

**REPORT
 HIGHLIGHTS**
 FINANCIAL STATEMENT AUDIT

Subject

Pima County issues financial statements annually for its Department of Wastewater Management. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, we determine whether the County has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects, and the financial statements can be relied on.



2002

Year Ended June 30, 2002

**About the Department of
 Wastewater Management
 Enterprise Fund**

The Department of Wastewater Management consists of a Liquid Waste Division that operates Pima County's sewage collection, treatment, and disposal services and a Solid Waste Division that operates Pima County's landfills and related environmental programs. The assets, liabilities, and activities of the Department are accounted for as an enterprise fund because it is operated and financed in a manner similar to a private business. Pima County intends for the Department's waste management costs to be recovered primarily through user charges.

The Department pays for its capital assets (land, the sewer conveyance system, treatment facilities, and equipment) primarily with the proceeds of revenue bonds and loans. The related revenue bond and loan agreements require the Department's financial statements to be prepared and audited separately each year.

The tables to the right present summarized versions of the Department's Statement of Net Assets and its Statement of Revenues, Expenses, and Changes in Fund Net Assets.

**Statement of Net Assets
 Year Ended June 30, 2002
 (in millions)**

Assets:	
Cash and cash equivalents	\$ 39,564
Capital assets, net	491,023
Other assets	<u>12,767</u>
Total assets	<u>543,354</u>
Liabilities:	
Landfill closure payable	14,567
Revenue bonds and loans	125,267
Other liabilities	<u>17,182</u>
Total liabilities	<u>157,016</u>
Net Assets:	
Invested in capital assets	363,008
Restricted	35,946
Unrestricted	<u>(12,616)</u>
Total Net Assets	<u>\$386,338</u>

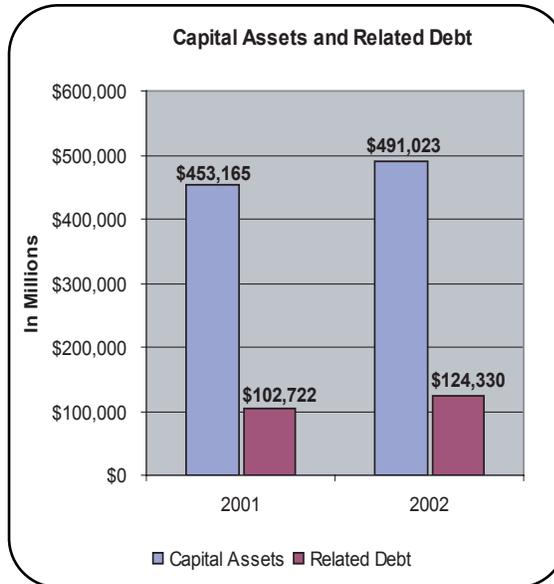
**Statement of Revenues, Expenses,
 and Changes in Fund Net Assets
 Year Ended June 30, 2002
 (in millions)**

Operating revenues:	
Charges for services	\$ 46,121
Other operating revenues	<u>663</u>
Total operating revenues	<u>46,784</u>
Operating expenses:	
Employee compensation	22,347
Depreciation	16,543
Other operating expenses	<u>22,550</u>
Total operating expenses	<u>61,440</u>
Operating loss	(14,656)
Other increases	<u>29,633</u>
Increase in net assets	14,977
Net assets—beginning	<u>371,361</u>
Net assets—ending	<u>\$386,338</u>

The Sewer System and Related Debt Continue to Grow

The Department's net capital assets increased \$38 million during the year to \$491 million at June 30, 2002. Sewer system assets accounted for almost all of the increase. The Department bought or built \$42 million of new sewer conveyance systems, treatment facilities, and equipment and received \$12 million in developer capital contributions. During the year, depreciation for the sewer system assets totaled \$16 million.

To pay for part of these purchases and for future capital asset purchases, the Department issued \$29 million in new debt. Total related debt increased only \$22 million to \$124 million because the Department repaid \$7 million during the year.



Other Pertinent Information

As a result of implementing GASB Statement No. 34 for the year ended June 30, 2002, the County made several accounting and reporting changes. Specifically, the County changed the financial statement presentation for its proprietary funds from a Balance Sheet to a Statement of Net Assets and a Statement of Revenues, Expenses, and Changes in Fund Equity to a Statement of Revenues, Expenses, and Changes in Net Assets. In addition, the Fund's fund equity balances have been reclassified as net assets, on the Statement of Revenues, Expenses, and Changes in Fund Net Assets.

TO OBTAIN
MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.auditorgen.state.az.us

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Year Ended June 30, 2002