

DEBT SERVICE

DEBT MANAGEMENT

The County uses several financing instruments to fund its capital needs. Each method of leveraging has specific and secure sources identified and used for the debts repayment.

The County employs the *early recognition option* for payments of principal and interest when due early in the subsequent year for financial reporting and budget purposes to ensure resources are both available and measurable when payments are due.

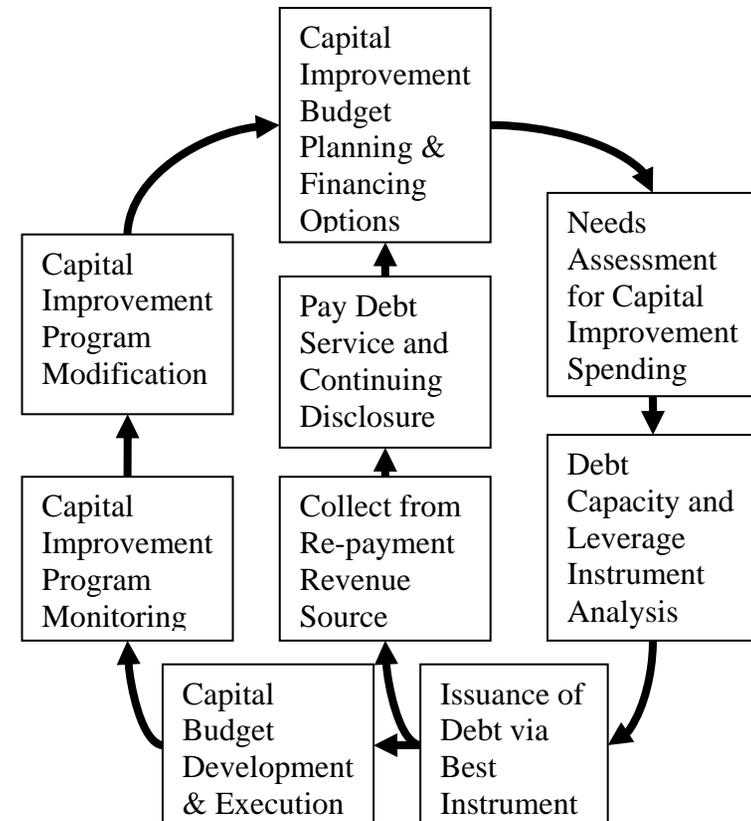
FINANCING INSTRUMENTS

There are numerous financing instruments available to counties in the State of Arizona, including:

- General Obligation Bonds
- Revenue Bonds
- Improvement Bonds
- Special Assessment Bonds & Rural Development Loans
- Community Facility Districts
- Certificates of Participation
- Lease Purchase
- Capital and Operating Leases
- Pay-as-you-go and
- Interfund Borrowing

A general explanation of all these instruments and details on how the County utilizes them is included in this section.

FINANCING A CAPITAL PROJECT



The flow chart above illustrates the ground work to initiate a routine and comprehensive analysis of the County's debt capacity to provide assurance that the amount of debt issued is affordable, cost-effective and promotes an appropriate balance between the County's capital needs and its ability to pay for them today and through the debts maturity.

DEBT SERVICE



DEBT LIMITATION

Bonded indebtedness of local municipalities is subject to a two-tiered constitutional debt limit. (Arizona Constitution, Article 9, Section 8; June 2008)

Under Arizona law, counties, cities, towns, school districts and other municipalities may have the ability to issue general obligation bonds up to 6% of the jurisdiction's net secondary assessed valuation without voter approval. Voter approval is definitely required before issuing over the 6%. With voter approval, counties and school districts may issue general obligation bonds up to 15% of the jurisdiction's net.

Special Taxing Districts formed under Arizona Revised Statutes Title 48, have the same and some have further restrictions than set forth in the Arizona Constitution.

The *Library* (ARS 48-3904) and *Jail* Districts both are consistent with the County's debt limitation of 6%. The *Flood Control* (ARS 48-3619) and *Health* (ARS 48-2217) Districts have a lower debt limitation of 5% of the jurisdictions net secondary assessed valuation.

The following tables illustrate the **County's** compliance with the constitutional debt limitation. The County has \$68 million or 100% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and \$170 million or 100% of 15% borrowing capacity available that requires prior voter approval. The County has issued \$7.5 million in bonds using pledged revenue from sales taxes.

Yuma County Constitutional General Obligation Bonding Capacity Without Prior Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
6% Constitutional Limitation	68,132,456
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 6% Limitation Borrowing Capacity	\$ 68,132,456

Yuma County Constitutional General Obligation Bonding Capacity Subject to Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
15% Constitutional Limitation	170,331,140
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	\$ 170,331,140



DEBT SERVICE

DEBT LIMITATION (CONTINUED)

The following tables illustrate the **Library District's** compliance with the constitutional debt limitation. The Library District has \$26.6 million or 39% of unused 6% borrowing capacity that may not require voter approval prior to issuing debt; and \$129 million or 76% of 15% borrowing capacity available that definitely requires prior voter approval.

Library District	
Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
6% Constitutional Limitation	68,132,456
Less: General Obligation Bonded Debt Outstanding	(45,585,000)
Plus: GO Fund Balance Restricted for Repayment	4,076,414
Unused 6% Limitation Borrowing Capacity	\$ 26,623,870

Library District	
Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
15% Constitutional Limitation	170,331,140
Less: General Obligation Bonded Debt Outstanding	(45,585,000)
Plus: GO Fund Balance Restricted for Repayment	4,076,414
Unused 15% Limitation Borrowing Capacity	\$ 128,822,554

The following tables illustrate the **Jail District's** compliance with the constitutional debt limitation. The Jail District has \$68 million or 100% of unused 6% borrowing capacity may not require voter approval prior to issuing debt; and \$170 million or 100% of 15% borrowing capacity available that definitely requires prior voter approval.

Voters established the Jail District in 1995 and reaffirmed in 2011 its support by a transaction privilege tax (TPT), rather than a property tax. For this reason, the Jail District has only issued revenue bonds secured and supported by the TPT tax, rather than property tax.

Jail District	
Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
6% Constitutional Limitation	68,132,456
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 6% Limitation Borrowing Capacity	\$ 68,132,456

Jail District	
Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
15% Constitutional Limitation	170,331,140
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	\$ 170,331,140

DEBT SERVICE



DEBT LIMITATION (CONTINUED)

The following tables illustrate the **Flood Control District's** compliance with the constitutional debt limitation. The Flood Control District has \$48 million or 100% of unused 5% borrowing capacity that does not require voter approval prior to issuing debt; and \$144 million or 100% of 15% borrowing capacity available that requires prior voter approval.

The following tables illustrate the **Health District's** compliance with the constitutional debt limitation. The Health District has \$57 million or 100% of unused 5% borrowing capacity that does not require voter approval prior to issuing debt; and \$170 million or 100% of 15% borrowing capacity available that requires prior voter approval.

The Health District was approved by the Board of Supervisors in 2005 to be supported by a transaction privilege (sales) tax, rather than a property tax. For that reason, the Health District generally will issue revenue bonds secured and supported by the sales tax, rather than property taxing authority.

Flood Control District	
Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2013 Secondary Assessed Valuation	\$ 960,153,217
5% Constitutional Limitation	48,007,661
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 5% Limitation Borrowing Capacity	\$ 48,007,661

Health District	
Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
5% Constitutional Limitation	56,777,047
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 5% Limitation Borrowing Capacity	\$ 56,777,047

Flood Control District	
Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2013 Secondary Assessed Valuation	\$ 960,153,217
15% Constitutional Limitation	144,022,983
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	\$ 144,022,983

Health District	
Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2013 Secondary Assessed Valuation	\$1,135,540,935
15% Constitutional Limitation	170,331,140
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	\$ 170,331,140



DEBT SERVICE

DEBT BURDEN

The General Obligation Bonded Debt Ratios are measurements of the relationship between the debt of the county supported by its property tax base. The tax base is represented by the net secondary assessed valuation (statutory formula applied by the County Assessor) and the full cash value (the assessed value adjusted to reflect market value). Net debt is also compared to population to determine net debt per capita.

Yuma County			
Net Direct General Obligation Bonded Debt Ratios			
	Per Capita Debt	Secondary Assessed Valuation	Full Cash Value
	200,431	\$1.136 Billion	\$11.1 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2013	\$ 0	0%	0%

Library District			
Net Direct General Obligation Bonded Debt Ratios			
	Per Capita Debt	Secondary Assessed Valuation	Full Cash Value
	200,431	\$1.136 Billion	\$11.1 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2013	\$227.43	4.0%	40%

Jail District			
Net Direct General Obligation Bonded Debt Ratios			
	Per Capita Debt	Secondary Assessed Valuation	Full Cash Value
	200,431	\$1.136 Billion	\$11.1 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2013	\$ 0	0%	0%

Flood Control District			
Net Direct General Obligation Bonded Debt Ratios			
	Per Capita Debt	Secondary Assessed Valuation	Full Cash Value
	200,431	\$0.986 Billion	\$0.96 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2013	\$ 0	0%	0%

Health District			
Net Direct General Obligation Bonded Debt Ratios			
	Per Capita Debt	Secondary Assessed Valuation	Full Cash Value
	200,431	\$1.136 Billion	\$11.1 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2013	\$ 0	0%	0%

DEBT SERVICE



GENERAL OBLIGATION BONDS

General Obligation (GO) Bonds are secured by the issuer's general taxing power. As referenced in ARS, Title 35, Chapter 3, the bond security of GO bonds is the taxing power of the state or local government. The County is authorized to levy property taxes or other unrestricted revenue streams, such as sales taxes to pay the general obligation bond payments (principal & interest). Due to this security, interest rates on GO bonds are generally lower than other public securities due to this security.

The voters within the Yuma County Library District on November 8, 2005 authorized the issuance of general obligation bonds up to the amount of \$53,765,000 on behalf of the Yuma County Library District for the construction of new library facilities. The first bond segment was issued on March 8, 2006 in the amount of \$10,050,000 at varying interest rates ranging from 4.0 to 5.5% over the life of bonds. The final segment of the bonds was issued on July 16, 2007 in the amount of \$43,715,000 at varying interest rates ranging from 4.5 to 5.5% over the life of bonds. Both of these bonds mature on July 1, 2035.

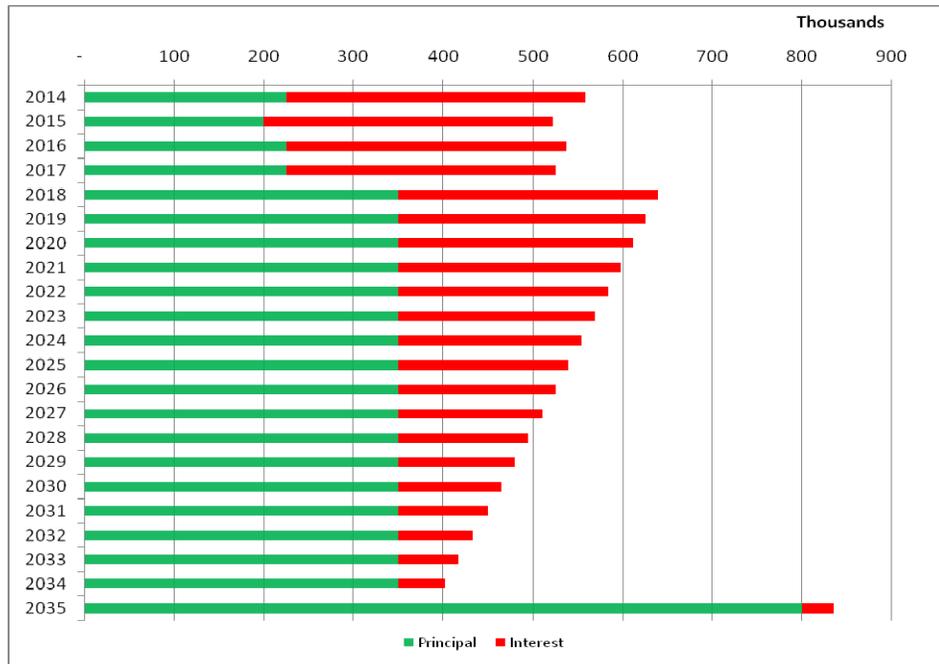
As of June 30, 2013 the Yuma County Library District will have \$45,585,000 in principal outstanding of general obligation bonds after principal payments on both these bonds have been made.



DEBT SERVICE

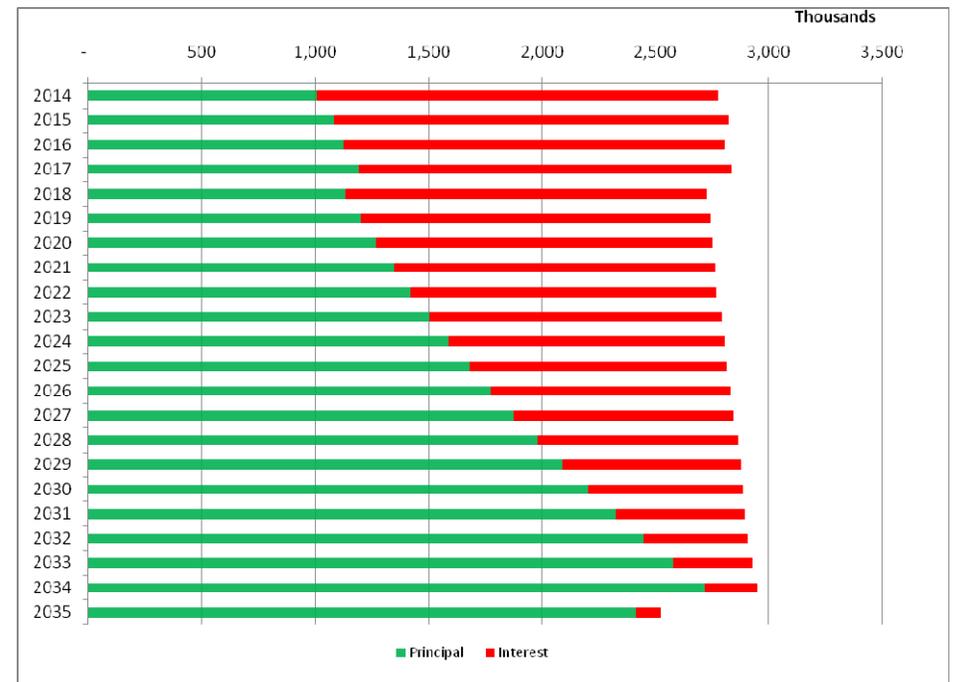
Yuma County Library District
General Obligations - Series 2006
As of June 30 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	5.00%	225,000	333,500	558,500
2015	5.00%	200,000	322,250	522,250
2016	5.00%	225,000	312,250	537,250
2017	5.00%	225,000	301,000	526,000
2018	4.00%	355,000	289,750	639,750
2019-2023	4.0% - 5.0%	1,750,000	1,308,750	3,058,750
2024-2028	4.0% - 4.25%	1,750,000	949,563	2,699,563
2029-2033	4.25% - 4.375%	1,750,000	571,125	2,321,125
2034-2035	4.5% - 4.5%	1,150,000	155,250	1,305,250
		7,625,000	4,543,438	12,168,438



Yuma County Library District
General Obligations - Series 2007
As of June 30 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	4.00%	1,085,000	1,776,475	2,781,475
2015	5.00%	1,005,000	1,736,275	2,821,275
2016	5.00%	1,125,000	1,682,875	2,807,875
2017	5.00%	1,190,000	1,647,875	2,837,875
2018	5.00%	1,130,000	1,600,275	2,730,275
2019-2023	4.5% - 5.0%	6,740,000	7,091,750	13,831,750
2024-2028	4.5% - 5.0%	8,900,000	5,271,575	14,171,575
2029-2033	4.5% - 5.0%	11,650,000	2,850,625	14,500,625
2034-2035	4.5% - 5.0%	5,135,000	339,750	5,474,750
		37,960,000	23,997,475	61,957,475



DEBT SERVICE



REVENUE BONDS

Revenue bonds are long-term debt instruments that are retired by specific dedicated revenues. Revenue bonds are designed to be self-supporting through user fees or other special earmarked revenues. The general taxing powers of the jurisdiction are not pledged. The debt created through the issuance of revenue bonds is to be repaid by the earnings from the operations of a revenue producing enterprise, from special taxes, or from contract leases or rental agreements. County revenue bonds do not burden the constitutional or statutory debt limitation placed on the County because they are not backed by the full faith and credit of the issuer. The underlying security is the only revenue stream pledged to pay the bond principal and interest.

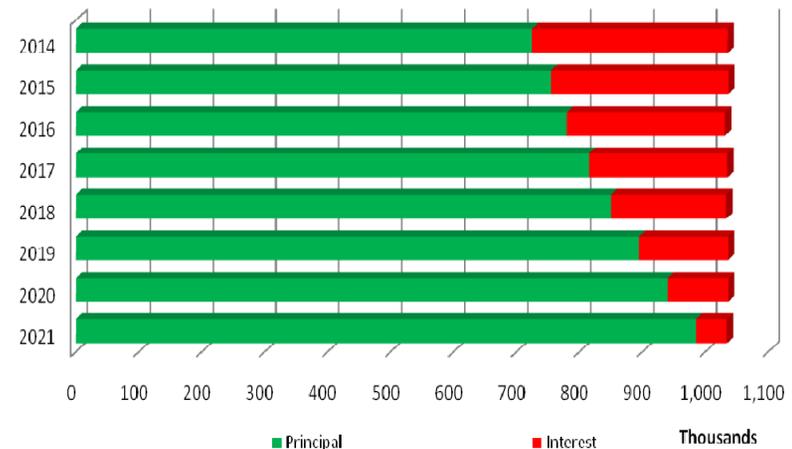
The Yuma County Jail District Revenue Bonds of 2011 were issued to refund bonds issued in 2007 for the expansion of Yuma County's correctional facilities. The obligations are secured by the pledge of net revenues from the District's transaction privilege (sales) tax reauthorized by the County's voters on May 17, 2011 and due to mature prior to the expiration of the current authorization on December 31, 2035. With this authorization, the district elected to refund the existing 2007 bonds to extend the repayment for a maximum of 10 years.

The bonds were issued on September 15, 2011 in the face amount of \$8,000,000. The bonds mature on or before July 1, 2021. For fiscal year ending June 30, 2013, the projected bonds principal outstanding is \$6,745,000.

Yuma County Jail District Revenue Bonds – Series 2011 As of June 30 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	4.00%	725,000	310,575	1,035,575
2015	4.00%	755,000	281,575	1,036,575
2016	4.00%	780,000	251,375	1,031,375
2017	4.00%	815,000	220,175	1,035,175
2018	5.00%	850,000	183,500	1,033,500
2019	5.00%	895,000	141,000	1,036,000
2020	5.00%	940,000	96,250	1,036,250
2021	5.00%	985,000	49,250	1,034,250
Total		\$6,745,000	\$1,533,700	\$8,278,700

YUMA COUNTY JAIL DISTRICT Pledged Revenue Bonds - Series 2011 As of June 30, 2013





DEBT SERVICE

REVENUE BONDS

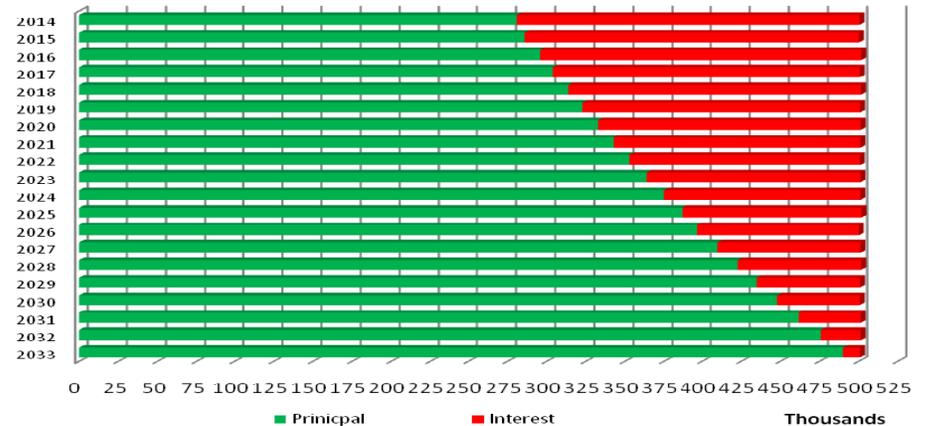
Yuma County issued Revenue Bonds in June, 2013 for the acquisition and modification of a facility at 197 S Main St, Yuma, AZ for use by County offices and the refunding of the bonds issued to expand Yuma County's East County facility, in Wellton, AZ. The obligations are secured by the pledge of net revenues from the County's transaction privilege (sales) tax.

The bond was issued on June 25, 2013 in the face amount of \$7,500,000. The bond matures on or before June 15, 2033. For fiscal year ending June 30, 2013, the projected bonds principal outstanding is \$7,500,000. The bond requires bi-annual payments of both principal and interest.

Yuma County
Pledged Revenue Bonds - Series 2013
As of June 30 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	3.00%	281,000	219,760	500,760
2015	3.00%	286,000	214,440	500,440
2016	3.00%	296,000	205,785	501,785
2017	3.00%	304,000	196,845	500,845
2018	3.00%	314,000	187,650	501,650
2019-23	3.00%	1,716,000	790,185	2,506,185
2024-28	3.00%	1,992,000	514,680	2,506,680
2029+33	3.00%	2,311,000	194,940	2,505,940
		7,500,000	2,524,285	10,024,285

YUMA COUNTY
Pledged Revenue Bonds - 2013
As of June 30, 2013



DEBT SERVICE



IMPROVEMENT BONDS

Improvement bonds, sometimes referred to as district bonds, fund projects benefiting an isolated group of property owners. They are secured by pledges of revenues from special assessments levied against benefiting property located within the specific district. This financing approach optimizes assurance that those property owners who most directly benefit from the improvements are directly tied to the repayment of the debt. Such a district can only be created by petition of the Board of Supervisors by property owners within the district areas. These bonds are generally callable with interest payable semiannually.

Improvement Districts are formed according to Arizona statute to fund projects benefiting an isolated group of property owners. The Yuma County Board of Supervisors sits as the Board of Directors of the Improvement Districts. These Improvement Districts Capital construction projects are accounted for in the Capital Projects and are considered Blended Component Units for financial reporting purposes. However, each is a separate legal entity. Loans have been secured by pledging of revenues from special assessments levied against benefiting property located within the specific district. This financing approach optimizes assurance those property owners who most directly benefit from the improvements are directly tied to the repayment of the debt. These bonds are generally callable with interest payable semiannually. The proceeds of these loans were used for construction purposes.

In fiscal year ended June 30, 2001, the County entered into a loan agreement with the Water Infrastructure Financing Authority (WIFA) for water system improvements. The WIFA loan had a principal amount of \$261,555 and was fully drawn down as of June 30, 2005. Interest payments are made semi-annually and principal payments are made annually. The amortization schedule has the final payment on January 1, 2018. For fiscal year ending June 30, 2013, the projected WIFA loan principal outstanding will be \$64,753.

El Prado Estates Improvement District No. 97.10
WIFA Loan – Series 2001
As of June 30, 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	4.5%	13,008	2,525	15,533
2015	4.5%	13,520	2,018	15,538
2016	4.5%	14,053	1,491	15,544
2017	4.5%	14,606	943	15,549
2018	4.5%	9,566	373	9,939
		<u>\$ 64,753</u>	<u>\$ 7,350</u>	<u>\$ 72,103</u>





DEBT SERVICE

IMPROVEMENT BONDS

In fiscal year ended June 30, 2012, the County entered into a loan agreement with Water Infrastructure Financing Authority (WIFA) for sewer system improvements. The WIFA loan, although approved draws against the loan were not begun until Fiscal Year 2011. The WIFA loan had a scheduled principal amount of \$1,437,915 and is expected to be fully drawn down as of June 30, 2013. Interest payments are made semi-annually on July 1, and January 1 of each year, and principal payments are made annually on January 1. The rate of interest for the loan is 2.50% for the life of the loan.

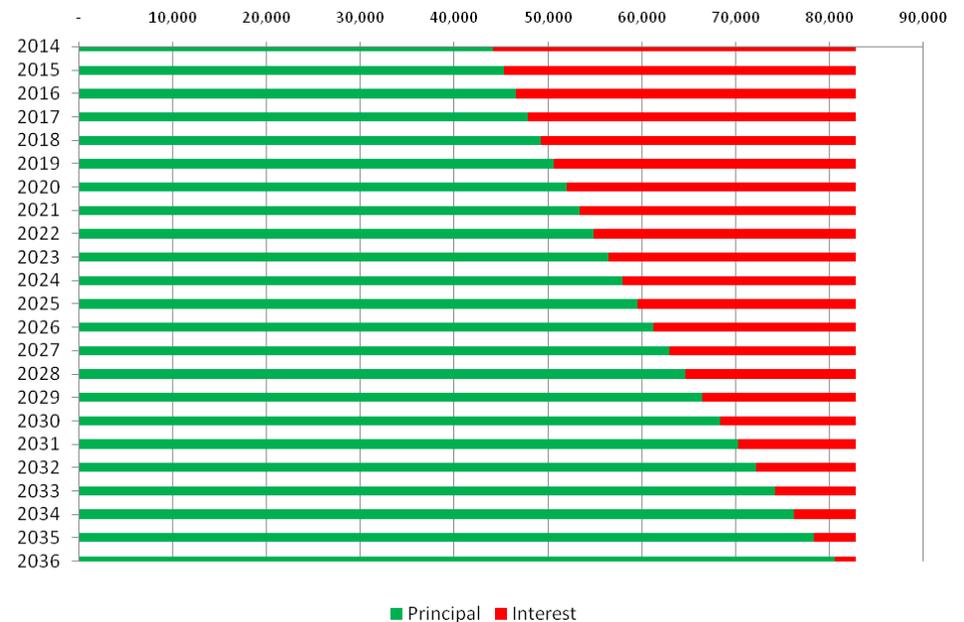
The amortization schedule has the final payment on January 1, 2036. For fiscal year ending June 30, 2013, the projected WIFA loan principal outstanding will be \$1,394,943.

The amounts owed for the loan are the sole responsibility of the improvement district and semi-annual assessments are made on the members of the district to make the payments.

Avenue B & C Colonia WIFA Loan

As of June 30 2013

Fiscal Year	Interest Rate	Interest	Principal	Total
2014	2.50%	44,166	38,667	82,833
2015	2.50%	45,390	37,443	82,833
2016	2.50%	46,648	36,185	82,833
2017	2.50%	47,941	34,891	82,833
2018	2.50%	49,270	33,563	82,833
2019-2023	2.50%	267,611	146,554	414,165
2024-2028	2.50%	306,816	107,351	414,167
2029-2033	2.50%	351,764	62,402	414,166
2034-2036	2.50%	235,337	13,171	248,508
		<u>\$ 1,394,943</u>	<u>\$ 510,228</u>	<u>\$ 1,905,171</u>



DEBT SERVICE



IMPROVEMENT BONDS (CONCLUDED)

In fiscal year ended June 30, 2010, the County entered into a loan agreement with the United States Department of Agriculture through its Rural Utility Services (RUS) for the Avenue B and C Colonia sewer system connection improvement project.

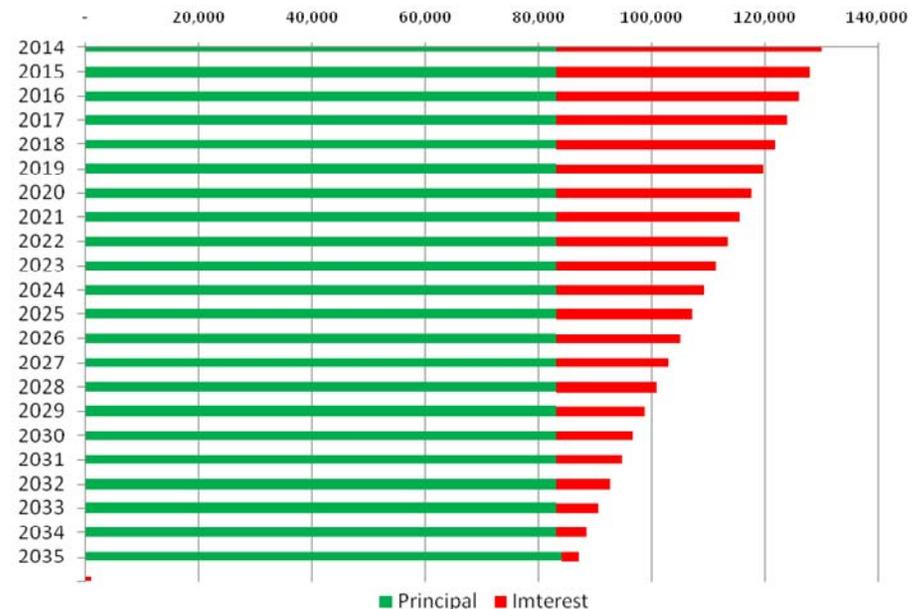
The loan had a principal amount of \$2,000,000. Interest payments are made semi-annually, July 1, and January 1 of each year, and principal payments are made annually on January 1 of each year in the amount of \$83,300. The rate of interest for the loan is 2.50% annually.

The amortization schedule has the final payment on January 1, 2035. For fiscal year ending June 30, 2013, the projected loan principal outstanding will be \$1,833,400.

The amounts owed for the loan are the sole responsibility of the improvement district and semi-annual assessments are made on the members of the district to make the payments.

Avenue B & C Colonia USDA RD Loan As of June 30, 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	2.50%	83,300	44,794	130,176
2015	2.50%	83,300	42,711	128,094
2016	2.50%	83,300	40,629	126,011
2017	2.50%	83,300	38,546	123,929
2018	2.50%	83,300	36,464	121,846
2019-2023	2.50%	416,500	171,906	577,994
2024-2028	2.50%	416,500	99,019	525,931
2029-2033	2.50%	416,500	46,956	473,869
2034-2036	2.50%	167,400	4,195	260,121
		\$ 1,833,400	\$ 525,220	\$ 2,358,620





DEBT SERVICE

SPECIAL ASSESSMENT BONDS

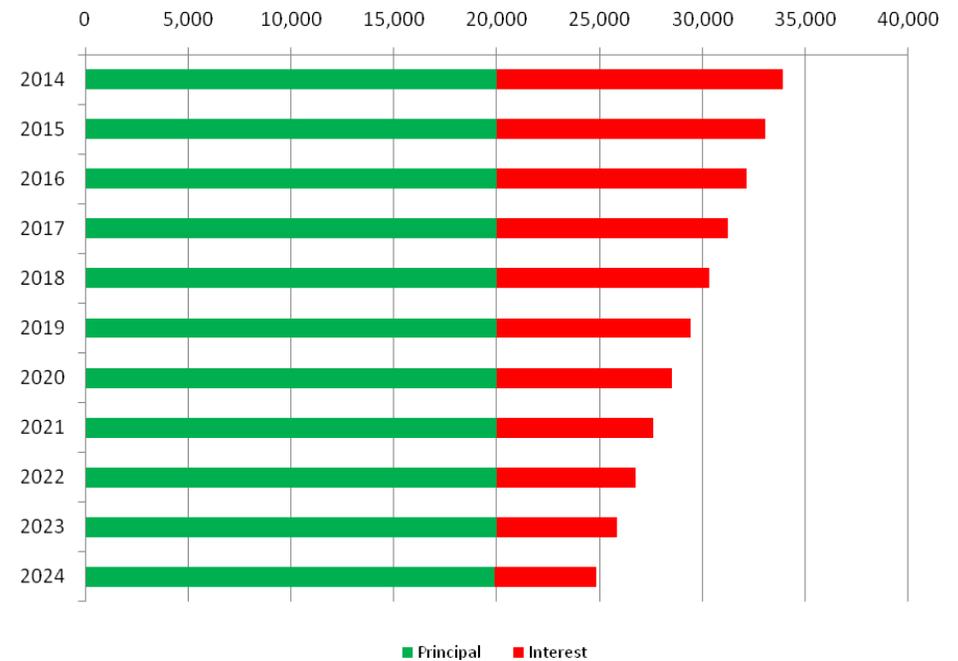
In fiscal year ended June 30, 2005, the County entered into a loan agreement with the United States Department of Agriculture through its Rural Utility Services (RUS) for the Gadsden sewer system connection improvement project.

The loan had a principal amount of \$479,610. Interest payments are made semi-annually and principal payments are made annually. The amortization schedule has the final payment on January 1, 2024 after some early prepayments on the principal.

For fiscal year ending June 30, 2013, the projected loan principal outstanding will be \$219,736.

Gadsden Sanitary Sewer Connection Project
RUS Loan - Series 2005
As of June 30, 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	4.5%	19,984	13,939	33,923
2015	4.5%	19,984	13,039	33,023
2016	4.5%	19,984	12,140	32,124
2017	4.5%	19,984	11,241	31,225
2018	4.5%	19,984	10,341	30,325
2019-2024	4.5%	119,816	33,722	153,538
		<u>219,736</u>	<u>94,422</u>	<u>314,158</u>



DEBT SERVICE



SPECIAL ASSESSMENT BONDS

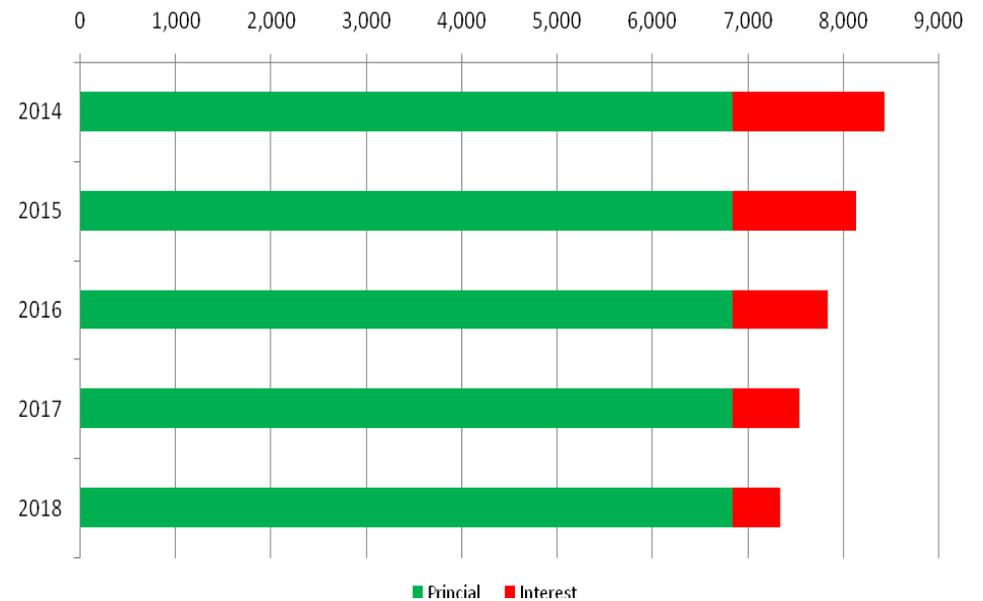
Special Assessment Bonds, sometimes referred to as District Bonds, fund projects that benefit an isolated group of property owners. They are secured by pledges of revenues from special assessments that are levied against benefiting property located within that specific district. This financing approach optimizes assurance that those property owners who most directly benefit from the improvements are directly tied to the repayment of the debt. These bonds are generally callable with interest payable semiannually.

Yuma County currently administers one (1) Improvement District Special Assessment bonds, for fiscal year ending June 30, 2013 the projected aggregate outstanding principal for the El Prado Improvement District will be \$34,200. The Bond is scheduled to be repaid in Fiscal Year 2018. The proceeds of this bond was used for construction purposes.

These Improvement Districts are accounted for in the Capital Projects and are considered Blended Component Units for financial reporting purposes. However, each is a separate legal entity. The Yuma County Board of Supervisors sits as the Board of Directors of the Improvement Districts.

El Prado Improvement District No. 97.10
Special Assessment Bonds - Series 2001
As of June 30, 2013

Fiscal Year	Interest Rate	Principal	Interest	Total
2014	4.5%	6,840	1,600	8,440
2015	4.5%	6,840	1,300	8,140
2016	4.5%	6,840	1,001	7,841
2017	4.5%	6,840	702	7,542
2018	4.5%	6,840	506	7,346
		<u>34,200</u>	<u>5,109</u>	<u>39,309</u>





DEBT SERVICE

COMMUNITY FACILITIES DISTRICT

Community Facilities Districts are formed under Arizona Revised Statutes chapter 48 as a special taxing district. They are allowed to issue debt to undertake major construction projects. They may issue GO bonds or Special Assessment Bonds. Most of these districts also form an improvement district which allows for dedicated special assessments for operations and maintenance of their facilities.

There are currently no Community Facilities Districts in the County that the County Board of Supervisors sits as the CFD Board of Directors.

CERTIFICATES OF PARTICIPATION

Certificates of Participation (COP) represent proportionate interests in semiannual lease payments. Participation in the lease is sold in the capital markets. This is a lease-purchase type of capital financing. The obligations listed under COP does not represent the legal debt to the County, they are subject to annual appropriation to meet payments for that purpose. Rating agencies typically give COP issues a grade below that of General Obligation Bonds. A.R.S. Title 11, Chapter 2, Article 4, SS11-251, Paragraph 46, provides that repayment for lease-purchase real property and improvements for real property be made within twenty five years. Final repayment longer than 15 years can only be established on unanimous approval by the Board of Supervisor's. The County does not currently have any Certificates of Participation outstanding.



LEASE PURCHASE

Lease Purchases are issued to raise money that will be used to acquire or construct a building or project. The building and property usually serve as collateral. The property is leased to the county on a short-term, renewable basis.

Lease Purchase financing provides long-term financing through a lease (with a mandatory purchase provision). This method does not constitute indebtedness under a state or local government's constitutional debt limit and does not require voter approval. In a lease purchase transaction, the asset being financed can include new capital asset needs or assets under existing lease agreements.

CAPITAL AND OPERATING LEASE

Capital and operating leasing is generally used for major equipment. It is similar to rent, but usually has an option to purchase at the end of the lease.

There are two categories of leases: Capital and Operating. To be considered a Capital Lease, any one of the following criteria defines the character of the lease agreement:

- The lease transfers ownership of the property at the end of the lease term.
- The lease has a bargain purchase option.
- The lease term is equal to 75% or more of the estimated life of the property.
- The present value of the minimum lease payments equals 90% or more of the fair value of the property.

If a lease does not meet any of the above criteria, then it is not a Capital lease, but an Operation lease. An operating lease does not require a capitalization of minimum lease payments, nor does the county record an asset or a liability. This lease is classified as rental expenditures.



DEBT SERVICE

PAY-AS-YOU-GO

Pay-as-you-go financing is paying for capital projects with the County's current or one-time in nature revenue base. This method requires an annual appropriation to continue a project that is in progress. This method provides greater flexibility in the budget, since the project funding can be increased or reduced in any given year. It also avoids interest payments on bond issuances and does not create a set debt service schedule that needs to be met. The disadvantage of this method of financing is that only existing residents pay for the improvements that will benefit new residents that relocate after the expenditures have been made. The projects funded this way also could potentially be slowed in the construction process as it awaits year-to-year appropriations.

INTERFUND LOANS

Interfund Borrowing is when one fund of a government loans assets to another fund of the same government. These loans are generally interest free and are repaid within one fiscal year.

OTHER LOANS

The Jail District issued new Revenue Bonds in FY12 to refund the existing 2007 Bonds. The proceeds from the 2011 Bonds was deposited with the trustee for payment of the 2007 Bonds and has the full responsibility for making the appropriate payments when due until fully matured in FY 15 without any future contributions to the repayment of the 2007 Bonds by the District.

DEBT SERVICE



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