

NOTE 3: CASH AND INVESTMENTS

**PRIMARY GOVERNMENT**

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations of the United States government that are guaranteed as to principal and interest by the United States government; and bonds of the State of Arizona counties, cities, towns, school districts or special districts as specified by statute. As required by statute, collateral is required for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the various states and their municipalities, school districts and special districts. At least monthly, the Treasurer's Office determines that the collateral is adequate to cover the deposits by calculating the lower amount of par or fair value of individual securities pledged as collateral.

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.

Most cash, including amounts held in trust and agency capacity for other entities, is deposited with the County Treasurer who invests the pooled balances on a short-term basis. Interest received is allocated monthly, on the basis of average daily cash balances, to separate districts and to various County funds. The County Treasurer also maintains discrete deposit and investment accounts for various funds and other entities. Deposits and investments are displayed on the Balance Sheet as Cash and cash equivalents, Deposits with fiscal agents, Investments, and Restricted assets.

**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 County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County 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.

At June 30, 2001, the investment pool had cash on hand of \$4. The carrying amount of the pool's total cash in bank was \$10,699 and the bank balance was \$5,410. Of the bank balance, \$100 was covered by federal depository insurance and \$5,310 was covered by collateral held by the pledging financial institution's agent in the County's name.

The investment pool's investments at June 30, 2001, consisted of investments in the State Treasurer's Investment Pool, which represent shares of the pool's portfolio. Those shares are not identified with specific investments and are not subject to custodial credit risk.

	Reported Amount	Fair Value
Investment in State Treasurer's Investment Pool	\$ 242,685	\$ 242,685
Total	\$ 242,685	\$ 242,685

Details of the major investment classification follow:

Investment Type	Principal	Interest Rate	Maturity	Fair Value	Reported Amount
State Treasurer's					



A reconciliation of balance sheet amounts to amounts disclosed within this footnote is as follows:

<u>Exhibit A-1</u>	
Cash and cash equivalents	\$ 395,139
Deposits with fiscal agents	97
Investments	263
Restricted assets (less interest receivable of \$229)	<u>41,033</u>
 Total	 <u>\$ 436,532</u>

<u>Note 3</u>	
Cash in bank and on hand	\$ 25,323
Deposits held in escrow	3,043
County Treasurer's Investment Pool	242,685
Other Investments	<u>165,481</u>
 Total	 <u>\$ 436,532</u>

**METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT**

Deposits and investments information is as follows:

**Deposits**

The Arizona Revised Statutes (ARS) require that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the ARS. ARS allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. Deposits are considered to be collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

At June 30, 2001, MDWID's cash deposits had a carrying balance of \$651 and a corresponding bank balance as follows:

Insured deposits	\$ 323
Deposits in excess of FDIC insurance	<u>586</u>
Total deposits	<u>\$ 909</u>

**Investments**

Arizona statutes specify in which instruments the units of local government may invest which include:

- Obligations of the United States and certain U.S. government agency's securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptances of certain banks
- Commercial paper

- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

MDWID's investments are categorized below to give an indication of the level of risk assumed by MDWID at year-end.

The cash and cash equivalents, with the exception of operating cash accounts, at June 30, 2001 are fully insured or collateralized with securities held by MDWID or its agent in MDWID's name (Category 1). The MDWID cash and cash equivalents include operating funds held by the Pima County Treasurer with a fair value of \$951 and represent a portion of the Pima County Treasurer investment pool portfolio for the year ended June 30, 2001. This portion is not identified with specific investments and is not subject to custodial credit risk that is part of the Pima County Treasurer investment portfolio.

As of June 30, 2001, all of MDWID's investments which are subject to categorization are Category 1 investments.

	<u>Carrying Value</u>	<u>Fair Value</u>
Federally insured agencies	\$ 1,822	\$ 1,781
Not subject to categorization:		
Pima County Treasurer	951	951
State of Arizona Treasurer	5,533	5,533
Money market funds	<u>1,313</u>	<u>1,323</u>
Total	<u>\$ 9,619</u>	<u>\$ 9,588</u>

The above carrying amounts of deposits and investments are summarized on the balance sheet as follows:

**Per above schedules:**

Total deposits	\$ 651
Total category 1 investments	1,822
Total noncategorized investments	<u>7,797</u>
Total deposits and investments	<u>\$ 10,270</u>

**Per balance sheet:**

Cash and cash equivalents	<u>\$ 10,270</u>
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Summary of cash and cash equivalents and noncash equivalents is as follows:

Cash and cash equivalents:

Cash in banks and investments (includes \$827 in restricted cash)	\$ 8,448
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Noncash equivalents:

Investments - treatment and operations bonds - restricted	<u>1,822</u>
Total deposits and investments	<u>\$ 10,270</u>

MDWID revenues are deposited with the Pima County Treasurer and transfers are made to an operating bank account for necessary cash disbursements.

Restricted cash for the bond funds is deposited with the bond trustee. In accordance with the bond ordinance and trustee agreement, the restricted cash is invested in bonds or other indebtedness, guaranteed by the U.S. Government. The monies are invested in permitted investments maturing on or prior to the dates when the funds invested will be needed to pay principal and interest on the bonds.

#### **SOUTHWESTERN FAIR COMMISSION**

The Commission maintains cash balances at financial institutions in excess of insured limits. The excess amount at June 30, 2001 approximated \$247. These amounts are not collateralized.