



Mohave County



Annual Financial Report
Fiscal Year Ended June 30, 2002

Mohave County Annual Financial Report Year Ended June 30, 2002



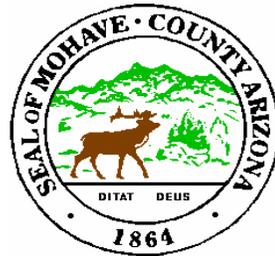
Pete Byers
District 1 Supervisor



Tom Sockwell
District 2 Supervisor



Buster Johnson
District 3 Supervisor



Ron Walker
County Manager

Prepared by the Mohave County Office of Financial Services
John Timko
Financial Services Director

MOHAVE COUNTY
Annual Financial Report
Year Ended June 30, 2002

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INDEPENDENT AUDITORS' REPORT

The Auditor General of the State of Arizona

The Board of
Supervisors of Mohave
County, Arizona

We have audited the accompanying general-purpose financial statements of Mohave County as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of Mohave 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 Mohave County as of June 30, 2002, and the results of its operations, the cash flows of its proprietary fund types, 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 December 12, 2002, on our consideration of Mohave 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.

HEINFELD, MEECH & CO.,
P.C. Certified Public Accountants

December 12, 2002

MOHAVE COUNTY
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets				
Cash and investments	\$ 8,886,668	\$ 31,585,137	\$ 2,091,974	\$ 11,399,117
Cash and investments held by trustees			2,387,699	
Receivables (net of allowances for uncollectibles):				
Property taxes	2,341,934	991,582	30,580	
Accounts	393,743	832,614		
Accrued interest	22,422	53,830	6,411	22,431
Special assessments			2,090,659	
Due from:				
Other funds	289,731	1,377,566	80,380	
Other governments	1,273,100	3,145,027		408,760
Inventories		258,197		
Prepaid items	21,583	32,924	280	
Fixed assets:				
Land				
Infrastructure				
Buildings				
Accumulated depreciation				
Improvements other than buildings				
Machinery and equipment				
Accumulated depreciation				
Construction in progress (estimated cost to complete \$ 10,765,000)				
Amount available in Debt Service Funds				
Amount to be provided for retirement of general long-term debt				
Total assets	<u>\$ 13,229,181</u>	<u>\$ 38,276,877</u>	<u>\$ 6,687,983</u>	<u>\$ 11,830,308</u>
Liabilities and Fund Equity				
Liabilities:				
Accrued liabilities	\$ 407,182	\$ 2,907,406		\$ 44,418
Accrued payroll and employee benefits	917,041	761,758		
Due to:				
Other funds	62,820	559,199	\$ 1,000,000	91,380
Other governments	10,184	20,855		
Deposits held for others	142,248	129,584		
Claims and judgements payable				
Obligations under capital leases				
Landfill closure and postclosure care costs payable				
Special assessment bonds with governmental commitment payable				
Certificates of participation:				
Principal payable			1,135,000	
Interest payable			302,833	
Deferred revenues	3,519,909	882,084	2,121,191	
Total liabilities	<u>5,059,384</u>	<u>5,260,886</u>	<u>4,559,024</u>	<u>135,798</u>
Fund equity and other credits:				
Contributed capital				
Investment in general fixed assets				
Retained earnings:				
Unreserved				
Fund balances:				
Reserved for inventories		258,197		
Reserved for investment trust participants				
Unreserved	8,169,797	32,757,794	2,128,959	11,694,510
Total fund equity and other credits	<u>8,169,797</u>	<u>33,015,991</u>	<u>2,128,959</u>	<u>11,694,510</u>
Total liabilities and fund equity	<u>\$ 13,229,181</u>	<u>\$ 38,276,877</u>	<u>\$ 6,687,983</u>	<u>\$ 11,830,308</u>

See accompanying notes to financial statements.

MOHAVE COUNTY
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long- Term Debt	
	Assets					
Cash and investments		\$ 6,035,976	\$ 41,325,619			\$ 101,324,491
Cash and investments held by trustees						2,387,699
Receivables (net of allowances for uncollectibles):						
Property taxes						3,364,096
Accounts	\$ 141,230	490				1,368,077
Accrued interest		13,730	2,763			121,587
Special assessments						2,090,659
Due from:						
Other funds		60,187				1,807,864
Other governments	139	854				4,827,880
Inventories	200,732	10,013				468,942
Prepaid items		30,378				85,165
Fixed assets:						
Land				\$ 24,310,430		24,310,430
Infrastructure	6,338,294					6,338,294
Buildings		47,123		31,911,822		31,958,945
Accumulated depreciation	(110,483)	(21,891)				(132,374)
Improvements other than buildings				1,091,749		1,091,749
Machinery and equipment	25,748	8,848,352		17,628,621		26,502,721
Accumulated depreciation	(5,927)	(6,196,984)				(6,202,911)
Construction in progress (estimated cost to complete \$ 10,765,000)				5,185,902		5,185,902
Amount available in Debt Service Funds					\$ 2,128,959	2,128,959
Amount to be provided for retirement of general long-term debt					18,924,185	18,924,185
Total assets	\$ 6,589,733	\$ 8,828,228	\$ 41,328,382	\$ 80,128,524	\$ 21,053,144	\$ 227,952,360
Liabilities and Fund Equity						
Liabilities:						
Accrued liabilities	\$ 87,262	\$ 92,351	\$ 866			\$ 3,539,485
Accrued payroll and employee benefits	13,596	115,541			\$ 1,969,938	3,777,874
Due to:						
Other funds	30,636	63,829				1,807,864
Other governments						31,039
Deposits held for others	5,000		308,876			585,708
Claims and judgements payable		642,829				642,829
Obligations under capital leases		87,740			52,464	140,204
Landfill closure and postclosure care costs payable					2,100,742	2,100,742
Special assessment bonds with governmental commitment payable					7,160,000	7,160,000
Certificates of participation:						
Principal payable					9,770,000	10,905,000
Interest payable						302,833
Deferred revenues						6,523,184
Total liabilities	136,494	1,002,290	309,742		21,053,144	37,516,762
Fund equity and other credits:						
Contributed capital		2,697,293				2,697,293
Investment in general fixed assets				\$ 80,128,524		80,128,524
Retained earnings:						
Unreserved	6,453,239					6,453,239
Fund balances:						
Reserved for inventories						258,197
Reserved for investment trust participants			41,018,640			41,018,640
Unreserved		5,128,645				59,879,705
Total fund equity and other credits	6,453,239	7,825,938	41,018,640	80,128,524		190,435,598
Total liabilities and fund equity	\$ 6,589,733	\$ 8,828,228	\$ 41,328,382	\$ 80,128,524	\$ 21,053,144	\$ 227,952,360

See accompanying notes to financial statements.

MOHAVE COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2002

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$ 19,381,433	\$ 8,589,994			\$ 27,971,427
Special assessments			\$ 1,325,982	\$ 2,386,421	3,712,403
Licenses and permits	626,845	21,479			648,324
Intergovernmental	20,043,966	23,378,515		4,446,472	47,868,953
Charges for services	4,783,956	9,480,302			14,264,258
Fines and forfeits	1,197,075	58,781			1,255,856
Investment income	285,071	969,951	182,730	307,832	1,745,584
Rents	66,652	96,200			162,852
Contributions	35,570	292,026			327,596
Miscellaneous	190,518	1,414,033		8,800	1,613,351
Total revenues	46,611,086	44,301,281	1,508,712	7,149,525	99,570,604
Expenditures:					
Current:					
General government	20,396,479	3,451,649			23,848,128
Public safety	11,947,983	5,073,732			17,021,715
Highways and streets		12,836,394			12,836,394
Sanitation		696,023			696,023
Health	8,075,444	3,340,367			11,415,811
Welfare		4,579,349			4,579,349
Culture and recreation		3,860,690			3,860,690
Education	256,215	3,090,410			3,346,625
Capital outlay				4,780,140	4,780,140
Debt service:					
Principal retirement			3,148,000		3,148,000
Interest and fiscal charges			939,744		939,744
Total expenditures	40,676,121	36,928,614	4,087,744	4,780,140	86,472,619
Excess of revenues over (under) expenditures	5,934,965	7,372,667	(2,579,032)	2,369,385	13,097,985
Other financing sources (uses):					
Operating transfers in	2,947,989	1,342,271	1,006,101	150,000	5,446,361
Operating transfers out	(3,922,040)	(506,998)		(2,889,710)	(7,318,748)
Proceeds from sale of bonds				4,909,000	4,909,000
Proceeds of sale of County property	427,500				427,500
Total other financing sources (uses)	(546,551)	835,273	1,006,101	2,169,290	3,464,113
Excess of revenues and other sources over (under) expenditures and other uses	5,388,414	8,207,940	(1,572,931)	4,538,675	16,562,098
Fund balances, July 1, 2001, as restated	2,781,383	24,789,816	4,226,604	7,155,835	38,953,638
Residual equity transfers in (out)			(524,714)		(524,714)
Increase in reserve for inventory of supplies		18,235			18,235
Fund balances, June 30, 2002	\$ 8,169,797	\$ 33,015,991	\$ 2,128,959	\$ 11,694,510	\$ 55,009,257

See accompanying notes to financial statements.

MOHAVE COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended June 30, 2002

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:						
Taxes	\$ 18,445,649	\$ 19,381,433	\$ 935,784	\$ 8,574,786	\$ 8,589,993	\$ 15,207
Licenses and permits	569,533	626,845	57,312	30,000	21,479	(8,521)
Intergovernmental	19,742,780	20,043,966	301,186	24,864,592	23,378,516	(1,486,076)
Charges for services	3,991,813	4,783,956	792,143	9,302,973	9,480,302	177,329
Fines and forfeits	1,102,196	1,197,075	94,879	37,000	58,781	21,781
Investment income	312,048	285,071	(26,977)	829,950	969,951	140,001
Rents	64,252	66,652	2,400	95,000	96,200	1,200
Contributions		35,570	35,570	459,496	292,026	(167,470)
Miscellaneous	243,451	190,518	(52,933)	7,725,165	1,414,033	(6,311,132)
Total revenues	<u>44,471,722</u>	<u>46,611,086</u>	<u>2,139,364</u>	<u>51,918,962</u>	<u>44,301,281</u>	<u>(7,617,681)</u>
Expenditures:						
Current:						
General government	23,148,859	20,396,479	2,752,380	8,069,340	3,451,649	4,617,691
Public safety	12,583,031	11,947,983	635,048	7,701,487	5,073,732	2,627,755
Highways and streets				32,116,257	12,836,394	19,279,863
Sanitation				6,044,363	696,023	5,348,340
Health	8,078,800	8,075,444	3,356	4,928,051	3,340,367	1,587,684
Welfare				5,665,166	4,579,349	1,085,817
Culture and recreation				4,891,591	3,860,690	1,030,901
Education	256,240	256,215	25	4,791,067	3,090,410	1,700,657
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>44,066,930</u>	<u>40,676,121</u>	<u>3,390,809</u>	<u>74,207,322</u>	<u>36,928,614</u>	<u>37,278,708</u>
Excess of revenues over (under) expenditures	<u>404,792</u>	<u>5,934,965</u>	<u>5,530,173</u>	<u>(22,288,360)</u>	<u>7,372,667</u>	<u>29,661,027</u>
Other financing sources (uses):						
Operating transfers in	2,609,906	2,947,989	338,083	2,006,533	1,342,271	(664,262)
Operating transfers out	(4,257,085)	(3,922,040)	335,045	(1,097,307)	(506,998)	590,309
Proceeds from sale of bonds						
Certificate of Participation Proceeds				6,040,000		(6,040,000)
Proceeds of sale of County property		427,500	427,500			
Proceeds from sale of bonds						
Total other financing sources (uses)	<u>(1,647,179)</u>	<u>(546,551)</u>	<u>1,100,628</u>	<u>6,949,226</u>	<u>835,273</u>	<u>(6,113,953)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(1,242,387)	5,388,414	6,630,801	(15,339,134)	8,207,940	23,547,074
Fund balances, July 1, 2001, as restated	2,781,383	2,781,383		24,791,554	24,789,816	(1,738)
Residual equity transfer out						
Increase in reserve for inventory of supplies					18,235	18,235
Fund balances, June 30, 2002	<u>\$ 1,538,996</u>	<u>\$ 8,169,797</u>	<u>\$ 6,630,801</u>	<u>\$ 9,452,420</u>	<u>\$ 33,015,991</u>	<u>\$ 23,563,571</u>

MOHAVE COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended June 30, 2002
(Continued)

	Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Special assessments	\$ 1,564,404	\$ 1,325,982	\$ (238,422)	\$ 2,180,399	\$ 2,386,421	\$ 206,022
Intergovernmental				3,000,000	4,446,472	1,446,472
Charges for services						
Investment income	203,664	182,730	(20,934)	38,000	307,832	269,832
Contributions						
Miscellaneous					8,800	8,800
Total revenues	1,768,068	1,508,712	(259,356)	5,218,399	7,149,525	1,931,126
Expenditures:						
Capital outlay				12,903,820	4,780,140	8,123,680
Proceeds from sale of bonds						
Assessment refund						
Principal retirement	2,098,000	3,148,000	(1,050,000)			
Interest and fiscal charges	3,784,317	939,744	2,844,573			
Total expenditures	5,882,317	4,087,744	1,794,573	12,903,820	4,780,140	8,123,680
Excess of revenues over (under) expenditures	(4,114,249)	(2,579,032)	1,535,217	(7,685,421)	2,369,385	10,054,806
Other financing sources (uses):						
Operating transfers in	1,216,658	1,006,101	(210,557)	708,772	150,000	(558,772)
Operating transfers out				(113,227)	(2,889,710)	(2,776,483)
Proceeds from sale of bonds				4,500,000	4,909,000	409,000
Certificate of Participation Proceeds						
Proceeds of Sale of County property						
Total other financing sources (uses)	1,216,658	1,006,101	(210,557)	5,095,545	2,169,290	(2,926,255)
Excess of revenues and other sources over (under) expenditures and other uses	(2,897,591)	(1,572,931)	1,324,660	(2,589,876)	4,538,675	7,128,551
Fund balances, July 1, 2001, as restated	4,226,604	4,226,604		7,155,835	7,155,835	
Residual equity transfer in (out)		(524,714)	(524,714)			
Increase in reserve for inventory of supplies						
Fund balances, June 30, 2002	\$ 1,329,013	\$ 2,128,959	\$ 799,946	\$ 4,565,959	\$ 11,694,510	\$ 7,128,551

(Continued)

See accompanying notes to financial statements.

MOHAVE COUNTY
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - All Governmental Fund Types
Year Ended June 30, 2002
(Concluded)

	Totals		
	(Memorandum Only)		
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 27,020,435	\$ 27,971,426	\$ 950,991
Special assessments	3,744,803	3,712,403	(32,400)
Licenses and permits	599,533	648,324	48,791
Intergovernmental	47,607,372	47,868,954	261,582
Charges for services	13,294,786	14,264,258	969,472
Fines and forfeits	1,139,196	1,255,856	116,660
Investment income	1,383,662	1,745,584	361,922
Rents	159,252	162,852	3,600
Contributions	459,496	327,596	(131,900)
Miscellaneous	7,968,616	1,613,351	(6,355,265)
Total revenues	<u>103,377,151</u>	<u>99,570,604</u>	<u>(3,806,547)</u>
Expenditures:			
Current:			
General government	31,218,199	23,848,128	7,370,071
Public safety	20,284,518	17,021,714	3,262,804
Highways and streets	32,116,257	12,836,394	19,279,863
Sanitation	6,044,363	696,023	5,348,340
Health	13,006,851	11,415,811	1,591,040
Welfare	5,665,166	4,579,349	1,085,817
Culture and recreation	4,891,591	3,860,690	1,030,901
Education	5,047,307	3,346,626	1,700,681
Capital outlay	12,903,820	4,780,140	8,123,680
Debt service:			
Assessment refund			
Principal retirement	2,098,000	3,148,000	(1,050,000)
Interest and fiscal charges	3,784,317	939,744	2,844,573
Total expenditures	<u>137,060,389</u>	<u>86,472,619</u>	<u>50,587,771</u>
Excess of revenues over (under) expenditures	<u>(33,683,238)</u>	<u>13,097,985</u>	<u>46,781,224</u>
Other financing sources (uses):			
Operating transfers in	6,541,869	5,446,361	(1,095,508)
Operating transfers out	(5,467,619)	(7,318,748)	(1,851,129)
Proceeds from sale of bonds	4,500,000	4,909,000	409,000
Certificate of Participation Proceeds	6,040,000		(6,040,000)
Proceeds of sale of County property		427,500	427,500
Total other financing sources (uses)	<u>11,614,250</u>	<u>3,464,113</u>	<u>(8,150,137)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(22,068,988)	16,562,098	38,631,086
Fund balances, July 1, 2001, as restated	38,955,376	38,953,638	(1,738)
Residual equity transfers in (out)		(524,714)	(524,714)
Increase in reserve for inventories		18,235	18,235
Fund balances, June 30, 2002	<u>\$ 16,886,388</u>	<u>\$ 55,009,257</u>	<u>\$ 38,122,869</u>

See accompanying notes to financial statements.

MOHAVE COUNTY
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings / Fund Equity
All Proprietary Fund Types
Year Ended June 30, 2002

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Combined Totals (Memorandum Only)</u>
Operating revenues:			
Charges for services	\$ 699,320	\$ 7,710,382	\$ 8,409,702
Miscellaneous	175,620	28,071	203,691
Total operating revenues	<u>874,940</u>	<u>7,738,453</u>	<u>8,613,393</u>
Operating expenses:			
Personal services	119,523	1,309,491	1,429,014
Supplies	8,999	339,141	348,140
Professional services	100,583	268,649	369,232
Communication	3,076	431,899	434,975
Insurance		18,741	18,741
Insurance claims		4,034,280	4,034,280
Lawsuit judgements		142,510	142,510
Repairs and maintenance	7,007	288,983	295,990
Public utility service	513,757	4,053	517,810
Rents and leases	321	443,318	443,639
Depreciation	115,954	723,426	839,380
Other	2,867	299,167	302,034
Total operating expenses	<u>872,087</u>	<u>8,303,658</u>	<u>9,175,745</u>
Operating income (loss)	<u>2,853</u>	<u>(565,205)</u>	<u>(562,352)</u>
Nonoperating revenues (expenses):			
Investment income	3,648	167,954	171,602
Loss on disposal of fixed assets		(35,428)	(35,428)
Total (net) nonoperating revenues (expenses)	<u>3,648</u>	<u>132,526</u>	<u>136,174</u>
Income (loss) before operating transfers	6,501	(432,679)	(426,178)
Residual equity transfer in	524,714		524,714
Operating transfers in		2,144,299	2,144,299
Operating transfers out		(271,912)	(271,912)
Net income (loss)	531,215	1,439,708	1,970,923
Assets contributed by other agencies		304,600	304,600
Retained Earnings / Fund equity, July 1, 2001	<u>5,922,024</u>	<u>6,081,630</u>	<u>12,003,654</u>
Retained Earnings / Fund equity, June 30, 2002	<u>\$ 6,453,239</u>	<u>\$ 7,825,938</u>	<u>\$ 14,279,177</u>

See accompanying notes to financial statements.

MOHAVE COUNTY
Combined Statement of Cash Flows - All Proprietary Fund Types
Year Ended June 30, 2002

	Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Operating income (loss)	\$ 2,853	\$ (565,205)
Adjustments to reconcile operating income (loss) to net cash provided (used for) operating activities:		
Depreciation	115,954	723,426
Changes in assets and liabilities:		
Increase in:		
Accounts receivable	(44,116)	
Accrued interest receivable		(863)
Due from other governments	(139)	(854)
Inventories		(10,013)
Prepaid items		(14,726)
Accrued liabilities	34,341	
Accrued payroll and employee benefits	9,653	
Due to other funds	30,636	37,115
Due to other governments	(89)	
Decrease in:		
Accounts receivable		5,526
Accrued interest receivable	1,609	
Due from other funds		29,558
Accrued liabilities		(25,448)
Accrued payroll and employee benefits		(1,121)
Claims and judgements payable		(14,721)
Obligations under capital leases		(238,137)
Net cash provided (used for) operating activities	150,702	(75,463)
Cash flows from noncapital financing activities:		
Residual equity transfer in	524,714	
Operating transfers in		2,144,299
Operating transfers out		(271,912)
Net cash provided (used for) noncapital financing activities	524,714	1,872,387
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(843,570)	(277,299)
Proceeds from sale of County property		81,566
Net cash used for capital financing activities	(843,570)	(195,733)
Cash flows from investing activities:		
Interest and dividends received on investments	3,648	167,953
Net cash provided by investing activities	3,648	167,953
Net increase (decrease) in cash and cash equivalents	(164,506)	1,769,144
Cash and Investments, July 1, 2001	164,506	4,266,833
Cash and Investments, June 30, 2002	\$ 0	\$ 6,035,977
Noncash capital and related financing activities:		
Contributed capital		\$ 304,600
	\$ -	\$ 304,600

MOHAVE COUNTY
Combining Statement of Changes in Net Assets - Investment Trust Funds
Year Ended June 30, 2002

	Treasurer's Investment Pool	Individual Investment Accounts	Total
Additions:			
Contributions from participants	\$ 369,864,091	\$ 5,982,360	\$ 375,846,451
Investment income:			
Interest and dividend income	685,990	43,087	729,077
Total additions	370,550,081	6,025,447	376,575,528
Deductions:			
Distributions to participants	(369,084,261)	(6,856,571)	(375,940,832)
Total deductions	(369,084,261)	(6,856,571)	(375,940,832)
Net increase (decrease) in net assets	1,465,820	(831,124)	634,696
Net assets held in trust:			
July 1, 2001	38,079,929	2,304,015	40,383,944
June 30, 2002	<u>\$ 39,545,749</u>	<u>\$ 1,472,891</u>	<u>\$ 41,018,640</u>

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Note 1 - Summary of Significant Accounting Policies

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

The County's major operations include general government, public safety, highway and street maintenance and construction, sanitation, health, welfare, culture and recreation, and education. In addition, the County operates eight internal service activities: a motor vehicle transportation service, an air transportation service, a central services, a communications service, information technology service, a janitorial service, a health insurance service, and a self-insurance service. The County also operates a water company which is reported as an enterprise fund.

A. Reporting Entity

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

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that 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 are special districts, which have been established to serve unique needs. These special districts consist of various improvement districts, a Library District, a Television District, and a Flood Control District. The financial data for these districts is included in the financial statements of the appropriate fund type (i.e., in the Special Revenue, Debt Service, and Capital Projects Funds) of the County. 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 these entities. Separate financial statements of the blended component units are not prepared.

Under the provisions of Arizona Revised Statutes (A.R.S.) §15-365, the Mohave County School Superintendent's Office was established and oversees the Mohave County Educational Services Cooperative (M.E.S.C.), an independently managed purchasing cooperative for school-related equipment and services. The M.E.S.C. primarily serves school districts, however, other governmental entities in the State can purchase through the cooperative. All entities purchasing through the cooperative's contracts are required to pay their monies to the cooperative, which then distributes the money to the appropriate vendors. The County acts merely as the conduit between the purchaser and the vendor and is not obligated in any manner for the debt resulting from those purchases. Therefore, except for amounts held in an agency capacity by the County Treasurer at June 30, 2002, the accompanying financial statements do not report such monies collected or disbursed to vendors. However, entities outside Mohave County pay a 1 percent administrative fee which helps to cover the cost of M.E.S.C. operations, and the accompanying financial statements do report such administrative fee revenues and the operating expenditures of M.E.S.C. in the Special Revenue Funds.

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

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

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

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.

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

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 and Enterprise 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. The Board of Supervisors made one supplementary budget appropriation to a governmental fund, other than the General Fund, during the year, resulting in an overall increase in revenues and expenditures of \$200,000.

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 employed as an extension of formal budgetary control. Encumbrances outstanding at year-end for goods or services that were not received before fiscal year-end are canceled. However, the County may draw warrants against encumbered amounts for goods or services received but unpaid at June 30 for 60 days immediately following the close of the fiscal year. After 60 days the remaining encumbered balances lapse.

E. Cash Equivalents and Investments

For purposes of its statement of cash flows, the County considers all cash and investments to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. All other investments are stated at fair value.

F. Inventories

Inventories of the Governmental Funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end 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." These inventories are stated at cost using the first-in, first-out method.

Inventories of the Proprietary Funds are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

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 plus any ancillary charges. Donated fixed assets are capitalized at their estimated fair market value at the time received.

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

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

Purchased fixed assets of the **Proprietary Funds** are capitalized in those funds at cost plus any ancillary charges. 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 Proprietary Funds is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	30 years
Machinery and equipment	3-10 years
Infrastructure	25-50years

H. Compensated Absences

Compensated absences consist of vested sick leave and accrued Personal Time Off (PTO) earned by employees who have completed the required probationary period of employment (either 6 or 12 months) depending on the job classification.

Employees may accumulate up to a maximum of 240 hours of PTO. Any unused PTO hours at year-end, in excess of the maximum allowed, are forfeited. The entire 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 Funds are recorded as expenses and liabilities of those funds, 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 30 days subsequent to fiscal year-end. Property taxes not collected within 30 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 Proprietary Fund Types 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 or expenses are incurred. Reimbursements not received within 60 days subsequent to fiscal year-end are reported as deferred revenues.

Note 1 - Summary of Significant Accounting Policies (Concl'd.)

L. Total Column (Memorandum Only)

The total column on the combined statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 2 – Excess of Expenditures over Appropriations/Individual Fund Deficits

Excess of Expenditures over Appropriations in Individual Funds

One General Fund department had excess of expenditures over appropriations: Superior Courts, \$5,770.

Deficit Fund Balance/Retained Earnings in Individual Funds

The Judge Pro Tempore (Special Revenue Fund) had a deficit fund balance of \$1. Central Services and Janitorial Services (Internal Service Funds) had deficit fund equity balances of \$5,070 and \$4,553 respectively, at June 30, 2002. Flight Services, Central Services, Communications and Janitorial services (Internal Service Funds) had deficit unreserved retained earnings of \$476,226, \$5,215, \$141,604, and \$4,553, respectively. Most of these funds had deficits carried forward from prior years. All deficits, with the exception of Communications and Flight Services, are expected to be eliminated by reducing expenditures/expenses and obtaining additional grants or other funds during normal operations in fiscal year 2002-2003. The Fight Services will be integrated into the Sheriff's department next year. In addition, plans to continue evaluating the rates charged will ensure deficits in the Internal Service Funds will be prevented or eliminated in the future.

Note 3 - Deposits and Investments

Arizona Revised Statutes authorize the County to invest public monies in the State Treasurer’s investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as saving 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 15). Those monies are pooled with the County monies for investment purposes.

Deposits--At June 30, 2002, the investment pool had cash on hand of \$9,605. The carrying amount of the investment pool’s total cash in bank was \$1,328,682 and the bank balance was \$389,755. The investment pool’s deposits at June 30, 2002, were entirely covered by federal depository insurance or by collateral held by the County’s custodial bank in the County’s name.

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 those participants pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

The investment pool’s investments at June 30, 2002, are categorized below to give an indication of the level of risk assumed by the County at year-end.

- Category 1- insured or registered in the County's name, or securities held by the County or its agent in the County's name.
- Category 2- uninsured and unregistered with securities held by the counter party's trust department or agent in the County's name.
- Category 3- uninsured and unregistered with securities held by the counter party, or by its trust department or agent but not in the County's name.

	<u>Category</u>	<u>Fair</u>
	<u>1</u> <u>2</u> <u>3</u>	<u>Value</u>
U.S. Government Securities	\$ <u>94,122,236</u>	\$94,122,236
Investments not subject to		
Categorization:		
State Treasurer's		
investment pool		<u>3,616,493</u>
Total		<u>\$97,738,729</u>

Note 3 - Deposits and Investments (Concl'd.)

Other Deposits- At June 30, 2002, the total nonpooled cash on hand was \$625. The carrying amount of the County's total nonpooled cash in bank was \$2,246,850, (including \$1,950,106 of Money Market Securities) and the bank balance was \$2,542,260. Of the bank balance, \$282,126 was covered by federal depository insurance or by collateral held by the County or its agent in the County's name; and \$2,260,134 was covered by collateral held by the pledging financial institution's trust department or agent in the County's name.

Other Investments - At June 30, 2002, The County's nonpooled investments, totaling \$2,387,699 in fair value of U.S. Government Securities, were uninsured and unregistered with securities held by the counterparty in the County's name.

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	\$ 9,605	\$ 625	\$ 10,230
Carrying amount of deposits	1,328,682	2,246,850	3,575,532
Reported amount of investments	97,738,729	2,387,699	100,126,428
Total	<u>\$ 99,077,016</u>	<u>\$ 4,635,174</u>	<u>\$ 103,712,190</u>

Combined Balance Sheet:

Cash and investments	\$ 101,324,491
Cash and investments held by trustees	<u>2,387,699</u>
Total	<u>\$ 103,712,190</u>

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Total	<u>\$ 99,077,016</u>	<u>\$ 4,635,174</u>	<u>\$ 103,712,190</u>

Combined Balance Sheet:

Cash and investments	\$ 101,324,491
Cash and investments held by trustees	<u>2,387,699</u>
Total	<u>\$ 103,712,190</u>

Note 4 - Property Taxes Receivable

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

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

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

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

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
2001-02	\$ 1,016,377	\$ 554,517	\$
Prior	1,325,557	437,065	30,580
Totals	<u>\$ 2,341,934</u>	<u>\$ 991,582</u>	<u>\$ 30,580</u>

That portion of property taxes receivable, not collected within 30 days after June 30, 2002, 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, 2002, include \$879,393, \$1,050,556, \$1,117,645, \$1,572,781, \$106,982, and \$84,136 in state-shared revenue from highway user taxes, sales taxes, Federal and State Grants, vehicle license taxes, inter-government cost sharing, and incarceration fees respectively. The balance of these receivables, \$16,387, represents various expense reimbursements.

Note 6 - Changes in General Fixed Assets

A summary of the changes in general fixed assets follows:

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Transfers/ Deletions</u>	<u>Balance June 30, 2002</u>
Land	\$24,310,430			\$24,310,430
Buildings	31,597,072	\$ 314,750		31,911,822
Improvements other than buildings	1,091,749			1,091,749
Machinery and equipment	16,180,228	2,307,939	\$859,546	17,628,621
Construction in progress	<u>62,402</u>	<u>5,123,500</u>		<u>5,185,902</u>
Total	<u>\$73,241,881</u>	<u>\$7,746,189</u>	<u>\$859,546</u>	<u>\$80,128,524</u>

Note 7 - Bonds Payable

The County's bonded debt consists of various issues of special assessment bonds.

Special Assessment Bonds - 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 with interest payable semiannually. The County is not obligated in any manner for the special assessment debt. However, in the event a property owner defaults on their payment of the debt, the County places a lien on the property. In the event that the lien is not cleared, the property is sold and the proceeds are used to pay off the debt.

The following special assessment districts had bonds outstanding at June 30, 2002.

<u>District</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding Principal July 1, 2001</u>	<u>Additions (Redemptions)</u>	<u>Outstanding Principal June 30, 2002</u>
G.V.I.D. No. 1 Phase II	7.25%	1/97-1/06	\$ 375,000	\$ (75,000)	\$ 300,000
G.V.I.D. No. 1 Phase III	6.70%	1/98-1/07	240,000	(40,000)	200,000
G.V.I.D. No. 1 Phase IV	5.60%	1/03-1/12		409,000	409,000
G.V.I.D. Water Storage and Distribution	9.30%	1/93-1/03	545,000	(545,000)	0
G.V.I.D. Eloy Rd Waterline Extension	8.95%	1/93-1/02	4,000	(4,000)	0
G.V.I.D. Stewart Rd Waterline Extension	8.95%	1/93-1/02	4,000	(4,000)	0
Butler Improvement District	8.40%	1/93-1/03	250,000	(250,000)	0
Butler No. 2 Improvement District	7.4%	1/96-1/05	260,000	(260,000)	0
G.V.I.D. Egar/Estrella Roads Improvement	8.75%	1/94-1/03	380,000	(380,000)	0
Rancho Verde Street Improvement	7.75%	1/95-1/04	210,000	(70,000)	140,000
Cerbat Ranch Street Improvement	7.25%	1/95-1/05	60,000	(15,000)	45,000
G.V.I.D. Zones B&D Waterline Extension	7.90%	1/96-1/05	1,120,000	(280,000)	840,000
Rainbow Acres Street Improvement	6.40%	1/98-1/07	140,000	(25,000)	115,000
Horizon Six Street Improvement	6.375%	7/00-1/10	585,000	(65,000)	520,000
Scenic Road and Bridge Project Improvement	6.30%	1/04-1/13		4,500,000	4,500,000
Mohave County Improvement District	5.50%	in arrears	<u>91,000</u>		<u>91,000</u>
Total			<u>\$4,264,000</u>	<u>\$2,896,000</u>	<u>\$7,160,000</u>

Note 7 - Bonds Payable (Concl'd.)

Special assessment bond debt service requirements to maturity, including \$2,183,884 of interest, are as follows:

Year ending June 30, 2003	\$1,057,361
2004	1,449,229
2005	1,303,576
2006	1,038,683
2007	831,270
Thereafter	<u>3,663,765</u>
Total	<u>\$ 9,343,884</u>

Note 8 - Certificates of Participation Payable

At June 30, 2002, the County had outstanding \$10,905,000 in certificates of participation with interest rates ranging from 3.75 to 7.375 percent. The current portion of \$1,135,000, due July 1, 2002, is reported in the individual funds. The remaining liability is recorded in the General Long-Term Debt group of accounts. The certificates are generally noncallable, with interest payable semiannually.

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

Description	Interest Rate(s)	Maturity	Outstanding Principal July 1, 2001	(Retirements)	Outstanding Principal June 30, 2002
Cert of Part series 1998	3.75%-4.9%	7/1/2013	\$7,410,000	\$(875,000)	\$6,535,000
Cert of Part series 2000	6.75%-7.375%	7/1/2010	4,870,000	(500,000)	4,370,000
		Total	<u>\$12,280,000</u>	<u>\$(1,375,000)</u>	<u>\$10,905,000</u>

Certificates of participation debt service requirements to maturity, including \$3,434,012 of interest, are as follows:

Year ending June 30, 2003	\$1,711,091
2004	1,680,634
2005	1,237,601
2006	1,102,547
2007	1,230,711
Thereafter	<u>7,376,428</u>
Total	<u>\$14,339,012</u>

Note 9 - Obligations Under Leases

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

Note 9 -Obligations Under Leases (Concl'd.)

Accordingly, such assets have been capitalized, and a summary of them at June 30, 2002, follows:

	General Fixed <u>Assets</u>	Internal Service <u>Funds</u>
Machinery and equipment	\$163,729	\$740,524
Less accumulated depreciation		382,666
Carrying value	\$163,729	\$357,858

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments at June 30, 2002, were as follows:

Year ending June 30,	General Long-Term Debt <u>Account Group</u>	Internal Service Funds <u>Service Funds</u>
2003	\$36,743	\$97,025
2004	18,372	
Total minimum lease payments	55,115	97,025
Less amount representing interest	(2,651)	(9,285)
Present value of net minimum lease payments	\$52,464	\$87,740

Operating Leases - The County leases buildings, copiers and a parking lot under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$530,289 for the year ended June 30, 2002. The operating leases have remaining noncancellable lease terms from one to twelve years and provide renewal options.

The future minimum rental payments required under the operating leases as of June 30, 2002, are as follows:

Year ending June 30,	General <u>Fund</u>	Special Revenue <u>Funds</u>	Internal Service <u>Funds</u>
2003	\$ 96,341	\$125,007	\$ 2,980
2004	47,050	81,957	
2005	34,718	65,425	
2006	34,251	65,425	
2007	30,051		
Thereafter	90,153		
Total minimum payments required	\$332,564	\$337,814	\$ 2,980

Note 10 - Landfill Closure and Postclosure Care Costs

The County owns two 160-acre landfill sites, Cerbat and Mohave Valley, which are operated by independent contractors under contract with the County. Both landfills began operations in January 1989.

The County operates its landfills on a cell basis. The County owns additional unused parcels of land adjacent to the existing landfill sites that will (or may) be used, as needed, to open additional cells.

State and federal laws and regulations require the County to place a final cover on its Cerbat and Mohave Valley landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfills stop accepting waste, the County reports the long-term portion of these closure and postclosure care costs as an addition to the General Long-Term Debt Group in each period based on landfill capacity used as of each balance sheet date.

The \$2,100,742 reported as landfill closure and postclosure care liability at June 30, 2002, represents the cumulative amount reported to date at the Cerbat and Mohave Valley landfills based on the use of 70% and 55%, respectively, of the estimated capacity of the open cells of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,005,184 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2002. The County expects to close the landfills in the years 2004 and 2029 respectively, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations.

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

Note 11 - Risk Management

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

The Arizona Counties Property and Casualty Pool is a public entity risk pool currently composed of 11 member counties. The pool provides member counties catastrophic loss coverage for risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters; and provides risk management services. Such coverage includes all defense costs as well as the amount of any judgment or settlement. The County is responsible for paying a premium, based on its exposure in relation to the exposure of the other participants and a deductible of \$50,000 for each occurrence. The County is also responsible for any payments in excess of the maximum coverage of \$100 million per occurrence for property claims and \$15 million for liability claims. A County must participate in the pool at least three years after becoming a member; however, it may withdraw after the initial three-year period. If the pool were to become insolvent, the County would be assessed an additional contribution.

Note 11 - Risk Management (Concl'd.)

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

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

The County established two Internal Service funds, Health Insurance and Self Insurance. The Health Insurance Fund is used to account for employee health benefits through a combination of self-insurance and commercial insurance. The Self Insurance Fund (an Internal Service Fund) provides property, casualty and general liability coverage up to \$50,000 per claim and also accounts for the Arizona Counties Worker's Compensation Pool. The Self Insurance Fund is used to account for the risk financing of certain benefits and losses through combinations of cost-reimbursement, self-insurance for losses up to certain limits, participation in public entity risk pools, and the purchase of insurance for losses above the limits. Settled claims have not exceeded risk pool coverage or the purchased commercial insurance in any of the past three fiscal years.

The Health Insurance Fund (an Internal Service Fund) accounts for the financing of the uninsured risk of loss for certain health benefits (comprehensive major medical, prescriptions, dental, life/accidental death & dismemberment and short-term disability), to eligible employees and their dependents, through a combination of commercial insurance and self insurance. The County is self insured, up to certain limits, with commercial insurance to cover losses above the limits. The life insurance is 100% commercial insurance. Under the health insurance program, the employees have a PPO program. The County is fully self insured for dental, which is administered through Delta Dental. The short term disability became administered by a third party, effective October of 2001. Settled claims have not exceeded available self insurance funds or the purchased commercial insurance in any of the past three fiscal years.

The insurance claims payable liability of the self-insurance fund and health insurance fund of \$642,829, reported below at June 30, 2002, is the estimated ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. These estimates are based on estimates received from our health care administrator (based on claims received subsequent to June 30, 2002) and AICIP (based on expected outcomes of outstanding lawsuits and incurred but not reported occurrences).

Changes in the claims payable liability amount for the years ended June 30, 2001 and 2002, were as follows:

	<u>2001</u>	<u>2002</u>
Claims Payable - Beginning of Year	\$ 471,316	\$ 657,550
Add: Claims incurred and changes in estimates	2,136,508	4,162,069
Deduct: Claims paid	<u>(1,950,274)</u>	<u>(4,176,790)</u>
Claims Payable - End of Year	<u>\$ 657,550</u>	<u>\$ 642,829</u>

Note 12- Interfund Receivables and Payables

The interfund assets and liabilities by fund are as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 289,731	\$ 62,820
Special Revenue Funds		
Law Library		73
Recorder Surcharge		546
Road Fund	226,725	35,683
County Health Services	5,587	1,520
Judge Pro Tempore	7,517	
Parks		706
Court/Attorney Enhancement		7,517
Health Grants	6,669	87,636
County Attorney	8,152	121,272
Senior Programs	332	6,713
Domestic Relations	3,133	696
Anti Racketeering		519
Emergency Management		1,262
Flood Control	77	163,372
Library District		1,095
Sheriff / Waterways	20,162	26,243
Landfill	1,000,000	20
M.E.S.C.	20,762	20,762
Probation	18,608	20,622
School Superintendent	4,053	4,454
G.V.I.D	5,860	1,503
Improvement Districts Administration	11,000	1
C.D.B.G.	115	19,759
Housing Programs	38,777	9,219
Workforce Development	37	28,006
Enterprise Fund		30,636
Internal Service Funds		
Information Services		580
Motor Pool	57,899	25,161
Central Services	862	19,478
Communications	405	73
Janitorial	386	936
Self Insurance	635	
Flight Services		17,601
Debt Service Funds		
I-40 Corridor		1,000,000
G.V.I.D.	78,710	
Improvement Districts	1,670	
Capital Project Funds		
G.V.I.D. Well/ Distribution		89,710
Improvement District		1,670
Total	<u>\$ 1,807,864</u>	<u>\$ 1,807,864</u>

Note 13 - 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, 2001			Balance June 30, 2002
	<u>As restated</u>	<u>Additions</u>	<u>Reductions</u>	
Compensated Absences	\$ 2,016,908	\$	\$ 46,970	\$ 1,969,938
Obligations under Capital Leases	87,563		35,099	52,464
Claims and judgements payable	602,160		602,160	
Landfill closure and postclosure care costs payable	1,911,916	188,826		2,100,742
Special assessment bonds payable	4,264,000	4,909,000	2,013,000	7,160,000
Certificates of participation - principal payable	<u>10,905,000</u>		<u>1,135,000</u>	<u>9,770,000</u>
Totals	<u>\$19,787,547</u>	<u>\$5,097,826</u>	<u>\$3,832,229</u>	<u>\$21,053,144</u>

The July 1, 2001 Landfill closure and postclosure care costs payable, as stated in the 2001 CAFR, were overstated by \$523,378, due to an error in calculation. The beginning liability has been restated to reflect the corrected amount.

Note 14 - Retirement Plans

Plan Descriptions - The County contributes to four plans, three of which are described below. The Elected Officials Retirement System is not described, due to its 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.

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.

Note 14 - Retirement Plans (Cont'd.)

The *Corrections Officer Retirement Plan (CORP)* is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The CORP is governed by The Fund Manager of PSPRS, and 12 local boards, according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

ASRS

3300 N. Central Avenue
P. O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or (800) 621-3778

PSPRS, CORP, and EORP

1020 E. Missouri Avenue
Phoenix, AZ 85014-2613
(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, 2002, active ASRS members and the County were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The County's contributions to ASRS for the years ended June 30, 2002, 2001, and 2000, were \$1,208,183, \$1,364,611, and \$1,351,805 respectively, which were equal to the required contributions for the year.

Agent plans - For the year ended June 30, 2002, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 6.39 percent. Active CORP members were required by statute to contribute 8.5 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 2.00 percent.

Annual Pension Costs - The County's pension cost for the two agent plans for the year ended June 30, 2002 and related information follow.

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
County	6.39%	2.00%
Plan members	7.65%	8.5%
Annual Pension cost	\$200,532	\$31,662
Contributions made	\$200,532	\$31,662

The current-year annual required contributions, for both the PSPRS and CORP, were determined as part of their June 30, 2000 actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2002, was 20 years.

Note 14 - Retirement Plans (Concl'd.)

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

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS	2002	\$ 200,532	100%	\$ 0
	2001	212,472	100%	\$ 0
	2000	106,006	100%	\$ 0
CORP	2002	31,662	100%	\$ 0
	2001	4,722	100%	\$ 0
	2000	69,547	100%	\$ 0

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

PSPRS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding Liability (Excess) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)</u>
06/30/02	\$14,357,706	\$11,473,155	\$(2,884,551)	125.1%	\$3,035,539	- %
06/30/01	\$14,403,410	\$10,204,990	\$(4,198,420)	141.1%	\$3,332,859	-
06/30/00	\$13,144,845	\$11,055,727	\$(2,089,118)	118.9%	\$3,639,536	-

CORP

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Funding Liability (Excess) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Liability as Percentage of Covered Payroll ((a-b)/c)</u>
06/30/02	\$3,795,255	\$1,793,433	\$(2,001,822)	211.6%	\$1,601,298	- %
06/30/01	\$3,825,686	\$1,735,357	\$(2,090,329)	220.5%	\$1,522,321	-
06/30/00	\$3,548,008	\$1,748,931	\$(1,799,077)	202.9%	\$1,804,218	-

Note 15 - County Treasurer's Investment Pool

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

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

Details of each major investment classification follow.

Investment Type	Principal	Interest Rate(s)	Maturities	Fair Value
Fed Farm Credit Bank	\$3,750,000	3.65-5.72%	1/04-06/07	\$3,762,126
Fed Home Loan Bank	27,900,000	3.00-5.95%	1/04-05/07	27,952,013
Fed Home Loan Mrtg Corp	24,850,000	3.50-7.00%	3/04-6/07	24,082,555
Fed National Mrtg Assoc	33,530,000	3.50-6.21%	4/04-05/07	34,005,989
Total Other	4,000,000	6.875%		4,319,553
Local Gov Investment Pool	3,616,493	5.31-6.12%	7/03-11/03	3,616,493
	<u>\$97,646,493</u>			<u>\$97,738,729</u>

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

Statement of Net Assets

Assets	\$99,198,602
Liabilities	0
Net assets	<u>99,198,602</u>
Net assets held in trust for:	
Internal participants	\$59,652,853
External participants	39,545,749
Total net assets held in trust	<u>\$99,198,602</u>

Statement of Changes in Net Assets

Total additions	\$746,403,721
Total deductions	724,235,244
Net increase	<u>22,168,477</u>
Net assets held in trust:	
July 1, 2001	77,030,125
June 30, 2002	<u>\$99,198,602</u>

Note 16 - Prior Period Adjustments

A prior period adjustment resulted from several immaterial errors in the amounts reported for the fiscal year ended June 30, 2001. The net amount of all adjustments resulted in an increase of \$4,933 in the June 30, 2001 balance of the Special Revenue Funds.

Note 17- Implementation of GASB Statement No. 34

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

Note 18-Subsequent Events

A road department vehicle was involved in a multi-vehicle accident resulting in several fatalities. The County will be liable for the \$100,000 deductible, as well as an increase in our pool contribution of over \$400,000 per year.

The ASRS increased the retirement contribution rate from 2.0% to 5.4% for the next fiscal year.