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.

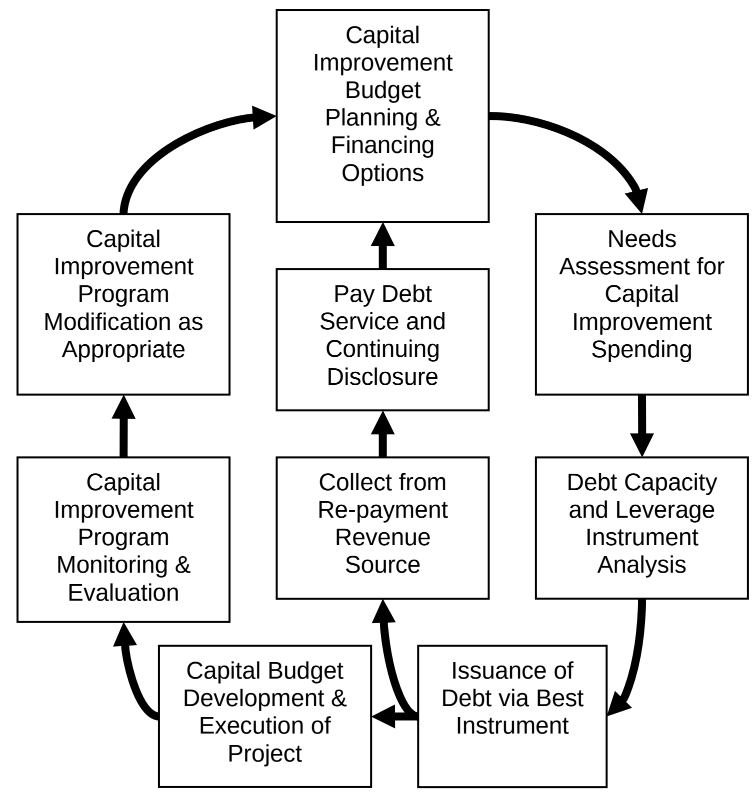
FINANCING INSTRUMENTS

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 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 issue general obligation bonds up to 6% of the jurisdiction's net secondary assessed valuation without voter approval. Voter approval is required before issuing over the 6%.

With voter approval cities and towns may issue general obligation bonds up to 20% of the jurisdiction's net secondary assessed valuation for supplying the city or town with water, artificial light or sewers when this infrastructure will be owned and operated by the city or town; and for the acquisition and development of open space preserves, parks, playgrounds and recreation facilities, public safety, law enforcement, fire and emergency services facilities, and streets and transportation facilities.

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 *Heath* (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 $86 million or 100% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and $215 million or 100% of 15% borrowing capacity available that requires prior voter approval.

Yuma County
Constitutional General Obligation Bonding Capacity

Without Prior Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
6% Constitutional Limitation	86,156,102
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 6% Limitation Borrowing Capacity	**$ 86,156,102**

Yuma County
Constitutional General Obligation Bonding Capacity

Subject to Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
15% Constitutional Limitation	215,390,256
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 215,390,256**

DEBT LIMITATION (CONTINUED)

The following tables illustrate the **Library District's** compliance with the constitutional debt limitation. The Library District has $38 million or 44% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and $167 million or 78% of 15% borrowing capacity available that requires prior voter approval.

Library District Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
6% Constitutional Limitation	86,156,102
Less: General Obligation Bonded Debt Outstanding	(48,940,000)
Plus: GO Fund Balance Restricted for Repayment	926,095
Unused 6% Limitation Borrowing Capacity	**$ 38,142,197**

Library District Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
15% Constitutional Limitation	215,390,256
Less: General Obligation Bonded Debt Outstanding	(48,940,000)
Plus: GO Fund Balance Restricted for Repayment	926,095
Unused 15% Limitation Borrowing Capacity	**$ 167,376,351**

The following tables illustrate the **Jail District's** compliance with the constitutional debt limitation. The Jail District has $87 million or 100% of unused 6% borrowing capacity that does not require voter approval prior to issuing debt; and $215 million or 100% of 15% borrowing capacity available that requires prior voter approval.

The Jail District was approved by voters in 1995 to be supported by a transaction privilege (sales) tax, rather than a property tax. For that reason, the Jail District has only issued revenue bonds secured and supported by the sales tax, rather than property taxing authority.

Jail District Constitutional General Obligation Bonding Capacity	
Without Prior Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
6% Constitutional Limitation	86,980,678
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 6% Limitation Borrowing Capacity	**$ 86,980,678**

Jail District Constitutional General Obligation Bonding Capacity	
Subject to Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
15% Constitutional Limitation	215,390,256
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 215,390,256**

DEBT LIMITATION (CONTINUED)

The following tables illustrate the **Flood Control District's** compliance with the constitutional debt limitation. The Flood Control District has $63 million or 100% of unused 5% borrowing capacity that does not require voter approval prior to issuing debt; and $189 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 $72 million or 100% of unused 5% borrowing capacity that does not require voter approval prior to issuing debt; and $215 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	
2009/10 Secondary Assessed Valuation	$1,265,890,816
5% Constitutional Limitation	63,294,541
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 5% Limitation Borrowing Capacity	**$ 63,294,541**

Library District
Constitutional General Obligation Bonding Capacity

Subject to Voter Approval	
2009/10 Secondary Assessed Valuation	$1,265,890,816
15% Constitutional Limitation	189,883,622
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 189,883,622**

Health District
Constitutional General Obligation Bonding Capacity

Without Prior Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
5% Constitutional Limitation	71,796,752
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 5% Limitation Borrowing Capacity	**$ 71,796,752**

Health District
Constitutional General Obligation Bonding Capacity

Subject to Voter Approval	
2009/10 Secondary Assessed Valuation	$1,435,935,041
15% Constitutional Limitation	215,390,256
Less: General Obligation Bonded Debt Outstanding	-
Plus: GO Fund Balance Restricted for Repayment	-
Unused 15% Limitation Borrowing Capacity	**$ 215,390,256**

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 203,799.	Secondary Assessed Valuation $1.435 Billion	Full Cash Value $13.0 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2010	$ 0	0%	0%

Library District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 203,799.	Secondary Assessed Valuation $1.435 Billion	Full Cash Value $13.0 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2010	$ 235.59	3.3%	.37%

Jail District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 203,799.	Secondary Assessed Valuation $1.435 Billion	Full Cash Value $13.0 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2010	$ 0	0%	0%

Flood Control District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 203,799.	Secondary Assessed Valuation $1.265 Billion	Full Cash Value $12.6 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2010	$ 0	0%	0%

Health District
Net Direct General Obligation Bonded Debt Ratios

	Per Capita Debt 203,799.	Secondary Assessed Valuation $1.435 Billion	Full Cash Value $13.0 Billion
Net Direct GO Bonded Debt(Due) Outstanding at June 30, 2010	$ 0	0%	0%

GENERAL OBLIGATION BONDS

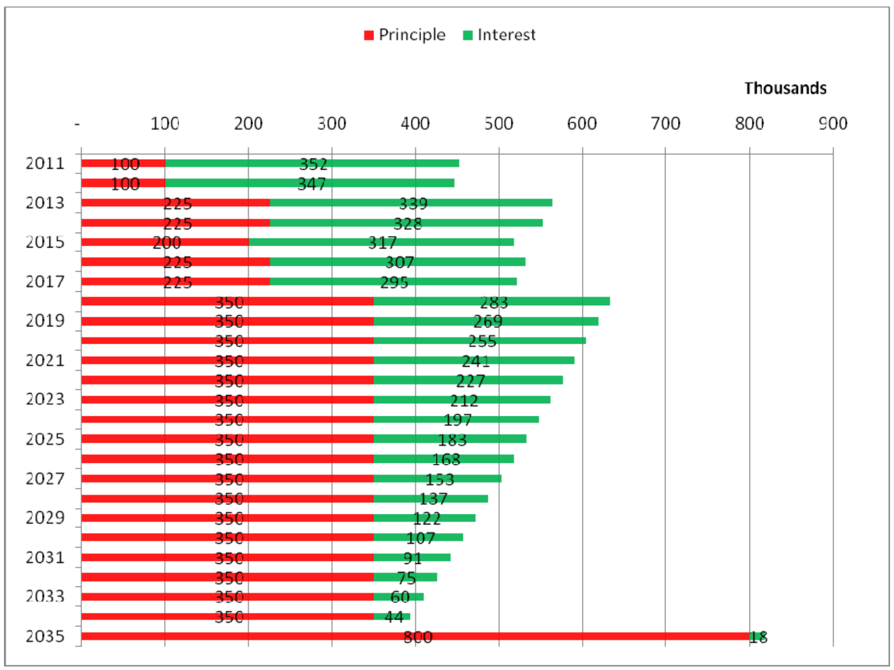
General Obligation (GO) Bonds are secured by the issuer's general taxing power. As referenced in ARS, Title 35, Chapter 3, the bond security of GO bonds is the taxing power of the state or local government. The County is authorized to levy property taxes or other unrestricted revenue streams, such as 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, 2009 the Yuma County Library District will have $48,940,000 in principal outstanding of general obligation bonds after principal payments on both these bonds have been made.

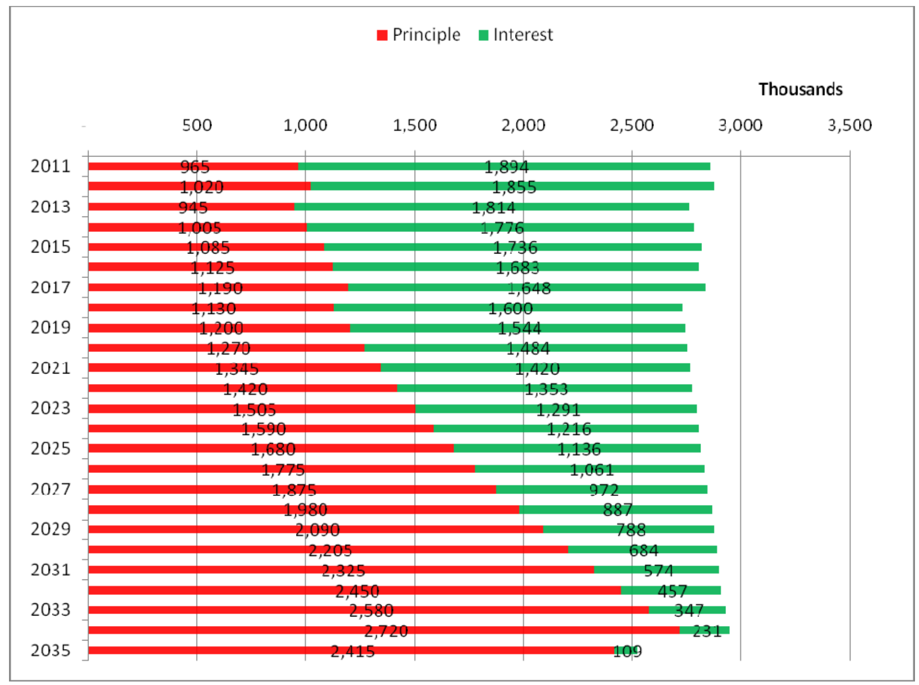
Yuma County Library District
General Obligations - Series 2006
As of June 30 2010

Fiscal Year	Interest Rate	Principle	Interest	Total
2011	5.00%	100,000	352,250	452,250
2012	5.00%	100,000	347,250	447,250
2013	5.00%	225,000	339,125	564,125
2014	5.00%	225,000	327,825	552,825
2015	5.00%	200,000	317,250	517,250
2016-2020	4.0% - 5.0%	1,500,000	1,408,250	2,908,250
2021-2025	4.0% - 4.25%	1,750,000	1,059,375	2,809,375
2026-2030	4.25% - 4.375%	1,750,000	686,188	2,436,188
2030-2035	4.5% - 4.5%	2,200,000	288,000	2,488,000
		8,050,000	5,125,513	13,175,513



Yuma County Library District
General Obligations - Series 2006
As of June 30 2010

Fiscal Year	Interest Rate	Principle	Interest	Total
2011	4.00%	965,000	1,893,675	2,858,675
2012	4.00%	1,020,000	1,855,075	2,875,075
2013	4.00%	945,000	1,814,275	2,759,275
2014	5.00%	1,005,000	1,776,475	2,781,475
2015	5.00%	1,085,000	1,736,275	2,821,275
2016-2020	4.5% - 5.0%	5,915,000	7,958,575	13,873,575
2021-2025	4.5% - 5.0%	7,540,000	6,416,000	13,956,000
2026-2030	4.5% - 5.0%	9,925,000	4,392,125	14,317,125
2030-2035	4.5% - 5.0%	12,490,000	1,718,025	14,208,025
		40,890,000	29,560,500	70,450,500



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.

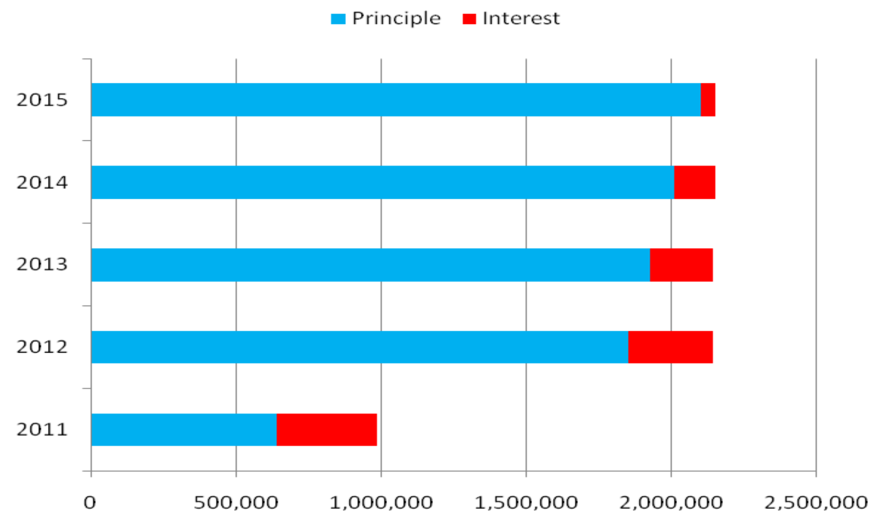
In 1996, the Jail District issued bonds which the district opted to use available funds to redeem as of July 1, 2010. The bonds, at the direction of the Board of Supervisors, have been dutifully called and redeemed during FY 2010.

The Yuma County Jail District Revenue Bonds of 2007 were issued to assist in financing the expansion of Yuma County's correctional facilities. The bonds are generally callable with interest payable semiannually. The obligations are secured by the pledge of net revenues from County Maintenance of Effort Payments and transaction privilege (sales) tax approved by the County's voters on May 16, 1995.

The bonds were issued on April 1, 2007 in the face amount of $10,000,000. The bonds mature on or before July 1, 2015 as the voter approved transaction privilege (sales) tax expires, unless it is extended prior to its sunset date, on December 31, 2015. For fiscal year ending June 30, 2010, the projected bonds principal outstanding is $8,525,000.

Yuma County Jail District
Revenue Bonds – Series 2007
As of June 30, 2010

Fiscal Year	Interest Rate	Principle	Interest	Total
2011	4.00%	640,000	343,150	983,150
2012	4.00%	1,850,000	294,150	2,144,150
2013	4.00%	1,925,000	218,650	2,143,650
2014	4.00%	2,010,000	139,950	2,149,950
2015	4.00%	2,100,000	49,875	2,149,875
	Total	$8,525,000	$1,045,775	$9,570,775



IMPROVEMENT BONDS

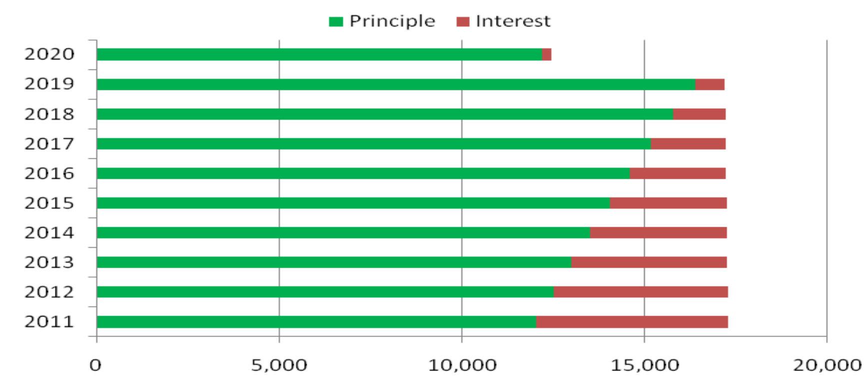
Improvement bonds, sometimes referred to as district bonds, fund projects benefiting an isolated group of property owners. They are secured by pledges of revenues from special assessments levied against benefiting property located within the specific district. This financing approach optimizes assurance 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 United States Department of Agriculture through its 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, 2020. For fiscal year ending June 30, 2010, the projected WIFA loan principal outstanding will be $139,303.

El Prado Estates Improvement District No. 97.10
WIFA Loan – Series 2001
As of June 30, 2010

Fiscal Year	Interest Rate	Principle	**Interest**	Total
2011	4.75%	12,040	5,251	17,291
2012	4.75%	12,514	4,768	17,282
2013	4.75%	13,008	4,265	17,273
2014	4.75%	13,520	3,742	17,262
2015	4.75%	14,053	3,199	17,252
2016-20	4.75%	74,168	7,165	81,333
	Total	$ 139,303	$ 28,390	$ 167,693

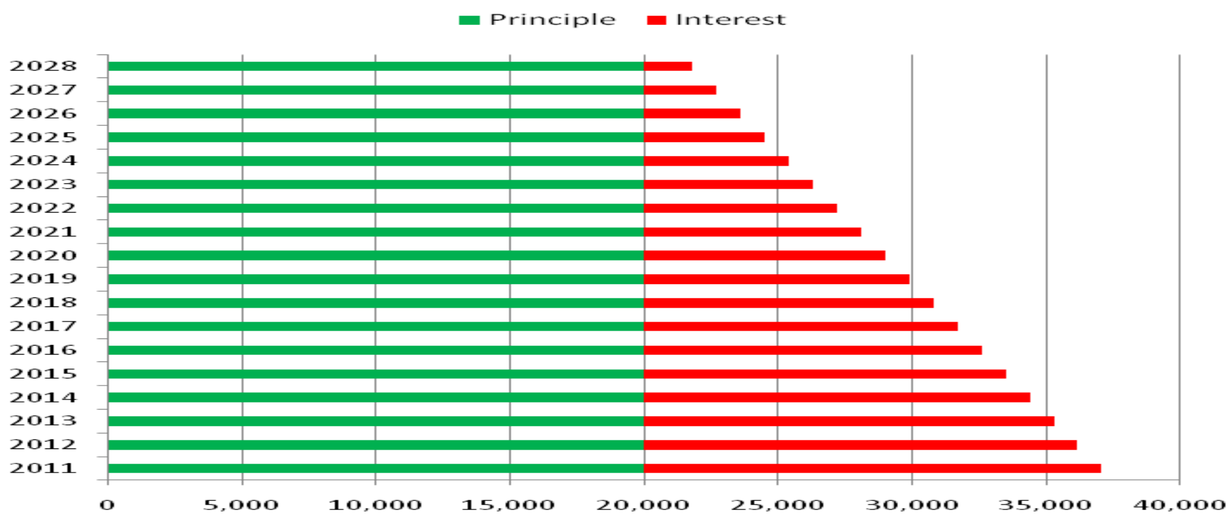


IMPROVEMENT BONDS (CONCLUDED)

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, 2029. For fiscal year ending June 30, 2010, the projected loan principal outstanding will be $359,710.

Gadsden Sanitary Sewer Connection Project
RUS Loan - Series 2005
As of June 30, 2010

Fiscal Year	Interest Rate	Principle	Interest	Total
2011	4.5%	19,984	17,086	37,070
2012	4.5%	19,984	16,187	36,171
2013	4.5%	19,984	15,288	35,272
2014	4.5%	19,984	14,388	34,372
2015	4.5%	19,984	13,489	33,473
2016-2018	4.5%	59,952	35,071	95,023
2019-2023	4.5%	99,920	40,467	140,387
2024-2028	4.5%	99,918	17,984	117,902
		359,710	169,960	529,670



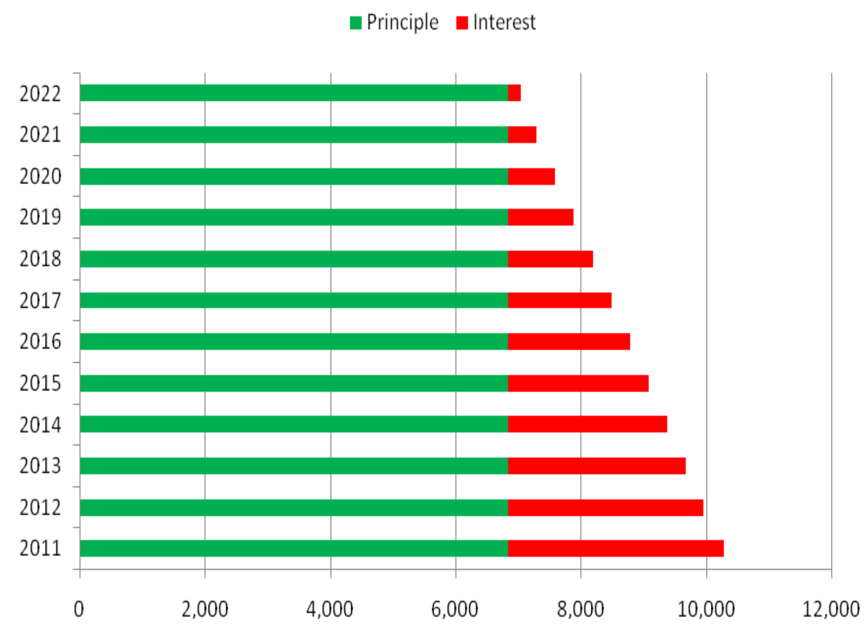
SPECIAL ASSESSMENT BONDS

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, 2010 the projected aggregate outstanding principal will be $82,080. 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 Estates Improvement District No. 97-10
Special Assessment Bonds Series 2001
As of June 30, 2010

Fiscal Year	Interest Rate	Principle	Interest	Total
2011	4.75%	6,840	3,441	10,281
2012	4.75%	6,840	3,110	9,950
2013	4.75%	6,840	2,826	9,666
2014	4.75%	6,840	2,542	9,382
2015	4.75%	6,840	2,243	9,083
2016-18	4.75%	20,520	4,935	25,455
2019-22	4.75%	27,360	2,449	29,809
	Total	$82,080	$ 21,546	$ 103,626



COMMUNITY FACILITES 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:

1) The lease transfers ownership of the property at the end of the lease term.
2) The lease has a bargain purchase option.
3) The lease term is equal to 75% or more of the estimated life of the property.
4) 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.

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.