

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.

Sewer Construction Projects Deplete Liquid Waste Division's Cash

During fiscal year 2003, Liquid Waste, a division of the Wastewater Management Department, spent approximately \$58.1 million on sewer system construction projects. The Division financed most of its construction costs with sewer bond and loan proceeds. By fiscal year end, these proceeds were depleted. Also, the Division's construction accounts had deficit cash balances totaling more than \$12 million because of unforeseen construction costs. To eliminate the cash deficits, the Division borrowed \$10.8 million from the General Fund and \$2 million from the Department's Solid Waste Division. The Division was unable to use its other cash and cash equivalents to eliminate the deficits because they consisted of bond reserves and contract retention deposits.

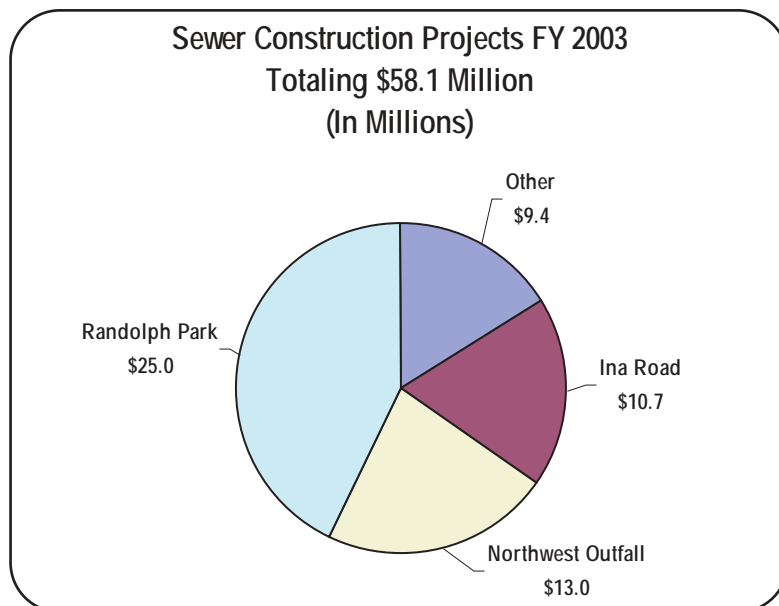
The following summarizes the Division's construction projects and their current year costs:

- **Randolph Park Water Reclamation Facility (\$25 million)**—The facility will provide reclaimed water for use on multi-purpose parks and turf areas.
- **Northwest Outfall Sewer Line (\$13 million)**—The line ruptured in September of 2002, requiring significant improvements.
- **Ina Road Treatment Plant Expansion (\$10.7 million)**—The project will provide additional sewer capacity for northwest Tucson.
- **Other Projects (\$9.4 million)**—Various projects, including the Green Valley treatment plant upgrade and expansion and the Roger Road area odor control project.



2003

Year Ended June 2003



Summarized Department Financial Information

The Department's financial information is presented in three basic statements: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and Statement of Cash Flows.

The Statement of Net Assets reports all assets and liabilities using the accrual basis of accounting. Net assets, the difference between assets and liabilities, are one way to measure the Department's financial health.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents the Department's operating results, as well as nonoperating revenues, expenses, and other changes.

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement helps users assess the Department's ability to generate net cash flows to meet its obligations as they come due and the need for external financing.

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

Statement of Net Assets June 30, 2003 (In Thousands)

Assets	
Current	\$ 10,862
Restricted	7,922
Capital assets	551,984
Other noncurrent	848
Total assets	<u>571,616</u>
Liabilities	
Current	33,080
Noncurrent	<u>139,908</u>
Total liabilities	<u>172,988</u>
Net Assets	
Invested in capital	426,183
Restricted	7,922
Unrestricted deficit	<u>(35,477)</u>
Total net assets	<u>\$398,628</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2003 (In Thousands)

Operating revenues	\$ 52,217
Operating expenses	<u>69,350</u>
Operating loss	<u>(17,133)</u>
Nonoperating revenues	22,556
Nonoperating expenses	(5,573)
Other increases, net	<u>12,439</u>
Increase in net assets	<u>12,289</u>
Net assets—beginning	<u>386,339</u>
Net assets—ending	<u>\$398,628</u>

Statement of Cash Flows Year Ended June 30, 2003 (In Thousands)

Cash Flows from:	
Operating activities	\$ 608
Noncapital financing activities	12,245
Capital financing activities	(43,410)
Investing activities	<u>(138)</u>
Net decrease in cash	<u>(30,695)</u>
Cash—beginning	<u>39,563</u>
Cash—ending	<u>\$ 8,868</u>

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 2003