

Coconino County, Arizona
Single Audit Reporting Package
June 30, 2002

**Coconino County, Arizona
Single Audit Reporting Package
June 30, 2002**

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Single Audit Reporting Package
June 30, 2002
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Independent Auditors' Report

The 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, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Coconino County as of June 30, 2002, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 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.

Fester & Chapman P.C.

November 22, 2002

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

| 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 | \$ 249,753 | \$ 504,786 | \$ 1,166 | \$ 26,051 | \$ 200 | \$ 1,283,519 | | |
| Cash and investment held by County Treasurer | 17,422,274 | 33,616,920 | 20,182,859 | | 1,605,105 | 72,081,413 | | |
| Cash and investments held by trustee | | 5,000,390 | 2,245,866 | 1,366,290 | | 309,647 | | |
| Investments | | 498,236 | | 264,778 | | 170,552 | | |
| Receivables: | | | | | | | | |
| Property taxes | 167,889 | 107,991 | | | | | | |
| Accounts | 165,184 | 302,435 | | | | | | |
| Special assessments | | 198 | 341,969 | | | | | |
| Accrued interest | 179,791 | 354,778 | 209,735 | 2,084 | 16,522 | 751,102 | | |
| Due from: | | | | | | | | |
| Other funds | 2,117,200 | 2,981,565 | 1,296 | 1,850,275 | 461,782 | | | |
| Other governments | 2,774,504 | 4,402,485 | | 218,010 | 5,456 | | | |
| Inventories | 4,271 | | | | 195,863 | | | |
| Prepaid items | 27,550 | 16,692 | | | | | | |
| Fixed assets: | | | | | | | | |
| Land | | | | | | | \$ 6,961,836 | |
| Buildings | | | | | 144,945 | | 65,846,863 | |
| Accumulated depreciation | | | | | (38,652) | | | |
| Machinery and equipment | | | | | 4,190,568 | | 28,230,218 | |
| Accumulated depreciation | | | | | (2,679,501) | | | |
| Construction in progress (estimated cost to complete \$4,198,846) | | | | | | | 10,286,211 | |
| Amount available in Debt Service Funds | | | | | | | | \$ 20,390,694 |
| Amount to be provided for retirement of general long-term debt | | | | | | | | 27,118,250 |
| Total assets | \$ 23,108,416 | \$ 47,786,476 | \$ 22,982,891 | \$ 3,727,488 | \$ 3,902,288 | \$ 74,596,233 | \$111,325,128 | \$ 47,508,944 |

See accompanying notes to financial statements.

(Continued)

COCONINO COUNTY
Combined Balance Sheet - All Fund Types and Account Groups
June 30, 2002
(Continued)

| | 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 |
| Liabilities and Fund Equity | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 1,448,769 | \$ 2,547,511 | | \$ 1,234,220 | \$ 485,105 | | | |
| Accrued payroll and employee benefits | 427,616 | 484,316 | | | 35,642 | | | \$ 1,666,482 |
| Due to: | | | | | | | | |
| Other funds | 3,310,555 | 2,226,081 | \$ 141 | 1,870,598 | 4,743 | | | |
| Other governments | 319,376 | 258,159 | | | | \$ 1,991,073 | | |
| Deposits held for others | | 66,077 | | | | 1,593,166 | | |
| Claims and judgments payable | 155,000 | | | | | | | |
| Insurance claims payable | | | | | | | | 310,318 |
| Bond interest payable | | 486,852 | 622,301 | | | | | |
| Special assessment bonds with governmental commitment payable | | | 12,000 | | | | | 497,144 |
| Certificates of participation and pledged revenue obligations payable | | 1,600,000 | 1,620,000 | | | | | 45,035,000 |
| Deferred revenues | 1,459,657 | 138,943 | 337,755 | | | | | |
| Total liabilities | 7,120,973 | 7,807,939 | 2,592,197 | 3,104,818 | 525,490 | 3,584,239 | | 47,508,944 |
| Fund equity: | | | | | | | | |
| Contributed capital | | | | | 819,694 | | | |
| Investment in general fixed assets | | | | | | | \$111,325,128 | |
| Retained earnings, unreserved | | | | | 2,557,104 | | | |
| Fund balances: | | | | | | | | |
| Reserved for inventories | 4,271 | | | | | | | |
| Reserved for prepaid items | 27,550 | 16,692 | | | | | | |
| Reserved for investment trust participants | | | | | | 71,011,994 | | |
| Unreserved | 15,955,622 | 39,961,845 | 20,390,694 | 622,670 | | | | |
| Total fund equity | 15,987,443 | 39,978,537 | 20,390,694 | 622,670 | 3,376,798 | 71,011,994 | 111,325,128 | |
| Total liabilities and fund equity | \$ 23,108,416 | \$ 47,786,476 | \$ 22,982,891 | \$ 3,727,488 | \$ 3,902,288 | \$ 74,596,233 | \$111,325,128 | \$ 47,508,944 |

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, 2002

| | Governmental Fund Types | | | |
|---|--------------------------------|----------------------------|-------------------------|-----------------------------|
| | General | Special Revenue | Debt Service | Capital Projects |
| Revenues: | | | | |
| Taxes | \$ 15,782,442 | \$ 7,903,210 | | |
| Special assessments | | 4,997 | \$ 138,159 | \$ 26,051 |
| Licenses and permits | 1,090,267 | 728,805 | | |
| Intergovernmental | 16,960,856 | 29,047,699 | | 421,940 |
| Charges for services | 1,783,011 | 5,901,359 | | |
| Fines and forfeits | 1,172,903 | 103,244 | | |
| Investment income | 991,688 | 2,146,771 | 1,126,267 | 108,613 |
| Contributions | 77,333 | 94,469 | | |
| Miscellaneous | 179,179 | 542,178 | | 15,463 |
| Total revenues | <u>38,037,679</u> | <u>46,472,732</u> | <u>1,264,426</u> | <u>572,067</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 19,483,057 | 2,102,338 | | |
| Public safety | 8,634,871 | 12,722,291 | | |
| Highways and streets | 51,765 | 10,084,230 | | |
| Sanitation | | 2,229,589 | | |
| Health | 2,958,596 | 5,798,178 | | |
| Welfare | | 6,646,690 | | |
| Culture and recreation | 500,345 | 5,503,944 | | |
| Education | 405,509 | 185,472 | | |
| Capital outlay | | | | 3,743,630 |
| Debt service: | | | | |
| Principal retirement | | 1,600,000 | 1,763,356 | |
| Interest and fiscal charges | | 978,344 | 1,290,789 | |
| Total expenditures | <u>32,034,143</u> | <u>47,851,076</u> | <u>3,054,145</u> | <u>3,743,630</u> |
| Excess of revenues over (under) expenditures | 6,003,536 | (1,378,344) | (1,789,719) | (3,171,563) |
| Other financing sources (uses): | | | | |
| Operating transfers in | 616,841 | 6,603,010 | 109,930 | 2,183,501 |
| Operating transfers out | (4,873,153) | (2,878,882) | | (1,761,247) |
| Total other financing sources (uses) | <u>(4,256,312)</u> | <u>3,724,128</u> | <u>109,930</u> | <u>422,254</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | 1,747,224 | 2,345,784 | (1,679,789) | (2,749,309) |
| Fund balances, July 1, 2001 | 14,221,566 | 37,651,406 | 22,070,483 | 3,371,979 |
| Residual equity transfers in (out) | 18,653 | (18,653) | | |
| Fund balances, June 30, 2002 | <u>\$ 15,987,443</u> | <u>\$ 39,978,537</u> | <u>\$ 20,390,694</u> | <u>\$ 622,670</u> |

See accompanying notes to the 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, 2002

| | General Fund | | | Special Revenue Funds | | |
|----------------------------------|---------------|---------------|------------|-----------------------|--------------|-------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Taxes | \$ 15,154,466 | \$ 15,782,442 | \$ 627,976 | \$ 7,976,347 | \$ 7,903,210 | \$ (73,137) |
| Special Assessments | | | | 5,000 | 4,997 | (3) |
| Licenses and permits | 889,500 | 1,090,267 | 200,767 | 655,900 | 728,805 | 72,905 |
| Intergovernmental | 17,828,116 | 16,960,856 | (867,260) | 30,967,657 | 29,047,699 | (1,919,958) |
| Charges for services | 1,353,781 | 1,783,011 | 429,230 | 8,144,783 | 5,901,359 | (2,243,424) |
| Fines and forfeits | 1,059,000 | 1,172,903 | 113,903 | 110,000 | 103,244 | (6,756) |
| Investment income | 603,149 | 991,688 | 388,539 | 925,895 | 2,146,771 | 1,220,876 |
| Contributions | 90,000 | 77,333 | (12,667) | 31,639 | 94,469 | 62,830 |
| Miscellaneous | 234,452 | 179,179 | (55,273) | 337,811 | 542,178 | 204,367 |
| Total revenues | 37,212,464 | 38,037,679 | 825,215 | 49,155,032 | 46,472,732 | (2,682,300) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government: | | | | | | |
| Board of Supervisors | 666,306 | 666,970 | (664) | | 19,299 | (19,299) |
| Facilities | 1,929,285 | 1,804,244 | 125,041 | | | |
| Elections | 722,002 | 504,935 | 217,067 | | | |
| Recorder | 425,726 | 392,829 | 32,897 | 266,559 | 173,146 | 93,413 |
| Nondepartmental/contingency | 4,540,133 | 1,725,194 | 2,814,939 | | | |
| Finance | 730,747 | 660,607 | 70,140 | 35,953 | 37,052 | (1,099) |
| Planning and Budget | 332,963 | 282,472 | 50,491 | | | |
| Human resources | 1,158,290 | 757,662 | 400,628 | | | |
| Assessor | 929,305 | 850,510 | 78,795 | 10,500 | 17,601 | (7,101) |
| Treasurer | 421,757 | 402,065 | 19,692 | 5,608 | 8,404 | (2,796) |
| Information systems | 1,553,252 | 1,562,625 | (9,373) | | | |
| Justice Courts | 1,448,912 | 1,403,429 | 45,483 | 41,678 | 41,816 | (138) |
| Superior Court | 1,690,056 | 1,570,659 | 119,397 | 959,569 | 681,590 | 277,979 |
| Clerk of the Superior Court | 815,781 | 750,221 | 65,560 | 100,931 | 44,620 | 56,311 |
| Public defender | 1,623,656 | 1,493,856 | 129,800 | 22,050 | 21,241 | 809 |
| Legal defender | 631,561 | 537,328 | 94,233 | | | |
| County manager | 530,282 | 484,421 | 45,861 | | | |
| Constable | 47,943 | 46,862 | 1,081 | | | |
| County attorney | 2,005,674 | 1,928,532 | 77,142 | 1,451,410 | 1,041,128 | 410,282 |
| Geographical information systems | 599,230 | 539,098 | 60,132 | | | |
| Public fiduciary | 149,711 | 152,058 | (2,347) | | | |
| Community development | 1,111,396 | 966,480 | 144,916 | | 16,441 | (16,441) |
| Total general government | 24,063,968 | 19,483,057 | 4,580,911 | 2,894,258 | 2,102,338 | 791,920 |
| Public safety: | | | | | | |
| Adult probation | 941,036 | 891,798 | 49,238 | 2,931,638 | 2,160,563 | 771,075 |
| Sheriff | 6,946,004 | 6,043,710 | 902,294 | 9,932,076 | 8,639,667 | 1,292,409 |
| Medical examiner | 381,505 | 299,310 | 82,195 | | | |
| Juvenile probation | 1,610,407 | 1,400,053 | 210,354 | 2,104,476 | 1,628,179 | 476,297 |
| Emergency services | | | | 120,161 | 104,716 | 15,445 |
| Flood control | | | | 402,940 | 189,166 | 213,774 |
| Total public safety | 9,878,952 | 8,634,871 | 1,244,081 | 15,491,291 | 12,722,291 | 2,769,000 |
| Highways and streets: | | | | | | |
| Highway | 212,035 | 51,765 | 160,270 | 19,327,931 | 10,084,230 | 9,243,701 |
| Total highways and streets | 212,035 | 51,765 | 160,270 | 19,327,931 | 10,084,230 | 9,243,701 |

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, 2002
(Continued)

| | General Fund | | | Special Revenue Funds | | |
|---|--------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Sanitation: | | | | | | |
| Solid waste | | | | 1,352,374 | 1,390,718 | (38,344) |
| Kachina Village Improvement District | | | | 1,123,698 | 829,045 | 294,653 |
| Tusayan | | | | 11,000 | 9,826 | 1,174 |
| Total sanitation | | | | <u>2,487,072</u> | <u>2,229,589</u> | <u>257,483</u> |
| Health: | | | | | | |
| Medical assistance | 3,044,734 | 2,958,596 | 86,138 | | | |
| Public health | | | | 6,305,092 | 5,798,178 | 506,914 |
| Total health | <u>3,044,734</u> | <u>2,958,596</u> | <u>86,138</u> | <u>6,305,092</u> | <u>5,798,178</u> | <u>506,914</u> |
| Welfare: | | | | | | |
| Career Center | | | | 1,482,041 | 1,265,136 | 216,905 |
| Community services | | | | 6,018,969 | 5,381,554 | 637,415 |
| Total welfare | | | | <u>7,501,010</u> | <u>6,646,690</u> | <u>854,320</u> |
| Culture and recreation: | | | | | | |
| Parks and recreation | 526,565 | 500,345 | 26,220 | 6,342,473 | 3,443,508 | 2,898,965 |
| Library | | | | 2,340,471 | 2,060,436 | 280,035 |
| Total culture and recreation | <u>526,565</u> | <u>500,345</u> | <u>26,220</u> | <u>8,682,944</u> | <u>5,503,944</u> | <u>3,179,000</u> |
| Education: | | | | | | |
| School superintendent | 478,094 | 405,509 | 72,585 | 420,000 | 185,472 | 234,528 |
| Debt service: | | | | | | |
| Principal retirement | | | | 1,600,000 | 1,600,000 | |
| Interest and fiscal charges | | | | 973,703 | 978,344 | (4,641) |
| Total debt service | | | | <u>2,573,703</u> | <u>2,578,344</u> | <u>(4,641)</u> |
| Total expenditures | <u>38,204,348</u> | <u>32,034,143</u> | <u>6,170,205</u> | <u>65,683,301</u> | <u>47,851,076</u> | <u>17,832,225</u> |
| Excess of revenues over (under) expenditures | (991,884) | 6,003,536 | 6,995,420 | (16,528,269) | (1,378,344) | 15,149,925 |
| Other financing sources (uses) | | | | | | |
| Operating transfers in | 64,085 | 616,841 | 552,756 | 5,322,615 | 6,603,010 | 1,280,395 |
| Operating transfers out | (5,322,615) | (4,873,153) | 449,462 | (64,085) | (2,878,882) | (2,814,797) |
| Total other financing sources (uses) | <u>(5,258,530)</u> | <u>(4,256,312)</u> | <u>1,002,218</u> | <u>5,258,530</u> | <u>3,724,128</u> | <u>(1,534,402)</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | (6,250,414) | 1,747,224 | 7,997,638 | (11,269,739) | 2,345,784 | 13,615,523 |
| Fund balances, July 1, 2001 | 6,250,414 | 14,221,566 | 7,971,152 | 11,269,739 | 37,651,406 | 26,381,667 |
| Residual equity transfers in (out) | | 18,653 | 18,653 | | (18,653) | (18,653) |
| Fund balances, June 30, 2002 | <u>\$</u> | <u>\$ 15,987,443</u> | <u>\$ 15,987,443</u> | <u>\$</u> | <u>\$ 39,978,537</u> | <u>\$ 39,978,537</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, 2002

| | Debt Service Funds | | | Capital Projects Funds | | |
|---|--------------------|---------------|---------------|------------------------|-------------|-------------|
| | Budget | Actual | Variance | Budget | Actual | Variance |
| Revenues: | | | | | | |
| Special assessments | \$ 110,800 | \$ 138,159 | \$ 27,359 | | \$ 26,051 | \$ 26,051 |
| Intergovernmental | | | | \$ 673,953 | 421,940 | (252,013) |
| Investment income | 751,225 | 1,126,267 | 375,042 | 99,606 | 108,613 | 9,007 |
| Miscellaneous | | | | | 15,463 | 15,463 |
| Total revenues | 862,025 | 1,264,426 | 402,401 | 773,559 | 572,067 | (201,492) |
| Expenditures: | | | | | | |
| Capital outlay | | | | 5,395,481 | 3,743,630 | 1,651,851 |
| Debt service: | | | | | | |
| Principal retirement | 1,753,117 | 1,763,356 | (10,239) | | | |
| Interest and fiscal charges | 1,288,529 | 1,290,789 | (2,260) | | | |
| Total expenditures | 3,041,646 | 3,054,145 | (12,499) | 5,395,481 | 3,743,630 | 1,651,851 |
| Excess of revenues over (under) expenditures | (2,179,621) | (1,789,719) | 389,902 | (4,621,922) | (3,171,563) | 1,450,359 |
| Other financing sources (uses) | | | | | | |
| Operating transfers in | | 109,930 | 109,930 | | 2,183,501 | 2,183,501 |
| Operating transfers out | | | | | (1,761,247) | (1,761,247) |
| Special assessment bond proceeds | | | | 574,725 | | (574,725) |
| Total other financing sources | | 109,930 | 109,930 | 574,725 | 422,254 | (152,471) |
| Excess of revenues and other sources over (under) expenditures and other uses | (2,179,621) | (1,679,789) | 499,832 | (4,047,197) | (2,749,309) | 1,297,888 |
| Fund balances, July 1, 2001 | 2,179,621 | 22,070,483 | 19,890,862 | 4,047,197 | 3,371,979 | (675,218) |
| Residual equity transfers | | | | | | |
| Fund balances, June 30, 2002 | \$ | \$ 20,390,694 | \$ 20,390,694 | \$ | \$ 622,670 | \$ 622,670 |

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, 2002

| | |
|----------------------------------|----------------------------|
| Operating revenues: | |
| Charges for services | \$ 2,628,218 |
| Total operating revenues | <u>2,628,218</u> |
| Operating expenses: | |
| Personal services | 479,056 |
| Supplies | 1,392,917 |
| Depreciation | 402,825 |
| Travel | <u>3,783</u> |
| Total operating expenses | <u>2,278,581</u> |
| Operating income | 349,637 |
| Nonoperating revenues: | |
| Investment income | 95,718 |
| Gain on disposal of fixed assets | <u>579</u> |
| Total nonoperating revenues | <u>96,297</u> |
| Net income | 445,934 |
| Fund equity, July 1, 2001 | <u>2,930,864</u> |
| Fund equity, June 30, 2002 | <u><u>\$ 3,376,798</u></u> |

See accompanying notes to financial statements.

COCONINO COUNTY
Combined Statement of Cash Flows - Internal Service Funds
Year Ended June 30, 2002

| | |
|---|----------------------------|
| Cash flows from operating activities: | |
| Operating income | \$ 349,637 |
| Adjustments to reconcile operating income to net cash used by operating activities: | |
| Depreciation | 402,825 |
| Increase in: | |
| Due from other funds | (204,263) |
| Due from other governments | (5,456) |
| Inventories | (20,242) |
| Accounts payable | 435,069 |
| Decrease in: | |
| Accounts receivable | 15,504 |
| Due to other funds | (125,355) |
| Accrued payroll and employee benefits | <u>(437)</u> |
| Net cash used by operating activities | 847,282 |
| | |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (615,072) |
| Proceeds from sale of equipment | <u>12,931</u> |
| Net cash used for capital and related financing activities | (602,141) |
| | |
| Cash flows from investing activities: | |
| Interest received on investments | <u>94,919</u> |
| Net cash provided by investing activities | <u>94,919</u> |
| Net increase in cash and cash equivalents | 340,060 |
| Cash and cash equivalents, July 1, 2001 | <u>1,265,245</u> |
| Cash and cash equivalents, June 30, 2002 | <u><u>\$ 1,605,305</u></u> |
| | |
| Cash and cash equivalents, June 30, 2002, consist of: | |
| Cash in bank and on hand | \$ 200 |
| Cash and investments held by County Treasurer | <u>1,605,105</u> |
| Total | <u><u>\$ 1,605,305</u></u> |

See accompanying notes to financial statements.

COCONINO COUNTY
Combining Statement of Net Assets
Investment Trust Funds
Year Ended June 30, 2002

| Assets | <u>Treasurer's Investment Pool</u> | <u>Individual Investment Accounts</u> | <u>Total</u> |
|-----------------------------------|--|---|----------------------|
| Cash and cash equivalents | \$ 4,268,026 | | \$ 4,268,026 |
| Investments | 67,813,387 | \$ 170,552 | 67,983,939 |
| Interest and dividends receivable | <u>750,407</u> | <u>695</u> | <u>751,102</u> |
| Total assets | 72,831,820 | 171,247 | 73,003,067 |
| Liabilities | | | |
| Due to other governments | <u>1,991,073</u> | | <u>1,991,073</u> |
| Total liabilities | <u>1,991,073</u> | | <u>1,991,073</u> |
| Net assets held in trust | <u>\$ 70,840,747</u> | <u>\$ 171,247</u> | <u>\$ 71,011,994</u> |

See accompanying notes to financial statements

COCONINO 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 | \$ 240,368,694 | | \$ 240,368,694 |
| Investment income: | | | |
| Interest and dividend income | 4,020,487 | \$ 9,719 | 4,030,206 |
| Total additions | 244,389,181 | 9,719 | 244,398,900 |
| Deductions: | | | |
| Distributions to participants | 239,710,107 | 2,789 | 239,712,896 |
| Net increase in net assets | 4,679,074 | 6,930 | 4,686,004 |
| Net assets held in trust: | | | |
| July 1, 2001 | 66,161,673 | 164,317 | 66,325,990 |
| June 30, 2002 | \$ 70,840,747 | \$ 171,247 | \$ 71,011,994 |

See accompanying notes to financial statements.

Coconino County
Notes to Financial Statements
June 30, 2002

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, 2002

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 County's fund categories, types, and account groups follows.

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

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

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

The *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 Proprietary Funds.

2. Proprietary Funds account for the County's ongoing activities that are similar to those found in the private sector using the flow of economic resources measurement focus. The County applies 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, 2002

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, 2002

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, 2002

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, 2002

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. In governmental funds, reimbursements not received within 60 days subsequent to fiscal year-end are reported as deferred revenues.

Coconino County
Notes to Financial Statements
June 30, 2002

Note 2 – Individual Fund Deficits

The individual fund deficits in several Special Revenue and Capital Project Funds at June 30, 2002, were as follows:

| Fund Description | Fund Type | Fund Deficit |
|----------------------------------|------------------|--------------|
| Various parks and recreation | Special Revenue | \$ 435,554 |
| Various health funds | Special Revenue | 45,147 |
| Various sheriff funds | Special Revenue | 4,228 |
| Various WIA funds | Special Revenue | 188,357 |
| Various community services funds | Special Revenue | 69,331 |
| Superior Court fund | Special Revenue | 1,142 |
| Sheriff | Capital Projects | 211,039 |
| Parks and recreation fund | Capital Projects | 646,026 |
| Facilities | Capital Projects | 1,330,346 |

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 2002-2003.

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, 2002, the total investment pool’s cash on hand was \$1,034,632. The carrying amount of the investment pool’s total cash in bank was \$7,545,577 and the bank balance was \$7,858,481. 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; \$7,488,481 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, 2002

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, 2002, 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 | \$ 133,472,708 | \$ 133,472,708 | \$ | \$ 133,472,708 |
| | \$ | \$ 133,472,708 | \$ | 133,472,708 |
| Investment not subject to categorization: | | | | |
| State Treasurer's investment pool | | | | 2,855,654 |
| Total | | | | \$ 136,328,362 |

Other Deposits – At June 30, 2002, the total nonpooled cash on hand was \$217,838. The carrying amount of the County’s total nonpooled cash in bank was \$1,847,637, and the bank balance was \$2,134,999. The entire bank balance was either covered by federal depository insurance or by collateral held by the County or its agents.

Coconino County
Notes to Financial Statements
June 30, 2002

Note 3 – Deposit and Investments (Cont'd)

Other Investments – At June 30, 2002, the County's nonpooled investments consisted of the following.

| | Fair Value |
|---|---------------|
| Investment in State Treasurer's investment pool | \$ 478,331 |
| U.S. government securities | 455,235 |
| Total | \$ 933,566 |

Cash and Investments Held by Trustee – At June 30, 2002, the County's cash and investments held by trustee consisted of the following:

| | Fair Value |
|----------------------------|---------------|
| U.S. Government securities | \$ 8,922,193 |

The County's nonpooled investments and investments held by trustee at June 30, 2002, 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 | \$ 455,235 | \$ 8,922,193 | \$ 9,377,428 | 9,377,428 |
| | \$ | \$ 455,235 | \$ 8,922,193 | 9,377,428 |
| Investment not subject to categorization: State Treasurer's investment pool | | | | 478,331 |
| Total | | | | \$ 9,855,759 |

Coconino County
Notes to Financial Statements
June 30, 2002

Note 3 – Deposit and Investments (Cont'd)

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 | \$ 1,034,632 | \$ 217,838 | \$ 1,252,470 |
| Carrying amount of deposits | 7,545,577 | 1,847,637 | 9,393,214 |
| Reported amount of investments | 136,328,362 | 9,855,759 | 146,184,121 |
| | \$ 144,908,571 | \$ 11,921,234 | \$ 156,829,805 |
| Combined balance sheet: | | | |
| Cash in bank and on hand | \$ 2,065,475 | | |
| Cash and investments held by County Treasurer | 144,908,571 | | |
| Cash and investments held by trustee | 8,922,193 | | |
| Investments | 933,566 | | |
| Total | \$ 156,829,805 | | |

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, 2002, were as follows:

| | General Fund | Special Revenue Funds |
|-------------|-----------------|-----------------------------|
| Fiscal Year | | |
| 2001-2002 | \$ 138,861 | \$ 93,257 |
| Prior | 29,028 | 14,734 |
| Net total | \$ 167,889 | \$ 107,991 |

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

Coconino County
Notes to Financial Statements
June 30, 2002

Note 5 – Due From Other Governments

Amounts due from other governments at June 30, 2002, include \$1,082,298 and \$954,697 in state-shared revenue from sales taxes and highway user taxes, respectively; \$365,573 and \$498,017 from the State of Arizona for auto lieu and jail taxes, respectively; \$830,493 in County sales tax; and \$1,977,388 in various federal and state grants. The balance of \$ 1,691,989 is composed of miscellaneous receivables from federal, state, and local governments.

Note 6 – Changes In General Fixed Assets

A summary of the changes in general fixed assets follows.

| | Balance July 1, 2001 | Additions | Deletions | Balance June 30, 2002 |
|--------------------------|-------------------------|----------------------|---------------------|--------------------------|
| Land | \$ 6,961,836 | | | \$ 6,961,836 |
| Buildings | 61,318,395 | \$ 4,528,468 | | 65,846,863 |
| Machinery and equipment | 25,319,340 | 3,653,036 | \$ 742,158 | 28,230,218 |
| Construction in progress | 10,499,997 | 4,333,804 | 4,547,590 | 10,286,211 |
| Total | <u>\$ 104,099,568</u> | <u>\$ 12,515,308</u> | <u>\$ 5,289,748</u> | <u>\$ 111,325,128</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, 2002.

| Special Assessment Districts | Interest Rate | Maturities | Outstanding Principal July 1, 2001 | Retirements | Outstanding Principal June 30, 2002 |
|------------------------------------|------------------|-------------|--|-------------------|---|
| Linda Lane | 7.34% | 1/1/01-2010 | \$ 59,000 | \$ 5,500 | \$ 53,500 |
| Rodeo Drive | 7.34% | 1/1/01-2010 | 36,500 | 12,856 | 23,644 |
| Kachina Village | | | | | |
| Paving Project 92 | 7.50% | 1/1/98-2005 | 425,000 | 105,000 | 320,000 |
| Rudd Tank Road | 6.60% | 7/1/97-2007 | 120,000 | 20,000 | 100,000 |
| | | | <u>\$ 640,500</u> | <u>\$ 143,356</u> | <u>\$ 497,144</u> |

Coconino County
Notes to Financial Statements
June 30, 2002

Note 7 – Bonds Payable (Cont'd)

Special assessment bond debt service requirements to maturity, including \$77,099 of interest, are as follows:

| <u>Year ending June 30,</u> | |
|-----------------------------|-------------------|
| 2003 | \$ 164,983 |
| 2004 | 155,600 |
| 2005 | 151,069 |
| 2006 | 35,466 |
| 2007 | 34,114 |
| Thereafter | <u>33,011</u> |
| Total | <u>\$ 574,243</u> |

Note 8 – Certificates of Participation and Pledged Revenue Obligations Payable

The County has issued certificates of participation (COPS) that are generally non-callable, with interest payable semiannually, to acquire, construct, reconstruct, renovate and equip certain land, buildings and facilities. The original amounts of certificates issued in prior years were \$19,000,000 and \$11,650,000.

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 original amounts of obligations issued in prior years were \$21,130,000 and \$3,630,000.

Coconino County
Notes to Financial Statements
June 30, 2002

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

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

| Description | Interest Rates | Maturities | Outstanding Principal July 1, 2001 | Retirements | Outstanding Principal June 30, 2002 |
|--------------------------------------|----------------|--------------|---------------------------------------|---------------------|--|
| Series 1998 - COPS | 4.10-5.50% | July 1, 2013 | \$ 16,220,000 | \$ 1,050,000 | \$ 15,170,000 |
| Series 1998 - Jail District Bonds | 4.00-5.00% | July 1, 2012 | 17,615,000 | 1,270,000 | 16,345,000 |
| Series 2001 - COPS | 4.25-5.50% | July 1, 2015 | 10,790,000 | 570,000 | 10,220,000 |
| Series 2000 - Jail District Bonds | 4.90-5.00% | July 1, 2010 | <u>3,630,000</u> | <u>330,000</u> | <u>3,300,000</u> |
| | | | <u>\$ 48,255,000</u> | <u>\$ 3,220,000</u> | <u>\$ 45,035,000</u> |

Certificates of participation and bond debt service requirements to maturity, including \$13,273,390 of interest, are as follows:

| Year ending June 30, | |
|----------------------|---------------------|
| 2003 | \$ 5,434,935 |
| 2004 | 5,434,313 |
| 2005 | 5,436,163 |
| 2006 | 5,435,233 |
| 2007 | 5,431,120 |
| Thereafter | <u>31,136,626</u> |
| | <u>\$58,308,390</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, 2002

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 \$310,318 at June 30, 2002, 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, 2001 and 2002 were as follows:

| | <u>2001</u> | <u>2002</u> |
|--|-------------------|-------------------|
| Claims payable, beginning of year | \$ 739,879 | \$ 225,000 |
| Current-year claims and changes in estimates | (447,771) | 106,209 |
| Claim payments | <u>(67,108)</u> | <u>(20,891)</u> |
| Claims payable, end of year | <u>\$ 225,000</u> | <u>\$ 310,318</u> |

Coconino County
Notes to Financial Statements
June 30, 2002

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, 2001 | Additions | Reductions | Balance June 30, 2002 |
|---|-------------------------|-------------------|---------------------|--------------------------|
| Accrued payroll and employee benefits | \$ 1,587,216 | \$ 79,266 | | \$ 1,666,482 |
| Special assessment bonds with governmental commitment payable | 640,500 | | \$ 143,356 | 497,144 |
| Certificates of participation and pledged revenue obligations payable | 48,255,000 | | 3,220,000 | 45,035,000 |
| Insurance claims payable | 225,000 | 106,209 | 20,891 | 310,318 |
| Total | <u>\$ 50,707,716</u> | <u>\$ 185,475</u> | <u>\$ 3,384,247</u> | <u>\$ 47,508,944</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 | \$ 2,117,200 | \$ 3,310,555 | \$ 616,841 | \$ 4,873,153 |
| Special Revenue | 2,981,565 | 2,226,081 | 6,603,010 | 2,878,882 |
| Debt Service | 1,296 | 141 | 109,930 | |
| Capital Projects | 1,850,275 | 1,870,598 | 2,183,501 | 1,761,247 |
| Internal Service | 461,782 | 4,743 | | |
| Total | <u>\$ 7,412,118</u> | <u>\$ 7,412,118</u> | <u>\$ 9,513,282</u> | <u>\$ 9,513,282</u> |

Coconino County
Notes to Financial Statements
June 30, 2002

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.

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, 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 .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 \$1,334,113, \$1,345,999 and \$1,219,841, respectively, which were equal to the required contributions for the year.

Coconino County
Notes to Financial Statements
June 30, 2002

Note 12 – Retirement Plans (Cont’d)

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 10.35 percent.

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

| | |
|---------------------|-----------|
| Contribution rate: | |
| County | 10.35% |
| Plan Members | 7.65% |
| Annual pension cost | \$275,460 |
| Contributions made | \$275,460 |

The current-year annual required contributions for the PSPRS were determined as part of their June 30, 2000, actuarial valuations using the entry-age actuarial cost method. The actuarial assumptions included (a) 9 percent investment rate of return and (b) projected salary increases ranging from 6.5 percent to 9.5 percent per year. Both (a) and (b) included an inflation component of 5.5 percent. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 4-year period. The unfunded actuarial accrued liability is being amortized at a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2000 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> |
|-------------------------------|------------------------------|--|-----------------------------------|
| 2002 | \$ 275,460 | 100% | \$ - |
| 2001 | 302,022 | 100% | - |
| 2000 | 191,612 | 100% | - |

Coconino County
Notes to Financial Statements
June 30, 2002

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) |
|--------------------------------|---|--|---|--------------------------|-------------------------------------|---|
| 6/30/02 | \$13,401,246 | \$ 14,329,961 | \$ (928,715) | 93.5% | \$2,658,275 | (34.9%) |
| 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) |

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 | \$ 2,855,654 | 6.062% | n/a | \$ 2,855,654 |
| U.S. Government securities | 133,472,708 | 3.45-7.38% | 6/1/2001 - 6/18/2004 | 133,472,708 |

Coconino County
Notes to Financial Statements
June 30, 2002

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 | \$ 146,403,754 |
| Liabilities | <u>1,991,073</u> |
| Net assets | <u><u>\$ 144,412,681</u></u> |

Net assets held in trust for:

| | |
|--------------------------------|------------------------------|
| Internal participants | \$ 73,571,934 |
| External participants | <u>70,840,747</u> |
| Total net assets held in trust | <u><u>\$ 144,412,681</u></u> |

Statement of Changes in Net Assets

| | |
|---------------------------|------------------------------|
| Total additions | \$ 483,180,006 |
| Total deductions | <u>471,020,549</u> |
| Net decrease | 12,159,457 |
| Net assets held in trust: | |
| July 1, 2001 | <u>132,253,224</u> |
| June 30, 2002 | <u><u>\$ 144,412,681</u></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 though 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 2002 was \$1,987,568.

Coconino County
Notes to Financial Statements
June 30, 2002

Note 15 – 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 the County uses in future financial reports.

Supplementary Information

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

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number (Note 2) | Pass-Through Grantor's Number | Expenditures |
|---|----------------------------|-------------------------------------|------------------|
| U.S. Department of Agriculture | | | |
| Passed through: | | | |
| Arizona Department of Education National School Lunch Program | 10.555 | KR00-0475 | \$ 21,270 |
| Arizona Department of Health Services Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | 261054 | 427,641 |
| Building Better Bones Program | 10.561 | 261153 | 219,299 |
| Commodity Supplemental Food Program | 10.565 | 76115 #4 | 8,663 |
| Northern Arizona Council of Governments Nutrition Program for the Elderly (Commodities) | 10.570 | 86 66000441BA | 119,325 |
| Home Delivered Meals | 10.570 | None | 1,509 |
| Arizona State Treasurer Schools and Roads - Grants to States | 10.665 | None | <u>2,873,485</u> |
| Total U.S. Department of Agriculture | | | <u>3,671,192</u> |
| U.S. Department of Housing and Urban Development | | | |
| Passed through: | | | |
| Arizona Department of Economic Security Emergency Shelter Grants Program | 14.231 | E6301004 | <u>57,665</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>57,665</u> |
| U.S. Department of the Interior | | | |
| Payment in Lieu of Taxes | 15.226 | | <u>1,260,220</u> |
| U.S. Department of Justice | | | |
| Drug Court Discretionary Grant Program | 16.585 | | 149,529 |
| Local Law Enforcement Block Grants Program | 16.592 | | 42,538 |
| Executive Office for Weed and Seed | 16.595 | | 266,774 |
| Bulletproof Vest Partnership Grant Program | 16.607 | | 3,087 |
| Public Safety Partnership and Community Policing Grants | 16.710 | | 24,059 |
| Passed through: | | | |
| Arizona Criminal Justice Commission Juvenile Accountability Incentive Block Grant | 16.523 | 01JAIBG - 03 | 58,079 |
| Title V - Delinquency Prevention Program | 16.548 | AD020014-002 | 41,989 |
| Coordinated Community Response Team - Rural Domes | 16.589 | 97-WR-VX-004 | 12,119 |
| Governor's Office National Criminal History Improvement Program | 16.554 | NCH-01-093 | <u>86,047</u> |
| Total U.S. Department of Justice | | | <u>684,221</u> |
| U.S. Department of Labor | | | |
| Passed through: | | | |
| Arizona Department of Economic Security Senior Community Service Employment Program | 17.235 | E6201060 | 119,330 |
| Workforce Investment Act | 17.255 | E5701006/E5702003 | <u>1,256,113</u> |
| Total U.S. Department of Labor | | | <u>1,375,443</u> |
| U.S. Department of Transportation | | | |
| Federal Transit - Formula Grants | 20.507 | | 1,473,211 |
| Passed through: | | | |
| Arizona Department of Transportation Transportation Equity Act 21st Century | 20.205 | None | 103,348 |
| Flagstaff Metropolitan Planning Organization Interagency Hazardous Materials Transport | 20.703 | None | <u>3,663</u> |
| Total U.S. Department of Transportation | | | <u>1,580,222</u> |

See accompanying notes to schedule.

(Continued)

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

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number (Note 2) | Pass-Through Grantor's Number | Expenditures |
|---|----------------------------|---|----------------------|
| U.S. Federal Emergency Management Agency | | | |
| Passed through: | | | |
| Arizona Department of Emergency and Military Affairs | | | |
| Emergency Management - State and Local Assistance | 83.534 | 16-0246-00 | 39,096 |
| Federal Emergency Management Vouchers | 83.503 | None | 15,892 |
| Total U.S. Federal Emergency Management Agency | | | <u>54,988</u> |
| U.S. Department of Education | | | |
| Passed through: | | | |
| Arizona Department of Health Services | | | |
| Special Education - Grants for Infants and Families with Disabilities | 84.181 | 161004 | 35,347 |
| Arizona Department of Education | | | |
| Special Education - Grants for Children with Disabilities | 84.027 | H027A990007,H027A010007 | 24,000 |
| Eisenhower Professional Development State Grants | 84.281A | S81A000003, | 5,010 |
| Innovative Education Program Strategies | 84.298 | S298A010003 | 8,858 |
| Total U.S. Department of Education | | | <u>73,215</u> |
| U.S. Department of Health and Human Services | | | |
| Innovative Food Safety Project | 93.245 | | 9,099 |
| Passed through: | | | |
| Arizona Family Planning Council | | | |
| Family Planning Title X Contract | 93.217 | None | 8,717 |
| Northern Arizona Council of Governments | | | |
| Respite Care | 93.004 | 866000441ba | 15,913 |
| Older Americans Act | 93.044 | 866000441ba | 6,556 |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | 86 66000441BA | 88,038 |
| POMP | 93.048 | 866000441ba | 23,305 |
| Head Start | 93.600 | 866000441ba | 401 |
| Social Services Block Grant | 93.667 | 866000441ba | 48,884 |
| Arizona Department of Health Services | | | |
| Immunization Grants | 93.268 | 152037 | 39,313 |
| Preparedness and Response to Bio-Terrorism | 93.283 | 252034 | 5,862 |
| HIV Care Formula Grants | 93.917 | 152067 | 424,407 |
| Well Woman Health Check | 93.919 | 152028 #1 | 54,192 |
| HIV Prevention Activities - Health Department Based | 93.940 | 152011/152021 #1 | 118,413 |
| Preventative Health and Health Services Block Grant | 93.991 | 952015 | 79,047 |
| Community Development and Support | 93.994 | 261181 | 975 |
| Child Health Grant | 93.994 | 261197 | 2,888 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | 761103 #4, 761007 #4 961122 #1, 161065 | 155,839 |
| Title III HIV Planning Grants | 93.918C | 1 P06 HA 00283-01 | 35,173 |
| Arizona Department of Economic Security | | | |
| Temporary Assistance for Needy People | 93.558 | E6301035 E5900007 E6301004 | 103,023 |
| Title IVD Child Support Enforcement | 93.563 | None | 26,285 |
| Low-Income Home Energy Assistance | 93.568 | E6301004/E2309036 | 65,429 |
| Community Services Block Grant | 93.569 | E6301004 | 17,629 |
| Social Services Block Grant | 93.667 | 86 6000441BB | 70,830 |
| Total U.S. Department of Health and Human Services | | | <u>1,400,218</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 10,157,384</u> |

See accompanying notes to schedule.

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

Note 1 – Basis of Accounting

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

Note 2 – Catalog of Federal Domestic Assistance (CFDA) Numbers

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

Note 3 – Subrecipients

The County did not award any federal funds to subrecipients.

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

The Auditor General of the State of Arizona

The Board of Supervisors of Coconino County, Arizona

We have audited the general purpose financial statements of Coconino County as of and for the year ended June 30, 2002, and have issued our report thereon dated November 22, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Coconino County in a separate letter dated November 22, 2002.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on internal control over financial reporting. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 02-01.

Page Two

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all such internal control matters that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to the County's management in a separate letter dated November 22, 2002.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Fester & Chapman P. C.

November 22, 2002

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

The Auditor General of the State of Arizona

The Board of Supervisors of Coconino County, Arizona

Compliance

We have audited the compliance of Coconino County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The County's major federal programs are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

Internal Control over Compliance

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

Our consideration of internal control over compliance would not necessarily disclose all such internal control matters that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is matter of public record and its distribution is not limited.

Fester & Chapman P.C.

November 22, 2002

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

Financial Statement Findings

02-01

The County did not reconcile amounts reported on the financial statements to the official budget approved by the Board of Supervisors

Budgeted revenue and expenditure amounts entered into the County's general ledger system by the Budget Director's staff do not agree with the official adopted budget approved by the County Board of Supervisors.

As a result, the finance department had to complete a substantial number of reconciliations to prepare the budgetary comparison statements. This condition could impair the usefulness of the financial statements to their users and we consider this to be a reportable condition.

The County should implement measures to help ensure that balances entered into the general ledger system agree with, or can be reconciled to, the budget that is approved by the County Board of Supervisors.

March 31, 2003

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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

Sincerely,

Michael F. Townsend
Finance Director

COCONINO COUNTY
Corrective Action Plan
Year Ended June 30, 2002

Financial Statement Findings

02-01

The County did not reconcile amounts reported on the financial statements to the official budget approved by the Board of Supervisors

Contact Person: Mike Townsend

Phone Number: (928)-779-6895

Anticipated completion date: August 31, 2002

The County Budget department has implemented procedures to reconcile the budget entered into the County's general ledger system for the fiscal year 2003 budget entered in August 2002. This is to ensure the balances entered into the general ledger system agree with, or can be reconciled to, the budget that is approved by the County Board of Supervisors.

March 31, 2003

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following summary schedule of prior audit findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs related to federal awards. This schedule also includes audit findings reported in the prior audit's summary schedule of prior audit findings that have not been corrected.

Sincerely,

Michael F. Townsend
Finance Director

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

Status of Federal Award Findings and Questioned Costs

96-102

CFDA No. 93.994 – **Maternal and Child Health Service Block Grant to the States**
U.S. Department of Health and Human Services, 1996
Arizona Department of Health Services

Finding: The Family Planning Services Program’s number of provided service units was overstated on the Contractor’s Expenditure Reports for fiscal year 1995-96. Amounts claimed for reimbursement are based on a fixed rate per unit of service provided, as specified in the ADHS grant agreement. As a result, the amount claimed and reimbursed was overstated by \$1,170.

Status: Corrected

99-103

CFDA No. 16.590 – **Grants to Encourage Arrest Policies**
U.S. Department of Justice, 1998 and 1999

Finding: The Coconino County Attorney’s Office (the County) did not establish policies and procedures to properly monitor the activities of Victim/Witness Services for Coconino County, Inc. (VWS), the subrecipient of the Grants to Encourage Arrest Policies program. Quarterly expenditure reports and program narratives were not obtained in a timely manner for the subrecipient. As a result, the County was not able to verify that federal funds drawn down by VWS were properly disbursed and federal monies were expended within budget limitations. Also, under the subrecipient agreement VWS was responsible for completing the County’s quarterly financial status reports. However, the County failed to maintain a copy of these reports and we were unable to verify if they were accurately completed. Furthermore, the County failed to determine if VWS required a single audit.

We considered this to be a material instance of noncompliance and a material weakness.

Status: Will implement when the County engages another subrecipient.

The Grants to Encourage Arrest Policies was discontinued in FY 2001. However, the County plans to develop internal control policies and procedures to help ensure proper monitoring of federal award program subrecipients.

COCONINO COUNTY
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

01-101, 00-101 and 98-101

CFDA No. 93.994 – **Maternal and Child Health Service Block Grant to the States**

U.S. Department of Health and Human Services, 1997, 1998 and 2000

Arizona Department of Health Services

Finding: The Coconino County Department of Health Services did not establish and maintain written internal control policies and procedures applicable to the Maternal and Child Health Services Block Grant to the States program.

Status: Corrected