K. Davenport**  
Auditor General

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La Paz County, Arizona  
Single Audit Reporting Package  
June 30, 2002

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of  
La Paz County, Arizona

We have audited the accompanying general purpose financial statements of La Paz County as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of La Paz County as of June 30, 2002, and the results of its operations, the cash flows of its enterprise fund, and the net assets and changes in net assets of its investment trust funds for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of La Paz County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport  
Auditor General

May 7, 2003

La Paz County  
 Combined Balance Sheet—All Fund Types and Account Groups  
 June 30, 2002

|  | <u>Governmental Fund Types</u> |                            | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary Fund<br/>Type</u> | <u>Account Groups</u>           |                                    |
|--|--------------------------------|----------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Enterprise</u>                | <u>Trust and<br/>Agency</u>    | <u>General<br/>Fixed Assets</u> | <u>General Long-<br/>Term Debt</u> |
| Assets   |                                |                            |                                  |                                |                                 |                                    |
| Cash and cash equivalents                                      | \$ 2,492,002                   | \$ 3,500,156               | \$ 19,896                        | \$ 17,692,609                  |                                 |                                    |
| Cash and investments held by trustees                          | 423,126                        | 486,566                    | 637,701                          |                                |                                 |                                    |
| Receivables:   |                                |                            |                                  |                                |                                 |                                    |
| Property taxes   | 318,434                        | 1,075                      |                                  |                                |                                 |                                    |
| Accrued interest   |                                |                            |                                  | 1,443                          |                                 |                                    |
| Due from:  |                                |                            |                                  |                                |                                 |                                    |
| Others   | 92,494                         | 50,000                     |                                  |                                |                                 |                                    |
| Other funds  | 1,178,287                      | 413,047                    |                                  |                                |                                 |                                    |
| Other governments  | 236,587                        | 4,714,081                  |                                  |                                |                                 |                                    |
| Prepaid items  | 25,342                         | 380                        |                                  |                                |                                 |                                    |
| Fixed assets:  |                                |                            |                                  |                                |                                 |                                    |
| Golf course and improvements                                   |                                |                            | 2,834,763                        |                                |                                 |                                    |
| Land   |                                |                            |                                  |                                | \$ 628,370                      |                                    |
| Buildings  |                                |                            |                                  |                                | 9,303,990                       |                                    |
| Improvements other than buildings                              |                                |                            |                                  |                                | 387,412                         |                                    |
| Machinery and equipment  |                                |                            | 777,007                          |                                | 11,303,731                      |                                    |
| Total accumulated depreciation                                 |                                |                            | (1,776,135)                      |                                |                                 |                                    |
| Amount available for certificates of participation             |                                |                            |                                  |                                |                                 | \$ 909,692                         |
| Amount to be provided for retirement of general long-term debt |                                |                            |                                  |                                |                                 | <u>2,725,997</u>                   |
| <br>Total assets   | <br><u>\$ 4,766,272</u>        | <br><u>\$ 9,165,305</u>    | <br><u>\$ 2,493,232</u>          | <br><u>\$ 17,694,052</u>       | <br><u>\$ 21,623,503</u>        | <br><u>\$ 3,635,689</u>            |

(Continued)

See accompanying notes to financial statements.

La Paz County  
 Combined Balance Sheet—All Fund Types and Account Groups  
 June 30, 2002  
 (Continued)

|  | <u>Governmental Fund Types</u> |                            | <u>Proprietary<br/>Fund Type</u> | <u>Fiduciary Fund<br/>Type</u> | <u>Account Groups</u>           |                                    |
|--|--------------------------------|----------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------------|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> | <u>Enterprise</u>                | <u>Trust and<br/>Agency</u>    | <u>General<br/>Fixed Assets</u> | <u>General Long-<br/>Term Debt</u> |
| Liabilities and Fund Equity                              |                                |                            |                                  |                                |                                 |                                    |
| Liabilities:   |                                |                            |                                  |                                |                                 |                                    |
| Accounts payable   | \$ 169,829                     | \$ 382,432                 | \$ 75,368                        |                                |                                 |                                    |
| Accrued payroll and employee benefits                    | 284,893                        | 275,616                    | 24,653                           |                                |                                 |                                    |
| Due to:  |                                |                            |                                  |                                |                                 |                                    |
| Others   | 1,216                          | 3,376                      |                                  |                                |                                 |                                    |
| Other funds  | 408,586                        | 435,231                    | 747,517                          |                                |                                 |                                    |
| Other governments  |                                | 16,285                     |                                  |                                |                                 |                                    |
| Deposits held for others                                 |                                |                            |                                  | \$ 949,719                     |                                 |                                    |
| Compensated absences payable                             |                                |                            | 20,510                           |                                |                                 | \$ 385,665                         |
| Claims and judgments payable                             |                                |                            |                                  |                                |                                 | 85,024                             |
| Certificates of participation payable                    |                                |                            | 2,240,000                        |                                |                                 | 3,165,000                          |
| Deferred revenues  | <u>1,144,554</u>               | <u>886</u>                 | <u>                    </u>      | <u>                    </u>    | <u>                    </u>     | <u>                    </u>        |
| Total liabilities  | <u>2,009,078</u>               | <u>1,113,826</u>           | <u>3,108,048</u>                 | <u>949,719</u>                 | <u>                    </u>     | <u>3,635,689</u>                   |
| Fund equity:   |                                |                            |                                  |                                |                                 |                                    |
| Investment in general fixed assets                       |                                |                            |                                  |                                | \$ 21,623,503                   |                                    |
| Accumulated deficit                                      |                                |                            | (614,816)                        |                                |                                 |                                    |
| Fund balances:   |                                |                            |                                  |                                |                                 |                                    |
| Reserved for certificates of participation<br>retirement | 423,126                        | 486,566                    |                                  |                                |                                 |                                    |
| Reserved for prepaid items                               | 25,342                         | 380                        |                                  |                                |                                 |                                    |
| Reserved for investment trust participants               |                                |                            |                                  | 16,744,333                     |                                 |                                    |
| Unreserved   | <u>2,308,726</u>               | <u>7,564,533</u>           | <u>                    </u>      | <u>                    </u>    | <u>                    </u>     | <u>                    </u>        |
| Total fund equity (deficit)                              | <u>2,757,194</u>               | <u>8,051,479</u>           | <u>(614,816)</u>                 | <u>16,744,333</u>              | <u>21,623,503</u>               | <u>                    </u>        |
| Total liabilities and fund equity                        | <u>\$ 4,766,272</u>            | <u>\$ 9,165,305</u>        | <u>\$ 2,493,232</u>              | <u>\$ 17,694,052</u>           | <u>\$ 21,623,503</u>            | <u>\$ 3,635,689</u>                |

See accompanying notes to financial statements.

La Paz County  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 All Governmental Fund Types  
 Year Ended June 30, 2002

|   | Governmental Fund Types |                     |                     |
|---|-------------------------|---------------------|---------------------|
|   | General                 | Special<br>Revenue  | Capital<br>Projects |
| Revenues:   |                         |                     |                     |
| Taxes   | \$ 3,076,701            | \$ 434,613          |                     |
| Licenses and permits  | 166,862                 | 7,883               |                     |
| Intergovernmental   | 4,216,861               | 12,253,692          |                     |
| Charges for services  | 487,870                 | 2,383,094           |                     |
| Fines and forfeits  | 712,981                 | 6,818               |                     |
| Investment income   | 73,078                  | 87,557              |                     |
| Miscellaneous   | 355,449                 | 396,845             |                     |
| Total revenues  | <u>9,089,802</u>        | <u>15,570,502</u>   |                     |
| Expenditures:   |                         |                     |                     |
| Current:  |                         |                     |                     |
| General government  | 4,615,838               | 1,185,860           |                     |
| Public safety   | 3,164,077               | 4,349,198           |                     |
| Highways and streets  |                         | 4,207,503           |                     |
| Sanitation  | 146                     | 26,784              |                     |
| Health  | 1,224,047               | 540,027             |                     |
| Welfare   | 75,707                  | 259,708             |                     |
| Culture and recreation  |                         | 1,202,426           |                     |
| Education   | 146,726                 |                     |                     |
| Capital outlay  |                         |                     | \$ 822              |
| Total expenditures  | <u>9,226,541</u>        | <u>11,771,506</u>   | <u>822</u>          |
| Excess of expenditures over (under) revenues                          | <u>(136,739)</u>        | <u>3,798,996</u>    | <u>(822)</u>        |
| Other financing sources (uses):                                       |                         |                     |                     |
| Operating transfers in  | 750,755                 | 359,641             |                     |
| Operating transfers out   | (359,641)               | (750,755)           |                     |
| Total other financing sources (uses)                                  | <u>391,114</u>          | <u>(391,114)</u>    |                     |
| Excess of revenues and other sources over expenditures and other uses | 254,375                 | 3,407,882           | (822)               |
| Fund balances, July 1, 2001   | <u>2,502,819</u>        | <u>4,643,597</u>    | <u>822</u>          |
| Fund balances, June 30, 2002  | <u>\$ 2,757,194</u>     | <u>\$ 8,051,479</u> | <u>\$ -</u>         |

See accompanying notes to financial statements.

La Paz County  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual—General and Special Revenue Fund Types  
 Year Ended June 30, 2002

|                                       | General Fund     |                  |                  | Special Revenue Funds |                   |                  |
|---------------------------------------|------------------|------------------|------------------|-----------------------|-------------------|------------------|
|                                       | Budget           | Actual           | Variance         | Budget                | Actual            | Variance         |
| <b>Revenues:</b>                      |                  |                  |                  |                       |                   |                  |
| Taxes                                 | \$ 2,935,000     | \$ 3,076,701     | \$ 141,701       | \$ 562,949            | \$ 434,613        | \$ (128,336)     |
| Licenses and permits                  | 200,000          | 166,862          | (33,138)         | 7,000                 | 7,883             | 883              |
| Intergovernmental                     | 3,872,000        | 4,216,861        | 344,861          | 7,499,709             | 12,253,692        | 4,753,983        |
| Charges for services                  | 440,000          | 487,870          | 47,870           | 2,609,106             | 2,383,094         | (226,012)        |
| Fines and forfeits                    | 725,000          | 712,981          | (12,019)         | 7,563                 | 6,818             | (745)            |
| Investment income                     | 150,000          | 73,078           | (76,922)         | 130,000               | 87,557            | (42,443)         |
| Miscellaneous                         | 1,156,000        | 355,449          | (800,551)        | 2,205,218             | 396,845           | (1,808,373)      |
| Total revenues                        | <u>9,478,000</u> | <u>9,089,802</u> | <u>(388,198)</u> | <u>13,021,545</u>     | <u>15,570,502</u> | <u>2,548,957</u> |
| <b>Expenditures:</b>                  |                  |                  |                  |                       |                   |                  |
| Current:                              |                  |                  |                  |                       |                   |                  |
| General government:                   |                  |                  |                  |                       |                   |                  |
| Assessor                              | 338,991          | 325,919          | 13,072           |                       |                   |                  |
| County attorney                       | 410,352          | 422,732          | (12,380)         |                       |                   |                  |
| Board of supervisors                  | 425,275          | 396,984          | 28,291           |                       |                   |                  |
| Clerk of the superior court           | 286,655          | 268,967          | 17,688           |                       |                   |                  |
| Constable                             | 1,648            | 1,289            | 359              |                       |                   |                  |
| Elections                             | 67,026           | 16,629           | 50,397           |                       |                   |                  |
| Justice of the Peace #4               | 310,355          | 306,588          | 3,767            |                       |                   |                  |
| Justice of the Peace #5               | 158,286          | 160,382          | (2,096)          |                       |                   |                  |
| Justice of the Peace #6               | 240,752          | 217,718          | 23,034           |                       |                   |                  |
| Planning and zoning                   | 288,045          | 255,109          | 32,936           |                       |                   |                  |
| Recorder                              | 162,286          | 156,725          | 5,561            |                       |                   |                  |
| Superior court                        | 268,347          | 365,847          | (97,500)         |                       |                   |                  |
| Treasurer                             | 199,454          | 197,391          | 2,063            |                       |                   |                  |
| Contingency                           | 1,000,000        | 170,253          | 829,747          |                       |                   |                  |
| Management information services       | 125,346          | 135,696          | (10,350)         |                       |                   |                  |
| Law library                           | 6,500            | 6,029            | 471              |                       |                   |                  |
| Public defender                       | 336,349          | 325,160          | 11,189           |                       |                   |                  |
| Miscellaneous                         | 252,500          | 247,718          | 4,782            |                       |                   |                  |
| Finance/personnel                     | 207,870          | 176,066          | 31,804           |                       |                   |                  |
| GIS/master planning                   | 20,082           | 10,802           | 9,280            |                       |                   |                  |
| Facilities management                 | 499,618          | 451,834          | 47,784           |                       |                   |                  |
| Conciliation court                    |                  |                  |                  | 13,212                | 1,884             | 11,328           |
| Law library                           |                  |                  |                  | 7,563                 | 6,401             | 1,162            |
| Mitigation grant—Wenden               |                  |                  |                  | 664,000               | 345,075           | 318,925          |
| County extension fund                 |                  |                  |                  | 64,978                | 64,978            |                  |
| Fill the gap                          |                  |                  |                  | 14,000                | 8,671             | 5,329            |
| Growing smarter planning grant        |                  |                  |                  | 16,628                | 7,270             | 9,358            |
| Anti-gang enforcement and prosecution |                  |                  |                  | 5,000                 | 6,668             | (1,668)          |
| LAG grant                             |                  |                  |                  | 57,000                |                   | 57,000           |
| CA RICO                               |                  |                  |                  | 47,105                | 17,860            | 29,245           |
| Fill-the-gap courts                   |                  |                  |                  |                       | 454               | (454)            |
| Casa court-appointed special advocate |                  |                  |                  | 12,183                | 12,078            | 105              |
| Court improvement project             |                  |                  |                  | 1,500                 | 795               | 705              |
| Historical preservation project       |                  |                  |                  |                       | 40                | (40)             |
| Public defender fees                  |                  |                  |                  | 19,777                |                   | 19,777           |
| Excel Group-QTZ lease                 |                  |                  |                  |                       | 6,243             | (6,243)          |

(Continued)

See accompanying notes to financial statements.

La Paz County  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual—General and Special Revenue Fund Types  
 Year Ended June 30, 2002  
 (Continued)

|                                       | General Fund |              |            | Special Revenue Funds |           |             |
|---------------------------------------|--------------|--------------|------------|-----------------------|-----------|-------------|
|                                       | Budget       | Actual       | Variance   | Budget                | Actual    | Variance    |
| Task force prosecutor                 |              |              |            | \$ 62,523             | \$ 87,093 | \$ (24,570) |
| Criminal justice enhancement          |              |              |            | 82,861                | 82,733    | 128         |
| Public defender training              |              |              |            | 3,500                 | 3,185     | 315         |
| Fill-the-gap-county attorney          |              |              |            | 3,800                 |           | 3,800       |
| CDBG programs                         |              |              |            | 227,276               | 137       | 227,139     |
| DES child support                     |              |              |            | 273,081               | 256,337   | 16,744      |
| Document storage—recorder             |              |              |            | 49,054                | 15,671    | 33,383      |
| Document storage—superior court       |              |              |            | 4,600                 |           | 4,600       |
| Child support SSRE/incentives         |              |              |            | 10,000                | 4,145     | 5,855       |
| County anti-racketeering              |              |              |            | 173,900               | 188,276   | (14,376)    |
| Victim's rights                       |              |              |            | 6,411                 | 1,884     | 4,527       |
| Victim's witness program (state)      |              |              |            | 13,860                | 13,378    | 482         |
| Juvenile victim's rights fund         |              |              |            | 11,800                | 3,810     | 7,990       |
| Endangered species fund               |              |              |            | 61,000                | 50,794    | 10,206      |
| Taxpayer information                  |              |              |            | 30,000                |           | 30,000      |
| Total general government              | \$ 5,605,737 | \$ 4,615,838 | \$ 989,899 | 1,936,612             | 1,185,860 | 750,752     |
| Public safety:                        |              |              |            |                       |           |             |
| Regional dispatch                     | 466,543      | 505,471      | (38,928)   |                       |           |             |
| Sheriff                               | 1,892,473    | 1,913,928    | (21,455)   |                       |           |             |
| Probation                             | 93,926       | 91,272       | 2,654      |                       |           |             |
| Aircraft                              | 22,835       | 17,881       | 4,954      |                       |           |             |
| Out of school youth program           |              | 42           | (42)       |                       |           |             |
| Maintenance of effort                 | 554,675      | 554,000      | 675        |                       |           |             |
| Juvenile probation                    | 81,463       | 81,483       | (20)       |                       |           |             |
| Emergency services                    |              |              |            | 42,316                | 29,133    | 13,183      |
| Drug enforcement probation            |              |              |            | 9,000                 | 14,799    | (5,799)     |
| LLEBG—sheriff's overtime              |              |              |            | 13,177                | 13,300    | (123)       |
| Search and rescue contribution        |              |              |            | 5,000                 | 221       | 4,779       |
| Parent education fund                 |              |              |            | 2,160                 | 2,070     | 90          |
| Wenden street lighting                |              |              |            | 5,828                 | 4,350     | 1,478       |
| Salome street lighting                |              |              |            | 2,342                 | 3,198     | (856)       |
| La Paz estates SLID                   |              |              |            | 1,384                 | 1,520     | (136)       |
| AORCC boat patrol grant               |              |              |            | 171,619               | 191,740   | (20,121)    |
| Jail enhancement grant                |              |              |            | 149,750               | 110,797   | 38,953      |
| ACJC drug enforcement                 |              |              |            | 130,600               | 128,589   | 2,011       |
| Fill-the-gaps courts                  |              |              |            | 15,000                | 269,706   | (254,706)   |
| Casa court-appointed special advocate |              |              |            |                       | 315       | (315)       |
| Adult state aid enhancement           |              |              |            | 119,527               | 111,193   | 8,334       |
| State aid for juvenile probation      |              |              |            | 39,042                | 37,751    | 1,291       |
| Family counseling                     |              |              |            | 6,918                 | 6,918     |             |
| Juvenile school resource fund         |              |              |            | 43,950                | 42,550    | 1,400       |
| Adult community punishment grant      |              |              |            | 5,000                 | 2,562     | 2,438       |
| Juvenile probation fees               |              |              |            | 16,900                | 11,223    | 5,677       |
| County probation services             |              |              |            | 122,450               | 84,795    | 37,655      |
| Adult intensive probation             |              |              |            | 63,405                | 56,990    | 6,415       |
| Juvenile intensive probation          |              |              |            | 61,520                | 63,955    | (2,435)     |
| CJEF contract sheriff                 |              |              |            | 10,000                |           | 10,000      |

(Continued)

See accompanying notes to financial statements.

La Paz County  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual—General and Special Revenue Fund Types  
 Year Ended June 30, 2002  
 (Continued)

|  | General Fund |              |             | Special Revenue Funds |           |             |
|--|--------------|--------------|-------------|-----------------------|-----------|-------------|
|  | Budget       | Actual       | Variance    | Budget                | Actual    | Variance    |
| SLIF project boats-2001                |              |              |             |                       | \$ 18,551 | \$ (18,551) |
| CCRT                                   |              |              |             | \$ 42,000             |           | 42,000      |
| Jail commissary                        |              |              |             | 31,632                | 62,695    | (31,063)    |
| DARE contributions                     |              |              |             | 15,000                | 3,634     | 11,366      |
| Highway safety grant                   |              |              |             | 35,000                | 47,342    | (12,342)    |
| Cops in school                         |              |              |             | 80,481                | 87,870    | (7,389)     |
| Drug treatment and education fund      |              |              |             | 11,648                | 55,532    | (43,884)    |
| Juvenile diversion fund intake         |              |              |             | 63,560                | 60,360    | 3,200       |
| Juvenile diversion consequences        |              |              |             | 17,960                | 17,360    | 600         |
| La Paz County jail district            |              |              |             | 2,612,573             | 2,808,179 | (195,606)   |
| Total public safety                    | \$ 3,111,915 | \$ 3,164,077 | \$ (52,162) | 3,946,742             | 4,349,198 | (402,456)   |
| Highways and streets:                  |              |              |             |                       |           |             |
| Road                                   |              |              |             | 4,906,737             | 3,828,239 | 1,078,498   |
| Wenden flood                           |              |              |             | 700,000               | 379,264   | 320,736     |
| Total highways and streets             |              |              |             | 5,606,737             | 4,207,503 | 1,399,234   |
| Sanitation:                            |              |              |             |                       |           |             |
| Sanitary landfill                      | 10,000       | 146          | 9,854       |                       |           |             |
| ADEQ—waste tire disposal               |              |              |             | 36,776                | 26,615    | 10,161      |
| ADEQ DPA contract                      |              |              |             | 2,610                 | 169       | 2,441       |
| Total sanitation                       | 10,000       | 146          | 9,854       | 39,386                | 26,784    | 12,602      |
| Health:                                |              |              |             |                       |           |             |
| Indigent health                        | 260,164      | 393,161      | (132,997)   |                       |           |             |
| County long-term care 11-29302         | 677,800      | 664,839      | 12,961      |                       |           |             |
| C.M.I. chronically mentally ill        | 58,150       | 78,746       | (20,596)    |                       |           |             |
| Health department transit              | 108,768      | 87,301       | 21,467      |                       |           |             |
| Rabies control                         |              |              |             | 67,233                | 49,794    | 17,439      |
| Health department                      |              |              |             | 365,015               | 369,695   | (4,680)     |
| TB grant (state)                       |              |              |             | 21,563                | 6,603     | 14,960      |
| Wenden domestic water                  |              |              |             |                       | 159       | (159)       |
| Transit                                |              |              |             | 25,000                |           | 25,000      |
| Tobacco grant                          |              |              |             | 148,642               | 96,411    | 52,231      |
| Maternal child health                  |              |              |             | 30,000                | 2,739     | 27,261      |
| Family planning                        |              |              |             | 14,530                | 10,784    | 3,746       |
| Bio-Terrorism                          |              |              |             |                       | 3,842     | (3,842)     |
| Total health                           | 1,104,882    | 1,224,047    | (119,165)   | 671,983               | 540,027   | 131,956     |
| Welfare:                               |              |              |             |                       |           |             |
| Public fiduciary                       | 79,079       | 75,707       | 3,372       |                       |           |             |
| Job training partnership act           |              |              |             | 225,476               | 92,646    | 132,830     |
| Workforce investment act               |              |              |             | 182,990               | 167,062   | 15,928      |
| Total welfare                          | 79,079       | 75,707       | 3,372       | 408,466               | 259,708   | 148,758     |
| Culture and recreation:                |              |              |             |                       |           |             |
| La Paz County park                     |              |              |             | 445,007               | 439,867   | 5,140       |
| Park grants                            |              |              |             | 622,482               | 620,409   | 2,073       |
| Parker library                         |              |              |             | 98,000                | 98,065    | (65)        |
| Bill Williams Rec. Angling Development |              |              |             |                       | 31,405    | (31,405)    |
| OHV grant                              |              |              |             | 84,240                | 12,680    | 71,560      |
| Total culture and recreation           |              |              |             | 1,249,729             | 1,202,426 | 47,303      |

(Continued)

See accompanying notes to financial statements.

La Paz County  
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual—General and Special Revenue Fund Types  
 Year Ended June 30, 2002  
 (Continued)

|  | General Fund      |                     |                     | Special Revenue Funds |                     |                     |
|--|-------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
|  | Budget            | Actual              | Variance            | Budget                | Actual              | Variance            |
| Education:   |                   |                     |                     |                       |                     |                     |
| School superintendent  | \$ 150,755        | \$ 146,726          | \$ 4,029            |                       |                     |                     |
| Total education  | <u>150,755</u>    | <u>146,726</u>      | <u>4,029</u>        |                       |                     |                     |
| Total expenditures   | <u>10,062,368</u> | <u>9,226,541</u>    | <u>835,827</u>      | \$ 13,859,655         | \$ 11,771,506       | \$ 2,088,149        |
| Excess of revenues over (under) expenditures                                     | (584,368)         | (136,739)           | 447,629             | (838,110)             | 3,798,996           | 4,637,106           |
| Other financing sources (uses):  |                   |                     |                     |                       |                     |                     |
| Operating transfers in   |                   | 750,755             | 750,755             | 399,207               | 359,641             | (39,566)            |
| Operating transfers out  | <u>(399,207)</u>  | <u>(359,641)</u>    | <u>39,566</u>       |                       | <u>(750,755)</u>    | <u>(750,755)</u>    |
| Total other financing sources (uses)   | <u>(399,207)</u>  | <u>391,114</u>      | <u>790,321</u>      | <u>399,207</u>        | <u>(391,114)</u>    | <u>(790,321)</u>    |
| Excess of revenues and other sources over<br>(under) expenditures and other uses | (983,575)         | 254,375             | 1,237,950           | (438,903)             | 3,407,882           | 3,846,785           |
| Fund balances, July 1, 2001  | <u>983,575</u>    | <u>2,502,819</u>    | <u>1,519,244</u>    | <u>438,903</u>        | <u>4,643,597</u>    | <u>4,204,694</u>    |
| Fund balances, June 30, 2002   | <u>\$ -</u>       | <u>\$ 2,757,194</u> | <u>\$ 2,757,194</u> | <u>\$ -</u>           | <u>\$ 8,051,479</u> | <u>\$ 8,051,479</u> |

See accompanying notes to financial statements.

La Paz County  
Statement of Revenues, Expenses, and  
Changes in Retained Earnings—Enterprise Fund  
Year Ended June 30, 2002

|                                    |                            |
|------------------------------------|----------------------------|
| Operating revenues:                |                            |
| Golf course fees                   | \$ 1,506,319               |
| Miscellaneous                      | <u>10,278</u>              |
| Total operating revenues           | <u>1,516,597</u>           |
|                                    |                            |
| Operating expenses:                |                            |
| Personnel services                 | 496,313                    |
| Supplies                           | 274,296                    |
| Professional services              | 46,297                     |
| Communication                      | 5,295                      |
| Repairs and maintenance            | 77,289                     |
| Public utility service             | 57,937                     |
| Depreciation                       | 166,211                    |
| Other                              | <u>32,293</u>              |
| Total operating expenses           | <u>1,155,931</u>           |
| Operating income                   | <u>360,666</u>             |
|                                    |                            |
| Nonoperating revenues (expenses):  |                            |
| Investment income                  | 9,502                      |
| Interest expense                   | (179,204)                  |
| Loss on disposal of fixed assets   | <u>(21,293)</u>            |
| Net nonoperating expenses          | <u>190,995</u>             |
| Net income                         | 169,671                    |
|                                    |                            |
| Accumulated deficit, July 1, 2001  | <u>(784,487)</u>           |
| Accumulated deficit, June 30, 2002 | <u><u>\$ (614,816)</u></u> |

See accompanying notes to financial statements.

La Paz County  
Statement of Cash Flows—Enterprise Fund  
Year Ended June 30, 2002

|  |                  |
|--|------------------|
| Cash flows from operating activities:                      |                  |
| Cash received for services                                 | \$ 1,516,597     |
| Cash paid to suppliers                                     | (477,304)        |
| Cash paid to employees                                     | <u>(460,824)</u> |
| Net cash provided by operating activities                  | <u>578,469</u>   |
| Cash flows from noncapital financing activities:           |                  |
| Negative cash balance implicitly financed                  | 712,078          |
| Negative cash balance implicitly repaid                    | <u>(771,558)</u> |
| Net cash used for noncapital financing activities          | <u>(59,480)</u>  |
| Cash flows from capital and related financing activities:  |                  |
| Acquisition of capital assets                              | (140,946)        |
| Principal payments on long-term debt                       | (213,592)        |
| Interest paid on long-term debt                            | <u>(179,204)</u> |
| Net cash used for capital and related financing activities | <u>(533,742)</u> |
| Cash flows from investing activities:                      |                  |
| Acquisition of investments                                 | (7,925)          |
| Interest received on investments                           | <u>9,502</u>     |
| Net cash provided by investing activities                  | <u>1,577</u>     |
| Net decrease in cash and cash equivalents                  | (13,176)         |
| Cash and cash equivalents, July 1, 2001                    | <u>33,072</u>    |
| Cash and cash equivalents, June 30, 2002                   | <u>\$ 19,896</u> |

(Continued)

See accompanying notes to financial statements.

La Paz County  
Statement of Cash Flows—Enterprise Fund  
Year Ended June 30, 2002  
(Continued)

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

|   |                   |
|---|-------------------|
| Operating income  | \$ 360,666        |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                   |
| Depreciation  | 166,211           |
| Decrease in prepaid items   | 280               |
| Increase in accounts payable  | 11,363            |
| Increase in accrued payroll and employee benefits                                       | 32,491            |
| Increase in compensated absences payable  | 2,998             |
| Increase in due to other funds  | <u>4,460</u>      |
| Net cash provided by operating activities   | <u>\$ 578,469</u> |
| Noncash investing, capital, and financing activities:                                   |                   |
| Disposal of equipment   | \$ (160,613)      |
| Elimination of accumulated depreciation related to disposal of equipment                | 139,320           |
| Loss on disposal of equipment   | 21,293            |

See accompanying notes to financial statements.

La Paz County  
Combining Statement of Net Assets  
Investment Trust Funds  
Year Ended June 30, 2002

|                           | <u>Treasurer's<br/>Investment<br/>Pool</u> | <u>Individual<br/>Investment<br/>Accounts</u> | <u>Total</u>                |
|---------------------------|--|---|-----------------------------|
| <b>Assets</b>             |  |   |                             |
| Cash and cash equivalents | \$ 16,701,126                              | \$ 41,764                                     | \$ 16,742,890               |
| Interest receivable       | <u>338</u>                                 | <u>1,105</u>                                  | <u>1,443</u>                |
| Total assets              | <u>16,701,464</u>                          | <u>\$ 42,869</u>                              | <u>16,744,333</u>           |
| <b>Liabilities</b>        |  |   |                             |
| Total liabilities         | <u>                    </u>                | <u>                    </u>                   | <u>                    </u> |
| Net assets held in trust  | <u>\$ 16,701,464</u>                       | <u>\$ 42,869</u>                              | <u>\$ 16,744,333</u>        |

See accompanying notes to financial statements.

La Paz County  
Combining Statement of Changes in Net Assets  
Investment Trust Funds  
Year Ended June 30, 2002

|                                 | <u>Treasurer's<br/>Investment<br/>Pool</u> | <u>Individual<br/>Investment<br/>Accounts</u> | <u>Total</u>         |
|---------------------------------|--|---|----------------------|
| Additions:                      |  |   |                      |
| Contributions from participants | \$ 29,681,933                              | \$ 3,718                                      | \$ 29,685,651        |
| Investment income               | <u>355,070</u>                             | <u>3,155</u>                                  | <u>358,225</u>       |
| Total additions                 | <u>30,037,003</u>                          | <u>6,873</u>                                  | <u>30,043,876</u>    |
| Deductions:                     |  |   |                      |
| Distributions to participants   | <u>30,032,274</u>                          | <u>          </u>                             | <u>30,032,274</u>    |
| Total deductions                | <u>30,032,274</u>                          | <u>          </u>                             | <u>30,032,274</u>    |
| Net increase in net assets      | 4,729                                      | 6,873   | 11,602               |
| Net assets held in trust:       |  |   |                      |
| July 1, 2001                    | <u>16,696,735</u>                          | <u>35,996</u>                                 | <u>16,732,731</u>    |
| June 30, 2002                   | <u>\$ 16,701,464</u>                       | <u>\$ 42,869</u>                              | <u>\$ 16,744,333</u> |

See accompanying notes to financial statements.

La Paz County  
Notes to Financial Statements  
June 30, 2002

Note 1 - Summary of Significant Accounting Policies

The accounting policies of La Paz County conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the County's more significant accounting policies follows.

The County's major operations include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education. In addition, the County owns and operates one enterprise activity: a golf course.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of three county supervisors. These general purpose financial statements present all the fund types and account groups of the County (a primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined 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.

**Blended Component Units**—The La Paz County Jail District is a tax-levying public improvement district that acquires, constructs, operates, maintains, and finances county jails and jail systems, pursuant to Arizona Revised Statutes. The District is included in the accompanying financial statements since the District's governing body is the same as the governing body of La Paz County and provides services to the entire County. The District's financial statements are included in the County's financial statements in the Special Revenue Fund Types and the General Fixed Assets and the General Long-Term Debt Account Groups. Complete financial statements may be obtained at the La Paz County Jail District's administrative offices, 1108 Joshua Avenue, Parker, Arizona 85344.

The La Paz County Municipal Property Corporation (Corporation) is a nonprofit corporation the County created to assist in the acquisition of real and personal property for the County. The corporation's transactions are included in the County's financial statements in the General Fund. Separate financial statements of the Corporation are not prepared.

La Paz County  
Notes to Financial Statements  
June 30, 2002

## B. Fund Accounting

The County's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the County's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Accounts are separately maintained for each fund and account group; however, in the accompanying financial statements, funds that have similar characteristics have been combined into generic fund types that are further classified into broad fund categories. A description of the County's fund categories, types, and account groups follows.

**1. Governmental Funds** account for the County's general government activities using the flow of current financial resources measurement focus and include the following fund types.

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

The *Special Revenue Funds* account for specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

The *Capital Projects Fund* accounts for resources to be used for acquiring or constructing major capital facilities, other than those financed by Proprietary Funds.

**2. Proprietary Funds** account for the County's ongoing activities that are similar to those found in the private sector using the flow of economic resources measurement focus. The County applies all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The County's proprietary fund includes the following fund type.

The *Enterprise Fund* accounts for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Board of Supervisors has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

La Paz County  
Notes to Financial Statements  
June 30, 2002

**3. Fiduciary Funds** account for assets the County holds on behalf of others, and include the following fund types.

The *Investment Trust Funds* account for investments made by the County on behalf of other governmental entities using the economic resources measurement focus.

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

**4. Account Groups** are used to establish control and accountability for certain county assets and liabilities that are not recorded in the funds and include the following two groups.

The *General Fixed Assets Account Group* accounts for all of the County's fixed assets, except those accounted for in the Enterprise Fund.

The *General Long-Term Debt Account Group* accounts for all of the County's long-term obligations, except those accounted for in the Enterprise Fund.

### C. Basis of Accounting

The financial statements of the Governmental and Agency Funds are presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance current-period expenditures. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on general long-term debt that are recognized when due.

Revenues susceptible to accrual are property taxes; franchise taxes; special assessments; licenses and permits; intergovernmental aid, grants, and reimbursements; interest revenue; charges for services; and sales taxes collected and held by the State at year-end on the County's behalf. Fines and forfeits, rents, contributions, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The financial statements of the Proprietary and Investment Trust Funds are presented on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

La Paz County  
Notes to Financial Statements  
June 30, 2002

#### D. Budgeting and Budgetary Control

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

Essentially, the County prepares its budget on the same modified accrual basis of accounting used to record actual revenues and expenditures.

The County has adopted budgets in accordance with the A.R.S. requirements for the General and Special Revenue Funds. Formal budget integration is not employed for the Enterprise Fund because effective budgetary control is alternatively achieved through the capability of cost recovery.

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.

Encumbrance accounting, under which purchase orders, contracts, and other commitments to expend monies are recorded to reserve that portion of the applicable fund balance, is not employed by the County during the year. However, the County must encumber amounts necessary and available to pay liabilities outstanding for goods or services received but unpaid at June 30, after which warrants may be drawn against the encumbered amounts for 60 days immediately following the close of the fiscal year. After 60 days, the remaining encumbered balances lapse.

#### E. Cash and Investments

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

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

La Paz County  
Notes to Financial Statements  
June 30, 2002

F. Inventories

Purchases of inventory items are recorded at the time of purchase as expenditures in the funds from which the purchases were made, and because the amounts on hand at June 30, 2002, were immaterial, they are not included in the balance sheet.

G. Fixed Assets

Purchased fixed assets capitalized in the General Fixed Assets Account Group are recorded at the time of purchase as expenditures in the funds from which the expenditures were made. Such assets are capitalized at cost. Donated fixed assets are capitalized at their estimated fair market value at the time received.

Depreciation on general fixed assets is not recorded, and interest incurred during construction is not capitalized. Also, public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage and lighting systems, are not capitalized.

Purchased fixed assets of the Enterprise Fund are capitalized in that fund at cost. Major outlays for assets or improvements to them are capitalized as projects are constructed. Interest incurred during the construction phase of the project is capitalized net of interest earned on the invested proceeds over the same period. Donated fixed assets are capitalized at their estimated fair market value at the time received. Depreciation of fixed assets in the Enterprise Fund is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                              |            |
|------------------------------|------------|
| Golf course and improvements | 30 years   |
| Machinery and equipment      | 2-10 years |

H. Compensated Absences

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

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

La Paz County  
Notes to Financial Statements  
June 30, 2002

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 and, therefore, are accrued.

The liability for vested compensated absences of the Governmental Funds is recorded in the General Long-Term Debt Account Group since the amount expected to be paid from current financial resources is not significant. Vested compensated absences of the Enterprise Fund are recorded as expenses and liabilities of that fund as the benefits accrue to employees.

#### I. Investment Income

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

#### J. Property Taxes

Property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues.

#### K. Intergovernmental Grants and Aid

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred. Reimbursements not received within 60 days subsequent to fiscal year-end are reported as deferred revenues.

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

#### **Excess of Expenditures over Appropriations**

Nine General fund departments and 24 Special Revenue Funds had an excess of actual expenditures over appropriations as reported on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—General and Special Revenue Fund Types. Generally, the excesses were the result of unexpected expenditures in those departments during the year.

La Paz County  
Notes to Financial Statements  
June 30, 2002

**Individual Fund Deficits**

The following individual funds had accumulated deficits at June 30, 2002:

| <u>Fund Description</u>                | <u>Deficit</u> |
|--|----------------|
| <u>Special Revenue Funds</u>           |                |
| Health department                      | \$ 18,476      |
| La Paz county park                     | 27,626         |
| Park grants                            | 36,216         |
| WIA (Workforce Investment Act)         | 45,073         |
| CA RICO                                | 11,699         |
| AORCC boat patrol grant                | 8,976          |
| Task force prosecutor                  | 29,291         |
| Criminal justice enhancement           | 25,675         |
| DES child support program              | 30,197         |
| SLIF project boats                     | 16,932         |
| Victim's rights                        | 11,651         |
| Bill Williams rec. angling development | 37,934         |
| OHV grant                              | 7,856          |
| <br><u>Enterprise Fund</u>             |                |
| La Paz County golf course              | 614,816        |

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

**Note 3 - Deposits and Investments**

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

La Paz County  
Notes to Financial Statements  
June 30, 2002

**County Treasurer's Investment Pool**—Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer (see Note 4). Those monies are pooled with county monies for investment purposes.

Deposits—At June 30, 2002, the carrying amount of the investments pool's total cash in bank was \$1,445,951, and the bank balance was \$1,488,315. Of the bank balance, \$100,000 was covered by federal depository insurance, and \$1,388,315 was covered by collateral held by the pledging financial institution's agent in the County's name.

Investments—At June 30, 2002, the investments in the County Treasurer's investment pool consisted of the following:

|  | <u>Fair<br/>Value</u> |
|--|-----------------------|
| Investment in State Treasurer's<br>investment pool | <u>\$21,724,723</u>   |

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

**Other Deposits**—At June 30, 2002, the total nonpooled cash on hand was \$25,349. The carrying amount of the County's total nonpooled cash in bank was \$508,640, and the bank balance was \$747,585. Of the bank balance, \$386,135 was covered by federal depository insurance and \$361,450 was covered by collateral held by the pledging financial institution in the County's name.

**Other Investments**—The County's nonpooled investments at June 30, 2002, are categorized below to give an indication of the level of risk assumed by the County at year-end.

Category 1—insured or registered in the County's name, or securities held by the County or its agent in the County's name.

Category 2—uninsured and unregistered with securities held by the counterparty's trust department or agent in the County's name.

Category 3—uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the County's name.

La Paz County  
Notes to Financial Statements  
June 30, 2002

|                            | Category |   |                    | Fair               |
|----------------------------|----------|---|--------------------|--------------------|
|                            | 1        | 2 | 3                  | Value              |
| U.S. government securities |          |   | \$1,307,495        | \$1,307,495        |
| Money market investments   |          |   | <u>239,898</u>     | <u>239,898</u>     |
|                            |          |   | <u>\$1,547,393</u> | <u>\$1,547,393</u> |

A reconciliation of cash and investments to amounts shown on the combined balance sheet follows.

Cash and investments:

|                                   | County Treasurer's<br>Investment Pool | Other              | Total               |
|-----------------------------------|---------------------------------------|--------------------|---------------------|
| Cash on hand                      |                                       | \$ 25,349          | \$ 25,349           |
| Carrying amount of<br>deposits    | \$ 1,445,951                          | 508,640            | 1,954,591           |
| Reported amount of<br>investments | <u>21,724,723</u>                     | <u>1,547,393</u>   | <u>23,272,116</u>   |
| Total                             | <u>\$23,170,674</u>                   | <u>\$2,081,382</u> | <u>\$25,252,056</u> |

Combined balance sheet:

|  |                     |
|--|---------------------|
| Cash and cash equivalents                | \$23,704,663        |
| Cash and investments held by<br>trustees | <u>1,547,393</u>    |
| Total                                    | <u>\$25,252,056</u> |

#### Note 4 - County Treasurer's Investment Pool

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

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

La Paz County  
Notes to Financial Statements  
June 30, 2002

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

| <b>Statement of Net Assets</b>            |                            |
|---|----------------------------|
| Assets                                    | \$23,171,012               |
| Liabilities                               | <u>                  -</u> |
| Net assets                                | <u>\$23,171,012</u>        |
| Net assets held in trust for:             |                            |
| Internal participants                     | \$ 6,469,548               |
| External participants                     | <u>16,701,464</u>          |
| Total net assets held in trust            | <u>\$23,171,012</u>        |
| <b>Statement of Changes in Net Assets</b> |                            |
| Total additions                           | \$56,772,195               |
| Total deductions                          | <u>55,968,116</u>          |
| Net increase                              | 804,079                    |
| Net assets held in trust:                 |                            |
| July 1, 2001                              | <u>22,366,933</u>          |
| June 30, 2002                             | <u>\$23,171,012</u>        |

**Note 5 - Property Taxes Receivable**

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

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

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

La Paz County  
Notes to Financial Statements  
June 30, 2002

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer's Office, and at June 30, 2002, were as follows:

| Fiscal Year | General Fund     | Special Revenue Funds |
|-------------|------------------|-----------------------|
| 2001-02     | \$144,561        | \$ 758                |
| Prior       | <u>173,873</u>   | <u>317</u>            |
| Total       | <u>\$318,434</u> | <u>\$1,075</u>        |

That portion of property taxes receivable not collected within 60 days after June 30, 2002, has been deferred and, consequently, is not included in current-year revenues.

Note 6 - Due from Other Governments

Amounts due from other governments in the General Fund at June 30, 2002, include \$169,068 in sales taxes, vehicle license tax, and excise tax from the State of Arizona.

Amounts due from other governments in the Special Revenue Funds include \$3,814,000 in Arizona Department of Transportation proceeds for State Route 95B improvements; \$279,764 in highway user taxes from the State of Arizona; \$110,427 in vehicle license tax and jail tax from the State of Arizona; \$196,086 in inmate housing fees from the U.S. Department of Treasury; and \$81,807 from the Federal Emergency Management Agency for flood assistance.

The remaining balance of \$67,519 and \$231,997 in the General and Special Revenue Funds, respectively, consists of grants and contracts from the state and federal governments.

Note 7 - Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

|                                   | Balance<br>July 1, 2001 | Additions          | Deletions        | Balance<br>June 30, 2002 |
|-----------------------------------|-------------------------|--------------------|------------------|--------------------------|
| Land                              | \$ 585,757              | \$ 42,613          |                  | \$ 628,370               |
| Buildings                         | 8,952,001               | 351,989            |                  | 9,303,990                |
| Improvements other than buildings | 383,309                 | 4,103              |                  | 387,412                  |
| Machinery and equipment           | <u>10,561,227</u>       | <u>1,467,286</u>   | <u>\$724,782</u> | <u>11,303,731</u>        |
| Total                             | <u>\$20,482,294</u>     | <u>\$1,865,991</u> | <u>\$724,782</u> | <u>\$21,623,503</u>      |

La Paz County  
Notes to Financial Statements  
June 30, 2002

A summary of the changes in the Enterprise Fund fixed assets follows:

|                                | <u>Balance</u><br><u>July 1, 2001</u> | <u>Additions</u> | <u>Deletions</u>   | <u>Balance</u><br><u>June 30, 2002</u> |
|--------------------------------|---------------------------------------|------------------|--------------------|--|
| Golf course and improvements   | \$2,800,454                           | \$ 34,309        |                    | \$ 2,834,763                           |
| Machinery and equipment        | <u>824,384</u>                        | <u>113,236</u>   | \$(160,613)        | <u>777,007</u>                         |
| Subtotal                       | <u>\$3,624,838</u>                    | <u>\$147,545</u> | <u>\$(160,613)</u> | \$ 3,611,770                           |
| Less: Accumulated depreciation |                                       |                  |                    | <u>(1,776,135)</u>                     |
| Total                          |                                       |                  |                    | <u>\$ 1,835,635</u>                    |

### Note 8 - Certificates of Participation Payable

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

Principal and interest requirements at June 30, 2002, were as follows:

| <u>Description</u>                                   | <u>Interest Rates</u> | <u>Maturities</u> | <u>Outstanding Principal</u><br><u>July 1, 2001</u> | <u>Issues/</u><br><u>(Retirements)</u> | <u>Outstanding Principal</u><br><u>June 30, 2002</u> |
|--|-----------------------|-------------------|---|--|--|
| <b>General Long-Term Debt Account Group (GLTDAG)</b> |                       |                   |   |  |  |
| Jail facility—series 1994                            | 5.30-5.75%            | 2003-2009         | \$1,875,000   | \$(195,000)                            | \$1,680,000  |
| Courthouse and government center complex—series 1994 | 5.40-5.75%            | 2003-2009         | <u>1,655,000</u>                                    | <u>(170,000)</u>                       | <u>1,485,000</u>                                     |
|  |                       | Total             | <u>\$3,530,000</u>                                  | <u>\$(365,000)</u>                     | <u>\$3,165,000</u>                                   |
| <b>Enterprise Fund</b>                               |                       |                   |   |  |  |
| Emerald Canyon Golf Course – Refunding Series 1995   | 7.55-7.70%            | 2003-2009         | <u>\$2,440,000</u>                                  | <u>\$(200,000)</u>                     | <u>\$2,240,000</u>                                   |

La Paz County  
Notes to Financial Statements  
June 30, 2002

Certificates of participation debt service requirements to maturity, including \$757,181 and \$756,620 of interest for the Enterprise Fund and GLTDAG, respectively, are as follows:

| Year ending June 30, | <u>Enterprise<br/>Fund</u> | <u>GLTDAG</u>      |
|----------------------|----------------------------|--------------------|
| 2003                 | \$ 373,525                 | \$ 562,090         |
| 2004                 | 376,915                    | 561,505            |
| 2005                 | 373,984                    | 559,850            |
| 2006                 | 374,533                    | 562,225            |
| 2007                 | 373,357                    | 556,250            |
| Thereafter           | <u>1,124,867</u>           | <u>1,119,700</u>   |
| Total                | <u>\$2,997,181</u>         | <u>\$3,921,620</u> |

Note 9 - 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 post-closure care costs. In the event the contract is terminated, the required reserve funds are to be remitted to the County. Consequently, no liability for landfill closure and post-closure care costs has been recorded on the general purpose financial statements.

Note 10 - Risk Management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants, and a deductible of \$5,000 per occurrence for property claims and \$5,000 per occurrence for liability claims. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million per occurrence for liability claims. 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.

La Paz County  
Notes to Financial Statements  
June 30, 2002

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

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

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

### Note 11 - Changes in Long-Term Liabilities

A summary of changes in the liabilities reported in the General Long-Term Debt Account Group follows:

|                                       | <u>Balance</u><br><u>July 1, 2001</u> | <u>Additions</u>            | <u>Reductions</u>  | <u>Balance</u><br><u>June 30, 2002</u> |
|---------------------------------------|---------------------------------------|-----------------------------|--------------------|--|
| Compensated absences payable          | \$ 365,528                            | \$20,137                    |                    | \$ 385,665                             |
| Certificates of participation payable | 3,530,000                             |                             | \$ 365,000         | 3,165,000                              |
| Obligations under capital leases      | 180                                   |                             | 180                |  |
| Claims and judgments payable          | 289,000                               |                             | 203,976            | 85,024                                 |
| Loan payable                          | <u>1,448,568</u>                      | <u>                    </u> | <u>1,448,568</u>   | <u>                    </u>            |
| Total                                 | <u>\$5,633,276</u>                    | <u>\$20,137</u>             | <u>\$2,017,724</u> | <u>\$3,635,689</u>                     |

La Paz County  
Notes to Financial Statements  
June 30, 2002

Note 12 - Interfund Receivables, Payables, and Operating Transfers

The interfund receivables, payables, and operating transfers by fund are as follows:

| <u>Fund</u>                      | <u>Due from<br/>Other<br/>Funds</u> | <u>Due to<br/>Other<br/>Funds</u> | <u>Operating<br/>Transfers<br/>from<br/>Other Funds</u> | <u>Operating<br/>Transfers to<br/>Other Funds</u> |
|----------------------------------|-------------------------------------|-----------------------------------|---|---|
| General                          | \$1,178,287                         | \$ 408,586                        | \$ 750,755  | \$ 359,641  |
| Special Revenue:                 |                                     |                                   |   |   |
| Health department                | 141,294                             | 21,739                            | 141,293   |   |
| La Paz County extension          | 64,978                              |                                   | 64,978  |   |
| Road                             | 45,014                              | 117,253                           |   |   |
| Rabies control                   | 42,913                              | 2,299                             | 42,913  |   |
| Drug enforcement (probation)     | 270                                 |                                   |   |   |
| ACJC drug enforcement            |                                     | 4,819                             |   |   |
| Adult state aid enhancement      | 696                                 | 10,564                            |   |   |
| State aid for juvenile probation | 639                                 | 2,573                             |   |   |
| Family counseling                | 1,430                               |                                   |   |   |
| Adult community punishment grant | 335                                 | 225                               |   |   |
| Parker library                   | 75,000                              |                                   | 75,000  |   |
| DES child support                | 35,457                              | 24,952                            | 35,457  |   |
| Juvenile diversion fund intake   | 643                                 | 3,098                             |   |   |
| La Paz County jail district      | 4,378                               | 125,633                           |   | 750,000   |
| La Paz County park               |                                     | 16,005                            |   |   |
| Criminal justice enhancement     |                                     | 9,860                             |   |   |
| Victim's rights                  |                                     | 670                               |   |   |
| Victim witness program           |                                     | 2,452                             |   |   |
| Juvenile victim's right fund     |                                     | 2,362                             |   |   |
| Public defender training         |                                     | 162                               |   |   |
| Juvenile intensive probation     |                                     | 3,162                             |   |   |
| Juvenile diversion consequences  |                                     | 1,529                             |   |   |
| Emergency services               |                                     | 2,512                             |   |   |
| Wenden flood—Oct 2002            |                                     | 8,380                             |   |   |
| Education and employment fund    |                                     | 6,692                             |   |   |
| WIA Year 2                       |                                     | 2,766                             |   |   |
| WIA PY 99                        |                                     | 2,035                             |   |   |
| WIA Year 1                       |                                     | 778                               |   |   |
| CA RICO                          |                                     | 1,780                             |   |   |
| AORCC boat patrol grant          |                                     | 20,955                            |   |   |
| Tobacco grant                    |                                     | 4,689                             |   |   |
| Task force prosecutor            |                                     | 6,130                             |   |   |

La Paz County  
Notes to Financial Statements  
June 30, 2002

| <u>Fund</u>                    | <u>Due from<br/>Other<br/>Funds</u> | <u>Due to<br/>Other<br/>Funds</u> | <u>Operating<br/>Transfers<br/>from<br/>Other Funds</u> | <u>Operating<br/>Transfers to<br/>Other Funds</u> |
|--------------------------------|-------------------------------------|-----------------------------------|---|---|
| ADEQ waste tire disposal grant |                                     | \$ 28                             |   |   |
| County anti-racketeering       |                                     | 1,426                             |   |   |
| Jail commissary                |                                     | 6,555                             |   |   |
| COPS in schools                |                                     | 4,680                             |   |   |
| ADEQ Gov. Svc.—DPA contract    |                                     | 21                                |   |   |
| Juvenile school resource fund  |                                     | 2,855                             |   |   |
| Juvenile probation fees        |                                     | 418                               |   |   |
| Adult intensive probation      |                                     | 2,515                             |   |   |
| County probation service       |                                     | 10,659                            |   |   |
| CJEF police service dog        |                                     |                                   |   | \$ 755  |
| Enterprise fund                |                                     | <u>747,517</u>                    |   |   |
| Total                          | <u>\$1,591,334</u>                  | <u>\$1,591,334</u>                | <u>\$1,110,396</u>                                      | <u>\$1,110,396</u>                                |

### Note 13 - Retirement Plans

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

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

*The Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 189 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

La Paz County  
Notes to Financial Statements  
June 30, 2002

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

**ESP**

1295 State Street  
Springfield, MA 01111

1-800-309-3539

**PSPRS and EORP**

1020 E. Missouri Ave.  
Phoenix, AZ 85014

(602) 255-5575

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

*ESP*—All employees under this plan, excluding elected officials, were allowed to elect a contribution rate of 6 to 15 percent. The plan also requires that the County contribute an amount equal to 6 percent of the employees' compensation for employees with service of 4 years or less, 8 percent for employees with service of at least 4 years but less than 7 years, and 10 percent for employees with service greater than 7 years.

Both the County and covered employees made the required contributions of 6 to 15 percent amounting to contributions of \$490,576 by the County and \$644,576 by covered employees.

*Agent plans*—For the year ended June 30, 2002, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 8.75 percent.

**Annual Pension Cost**—The County's pension cost for the agent plan for the year ended June 30, 2002, and related information follows.

|                     | <b><u>PSPRS</u></b> |
|---------------------|---------------------|
| Contribution rates: |                     |
| County              | 8.75%               |
| Plan members        | 7.65%               |
| Annual pension cost | \$116,995           |
| Contributions made  | \$116,995           |

The current-year annual required contributions for PSPRS were determined as part of their June 30, 2000, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2000, was 20 years.

La Paz County  
Notes to Financial Statements  
June 30, 2002

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

| <u>Plan</u> | <u>Year Ended<br/>June 30</u> | <u>Annual Pension<br/>Cost (APC)</u> | <u>Percentage of<br/>APC<br/>Contributed</u> | <u>Net Pension<br/>Obligation</u> |
|-------------|-------------------------------|--------------------------------------|--|-----------------------------------|
| PSPRS       | 2002                          | \$116,995                            | 100%   | \$0                               |
|             | 2001                          | 132,008                              | 100%   | 0                                 |
|             | 2000                          | 94,793                               | 100%   | 0                                 |

**Analysis of Funding Progress**—The following information was obtained from the three most recent actuarial valuations of the agent plans.

**PSPRS**

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Plan Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(b)</u> | <u>Funding<br/>(Liability)<br/>Excess<br/>(a-b)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Annual<br/>Covered<br/>Payroll<br/>(c)</u> | <u>Unfunded<br/>Liability as<br/>Percentage<br/>of Covered<br/>Payroll<br/>([a-b]/c)</u> |
|---|---|--|---|-----------------------------------|---|--|
| 6/30/02                                 | \$5,250,603   | \$5,391,985  | \$(141,382)   | 97.4%                             | \$1,290,428                                   | 11.0%  |
| 6/30/01                                 | 5,211,418   | 4,653,857  | 557,561   | 112.0%                            | 1,357,608                                     | -----%   |
| 6/30/00                                 | 4,709,109   | 4,434,870  | 274,239   | 106.2%                            | 1,219,364                                     | -----%   |

*Cost-sharing plans*—For the year ended June 30, 2002, active EORP members were required by statute to contribute 7 percent of the members' annual covered payroll. The County was not required to make contributions to EORP for the year ended June 30, 2002. However, the County's contributions to EORP for the years ended June 30, 2001, and 2000 were \$5,448, and \$4,808, respectively, which were equal to the required contributions for the year.

**Note 14 - Implementation of GASB Statement No. 34**

Beginning with fiscal year 2003, the County will prepare its external financial reports following the requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Implementing this standards will significantly change the accounting principles and reporting format the County uses in future financial reports.

## Supplementary Information

La Paz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2002

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title   | CFDA Number<br>(Note 2) | Pass-Through<br>Grantor's Number | Expenditures   |
|--|-------------------------|----------------------------------|----------------|
| <b>U.S Department of Housing and Urban Development</b>   |                         |                                  |                |
| Passed through the Arizona Department of Commerce  |                         |                                  |                |
| Community Development Block Grants/ State's Program  | 14.228                  | 010-02H                          | \$ 183,901     |
| <b>U.S. Department of the Interior</b>   |                         |                                  |                |
| Payments in Lieu of Taxes  | 15.226                  |                                  | 837,591        |
| <b>U.S. Department of Justice</b>  |                         |                                  |                |
| Local Law Enforcement Block Grants Program   | 16.592                  |                                  | 13,177         |
| Public Safety Partnership and Community Policing Grants  | 16.710                  |                                  | 87,870         |
| Passed through the Arizona Division of Emergency Management  |                         |                                  |                |
| State Domestic Preparedness Equipment Support  | 16.007                  | 2002-TE-CX-0142                  | 4,700          |
| Passed through the Arizona Criminal Justice Commission   |                         |                                  |                |
| Byrne Formula Grant Program  | 16.579                  | PC-160-01, AC-120-01             | 136,913        |
| Passed through the Arizona Governor's Office   |                         |                                  |                |
| Rural Domestic Violence and Child Victimization Enforcement Grant Program  | 16.589                  | 97-WR-VX-0014                    | <u>12,516</u>  |
| Total U.S. Department of Justice   |                         |                                  | <u>255,176</u> |
| <b>U.S. Department of Labor</b>  |                         |                                  |                |
| Passed through the Mohave County Board of Supervisors  |                         |                                  |                |
| Welfare-to-Work Grants to States and Localities  | 17.253                  | E5709051                         | 7,991          |
| WIA Adult Program  | 17.258                  | E572008, E5701014                | 63,104         |
| WIA Youth Activities   | 17.259                  | E572008, E5701014                | 67,911         |
| WIA Dislocated Workers   | 17.260                  | E572008, E5701014                | <u>9,929</u>   |
| Total U.S. Department of Labor   |                         |                                  | <u>148,935</u> |
| <b>U.S. Department of Transportation</b>   |                         |                                  |                |
| Passed through the Arizona Emergency Response Commission   |                         |                                  |                |
| Interagency Hazardous Materials Public Sector Training and Planning Grants (Hazardous Materials Emergency Preparedness Training and Planning Grants) | 20.703                  | None                             | 6,005          |
| <b>Federal Emergency Management Agency</b>   |                         |                                  |                |
| Passed through the Arizona Division of Emergency Management  |                         |                                  |                |
| Public Assistance Grants   | 83.544                  | 1347-DR-AZ-012-099012-00         | 471,287        |
| Hazard Mitigation Grant  | 83.548                  | 1347-3-3-R                       | 150,002        |
| Emergency Management Performance Grants  | 83.552                  | None                             | <u>16,181</u>  |
| Total Federal Emergency Management Agency  |                         |                                  | <u>637,470</u> |

(Continued)

See accompanying notes to schedule.

La Paz County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2002  
(Continued)

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title                 | CFDA Number<br>(Note 2) | Pass-Through<br>Grantor's Number | Expenditures        |
|--|-------------------------|----------------------------------|---------------------|
| <b>U.S. Department of Education</b>  |                         |                                  |                     |
| Passed through the Arizona Department of Education                               |                         |                                  |                     |
| Adult Education—State Grant Program  | 84.002                  | V002A010003                      | \$ 27,553           |
| Passed through the Arizona Supreme Court, Administrative<br>Office of the Courts |                         |                                  |                     |
| Title 1 Program for Neglected and Delinquent Children                            | 84.013                  | 25116                            | <u>1,962</u>        |
| Total U.S. Department of Education   |                         |                                  | <u>29,515</u>       |
| <b>U.S. Department of Health and Human Services</b>                              |                         |                                  |                     |
| Passed through the Arizona Department of Health and<br>Human Services            |                         |                                  |                     |
| Immunization Grants  | 93.268                  | 152050                           | 49,685              |
| Centers for Disease Control and Prevention—                                      |                         |                                  |                     |
| Investigations and Technical   | 93.283                  | 242040                           | 3,842               |
| Preventive Health and Health Services Block Grant                                | 93.991                  | 953023                           | 7,994               |
| Maternal and Child Health Services Block Grant to the<br>States                  | 93.994                  | 761110                           | 10,784              |
| Passed through the Arizona Department of Economic<br>Security                    |                         |                                  |                     |
| Child Support Enforcement  | 93.563                  | E7201012                         | <u>218,375</u>      |
| Total U.S. Department of Health and Human Services                               |                         |                                  | <u>290,680</u>      |
| Total Expenditures of Federal Awards   |                         |                                  | <u>\$ 2,389,273</u> |

See accompanying notes to schedule.

La Paz County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2002

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of La Paz County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor, the 2002 *Catalog of Federal Domestic Assistance*, or the 2002 A-133 Compliance Supplement.

Note 3 - Subrecipients

The County did not award federal monies to subrecipients for the fiscal year ended June 30, 2002.



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of General Purpose Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of  
La Paz County, Arizona

We have audited the general purpose financial statements of La Paz County as of and for the year ended June 30, 2002, and have issued our report thereon dated May 7, 2003. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we will report to the County's management in a separate letter that will be issued at a later date.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter that will be issued at a later date.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities 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.

Debbie Davenport  
Auditor General

May 7, 2003



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of  
La Paz County, Arizona

### **Compliance**

We have audited the compliance of La Paz County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 02-101 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with the requirements regarding activities allowed or unallowed that are applicable to its Public Assistance Grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, La Paz County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

## Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 02-101.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities 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.

Debbie Davenport  
Auditor General

May 7, 2003

LA PAZ COUNTY  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2002

Summary of Auditors' Results

**Financial Statements**

|  |            |                             |  |
|--|------------|-----------------------------|--|
| Type of auditors' report issued:   |            | Unqualified                 |  |
|  | <u>Yes</u> | <u>No</u>                   |  |
| Material weakness identified in internal control over financial reporting? | ___        | <u>X</u>                    |  |
| Reportable condition identified not considered to be a material weakness?  | ___        | <u>X</u><br>(none reported) |  |
| Noncompliance material to the financial statements noted?                  | ___        | <u>X</u>                    |  |

**Federal Awards**

|  |  |          |           |
|--|--|----------|-----------|
| Material weakness identified in internal control over major programs?  |  | ___      | <u>X</u>  |
| Reportable condition identified not considered to be a material weakness?  |  | <u>X</u> | ___       |
| Type of auditors' report issued on compliance for major programs:  |  |          | Qualified |
| Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? |  | <u>X</u> | ___       |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program</u> |
|--------------------|--------------------------------|
| 15.226             | Payment in Lieu of Taxes       |
| 16.579             | Byrne Formula Grant Program    |
| 83.544             | Public Assistance Grants       |

|  |  |           |     |
|--|--|-----------|-----|
| Dollar threshold used to distinguish between Type A and Type B programs: |  | \$300,000 |     |
| Auditee qualified as low-risk auditee?                                   |  | <u>X</u>  | ___ |

**Other Matters**

|   |  |          |     |
|---|--|----------|-----|
| Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? |  | <u>X</u> | ___ |
|---|--|----------|-----|

La Paz County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2002

Federal Award Findings and Questioned Costs

02-101

CFDA No.: 83.544 **Public Assistance Grants**

Federal Emergency Management Agency passed through Arizona Division of Emergency Management

Award Year: October 21, 2000 through April 27, 2002

Award Number: 1347-DR-AZ-012-99012-00

Activities Allowed or Unallowed

Questioned Cost: \$141,802

The Public Assistance Guide 322, published by the Federal Emergency Management Agency, states allowable costs include only those that are reasonable and necessary and that have actually been incurred. However, the La Paz County Public Works Department received federal reimbursement of \$125,415 for mineral materials (sand and gravel) that were not purchased. Specifically, the United States Department of the Interior, Bureau of Land Management, allowed the Department to extract mineral materials from federal lands free of charge.

Additionally, the Department received excess reimbursements of \$16,387 relating to equipment rental costs charged to the program. Specifically, the costs of renting equipment from outside contractors were charged as a direct cost to the program and were also included on the worksheets the Department used to obtain reimbursement for the internal use of county equipment. This instance of noncompliance with the activities allowed or unallowed requirement was similar to a prior-year finding.

To help ensure compliance with the Public Assistance Guide and OMB Circular A-87, the County should follow established policies and procedures that ensure only proper and reasonable costs are charged to federal programs.



## *La Paz County Finance*

1108 S. Joshua Avenue      Office (928) 669-2247  
Parker, Arizona 85344      Facsimile (928) 669-9709

June 12, 2003

Debra K. Davenport, CPA  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Re: Corrective Action Plan – Fiscal Year Ended June 30, 2002

Dear Ms Davenport:

The following corrective action plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's schedule of findings and questioned costs.

Sincerely,

Ava Alcaida  
Finance Director

**La Paz County, Arizona  
Corrective Action Plan  
Year Ended June 30, 2002**

**Federal Award Findings and Questioned Costs**

**02-101 – Public Works Job Costing Internal Controls**

CFDA No: 83.544 Public Assistance Grants

Name of Contact Person: Ava Alcaida

Anticipated completion date: June 30, 2003

The Public Assistance Grant ended during FY 2002-03. However, for all future federal public assistance programs, the Finance Director will review and approve Public Works job costing sheets and supporting documentation to ensure compliance with the Public Assistance Guide and OMB A-87 prior to billing.



## *La Paz County Finance*

1108 S. Joshua Avenue      Office (928) 669-2247  
Parker, Arizona 85344      Facsimile (928) 669-9709

April 9, 2003

Debra K. Davenport, CPA  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms Davenport:

The accompanying summary schedule of prior audit findings has been prepared as required by the U.S. Office of Management and Budget Circular A-133. Specifically we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs related to federal awards.

Sincerely,

Ava Alcaida  
Finance Director

**La Paz County, Arizona**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2002**

**Status of Federal Award Findings and Questioned Costs**

CFDA No. : 83.544 Public Assistance Grants

Finding No. : 01-101

Status : Not corrected as of June 30,2002. However, as this public assistance grant ended during FY 2002-03, the Public Works and Finance Departments will implement the necessary controls to ensure compliance with all future federal public assistance programs.