

January 27, 2000

The Honorable Board of Supervisors

Pima County, Arizona

We are pleased to submit, in accordance with state statutes, the Comprehensive Annual Financial Report of Pima County, prepared by the Financial and Information Services Department, for the fiscal year ended June 30, 1999. This report presents comprehensive financial and operating information about the County's activities during the fiscal year ended June 30, 1999 that is useful to its property owners, business persons and other resource providers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to openly disclose the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

This report has been prepared following the standards adopted and promulgated by the Governmental Accounting Standards Board. The Government Finance Officers Association (GFOA) awards Certificates of Achievement for excellence in financial reporting to those governments whose annual financial statements are judged to meet high standards of public financial reporting. Pima County was awarded the Certificate of Achievement for its annual financial report for all fiscal years ended June 30, 1984 through 1998 except fiscal year ended June 30, 1990 as the County was late in submitting the comprehensive annual financial report to GFOA because of the implementation of a new financial management system.

The accompanying report consists of three sections: the **INTRODUCTORY** section, which contains this letter of transmittal and the most recent organizational chart for the County; the **FINANCIAL** section, which begins with the general purpose financial statements, providing an overview of the County's financial position and operations, followed by combining statements by fund type and other schedules that provide additional detailed information relative to the general purpose financial statements; and the **STATISTICAL** section, which includes a number of statistical tables and charts that present various financial, economic, social and demographic data about the County for the last ten years.

### **The Reporting Entity and its Services**

Historical background: Pima County is situated in the southern part of Arizona with a portion of its southern boundary bordering Mexico. The County was organized in 1864 by the Arizona Territorial Legislature as one of the State's four original counties.

Organization: The governmental and administrative affairs of the County are carried out by a five-member Board of Supervisors with each member elected from a designated district to serve a four-year term. The chair is selected by

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the Board from among its members. The Board is responsible for establishing the policies of the County which provide guidance to the various County departments. The Board appoints a County Administrator who is responsible for the general administrative and overall operations of the various departments of the County, with the exception of Pima Health Care System (PHCS). PHCS is managed by an administrator appointed by the Pima Health Care System Commission, which reports directly to the Board of Supervisors.

Entity defined: Pima County includes in its financial statements all funds, account groups, agencies, boards, commissions, and authorities for which the Pima County Board of Supervisors is financially accountable. As the primary government, Pima County is financially accountable if it appoints a voting majority of an organization's governing body and 1) it is able to impose its will on that organization or 2) there is a potential for that organization to provide specific benefits to or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government.

The Municipal Property Corporation is a nonprofit corporation created by the Pima County Board of Supervisors to assist in the development of the County, among other things, by acquiring, constructing and improving any facilities, including real property and improvements and personal property, for use by the County. The Corporation undertook its first bond issue in October, 1992. The Corporation is governed by a five member board elected by the Pima County Board of Supervisors to one year terms. The Corporation is reported as a special revenue fund (blended component unit) in this report.

The Pima County Stadium District was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District is comprised of the same individuals who constitute the Pima County Board of Supervisors. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreational vehicle (RV) tax for the District. The District is reported as a special revenue fund (blended component unit) in this report.

The Metropolitan Domestic Water Improvement District of Pima County was formed by the Pima County Board of Supervisors on July 7, 1992. The initial Board of Directors of the District was comprised of five members appointed by the Pima County Board of Supervisors to varying terms. In November, 1994, three members were elected to four-year terms. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County sitting as the Board of Directors of a county improvement district that are not in conflict with the provisions of the law. The Pima County Board of Supervisors may review and shall have veto authorization over all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may at any time revoke the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, the District is reported as a component unit (discrete presentation) in these financial statements.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, SFC is reported as a component unit (discrete presentation) in these financial statements.

Pima County includes the financial activity of various improvement districts in its financial statements. Improvement districts are established to finance specific construction projects that benefit a limited geographic area. The improvement districts are Los Reales, North 1st Avenue Sewer, North La Cholla Sewer, Country Club Estates and Shadow Roc. The Board of Supervisors is also designated the Board of Directors of those improvement districts. The Pima County Board of Supervisors is able to impose its will on the districts by levying special assessments against the benefitting property owners to finance the construction.

There are various school districts, irrigation districts, and fire districts within the County governed by independently elected boards. In addition, there are other entities for which the County is not financially accountable such as the

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Industrial Development Authority, various lighting districts, the Pima Association of Governments, Pima Council on Aging and the Private Industry Council. The financial statements of such districts and entities are not included in this report except to reflect amounts held in a trust and agency capacity by the County Treasurer.

Services provided: Pima County offers a wide variety of governmental services as follows:

### Justice and Law

Enforcement: Clerk of the Superior Court, Constables, County Attorney, Superior, Juvenile and Justice Courts, Public Defender, Legal Defender, Sheriff's Department, Indigent Defense, Public Fiduciary

Medical Services: Pima Health Care System (including Kino Hospital and Pima Health System), Medical Assistance, Health Department (including Health and Animal Control, and Medical Examiner)

Community Resources: Superintendent of Schools, Parks & Recreation, Community Services, County Free Library, Southwestern Fair Commission, Stadium District, Rillito Park

Public Works: Flood Control, Development Services (including Planning and Zoning), Transportation, Wastewater Management (including Solid Waste Management), Environmental Quality, Capital Projects, Automotive Services, Facilities Management, Communications, Parking Garages

County Administration: Board of Supervisors, Assessor, Clerk of the Board, County Administrator, Elections, Financial and Information Services, Human Resources, Non-Departmental (including Contingency), Printing, Procurement, Recorder, Risk Management, Treasurer

## Economic Condition and Outlook

According to *Arizona's Economy*, published by the University of Arizona's Economic and Business Research Program (EBR), Pima County's economy posted significant gains during the past year. Population increased by 2.5% overall, including a gain in net in-migration to the County of nearly 15,900 persons. Employment increased at a 7.2% rate during the past twelve months. Retail sales for the year ended June 30, 1999, increased by 6.7% over the prior year and new housing starts increased by 12.9%.

These trends are expected to continue but at a slower rate over the next one to two years, and unemployment (currently at 3.2%) is expected to rise slightly as the nation's economy moderates. EBR expects to see new housing starts remain flat during the next twelve months and move slightly lower in the longer term, perhaps falling as much as 25% to the 650 per month level. EBR also predicts moderation in the retail sales sector, with a slowing of the rate of increase to the 4.5% range, and perhaps lower if Internet commerce continues to grow as anticipated.

## Major Program Initiatives

### Current Year Projects

#### **Sonoran Desert Conservation Plan**

Background and Purpose: On October 27, 1998, the Pima County Board of Supervisors launched a major conservation planning effort -- the Sonoran Desert Conservation Plan (SDCP) -- that will: (1) define urban form and prevent urban sprawl through the protection of natural and cultural resources; (2) provide the basis of natural resource protection and an environmental element of the Conservation Plan; (3) lead to the recovery of the endangered pygmy owl and other

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listed species; (4) stabilize the ecosystem and plant communities which support indigenous plants and animals and thereby prevent the need for future listings under the Federal Endangered Species Act (ESA); and (5) lead to issuance of a Section 10 (a)(1)(B) permit under the ESA for a regional multi-species conservation plan which balances environmental and economic considerations.

Location and Scope: The Sonoran Desert Conservation Plan is a county-wide planning effort that will resolve compliance issues related to the listing of the pygmy owl, reduce the impact or prevent the listing of other species, and balance the economic needs of the community. The 9,184 square-mile project area covers all of Pima County, inclusive of Federal, State and tribal lands. The scope of the Sonoran Desert Conservation Plan is ten times that of the San Diego County multi-species effort.

Public and Expert Participation: Following a three-month public comment period on the draft concept plan, on March 2, 1999, the Board adopted the Sonoran Desert Conservation Concept Plan, accepting the 189 comments from the public and inviting over 80 individuals and 20 government entities to participate in the development of the Plan. Five teams of experts were also seated, to develop the science, economic, historic and cultural preservation, ranch and geographic information service areas of the Plan. Participants in the Plan have met on a regular basis since April of 1999. Each month more than 150 members from the Steering Committee, Technical Teams and public attend education sessions. Technical Teams have worked consistently with County staff to produce workplans, white papers, and requests for proposals for consulting services.

Funding and Time Table: The listing of the pygmy owl and the potential economic consequences that go along with uncertainty in the local business community demand a rapid response to the community's endangered species compliance dilemma. The Sonoran Desert Conservation Plan has been developing quickly through the cooperative efforts and data sharing by State and Federal agencies. Over one thousand data layers which describe the community's natural, cultural and fiscal resources have been accumulated and analyzed by County staff based on watershed planning units. A number of preliminary studies have been published and major status reports on the various subject areas are published monthly to accelerate the work of consultants during the year 2000.

Pima County invested in the Conservation Plan effort during fiscal year 1998-1999 (\$300 on pygmy owl field and genetics research). All staffing for the expert committees, public meetings and education sessions is provided by Pima County. The County has completed a great deal of the work that typically gets contracted out. During the next fiscal year, aspects of the Plan, from the biological evaluation to the riparian restoration element, will be defined through studies funded with a Congressional appropriation of \$1 million. Other aspects of the Plan will be completed with staff work, through expert committees, and other assistance.

### Future Projects/Department Focus:

PHCS Cash Deficit: PHCS' cash deficit at June 30, 1999 was \$44,273. The fiscal year 1999-00 General Fund budget includes an \$18,400 operating transfer to the PHCS Enterprise Fund. The majority of this transfer, \$13,400, is funded by the \$0.3868 ad valorem tax increase approved by the Board on August 16, 1999. To fund the remainder of the operating transfer, the County will request that the State of Arizona Health Care Cost Containment System (AHCCCS) change the status of its \$5,000 loan to a \$5,000 equity transfer as allowed by Arizona Statutes. The \$5,000 equity transfer will allow the County to reallocate funds internally to further reduce the hospital liability.

In addition to the operating and equity transfers to the PHCS Enterprise Fund planned during fiscal year 1999-00, several other remedial actions were taken in September, 1999 to address the overall operation of Kino Hospital, Pima Home Health and Posada del Sol Nursing Home programs, as parts of the PHCS Enterprise Fund. Several senior managers for those programs have been replaced, including the chief executive officer at Kino Hospital. Also, pursuant to a request for proposals process, the County hired PriceWaterhouseCoopers L.L.P. to perform operational and financial assessments and to recommend definitive, short-term tactical plans for Kino Hospital and other parts of the County's health system. Each of the actions is too recent for the County to determine presently whether, or when, they will yield improved financial performance. The Kino Hospital, Home Health and Posada del Sol components of the PHCS Enterprise Fund continued to experience losses during the first quarter of fiscal year 1999-00, at a rate

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comparable to the preceding fiscal year. If the cash deficit pattern continues to grow at a similar rate for the remainder of fiscal year 1999-00, the County's current primary tax rate may have to be increased further, or other County resources applied, in order to eliminate such deficit within the County's currently stated goal, three fiscal years.

Fixed Assets System: In fiscal year 1999-00, Pima County's Financial and Information Services Department will undertake to install a new, comprehensive fixed assets system that will interface with its existing financial management system. This major project will involve representatives of all County departments, who will be responsible for assisting with a complete inventory of all County-owned fixed assets, as well as efforts by financial and systems personnel. An important feature of this project is that it will help the County prepare for implementation of Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, which will be required for fiscal year 2001-02. Under this new pronouncement, all general fixed assets (those not required to be accounted for in a proprietary fund) will be capitalized and depreciated. This will require that all infrastructure assets be inventoried, assigned a value and recorded in the accounts of Pima County. Under previous governmental accounting requirements, infrastructure assets were not required to be recorded, and general fixed assets were not required to be depreciated.

**FINANCIAL INFORMATION**

**Accounting System and Budgetary Control**

In developing and evaluating the County's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the County's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

Budgetary control is maintained at the Elected Official or department and is aided during the fiscal year by the use of encumbrances of estimated purchases. Open encumbrances lapse at year-end and are budgeted again as needed in the next fiscal year.

**Fund Descriptions**

The various fund types of the County have been classified into fund categories as follows:

<u>Fund Category</u>	<u>Fund Type</u>
Governmental	General Special Revenue Capital Projects Debt Service
Proprietary	Enterprise Internal Service
Fiduciary	Trust and Agency

The measurement focus for each of the three fund categories is explained on the next page.

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**Governmental Funds:** These funds are used to account for the County's expendable financial resources and related current liabilities, except those accounted for in proprietary funds. Governmental funds are essentially accounting segregations of financial resources. Measurement focus is on determination of financial position (sources, uses and balances of resources) rather than on net income determination. Basic financial statements necessary to fairly present financial position and operating results for these funds are the Balance Sheet, and the Statement of Revenues, Expenditures and Changes in Fund Balance.

**Proprietary Funds:** These funds are used to account for the County's ongoing activities which are similar to those found in the private sector, and the financial activity is reported in essentially the same manner as in commercial accounting where net income and capital maintenance are measured. Measurement focus is on determination of net income, financial position and cash flows. The basic financial statements required by generally accepted accounting principles for these funds are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Fund Equity, and the Statement of Cash Flows.

**Fiduciary Funds:** These funds are used to account for assets held by the County as an agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations. Trust funds are used for the County's external investment pool and individual investment accounts as required. Trust funds are accounted for using the flow of economic resources measurement focus.

In addition to the various fund types, a fourth category of accounting entities, account groups, is used to establish accounting control and accountability for the County's general fixed assets and general long-term debt. The County's general fixed assets (all fixed assets except those accounted for in proprietary funds) are not financial resources available for expenditure. The unmatured principal of the County's general long-term debt (long-term liabilities not accounted for in proprietary funds) does not require use of financial resources during the current accounting period. Accordingly, these are not accounted for in the governmental funds, but in self-balancing account groups.

**General Government Functions**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types, which is presented in Exhibit A-2 in this report, is the primary operating statement of the County. This statement presents the acquisition and use of expendable financial resources and the amounts available for the next year. The recurring operations of the County are accounted for in the General, Special Revenue and Debt Service Funds. The following is an analysis of the acquisition (revenues) and uses (expenditures) of the expendable financial resources of these funds:

**Revenues:** Revenues totaled \$440,790 in fiscal year 1998-99, an increase of 9.2 percent over the previous year. Property taxes accounted for 44.4 percent of revenues in the latest year compared to 45.2 percent in the previous year. The amounts of revenues from various sources and the changes since last year are shown in the following tabulation:

Revenue Source	Amount	Percentage of Total		Incr (Decr)
		98-99	97-98	
Taxes	\$ 195,822	44.4	45.2	\$ 13,499
Licenses and permits	4,306	1.0	0.9	917
Intergovernmental	201,540	45.7	44.5	22,028
Charges for services	21,207	4.8	4.6	2,493
Fines and forfeits	3,930	0.9	0.8	519
Interest	4,287	1.0	0.7	1,486
Miscellaneous	9,698	2.2	3.3	(3,747)
<b>TOTAL</b>	<b>\$ 440,790</b>	<b>100.0</b>	<b>100.0</b>	<b>\$ 37,195</b>

Taxes and intergovernmental receipts are the major components of the County's revenues. Current real property tax collections were 95.52 percent of the adjusted tax levy, slightly more than last year. Historically, collections against

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the year's levy have been approximately 94 percent. Major items included in intergovernmental revenue are sales tax, highway user revenue received from the State of Arizona and Federal grants.

Tax revenues had an increase of \$13,499 as a result of increases in the primary and secondary assessed valuations and an increase in tax rates. Intergovernmental revenues increased \$22,028 mainly related to increases in sales taxes of \$4,396, various grants totaling \$6,110, highway user revenues of \$6,090, and auto lieu taxes of \$2,139. Charges for services increased \$2,493 primarily as a result of an increase of \$515 in correctional housing fees, \$548 in court fees, and \$864 in rents and royalties previously classified as miscellaneous revenue. Interest income increased \$1,486 as there were more investable funds during fiscal year 1998-99. Miscellaneous revenues decreased \$3,747 as there was a one-time asbestos settlement claim of \$2,599 in the previous fiscal year. In addition, anti-racketeering revenue decreased approximately \$1,400.

Assessed valuations: Primary assessed valuations in 1999 increased 6.2 percent to \$3.682 billion, while the secondary valuation increased 4.1 percent to \$3.853 billion. The primary valuation is a legislated valuation on which primary taxes for normal operations are levied. The secondary valuation reflects market conditions and is the base on which taxes for debt service (including special assessments) and special taxing districts are levied.

Expenditures: Expenditures, for general operations totaled \$425,140, an increase of 9.0 percent from the previous year. Changes in levels of expenditures for major functions of the County over the preceding year are shown in the following tabulation:

<u>Function</u>	<u>Amount</u>	<u>Percentage of Total</u>		<u>Incr (Decr)</u>
		<u>98-99</u>	<u>97-98</u>	
General government	\$ 102,390	24.1	25.9	\$ 1,234
Public safety	103,679	24.3	23.6	11,844
Highways and streets	21,923	5.2	5.4	757
Health	20,142	4.7	4.8	1,379
Welfare	69,687	16.4	17.5	1,586
Culture and recreation	19,447	4.6	4.8	842
Education and economic opportunity	30,103	7.1	7.6	617
Debt Service	<u>57,769</u>	<u>13.6</u>	<u>10.4</u>	<u>16,939</u>
<b>TOTAL</b>	<u>\$ 425,140</u>	<u>100.0</u>	<u>100.0</u>	<u>\$ 35,198</u>

Total expenditures for fiscal year 1998-99 increased \$35,198 over fiscal year 1997-98. Public safety increased \$11,844 mainly from increases in both grants and the cost of operations. Grant expenditures increased by \$5,272 for Juvenile Courts and \$575 for Adult Probation, while cost of operations were higher by \$2,035 for Sheriff's Corrections Division because of the higher inmate population at the main jail facility. Juvenile Courts experienced higher operational costs because a portion of the new juvenile detention facility began operations in FY 98-99. Health increased \$1,379 primarily due to higher expenditures for the Treatment is Available Grant and the Tobacco Prevention and Controls Grant. Welfare increased \$1,586 mainly due to increased costs for contract attorneys in association with increased case loads. Debt Service increased \$16,939 as the 1974 Series C general obligation bond was paid in full in fiscal year 1998-99 from related sinking fund monies, and the first required payments were made on the 1998 General Obligation Improvement and Refunding Bonds and on the 1998 Street and Highway Revenue Bonds.

**Fund Balances**

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Fund balances were maintained at adequate levels for the overall Fund Types. Some individual funds, such as the Stadium District, have deficit fund balances. These issues are being addressed by the Board of Supervisors and County administration. Following is a comparison of fund balances for Governmental Funds with related increases and decreases from the prior year:

Fund	Fiscal Year		Increase (Decrease)
	1998-99	1997-98	
General Fund	\$ 8,509	\$ 3,934	\$ 4,575
Special Revenue Funds	29,431	18,500	10,931
Debt Service Fund	8,155	11,844	(3,689)
Capital Projects Fund	36,016	77,252	(41,236)

**Proprietary Operations**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is for the costs of providing services to the general public be financed primarily through user charges. The following summary reflects certain selected operating results for the Enterprise Funds and Discretely Presented Component Units for the current fiscal year:

	Operating Revenues	Operating Expenses	Net Income (Loss)
Development Services	\$ 6,803	\$ 6,395	\$ 682
Parking Garages	1,267	1,166	210
Rillito Park	6	94	(50)
Pima Health Care System (PHCS)	138,137	144,672	(4,536)
Wastewater Management	38,568	47,238	6,661
Metropolitan Domestic Water Improvement District (a discretely presented component unit)	8,545	5,844	414
S. W. Fair Commission (a discretely presented component unit)	3,429	3,267	189

PHCS has recorded cash and fund equity deficits in recent years. This situation is being addressed by the Board of Supervisors, as discussed in the Department Focus section earlier in this letter.

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the County or to other governmental units on a cost reimbursement basis. The following is a summary of certain selected operating results of the Internal Service Funds for the current fiscal year:

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	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Income (Loss)</u>
Self Insurance Trust	\$ 10,598	\$ 14,550	\$ (1,726)
Other Internal Service Funds	11,178	10,419	1,169

**Fiduciary Operations**

Agency funds are non-budgetary funds established to account for assets held by the County as agent for employees, fire districts, cities and towns, the State and other agencies. Total assets held by the County for the various agency funds at June 30, 1999 and 1998 were as follows:

	<u>1999</u>	<u>1998</u>	<u>Increase (Decrease) over 1998</u>
Payroll Clearing	\$ 2,292	\$ 2,627	\$ (335)
Treasurer's Clearing	1,184	477	707
Other	<u>25,597</u>	<u>19,705</u>	<u>5,892</u>
<b>TOTAL</b>	<u>\$ 29,073</u>	<u>\$ 22,809</u>	<u>\$ 6,264</u>

Investment Trust Funds represent the County's external investment pool and individual investment accounts for school districts. Total assets held by the County for the Investment Trust Funds at June 30, 1999 and 1998 were as follows:

	<u>1999</u>	<u>1998</u>	<u>Increase (Decrease) over 1998</u>
Treasurer's Investment Pool	\$ 116,180	\$ 136,555	\$ (20,375)
Individual Investment Funds	<u>56,614</u>	<u>65,582</u>	<u>(8,968)</u>
<b>TOTAL</b>	<u>\$ 172,794</u>	<u>\$ 202,137</u>	<u>\$ (29,343)</u>

**Long-term Obligations**

The ratio of net bonded debt to assessed value and the amount of net bonded debt per capita are useful indicators of the County's debt position to county management, citizens, investors, and bond rating agencies. This data at fiscal year-end was as follows:

Net bonded debt:	\$ 146,468
Ratio of net bonded debt to assessed value:	3.66%
Net bonded debt per capita:	\$ 173.18

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County general obligation bonds outstanding at June 30, 1999, expressed in thousands, totaled \$153,295. Note 9 to the financial statements presents more detailed information about the debt position of the County. The following tabulation presents County general obligation bonds issued in recent years:

<u>Date of Issue</u>	<u>Amount</u>	<u>Average Life (in Years)</u>	<u>Effective Interest Rate</u>	<u>Interest Cost Per Borrowed Dollar</u>
March 1992	\$ 20,000	9.62	6.11 %	\$ 0.59
November 1992	94,065	5.79	5.51	0.32
January 1993	15,000	11.97	5.65	0.68
April 1993	64,535	8.43	5.02	0.42
April 1994	10,495	8.00	5.48	0.44
June 1998	42,420	7.76	4.54	0.36

The ratings on the County general obligation bonds and sewer revenue bonds are:

	<u>Moody's Investors Service</u>	<u>Standard &amp; Poor's</u>
General obligation	A1	A+
Sewer revenue	A1	A+
Street & Highway revenue	A1	A+

**Capital Projects**

Proceeds of general obligation bond issues and funding for pay-as-you-go capital projects are accounted for in the Capital Projects Fund until the projects are completed. Completed projects and uncompleted construction-in-progress at fiscal year-end, except for infrastructure fixed assets, are capitalized in the General Fixed Assets Account Group. During fiscal year 1998-99, expenditures in the Capital Projects Fund, totaled \$66,671 compared with fiscal year 1997-98 expenditures of \$50,139. Major projects under construction or completed during fiscal year 1998-99 include the Juvenile Detention Facility, various highway and street improvements and various parks and recreation projects.

Most of the available balance of the Capital Projects Fund is invested on a short-term basis until needed for the various projects. Such investments, resulted in interest earnings of \$4,722 during the fiscal year.

**General Fixed Assets**

The general fixed assets of the County are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of Enterprise and Internal Service Funds. Pima County also does not record the value of certain infrastructure fixed assets such as roads, bridges, drainage systems and street lighting systems. As of June 30, 1999, the general fixed assets of the County amounted to over \$360,000. This amount represents the original cost of the assets and is considerably less than their present value. Depreciation of general fixed assets is not recognized in the County's accounting system.

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### **Cash Management**

Most cash, other than imprest accounts, is on deposit with the County Treasurer or the State Treasurer. Amounts temporarily idle during the year are invested on a short-term basis. Such investments during the year benefitted the General, Special Revenue, and Debt Service Funds by approximately \$4,300.

Some funds experience cash deficits, such as PHCS, which was discussed earlier. In order to address these cash flow needs in the short term, the County instituted internal borrowings among funds that were recorded formally in the accounting records. In addition, the County accessed its line of credit available through its servicing bank, Bank of America, National Trust and Savings Association.

### **Risk Management**

Pima County has established a Self Insurance Trust Fund to account for the risk management function of the County. The Fund is administered by an appointed Board of Trustees and provides self-insurance coverage to the County for medical malpractice, workers' compensation, unemployment, general liability, property damage, environmental damage and employee dental benefits as well as acquiring coverage for other risks. The Fund is financed by charges to other County funds.

## **OTHER INFORMATION**

### **Independent Audit**

Arizona Revised Statutes require an annual audit of the financial statements. This requirement has been complied with and the independent auditors' report is included in this report.

### **Single Audit**

As a recipient of Federal and State financial assistance, the government also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of Pima County.

As a part of Pima County's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that Pima County has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 1998 indicated that there was a reportable condition involving internal control over compliance related to the allocation of salaries and wages of Community Services Department employees who worked on more than one Federal program. In the opinion of the auditors, this reportable condition is not a material weakness. The Single Audit for Pima County for the fiscal year ended June 30, 1999 has not been completed as of this date.

As demonstrated by the statements and schedules included in the financial section of this report, Pima County continues to meet its responsibility for sound financial management.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pima County, Arizona for its comprehensive annual financial report for all fiscal years ending June 30, 1984 through 1998 except for the fiscal year ending June 30, 1990 as the County was unable to meet the filing deadline.

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In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

**Acknowledgments**

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Respectfully submitted,

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County Administrator

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