

COCONINO COUNTY, ARIZONA

Report on Audit of General Purpose

Financial Statements

June 30, 2001

Table of Contents

Page

Report on Audit of General Purpose Financial Statements

Independent Auditors' Report	1
Combined Balance Sheet – All Fund Types and Account Groups.....	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Fund Types.....	5-6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service and Capital Projects Fund Types.....	7
Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Internal Service Funds.....	8
Combined Statement of Cash Flows – Internal Service Funds.....	9
Combining Statement of Net Assets – Investment Trust Funds	10
Combining Statement of Changes in Net Assets – Investment Trust Funds.....	11
Notes to Financial Statements	12-31

Independent Auditors' Report

Auditor General of the State of Arizona

The Board of Supervisors of
Coconino County, Arizona

We have audited the accompanying general purpose financial statements of Coconino County as of and for the year ended June 30, 2001, 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 Coconino County as of June 30, 2001, and the results of its operations, the cash flows of its internal service funds, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2002 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.

January 18, 2002

COCONINO COUNTY
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001

Assets	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups	
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt
Cash in bank and on hand	\$ 292,264	\$ 503,532	\$ 108	\$ 4,630	\$ 200	\$ 1,392,440		
Cash and investments held by County Treasurer	13,772,382	29,728,148	20,574,211		1,265,045	65,343,790		
Cash and investments held by trustee		6,154,631	2,530,340	4,659,314				
Investments		560,073		264,779		163,310		
Receivables:								
Property taxes	130,656	83,543						
Accounts	103,820	356,727		3,319	15,504			
Special assessments		169	485,176					
Accrued interest	163,715	382,705	258,245	86,018	15,723	818,890		
Due from:								
Other funds	2,481,563	3,289,689	1,202,474	1,296,776	257,519			
Other governments	2,296,111	4,238,262		60,738				
Inventories	4,562				175,621			
Prepaid items	36,538	41,101						
Fixed assets:								
Land							\$ 6,961,836	
Buildings					144,945		61,318,395	
Accumulated depreciation					(33,821)			
Machinery and equipment					3,670,909		25,319,340	
Accumulated depreciation					(2,364,568)			
Construction in progress (estimated cost to complete \$9,638,352)							10,499,997	
Amount available in Debt Service Funds								\$ 22,070,483
Amount to be provided for retirement of general long-term debt								28,637,233
Total assets	\$ 19,281,611	\$ 45,338,580	\$ 25,050,554	\$ 6,375,574	\$ 3,147,077	\$ 67,718,430	\$104,099,568	\$ 50,707,716

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2001
(Continued)

	<u>Governmental Fund Types</u>				<u>Proprietary</u>	<u>Fiduciary</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>Capital</u>	<u>Internal</u>	<u>Trust and</u>	<u>General</u>	<u>General Long-</u>
Liabilities and Fund Equity		<u>Revenue</u>	<u>Service</u>	<u>Projects</u>	<u>Service</u>	<u>Agency</u>	<u>Fixed Assets</u>	<u>Term Debt</u>
Liabilities:								
Accounts payable	\$ 1,012,526	\$ 1,982,727		\$ 1,152,185	\$ 50,036			
Accrued payroll and employee benefits	402,736	469,298		170	36,079			\$ 1,587,216
Due to:								
Other funds	3,413,480	3,156,338	\$ 1,865	1,826,240	130,098			
Other governments		219,058						
Deposits held for others		59,790				\$ 1,392,440		
Claims and judgments payable	134,138			25,000				
Insurance claims payable								225,000
Bond interest payable		511,252	622,305					
Special assessment bonds with governmental commitment payable			16,508					640,500
Certificates of participation and pledged revenue obligations payable		1,220,000	1,860,000					48,255,000
Deferred revenues	97,165	68,711	479,393					
Total liabilities	5,060,045	7,687,174	2,980,071	3,003,595	216,213	1,392,440		50,707,716
Fund equity:								
Contributed capital					819,694			
Investment in general fixed assets							\$104,099,568	
Fund balances:								
Reserved for inventories	4,562							
Reserved for prepaid items	36,538	41,101						
Reserved for investment trust participants						66,325,990		
Unreserved	14,180,466	37,610,305	22,070,483	3,371,979	2,111,170			
Total fund equity	14,221,566	37,651,406	22,070,483	3,371,979	2,930,864	66,325,990	104,099,568	
Total liabilities and fund equity	\$ 19,281,611	\$ 45,338,580	\$ 25,050,554	\$ 6,375,574	\$ 3,147,077	\$ 67,718,430	\$104,099,568	\$ 50,707,716

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$ 15,406,580	\$ 7,522,746		
Special assessments		4,736	\$ 153,418	
Licenses and permits	902,996	730,389		
Intergovernmental	17,172,105	24,993,113		\$ 22,028
Charges for services	1,171,707	4,915,732		13,789
Fines and forfeits	1,165,398	448,311		
Investment income	1,033,188	2,077,838	1,471,866	290,395
Contributions	92,624	52,828		
Miscellaneous	288,174	584,730		627,765
Total revenues	<u>37,232,772</u>	<u>41,330,423</u>	<u>1,625,284</u>	<u>953,977</u>
Expenditures:				
Current:				
General government	18,816,523	2,577,168		
Public safety	7,990,246	12,195,044		
Highways and streets	97,839	9,988,741		
Sanitation		2,141,864		
Health	3,124,439	5,242,470		
Welfare		4,038,537		
Culture and recreation	328,766	5,015,507		
Education	310,763	98,967		
Capital outlay				13,855,406
Debt service:				
Principal retirement		1,220,000	1,992,800	
Interest and fiscal charges		1,013,722	1,084,540	
Total expenditures	<u>30,668,576</u>	<u>43,532,020</u>	<u>3,077,340</u>	<u>13,855,406</u>
Excess of revenues over (under) expenditures	6,564,196	(2,201,597)	(1,452,056)	(12,901,429)
Other financing sources (uses):				
Operating transfers in	111,466	7,781,900	1,645,346	126,046
Operating transfers out	(6,034,382)	(1,490,589)	(578,349)	(1,561,438)
Certificates of participation proceeds		6,534,376		8,870,574
Total other financing sources (uses)	<u>(5,922,916)</u>	<u>12,825,687</u>	<u>1,066,997</u>	<u>7,435,182</u>
Excess of revenues and other sources over (under) expenditures and other uses	641,280	10,624,090	(385,059)	(5,466,247)
Fund balances, July 1, 2000	13,790,039		22,455,956	8,688,263
Fund balance, July 1, 2000, as restated (See Note 16)		26,967,112		
Residual equity transfers in (out)	(209,753)	60,204	(414)	149,963
Fund balances, June 30, 2001	<u>\$ 14,221,566</u>	<u>\$ 37,651,406</u>	<u>\$ 22,070,483</u>	<u>\$ 3,371,979</u>

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General and Special Revenue Fund Types
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes	\$ 14,888,420	\$ 15,406,580	\$ 518,160	\$ 7,568,444	\$ 7,522,746	\$ (45,698)
Special Assessments					4,736	4,736
Licenses and permits	914,500	902,996	(11,504)	718,921	730,389	11,468
Intergovernmental	16,489,538	17,172,105	682,567	26,895,170	24,993,113	(1,902,057)
Charges for services	1,521,724	1,171,707	(350,017)	5,765,656	4,915,732	(849,924)
Fines and forfeits	1,004,000	1,165,398	161,398	385,000	448,311	63,311
Investment income	417,000	1,033,188	616,188	963,713	2,077,838	1,114,125
Contributions	256,509	92,624	(163,885)	90,383	52,828	(37,555)
Miscellaneous	216,053	288,174	72,121	878,844	584,730	(294,114)
Total revenues	<u>35,707,744</u>	<u>37,232,772</u>	<u>1,525,028</u>	<u>43,266,131</u>	<u>41,330,423</u>	<u>(1,935,708)</u>
Expenditures:						
Current:						
General government:						
Board of Supervisors	652,490	657,963	(5,473)			
Facilities	1,730,911	1,650,377	80,534	1,471,667		1,471,667
Elections	702,033	656,234	45,799			
Recorder	367,545	374,883	(7,338)	385,955	185,634	200,321
Nondepartmental/contingency	5,592,319	1,620,128	3,972,191			
Finance	879,698	803,972	75,726	34,177	34,174	3
Budget	301,719	240,443	61,276			
Human resources	798,048	796,057	1,991			
Assessor	848,918	808,418	40,500			
Treasurer	407,309	375,183	32,126	5,498	6,751	(1,253)
Information systems	1,830,023	1,462,727	367,296			
Justice Courts	1,425,028	1,382,487	42,541		731	(731)
Superior Court	1,513,396	1,491,894	21,502	594,801	602,487	(7,686)
Clerk of the Superior Court	771,230	700,316	70,914	116,186	73,621	42,565
Public defender	1,553,235	1,444,318	108,917	24,400	18,763	5,637
Legal defender	601,411	479,440	121,971			
County manager	492,932	458,237	34,695			
Constable	47,791	47,230	561			
County attorney	1,846,342	1,818,478	27,864	1,679,525	1,531,783	147,742
Geographical information systems	555,850	502,931	52,919			
Public fiduciary	111,301	115,487	(4,186)			
Community development	1,020,011	929,320	90,691		123,224	(123,224)
Total general government	<u>24,049,540</u>	<u>18,816,523</u>	<u>5,233,017</u>	<u>4,312,209</u>	<u>2,577,168</u>	<u>1,735,041</u>
Public safety:						
Adult probation	901,750	877,633	24,117	2,636,566	2,223,484	413,082
Sheriff	5,706,976	5,410,598	296,378	10,061,595	8,081,040	1,980,555
Medical examiner	292,505	288,097	4,408			
Juvenile probation	1,507,631	1,413,918	93,713	1,892,691	1,620,874	271,817
Emergency services				106,901	101,812	5,089
Flood control				348,897	167,834	181,063
Total public safety	<u>8,408,862</u>	<u>7,990,246</u>	<u>418,616</u>	<u>15,046,650</u>	<u>12,195,044</u>	<u>2,851,606</u>
Highways and streets:						
Highway	348,757	97,839	250,918	15,090,480	9,988,741	5,101,739
	<u>348,757</u>	<u>97,839</u>	<u>250,918</u>	<u>15,090,480</u>	<u>9,988,741</u>	<u>5,101,739</u>
Sanitation:						
Solid waste				1,406,758	1,310,906	95,852
Kachina Village Improvement District				1,107,608	822,160	285,448
Tusayan				11,000	8,798	2,202
Total sanitation				<u>2,525,366</u>	<u>2,141,864</u>	<u>383,502</u>

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - General and Special Revenue Fund Types
Year Ended June 30, 2001
(Continued)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Health:						
Medical assistance	\$ 3,080,963	\$ 3,124,439	\$ (43,476)			
Public health				<u>\$ 5,886,922</u>	<u>\$ 5,242,470</u>	<u>\$ 644,452</u>
Total health	3,080,963	3,124,439	(43,476)	5,886,922	5,242,470	644,452
Welfare:						
Career Center				1,068,706	835,033	233,673
Community services				<u>5,009,611</u>	<u>3,203,504</u>	<u>1,806,107</u>
Total welfare				6,078,317	4,038,537	2,039,780
Culture and recreation:						
Parks and recreation	346,455	328,766	17,689	3,920,194	3,079,925	840,269
Library				<u>2,353,965</u>	<u>1,935,582</u>	<u>418,383</u>
Total culture and recreation	346,455	328,766	17,689	6,274,159	5,015,507	1,258,652
Education:						
School superintendent	310,748	310,763	(15)	181,400	98,967	82,433
Debt service:						
Principal retirement				1,220,000	1,220,000	
Interest and fiscal charges					<u>1,013,722</u>	<u>(1,013,722)</u>
Total debt service				<u>1,220,000</u>	<u>2,233,722</u>	<u>(1,013,722)</u>
Total expenditures	<u>36,545,325</u>	<u>30,668,576</u>	<u>5,876,749</u>	<u>56,615,503</u>	<u>43,532,020</u>	<u>13,083,483</u>
Excess of revenues over (under) expenditures	(837,581)	6,564,196	7,401,777	(13,349,372)	(2,201,597)	11,147,775
Other financing sources (uses)						
Operating transfers in		111,466	111,466	10,000	7,781,900	7,771,900
Operating transfers out	(187,252)	(6,034,382)	(5,847,130)		(1,490,589)	(1,490,589)
Certificates of participation proceeds				<u>5,382,550</u>	<u>6,534,376</u>	<u>1,151,826</u>
Total other financing sources (uses)	<u>(187,252)</u>	<u>(5,922,916)</u>	<u>(5,735,664)</u>	<u>5,392,550</u>	<u>12,825,687</u>	<u>7,433,137</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,024,833)	641,280	1,666,113	(7,956,822)	10,624,090	18,580,912
Fund balances, July 1, 2000	1,024,833	13,790,039	12,765,206			
Fund balance, July 1, 2000, as restated (See Note 16)				7,956,822	26,967,112	19,010,290
Residual equity transfers in (out)		(209,753)	(209,753)		<u>60,204</u>	<u>60,204</u>
Fund balances, June 30, 2001	<u>\$</u>	<u>\$ 14,221,566</u>	<u>\$ 14,221,566</u>	<u>\$</u>	<u>\$ 37,651,406</u>	<u>\$ 37,651,406</u>

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Debt Service and Capital Projects Fund Types
Year Ended June 30, 2001

	Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Special assessments	\$ 141,893	\$ 153,418	\$ 11,525			
Intergovernmental					\$ 22,028	\$ 22,028
Charges for services					13,789	13,789
Investment income	725,927	1,471,866	745,939	\$ 879,403	290,395	(589,008)
Miscellaneous				620,000	627,765	7,765
Total revenues	<u>867,820</u>	<u>1,625,284</u>	<u>757,464</u>	<u>1,499,403</u>	<u>953,977</u>	<u>(545,426)</u>
Expenditures:						
Capital outlay				17,669,501	13,855,406	3,814,095
Debt service:						
Principal retirement	1,830,552	1,992,800	(162,248)			
Interest and fiscal charges	54,523	1,084,540	(1,030,017)			
Total expenditures	<u>1,885,075</u>	<u>3,077,340</u>	<u>(1,192,265)</u>	<u>17,669,501</u>	<u>13,855,406</u>	<u>3,814,095</u>
Excess of revenues under expenditures	(1,017,255)	(1,452,056)	(434,801)	(16,170,098)	(12,901,429)	3,268,669
Other financing sources (uses)						
Operating transfers in		1,645,346	1,645,346		126,046	126,046
Operating transfers out		(578,349)	(578,349)		(1,561,438)	(1,561,438)
Special assessment bond proceeds				859,725		(859,725)
Certificates of participation proceeds				7,876,694	8,870,574	993,880
Total other financing sources		<u>1,066,997</u>	<u>1,066,997</u>	<u>8,736,419</u>	<u>7,435,182</u>	<u>(1,301,237)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,017,255)	(385,059)	632,196	(7,433,679)	(5,466,247)	1,967,432
Fund balances, July 1, 2000	1,017,255	22,455,956	21,438,701	7,433,679	8,688,263	1,254,584
Residual equity transfers in (out)		(414)	(414)		149,963	149,963
Fund balances, June 30, 2001	<u>\$</u>	<u>\$ 22,070,483</u>	<u>\$ 22,070,483</u>	<u>\$</u>	<u>\$ 3,371,979</u>	<u>\$ 3,371,979</u>

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Revenues, Expenses, and Changes in
Fund Equity - Internal Service Funds
Year Ended June 30, 2001

Operating revenues:	
Charges for services	\$ 2,728,931
Total operating revenues	<u>2,728,931</u>
Operating expenses:	
Personal services	495,711
Supplies	1,399,801
Depreciation	513,390
Travel	<u>7,665</u>
Total operating expenses	<u>2,416,567</u>
Operating income	312,364
Nonoperating revenues:	
Investment income	68,354
Gain on disposal of fixed assets	<u>9,625</u>
Total nonoperating revenues	<u>77,979</u>
Net income	390,343
Fund equity, July 1, 2000, as restated (See Note 16)	<u>2,540,521</u>
Fund equity, June 30, 2001	<u><u>\$ 2,930,864</u></u>

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2001

Cash flows from operating activities:	
Operating income	\$ 312,364
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	513,390
Increase in:	
Accounts receivable	(15,504)
Accrued payroll and employee benefits	11,028
Due to other funds	287
Decrease in:	
Inventories	10,350
Due from other funds	3,884
Due from other governments	3,124
Prepaid items	18
Accounts payable	<u>(17,332)</u>
Net cash provided by operating activities	821,609
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(87,503)
Proceeds from sale of equipment	<u>32,285</u>
Net cash used for capital and related financing activities	(55,218)
Cash flows from investing activities:	
Interest received on investments	<u>57,666</u>
Net cash provided by investing activities	<u>57,666</u>
Net increase in cash and cash equivalents	824,057
Cash and cash equivalents, July 1, 2000, as restated (See Note 16)	<u>441,188</u>
Cash and cash equivalents, June 30, 2001	<u><u>\$ 1,265,245</u></u>
Cash and cash equivalents, June 30, 2001, consist of:	
Cash in bank and on hand	200
Cash and investments held by County Treasurer	<u>1,265,045</u>
Total	<u><u>\$ 1,265,245</u></u>

See accompanying notes to financial statements.

COCONINO COUNTY
Combining Statement of Net Assets
Investment Trust Funds
Year Ended June 30, 2001

Assets	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,442,230		\$ 3,442,230
Investments	61,901,560	\$ 163,310	62,064,870
Interest and dividends receivable	<u>817,883</u>	<u>1,007</u>	<u>818,890</u>
Total assets	66,161,673	164,317	66,325,990
Liabilities	_____	_____	_____
Total liabilities	_____	_____	_____
Net assets held in trust	\$ 66,161,673	\$ 164,317	\$ 66,325,990

See accompanying notes to financial statements

COCONINO COUNTY
Combining Statement of Changes in Net Assets
Investment Trust Funds
Year Ended June 30, 2001

	<u>Treasurer's Investment Pool</u>	<u>Individual Investment Accounts</u>	<u>Total</u>
Additions:			
Contributions from participants	\$ 223,068,130		\$ 223,068,130
Investment income:			
Interest and dividend income	<u>4,998,445</u>	<u>\$ 12,486</u>	<u>5,010,931</u>
Total additions	228,066,575	12,486	228,079,061
Deductions:			
Distributions to participants	<u>234,461,684</u>	<u>5,126</u>	<u>234,466,810</u>
Net increase (decrease) in net assets	(6,395,109)	7,360	(6,387,749)
Net assets held in trust:			
July 1, 2000	<u>72,556,782</u>	<u>156,957</u>	<u>72,713,739</u>
June 30, 2001	<u>\$ 66,161,673</u>	<u>\$ 164,317</u>	<u>\$ 66,325,990</u>

See accompanying notes to financial statements.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Coconino County conform to generally accepted accounting principles applicable to governmental units as 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, highway and street maintenance and construction, sanitation, health, welfare, culture and recreation, and education.

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of five 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 –A number of special districts have been established within the County to serve unique needs. These special districts consist of various improvement districts, a library district, and a flood control district. Although these special districts are legally separate entities from the County, the Board of Supervisors of the County serves as the Board of Directors of each of these entities. Consequently, the financial data for these districts is blended with the data of the primary government and reported in the Special Revenue, Debt Service, and Capital Projects Funds and the General Long-Term Debt Account Group of the County. Separate financial statements of the blended component units are not prepared.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 – Summary of Significant Accounting Policies (Cont'd)

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 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 *Debt Service Funds* account for resources accumulated and used for the payment of general long-term debt principal, interest, and related costs.

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

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 only those applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The County's proprietary funds include the following fund type.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 – Summary of Significant Accounting Policies (Cont'd)

The *Internal Service Funds* account for the financing of goods or services provided by the department or agency to other County departments or agencies, or to other governments on a cost-reimbursement basis.

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 Proprietary Funds.

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

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. However, since debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year, those expenditures and related liabilities have been recognized in the Debt Service Funds.

Revenues susceptible to accrual prior to receipt 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.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 – Summary of Significant Accounting Policies (Cont'd)

C. Basis of Accounting (Cont'd)

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.

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, Special Revenue, Debt Service, and Capital Projects Funds. Formal budget integration is not employed for the Internal Service Funds 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 approval of the Board of Supervisors. 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 three months or less when purchased to be cash equivalents.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 – Summary of Significant Accounting Policies (Cont'd)

E. Cash and Investments (Cont'd)

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

F. Inventories

Inventories of the Governmental and Internal Service Funds are recorded as assets when purchased and expensed when consumed. Amounts on hand at year-end for the Governmental Funds are shown on the balance sheet as an asset for informational purposes only and are offset by a fund balance reserve to indicate that they do not constitute “available spendable resources.” The inventories are stated at cost using the first-in, first-out method for the Governmental Funds and at cost using the moving weighted average method for the Internal Service Funds.

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.

Depreciation on general fixed assets is not recorded, and interest incurred during construction is not capitalized. Also, public domain (i.e., 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 Internal Service Funds are capitalized in those funds 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 Internal Service Funds is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the use-method for motor vehicles and the straight-line method for buildings and shop equipment. The estimated useful lives are as follows:

Motor vehicles	100,000 miles
Buildings	30 years
Shop equipment	3 years

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 1 – Summary of Significant Accounting Policies (Cont'd)

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. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. However, for employees who terminate with a minimum of 20 years of continuous service, sick leave benefits do vest and, therefore, are accrued. Such eligible terminating employees are compensated at the rate of 1 day for each 4 sick days accrued upon termination, up to a maximum vesting of 130 days.

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 Proprietary 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. Reimbursement grants for the acquisition of fixed assets of the Internal Service Funds are recorded as intergovernmental receivables and contributed capital when the related expense is incurred. All other reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 2 – Individual Fund Deficits

The individual fund deficits in several Special Revenue and Capital Project Funds at June 30, 2001, were as follows:

Fund Description	Fund Type	Fund Deficit
County schools special projects	Special Revenue	\$ 36,335
Various parks and recreation	Special Revenue	475,023
Various health funds	Special Revenue	130,609
Various sheriff funds	Special Revenue	12,426
Various improvement districts	Special Revenue	435
Various WIA funds	Special Revenue	210,735
Various community services funds	Special Revenue	87,278
Various adult probation funds	Special Revenue	3,257
Parks and recreation fund	Special Revenue	465,896

The above fund deficits resulted either from operations or a carryover from prior years and are expected to be corrected through normal operations in fiscal year 2001-2002.

Note 3 – Deposit 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.

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 13). Those monies are pooled with County monies for investment purposes.

Deposits – At June 30, 2001, the total investment pool’s cash on hand was \$598,325. The carrying amount of the investment pool’s total cash in bank was \$6,246,097 and the bank balance was \$6,315,934. Of the bank balance, \$370,000 was covered by federal depository insurance or by collateral held by the County or its agent in the County’s name; \$5,945,934 was covered by collateral held by the pledging financial institution’s trust department or agent in the County’s name.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 3 – Deposit and Investments (Cont'd)

Investments – 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.

The investment pool’s investments at June 30, 2001, are categorized below to give an indication of the level of risk the County assumed 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.

	Category			Fair
	1	2	3	Value
U.S. government securities	\$ 108,183,500			\$ 108,183,500
	\$	\$ 108,183,500	\$	108,183,500
Investment not subject to categorization: State Treasurer's investment pool				15,655,654
Total				\$ 123,839,154

Other Deposits – At June 30, 2001, the total nonpooled cash on hand was \$360,721. The carrying amount of the County’s total nonpooled cash in bank was \$1,832,453, and the bank balance was \$1,947,848. The entire bank balance was either covered by federal depository insurance or by collateral held by the County or its agents.

Other Investments – At June 30, 2001, the County's nonpooled investments consisted of the following:

	Fair Value
Investment in State Treasurer's investment pool	\$ 471,089
U.S. government securities	517,073
Total	\$ 988,162

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 3 – Deposit and Investments (Cont'd)

Cash and Investments Held by Trustee – At June 30, 2001, the County's cash and investments held by trustee consisted of the following:

	Fair Value
U.S. Government securities	\$ 13,344,285

The County's nonpooled investments and investments held by trustee at June 30, 2001, are categorized below to give an indication of the level of risk assumed by the County at year-end.

	Category			Fair
	1	2	3	Value
U.S. government securities	\$ 517,073	13,344,285	\$ 13,861,358	13,861,358
	\$ 517,073	\$ 13,344,285		13,861,358
Investment not subject to categorization:				
State Treasurer's investment pool				471,089
Total				\$ 14,332,447

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

Cash and Investments

	County Treasurer's Investment Pool	Other	Total
Cash on hand	\$ 598,325	\$ 360,721	\$ 959,046
Carrying amount of deposits	6,246,097	1,832,453	8,078,550
Reported amount of investments	123,839,154	14,332,447	138,171,601
	\$ 130,683,576	\$ 16,525,621	\$ 147,209,197
Combined balance sheet:			
Cash in bank and on hand	\$ 2,193,174		
Cash and investments held by			
County Treasurer	130,683,576		
Cash and investments held by trustee	13,344,285		
Investments	988,162		
Total	\$ 147,209,197		

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 4 – Property Taxes Receivable

The County levies real property taxes on or before 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 thereafter.

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

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2001, were as follows:

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>
2000-01	\$ 104,955	\$ 69,865
Prior	<u>25,701</u>	<u>13,678</u>
Net total	<u>\$ 130,656</u>	<u>\$ 83,543</u>

The portion of property taxes receivable not collected within 60 days after June 30, 2001, has been deferred and, consequently, is not included in current-year revenues.

Note 5 – Due From Other Governments

Amounts due from other governments at June 30, 2001, include \$1,110,456 and \$917,959 in state-shared revenue from sales taxes and highway user taxes, respectively; \$824,633 from the State of Arizona for auto lieu and jail taxes; \$784,528 in County sales tax; and \$1,926,289 in various federal and state grants. The balance of \$ 1,031,246 is composed of miscellaneous receivables from federal, state, and local governments.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 6 – Changes In General Fixed Assets

A summary of the changes in general fixed assets follows.

	Balance		Deletions	Balance	
	July 1, 2000	Additions		June 30, 2001	
Land	\$ 6,961,836			\$ 6,961,836	
Buildings	30,904,674	\$ 30,413,721		61,318,395	
Machinery and equipment	23,051,359	3,187,103	\$ 919,122	25,319,340	
Construction in progress	26,591,086	14,735,690	30,826,779	10,499,997	
Total	<u>\$ 87,508,955</u>	<u>\$ 48,336,514</u>	<u>\$ 31,745,901</u>	<u>\$ 104,099,568</u>	

Note 7 – Bonds Payable

Special Assessment Bonds with Governmental Commitment – Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in these districts. These bonds are generally callable, except for Kachina Water, with interest payable semiannually.

The following special assessment districts had bonds outstanding at June 30, 2001.

Special Assessment Districts	Interest		Outstanding Principal		Outstanding Principal June 30, 2001
	Rate	Maturities	July 1, 2000	Retirements	
Linda Lane	7.34%	1/1/01-2010	\$ 63,800	\$ 4,800	\$ 59,000
Rodeo Drive	7.34%	1/1/01-2010	39,500	3,000	36,500
Kachina Village Paving Project 92	7.50%	1/1/98-2005	530,000	105,000	425,000
Rudd Tank Road	6.60%	7/1/97-2007	140,000	20,000	120,000
			<u>\$ 773,300</u>	<u>\$ 132,800</u>	<u>\$ 640,500</u>

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 7 – Bonds Payable (Cont'd)

Special assessment bond debt service requirements to maturity, including \$122,104 of interest, are as follows:

<u>Year ending June 30,</u>	
2002	\$ 175,946
2003	166,686
2004	157,283
2005	152,759
2006	37,125
Thereafter	<u>72,805</u>
Total	<u>\$ 762,604</u>

Note 8 – Certificates of Participation and Pledged Revenue Obligations Payable

The County has issued certificates of participation that are generally non-callable, with interest payable semiannually, to acquire, construct, reconstruct, renovate and equip certain land, buildings and facilities.

Coconino County Jail District has issued pledged revenue obligations to purchase or contract jail facilities, with interest payable semiannually. Obligations maturing on or before July 1, 2007, are generally not callable, and obligations maturing after July 1, 2007 are not callable.

The certificates and obligations noted above were issued in prior years with original amounts of \$19,000,000 and \$21,130,000, respectively.

During the year ended June 30, 2001, the County issued \$11,650,000 in certificates of participation with interest rates of 4.25-5.50 percent, to acquire, construct, reconstruct, renovate, and equip certain land, buildings, and facilities. The certificates are generally non-callable, with interest payable semiannually.

During the year ended June 30, 2001, Coconino County Jail District issued \$3,630,000 in pledged revenue obligations with interest rates of 4.9-5.0 percent to purchase or construct jail facilities. The certificates are generally non-callable, with interest payable semiannually.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 8 – Certificates of Participation and Pledged Revenue Obligations Payable (Cont'd)

Principal and interest requirements at June 30, 2001, were as follows:

Description	Interest Rates	Maturities	Outstanding Principal July 1, 2000	Issues	Retirements	Outstanding Principal June 30, 2001
Series 1998 - General	4.10-5.50%	July 1, 2013	\$ 17,220,000		\$ 1,000,000	\$ 16,220,000
Series 1998 - Jail District	4.00-5.00%	July 1, 2012	18,835,000		1,220,000	17,615,000
Series 2001 - General	4.25-5.50%	July 1, 2015		\$ 11,650,000	860,000	10,790,000
Series 2000 - Jail District	4.90-5.00%	July 1, 2010		<u>3,630,000</u>		<u>3,630,000</u>
			<u>\$ 36,055,000</u>	<u>\$ 15,280,000</u>	<u>\$ 3,080,000</u>	<u>\$ 48,255,000</u>

Certificates of participation debt service requirements to maturity, including \$15,491,695 of interest, are as follows:

Year ending June 30,	
2002	\$ 5,438,305
2003	5,434,935
2004	5,434,313
2005	5,436,163
2006	5,435,233
Thereafter	<u>36,567,746</u>
	<u>\$63,746,695</u>

Note 9 – 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 others; and natural disasters. These risks of loss are accounted for and financed by the following described insurance coverage and internal risk management program.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 9 – Risk Management (Cont'd)

The County participates in the State of Arizona Workers' Compensation Fund to reduce the risk of loss relating to employees who are injured while working on County business. There are no limits or deductibles related to workers' compensation claims unless the County was grossly negligent. If an employee's workers' compensation claim is caused by the County's gross negligence, the State of Arizona Workers' Compensation Fund limits coverage to a maximum of \$500,000 for bodily injury for each accident, and \$500,000 for bodily injury by disease for each employee, with an aggregate per-year disease limit of \$500,000.

The County maintains a limited risk management program for general liability to finance uninsured risks of loss up to \$50,000 for each occurrence. The County purchases commercial insurance to cover claims in excess of this amount up to \$40,000,000 for each occurrence and \$40,000,000 in aggregate for each year. The County retains liability for covered losses that exceed these limits. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. The amount of insurance coverage in all categories remained consistent or increased over the prior fiscal year.

The insurance claims payable of the General Long-Term Debt Account Group totaling \$225,000 at June 30, 2001, includes estimates made by the County based on historical data for settling claims reported but not settled and claims incurred but not reported. Changes in the County's insurance claims payable for the years ended June 30, 2000 and 2001 were as follows:

	<u>2000</u>	<u>2001</u>
Claims payable, beginning of year	\$ 674,878	\$ 739,879
Current-year claims and changes in estimates	102,783	(447,771)
Claim payments	<u>(37,782)</u>	<u>(67,108)</u>
Claims payable, end of year	<u>\$ 739,879</u>	<u>\$ 225,000</u>

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 10 – Changes in Long-Term Liabilities

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

	Balance July 1, 2000	Additions	Reductions	Balance June 30, 2001
Accrued payroll and employee benefits	\$ 1,420,049	\$ 167,167		\$ 1,587,216
Insurance claims payable	739,879		\$ 514,879	225,000
Certificates of participation and pledged revenue obligations payable	36,055,000	15,280,000	3,080,000	48,255,000
Special assessment bonds with governmental commitment payable	773,300		132,800	640,500
Total	<u>\$ 38,988,228</u>	<u>\$ 15,447,167</u>	<u>\$ 3,727,679</u>	<u>\$ 50,707,716</u>

Note 11 – Interfund Assets and Liabilities

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

Funds	Due from Other Funds	Due to Other Funds	Operating Transfers In	Operating Transfers Out
General	\$ 2,481,563	\$ 3,413,480	\$ 111,466	\$ 6,034,382
Special Revenue	3,289,689	3,156,338	7,781,900	1,490,589
Debt Service	1,202,474	1,865	1,645,346	578,349
Capital Projects	1,296,776	1,826,240	126,046	1,561,438
Internal Service	257,519	130,098		
Total	<u>\$ 8,528,021</u>	<u>\$ 8,528,021</u>	<u>\$ 9,664,758</u>	<u>\$ 9,664,758</u>

Note 12 – Retirement Plans

Plan Descriptions – The County contributes to four plans, two of which are described below. The other two, the Elected Officials Retirement Plan and the Corrections Officer Retirement Plan, are not described due to their relative insignificance to the County’s financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 12 – Retirement Plans (Cont'd)

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Public Safety Personnel Retirement System* (PSPRS) 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.

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

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910

(602) 240-2000 or (800) 621-3778

PSPRS

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.

Cost-sharing plans – For the year ended June 30, 2001, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 2.66 percent (2.17 percent retirement and .49 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2001, 2000 and 1999 were \$1,345,499 \$1,219,841 and \$1,403,554, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2001, 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 11.48 percent.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 12 – Retirement Plans (Cont’d)

Annual Pension Cost – The County’s pension cost for the agent plan for the year ended June 30, 2001, and related information follows.

Contribution rate:	
County	11.48%
Plan Members	7.65%
Annual pension cost	\$302,022
Contributions made	\$302,022

The current-year annual required contributions for the PSPRS were determined as part of their June 30, 1999, 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 at a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 1999 was 20 years.

Trend Information – Annual pension cost information for the current and two preceding years for the agent plan follows.

<u>Year Ended June 30</u>	<u>Annual Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 302,022	100%	\$ -
2000	191,612	100%	-
1999	184,066	100%	-

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 12 – Retirement Plans (Cont'd)

Analysis of Funding Progress – The following information was obtained from the three most recent actuarial valuations of the agent plan.

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/01	\$13,708,581	\$ 12,718,662	\$ 989,919	107.8%	\$2,498,703	-
6/30/00	12,437,552	12,484,925	(47,373)	99.6	2,670,631	(1.8%)
6/30/99	10,837,475	11,278,138	(440,633)	96.1	2,405,862	(18.3)

Note 13 – 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 his 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 structure of the pool 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.

Details of each major investment classification follows:

	Principal	Interest Rates	Maturities	Fair Value
Investment in State Treasurer's investment pool	\$ 15,655,654	6.062%	n/a	\$ 15,655,654
U.S. Government securities	108,183,500	3.45-7.375%	7/13/2001 - 6/18/2004	108,183,500

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 13 – County Treasurer’s Investment Pool (Cont’d)

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

Statement of Net Assets

Assets	\$ 132,253,224
Liabilities	
Net assets	<u>\$ 132,253,224</u>

Net assets held in trust for:

Internal participants	\$ 66,091,551
External participants	<u>66,161,673</u>
Total net assets held in trust	<u>\$ 132,253,224</u>

Statement of Changes in Net Assets

Total additions	\$ 445,226,902
Total deductions	<u>446,273,900</u>
Net decrease	(1,046,998)
Net assets held in trust:	
July 1, 2000	<u>133,300,222</u>
June 30, 2001	<u>\$ 132,253,224</u>

Note 14 – Maintenance of Effort Payments

In accordance with Arizona Revised Statute Section 48-4024, Coconino County is required to make annual maintenance of effort payments (MOE) to the Coconino County Jail District, a special revenue fund type. The payments will be made through fiscal year 2012, and are determined by first establishing a base expenditure which is used as the initial fiscal year 1998 MOE payment. Subsequent payments are determined by adjusting the base expenditure by the annual change in the GDP price deflator, obtained from the State of Arizona Economic Estimates Commission. These payments are recorded by the jail district as intergovernmental revenue. The MOE payment for fiscal year 2001 was \$1,944,336.

COCONINO COUNTY
Notes to Financial Statements
June 30, 2001

Note 15 – Construction in Progress

At June 30, 2001, the County estimated the cost to complete outstanding capital improvement construction contracts to be \$9,638,352.

Note 16 – Prior Period Adjustments

The fund balances of the Special Revenue Funds and fund equity of the Internal Service Funds, as of July 1, 2000, were adjusted to correct for library and personal service expenditures, respectively, that were not recorded correctly in prior years.

	Special Revenue Funds	Internal Service Funds
	<u> </u>	<u> </u>
Ending fund balances and equity, per prior year audited financial statements	\$ 27,423,358	\$ 2,589,681
Adjustment for expenditures	<u>(456,246)</u>	<u>(49,160)</u>
Beginning fund balances and equity, net of adjustment for expenditures	<u>\$ 26,967,112</u>	<u>\$ 2,540,521</u>

For purposes of the statement of cash flows, cash and cash equivalents of the Internal Service Funds at July 1, 2000 have been restated to reflect the adjustment above.