

UTRIK ATOLL LOCAL GOVERNMENT

GENERAL PURPOSE FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEAR ENDED SEPTEMBER 30, 2001

INDEPENDENT AUDITORS' REPORT

Mayor Joe Saul
Utrik Atoll Local Government
Republic of the Marshall Islands:

We have audited the accompanying general purpose financial statements of the Utrik Atoll Local Government (UALGOV) as of September 30, 2001, and for the year then ended. These general purpose financial statements are the responsibility of the management of UALGOV. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such general purpose financial statements present fairly, in all material respects, the financial position of UALGOV as of September 30, 2001, and the results of its operations and the cash flows of its nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2001, on our consideration of UALGOV's internal control over financial reporting and on 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.

Deloitte & Touche

November 20, 2001

UTRIK ATOLL LOCAL GOVERNMENT

Combined Balance Sheet - All Fund Types and Account Groups
September 30, 2001
(With comparative totals as of September 30, 2000)

<u>ASSETS</u>	Governmental Fund Type	Fiduciary Fund Types		Account Group	Totals Reporting Entity (Memorandum Only)	
	General	Expendable Trust	Non- expendable Trust	General Fixed Assets	2001	2000
Cash and cash equivalents	\$ 500,807	\$ 43,678	\$ 2,516,201	\$ -	\$ 3,060,686	\$ 1,636,768
Investments (note 3)	-	-	15,966,270	-	15,966,270	20,229,029
Receivables, net (note 4):						
Loans	21,702	-	-	-	21,702	35,817
Accrued interest	-	-	63,110	-	63,110	70,131
Other	66,253	-	132,860	-	199,113	82,711
Due from other funds	485	-	-	-	485	503
Investment in fixed assets (note 5)	-	-	-	32,027	32,027	32,027
Amount to be provided for retirement of long-term debt	-	-	-	-	-	423,753
	<u>\$ 589,247</u>	<u>\$ 43,678</u>	<u>\$ 18,678,441</u>	<u>\$ 32,027</u>	<u>\$ 19,343,393</u>	<u>\$ 22,510,739</u>
 <u>LIABILITIES AND FUND EQUITY (DEFICIT)</u>						
Liabilities:						
Accounts payable	\$ 77,238	\$ 39,960	\$ -	\$ -	\$ 117,198	\$ 58,026
Distributions payable	-	150,000	-	-	150,000	300,000
Other liabilities and accruals (note 9)	210,000	-	-	-	210,000	210,000
Taxes payable	4,008	-	-	-	4,008	12,002
Due to other funds	-	485	-	-	485	503
Loan payable (note 6)	-	-	-	-	-	423,753
Interest payable	-	-	-	-	-	7,302
	<u>291,246</u>	<u>190,445</u>	<u>-</u>	<u>-</u>	<u>481,691</u>	<u>1,011,586</u>
Fund equity (deficit):						
Investment in general fixed assets (note 5)	-	-	-	32,027	32,027	32,027
Fund balances (deficit):						
Reserved for claims	-	-	18,678,441	-	18,678,441	20,282,708
Reserved for related assets	21,702	-	-	-	21,702	35,817
Unreserved	276,299	(146,767)	-	-	129,532	1,148,601
	<u>298,001</u>	<u>(146,767)</u>	<u>18,678,441</u>	<u>32,027</u>	<u>18,861,702</u>	<u>21,499,153</u>
Contingencies (note 9)	<u>\$ 589,247</u>	<u>\$ 43,678</u>	<u>\$ 18,678,441</u>	<u>\$ 32,027</u>	<u>\$ 19,343,393</u>	<u>\$ 22,510,739</u>

See accompanying notes to general purpose financial statements.

UTRIK ATOLL LOCAL GOVERNMENT

Combined Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit) -
 All Governmental Fund Types and Expendable Trust Fund
 Year Ended September 30, 2001
 (With comparative totals for the year ended September 30, 2000)

	Governmental	Fiduciary	Totals	
	Fund Type	Fund Type	Reporting Entity	
	General	Expendable Trust	(Memorandum Only)	
			2001	2000
Revenues:				
Interest income	\$ 136,968	\$ 512	\$ 137,480	\$ 79,536
Net decrease in the fair value of investments	(316,957)	-	(316,957)	(34,343)
Grant	-	-	-	36,000
Other income	-	-	-	119
Total revenues	(179,989)	512	(179,477)	81,312
Expenditures:				
Principal retirement (note 6)	-	423,753	423,753	410,210
Distributions (note 7)	-	422,144	422,144	554,068
Professional services	281,149	-	281,149	266,992
Honorariums and sitting fees	99,327	-	99,327	89,528
Travel and stipends	78,300	-	78,300	142,023
Salaries, wages and benefits	71,562	-	71,562	53,228
Contractual services	67,738	-	67,738	64,150
Contributions	46,491	-	46,491	-
Rental	26,985	-	26,985	63,370
Interest	-	16,801	16,801	47,679
Communications	9,161	-	9,161	9,090
Representation	3,744	-	3,744	11,868
Supplies	1,366	-	1,366	1,035
Fund manager fees	623	-	623	2,474
Equipment	298	-	298	3,727
Development projects	-	-	-	49,021
Miscellaneous	87,450	250	87,700	16,045
Total expenditures	774,194	862,948	1,637,142	1,784,508
Deficiency of revenues under expenditures	(954,183)	(862,436)	(1,816,619)	(1,703,196)
Other financing sources (uses) (note 8):				
Operating transfers in	63,435	1,020,000	1,083,435	2,266,634
Operating transfers out	(300,000)	-	(300,000)	(242,554)
Total other financing sources (uses), net	(236,565)	1,020,000	783,435	2,024,080
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,190,748)	157,564	(1,033,184)	320,884
Fund balances (deficit) at beginning of year	1,488,749	(304,331)	1,184,418	863,534
Fund balances (deficit) at end of year	<u>\$ 298,001</u>	<u>\$ (146,767)</u>	<u>\$ 151,234</u>	<u>\$ 1,184,418</u>

See accompanying notes to general purpose financial statements.

UTRIK ATOLL LOCAL GOVERNMENT

Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - General Fund
Year Ended September 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Interest income	\$ 60,500	\$ 136,968	\$ 76,468
Net decrease in the fair value of investments	-	(316,957)	(316,957)
Other income	10,000	-	(10,000)
Total revenues	70,500	(179,989)	(250,489)
Expenditures:			
Professional services	308,200	281,149	27,051
Honorariums and sitting fees	103,000	99,327	3,673
Travel and stipends	77,750	78,300	(550)
Salaries, wages and benefits	72,135	71,562	573
Contractual services	72,000	67,738	4,262
Contributions	48,490	46,491	1,999
Rental	27,545	26,985	560
Communications	11,000	9,161	1,839
Representation	3,750	3,744	6
Supplies	1,600	1,366	234
Fund manager fees	3,000	623	2,377
Equipment	300	298	2
Repairs and maintenance	1,000	-	1,000
Miscellaneous	80,360	87,450	(7,090)
Total expenditures	810,130	774,194	35,936
Deficiency of revenues under expenditures	(739,630)	(954,183)	(214,553)
Other financing sources (uses) (note 8):			
Operating transfers in	1,072,000	63,435	(1,008,565)
Operating transfers out	(300,000)	(300,000)	-
Total other financing sources (uses), net	772,000	(236,565)	(1,008,565)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	32,370	(1,190,748)	(1,223,118)
Other changes in unreserved fund balance:			
Decrease in reserve for related assets	-	14,115	14,115
Unreserved fund balance at beginning of year	1,452,932	1,452,932	-
Unreserved fund balance at end of year	\$ 1,485,302	\$ 276,299	\$ (1,209,003)

See accompanying notes to general purpose financial statements.

UTRIK ATOLL LOCAL GOVERNMENT

Statement of Revenues, Expenses and Changes in Fund Equity -
 Nonexpendable Trust Fund
 Year Ended September 30, 2001
 (With comparative totals for the year ended September 30, 2000)

	2001	2000
Operating revenues:		
Section 177 Compact funding (note 7)	\$ 1,500,000	\$ 1,500,000
Dividends and interest	627,474	489,743
Net (decrease) increase in the fair value of investments	(2,749,344)	4,466,631
Total operating revenues	(621,870)	6,456,374
Operating expenses:		
Fund manager fees	198,962	168,986
Total operating expenses	198,962	168,986
Operating (loss) income	(820,832)	6,287,388
Other financing uses:		
Operating transfers out (note 8)	(783,435)	(2,024,080)
Total other financing uses	(783,435)	(2,024,080)
Net (loss) income	(1,604,267)	4,263,308
Fund balance at beginning of year	20,282,708	16,019,400
Fund balance at end of year	\$ 18,678,441	\$ 20,282,708

See accompanying notes to general purpose financial statements.

UTRIK ATOLL LOCAL GOVERNMENT

Statement of Cash Flows - Nonexpendable Trust Fund
Year Ended September 30, 2001
(With comparative totals for the year ended September 30, 2000)

	2001	2000
Cash flows from operating activities:		
Operating (loss) income	\$ (820,832)	\$ 6,287,388
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Net decrease (increase) in the fair value of investments	2,749,344	(4,466,631)
Dividends and interest	(627,474)	(489,743)
Decrease (increase) in assets:		
Accrued interest receivable	7,021	(346)
Other receivables	(99,674)	233,805
Net cash provided by operating activities	1,208,385	1,564,473
Cash flows from noncapital financing activities:		
Operating transfers out (note 8)	(783,435)	(2,024,080)
Net cash used for noncapital financing activities	(783,435)	(2,024,080)
Cash flows from investing activities:		
Net liquidation (purchases) of investments	615,105	(3,233,415)
Net realized (losses) gains on investments	(574,572)	2,773,421
Interest and dividends on investments	627,474	489,743
Net cash provided by investing activities	668,007	29,749
Net increase (decrease) in cash and cash equivalents	1,092,957	(429,858)
Cash and cash equivalents at beginning of year	1,423,244	1,853,102
Cash and cash equivalents at end of year	\$ 2,516,201	\$ 1,423,244

See accompanying notes to general purpose financial statements.

UTRIK ATOLL LOCAL GOVERNMENT

Notes to General Purpose Financial Statements September 30, 2001

(1) Organization

The Utrik Atoll Local Government (UALGOV) was established pursuant to Public Law 1981-2, the Local Government Act of the Republic of the Marshall Islands and operates under the Constitution of the Utrik Atoll Local Government. UALGOV is governed by an elected mayor and a thirty-three member council.

(2) Summary of Significant Accounting Policies

The general purpose financial statements of UALGOV have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of UALGOV's accounting policies are described below.

A. Measurement Focus and Basis of Accounting

UALGOV uses funds and an account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

In the accompanying general purpose financial statements, UALGOV's funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities. The general fund is used to account for all general governmental activities of UALGOV not accounted for in another fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within UALGOV. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used.

The terms "nonexpendable" and "expendable" refer to whether or not UALGOV is under an obligation to maintain the trust principal. The expendable trust fund of UALGOV (the Local Distribution Authority Fund) accounts for funds received under the Utrik Claims Trust agreement, which represent 48% of the funds received by the Claims Trust Fund. Expendable trust funds account for assets where both the principal and interest may be spent.

UTRIK ATOLL LOCAL GOVERNMENT

Notes to General Purpose Financial Statements September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

A. Measurement Focus and Basis of Accounting, Continued

The nonexpendable trust fund of UALGOV (the Claims Trust Fund) accounts for funds received under Article II, Section 4 of the agreement between the Government of the United States and the Government of the Marshall Islands for the implementation of Section 177 of the Compact of Free Association (the Compact). Nonexpendable trust funds account for assets of which the principal may not be spent.

B. Basis of Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the balance sheet. Nonexpendable trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is utilized by nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

C. Budget

The financial operations of UALGOV are subject to a comprehensive appropriated budget. Budgets are approved and adopted by the UALGOV Council and are consistent with accounting principles generally accepted in the United States of America. Accordingly, a statement of revenues, expenditures and changes in fund balance - budget and actual has been presented for the general fund. Amounts included in this statement are reconciled to unreserved fund balance of the Combined Balance Sheet within the other changes in unreserved fund balance section of this statement. Encumbrance accounting has not been utilized by the governmental funds.

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Notes to General Purpose Financial Statements September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

D. Cash and Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by UALGOV. Investments are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. As of September 30, 2001, the carrying amount of UALGOV's total cash and cash equivalents was \$3,060,686 and the corresponding bank balance was \$3,083,582. Of the bank balance amount, \$567,377 is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. Bank deposits in the amount of \$100,000 were FDIC insured. UALGOV does not require collateralization of its cash deposits; therefore, deposit levels in excess of FDIC insurance coverage are uncollateralized.

E. Receivables

Loans receivable consist of amounts advanced to individuals entitled to future distributions from the Local Distribution Authority (LDA) Fund. These loans bear interest at 1% per month and repayment of principal and interest is contingent upon the future receipts of distributions to these individuals from the LDA Fund. Other receivables consist of amounts advanced to individuals, on an unsecured basis, substantially all of whom are situated in the Republic of the Marshall Islands. Receivables are stated net of an allowance for uncollectible accounts.

F. Interfund Receivables/Payables

During the course of operations, UALGOV records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" in the balance sheet.

G. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are stated at historical cost and are accounted for in the General Fixed Assets Account Group rather than in governmental funds. Depreciation is not recorded for those fixed assets accounted for in the General Fixed Assets Account Group.

H. Estimates

The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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Notes to General Purpose Financial Statements
September 30, 2001

(2) Summary of Significant Accounting Policies, Continued

I. Memorandum Only - Total Columns

Total columns of the general purpose financial statements are captioned as “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

(3) Investments

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of credit risk assumed by the entity at year end. The three categories are described below:

- Category 1 Insured or registered, or securities held by UALGOV or its agent in UALGOV’s name;
- Category 2 Uninsured and unregistered with securities held by the broker’s or dealer’s trust department or agent in UALGOV’s name; or
- Category 3 Uninsured and unregistered, with securities held by the broker or dealer or by its trust department or agent but not in UALGOV’s name.

Investments of UALGOV’s Nonexpendable Trust Fund as of September 30, 2001, are as follows:

	Categories			Carrying Value
	1	2	3	
Common stock	\$ -	\$ 11,466,884	\$ -	\$ 11,466,884
U.S. Government notes and bonds	-	2,227,275	-	2,227,275
Corportate bonds	-	2,179,856	-	2,179,856
Foreign stock	-	92,255	-	92,255
	\$ -	\$ 15,966,270	\$ -	\$ 15,966,270

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Notes to General Purpose Financial Statements
September 30, 2001

(4) Receivables

Receivables as of September 30, 2001, including applicable allowance for uncollectible accounts, are as follows:

	Governmental Fund Type	Fiduciary Fund Type Nonexpendable	Total
	General	Trust	
Receivables:			
Loans	\$ 30,046	\$ -	\$ 30,046
Accrued interest	-	63,110	63,110
Other	<u>66,253</u>	<u>132,860</u>	<u>199,113</u>
Gross receivables	96,299	195,970	292,269
Less: allowance for uncollectible accounts	<u>(8,344)</u>	<u>-</u>	<u>(8,344)</u>
Receivables, net	<u>\$ 87,955</u>	<u>\$ 195,970</u>	<u>\$ 283,925</u>

(5) Fixed Assets

Assets accounted for in the General Fixed Assets Account Group as of September 30, 2001, are summarized as follows:

Motor vehicles	\$ 15,090
Computer equipment	6,327
Office equipment	5,600
Furniture	<u>5,010</u>
	<u>\$ 32,027</u>

(6) Loan Payable

On August 28, 1998, UALGOV entered into a loan agreement with a bank in the amount of \$1,010,000 for the purpose of funding distributions to the people of Utrik. On February 12, 1999, UALGOV refinanced the above loan facility. Annual debt service requirements amount to \$465,172, which comprise of quarterly installments of \$116,293, including interest at 9.25% per annum, to be paid on the 22nd day of October, January, April and July. The loan was fully repaid on July 24, 2001 through the assignment of the 48% annual distribution received by UALGOV from the Claims Trust Fund (see note 7).

Changes in the General Long-Term Debt Account Group loan payable for the year ended September 30, 2001, is as follows:

Balance as of October 1, 2000	\$ 423,753
Reductions	<u>423,753</u>
Balance as of September 30, 2001	<u>\$ -</u>

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Notes to General Purpose Financial Statements
September 30, 2001

(7) Section 177 Compact Funding

Pursuant to the Compact, UALGOV established the Claims Trust Fund. This fund receives \$1,500,000 annually in quarterly payments as compensation for loss or damage to property and person of the people of Utrik (see note 10). Pursuant to the Claims Trust Fund agreement, the trustee, upon receipt of each quarterly payment, distributes 48% to UALGOV (see note 6). The remaining 52% is retained and added to the corpus of the Claims Trust Fund. UALGOV, through the Local Distribution Authority, makes quarterly distributions to the people of Utrik. These distributions are based on an approved distribution scheme.

(8) Transfers In/Out

Operating transfers in/out for all fund types, for the year ended September 30, 2001, are as follows:

	Transfer Out	Transfer In
<u>General Fund</u>		
From General Fund To:		
Local Distribution Authority Fund	\$ 300,000	\$ -
To General Fund From:		
Claims Trust Fund	-	63,435
	\$ 300,000	\$ 63,435
<u>Expendable Trust Fund</u>		
To Local Distribution Authority Fund From:		
Claims Trust Fund	\$ -	\$ 720,000
General Fund	-	300,000
	\$ -	\$ 1,020,000
<u>Nonexpendable Trust Fund</u>		
From Claims Trust Fund To:		
Local Distribution Authority Fund	\$ 720,000	\$ -
General Fund	63,435	-
	\$ 783,435	\$ -

(9) Contingencies

Questioned Costs

UALGOV receives Compact Section 177 federal funds for its distribution to eligible individuals. Federally assisted funds can be subject to financial and compliance audits to ascertain if federal and other laws and guidelines have been followed. Expenditures of \$1,396,798 have been questioned in prior year Single Audits. If these costs are ultimately disallowed, the General Fund could be charged for the necessary reimbursement to the grantor agency. No provision for any liability, which may ultimately be due, has been provided for in the accompanying general purpose financial statements.

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Notes to General Purpose Financial Statements September 30, 2001

(9) Contingencies, Continued

Settlement Agreement

On May 9, 1997, UALGOV entered into a Settlement Agreement with the Bank of New York, the former trustee for the Utrik Claims Trust Fund. During fiscal year 1996, the Bank transferred \$390,000 of funds to the Utrik Local Distribution Authority (LDA) Fund, which should have been transferred to the Utrik Claims Trust Fund. These funds were subsequently loaned out or otherwise disbursed by the LDA. Under the terms of the Settlement Agreement, the Bank agreed to reimburse the Utrik Claims Trust Fund the money erroneously transferred and UALGOV agreed to repay \$180,000 to the Bank plus any additional amounts that are subsequently identified and collected. As of September 30, 2001, UALGOV has repaid \$180,000 under this agreement. UALGOV has elected to record the remaining amount payable of \$210,000 to the Bank in the accompanying general purpose financial statements. Repayment of this amount is contingent upon the future collection of amounts previously loaned out or disbursed by the LDA.

(10) Subsequent Event

On October 22, 2001, UALGOV received \$375,000, being the final compensatory payment under the terms of the Compact. Of this amount, \$180,000 was made available for distribution to the people of Utrik, with the remaining 52% being retained and added to the corpus of the Claims Trust Fund.

(11) Risk Management

UALGOV is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. UALGOV has elected to purchase commercial automobile insurance from independent third parties for the risks of loss to which it is exposed to with respect to the use of motor vehicles. Settled claims have not exceeded this commercial coverage in any of the past three years. For other risks of loss to which it is exposed, UALGOV has elected not to purchase commercial insurance. Instead, UALGOV management believes it is more economical to manage its risks internally. In the event of claim settlements and judgments, UALGOV reports all of its risk management activities in its General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. No material losses have resulted from UALGOV's risk management activities.