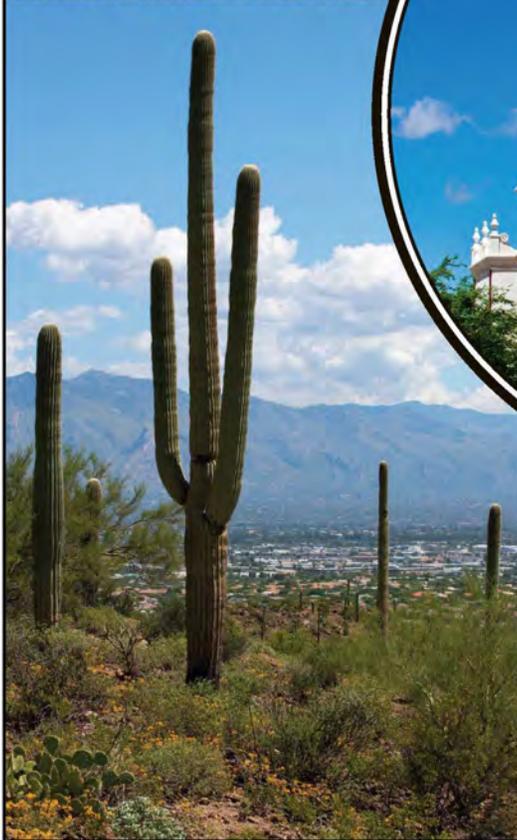
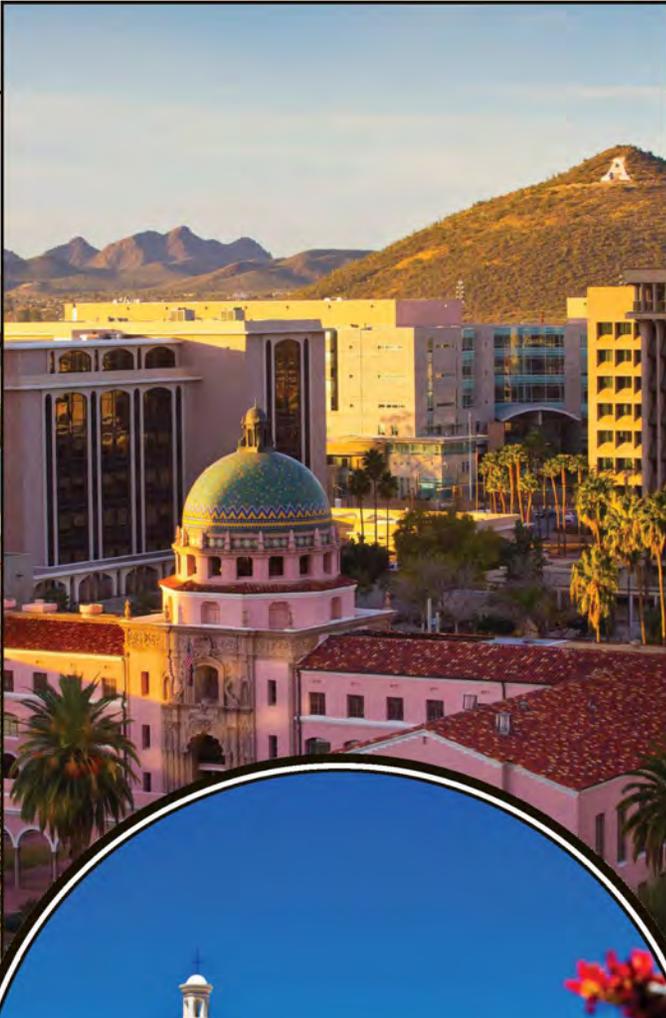


# 2016

## Comprehensive Annual Financial Report



Pima County, Arizona  
For the Fiscal Year Ended June 30, 2016



**PIMA COUNTY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**BOARD OF SUPERVISORS**

Sharon Bronson  
Chair  
District #3

Richard Elías  
Vice Chair  
District #5

Ally Miller  
District #1

Ramón Valadez  
District #2

Ray Carroll  
District #4

**COUNTY ADMINISTRATOR**

C. H. Huckelberry

**Prepared by the Department of Finance and Risk Management**

Keith Dommer, Director

Michelle Campagne, Deputy Director

Ellen Moulton, Deputy Director

Andy Welch, Division Manager  
Financial Control & Reporting

Supervisors

Emilia Eveningred

Pete Rodriguez

Blanca Rossetti

Accountants

Lin Baldazo  
Valentin R. Dominguez, CPA  
Jessica Espinoza  
Linda House  
Chih-Yu Lee, CPA  
Janet Mabon  
Ryan Maese

Lorraine Nuñez  
Elizabeth Partlow  
Janet Peete  
Alex Ramires  
Jennifer Serrano  
Jennifer Sia  
Phillip Summersett  
James D. Weingart, CGFM, CMA

PIMA COUNTY, ARIZONA  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2016

**TABLE OF CONTENTS**

	<u>Exhibit</u>	<u>Page</u>
<b>I. INTRODUCTORY SECTION</b>		
Letter of Transmittal		1 - 7
Certificate of Achievement for Excellence in Financial Reporting		8
Organizational Chart		9
<b>II. FINANCIAL SECTION</b>		
Independent Auditors' Report		11 - 13
<b>A. MANAGEMENT'S DISCUSSION AND ANALYSIS</b> (required supplementary information)		
		15 - 33
<b>B. BASIC FINANCIAL STATEMENTS</b>		
<b>C. Government-Wide Financial Statements</b>		
Statement of Net Position	A-1	35
Statement of Activities	A-2	36 - 37
<b>Governmental Fund Financial Statements (Major and Other)</b>		
Balance Sheet	A-3	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-4	39
Statement of Revenues, Expenditures and Changes in Fund Balances	A-5	40
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	41
<b>Proprietary Fund Financial Statements (Major and Other)</b>		
Statement of Net Position	A-7	42
Statement of Revenues, Expenses and Changes in Fund Net Position	A-8	43
Statement of Cash Flows	A-9	44 - 45
<b>Fiduciary Fund Financial Statements</b>		
Statement of Fiduciary Net Position	A-10	46
Statement of Changes in Fiduciary Net Position	A-11	47

PIMA COUNTY, ARIZONA  
Comprehensive Annual Financial Report  
For the Year Ended June 30, 2016

**Table of Contents (continued)**

	<u>Exhibit</u>	<u>Page</u>
<b>Notes to Financial Statements</b>		
Note 1: Summary of Significant Accounting Policies		48 - 54
Note 2: Change in Accounting Principle		55
Note 3: Cash and Investments		55 - 60
Note 4: Fund Balance Classifications of the Governmental Funds		61
Note 5: Capital Assets		62 - 63
Note 6: Claims, Judgments and Risk Management		64 - 66
Note 7: Long-Term Liabilities		66 - 76
Note 8: Short-Term Liabilities		76
Note 9: Landfill Liabilities		77
Note 10: Operating Leases		78
Note 11: Pension and Other Postemployment Benefits		79 - 96
Note 12: Due from Other Governments		97
Note 13: Interfund Transactions		98
Note 14: Construction and Other Significant Commitments		99
Note 15: Deficit Fund Balances/Net Position		99
Note 16: Subsequent Events		100 - 101
 <b>C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	B-1	103
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund		104
Schedule of the County's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans	B-2	105
Schedule of Changes in the County's Net Pension Liability – and Related Ratios – Agent Pension Plans		106 - 107
Schedule of County Pension Contributions		108
Notes to Pension Plan Schedules		109
Schedule of Agent OPEB Plan's Funding Progress		110
 <b>D. COMBINING STATEMENTS AND OTHER SCHEDULES</b>		
<b>Other (Nonmajor) Governmental Funds</b>		
Combining Balance Sheet - Nonmajor Governmental Funds	C-1	112 - 113
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	C-2	114 - 115
 <b>Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Other Governmental Funds</b>		
Capital Projects Fund	C-3	117
Debt Service Fund	C-4	118
Transportation - Special Revenue Fund	C-5	119
Health - Special Revenue Fund	C-6	120
Regional Flood Control - Special Revenue Fund	C-7	121
Other - Special Revenue Fund	C-8	122
Other Grants - Special Revenue Fund	C-9	123
OEM Radio System – Special Revenue Fund	C-10	124
School Reserve - Special Revenue Fund	C-11	125
Environmental Quality - Special Revenue Fund	C-12	126
Waste Tire - Special Revenue Fund	C-13	127
Library District - Special Revenue Fund	C-14	128
Stadium District - Special Revenue Fund	C-15	129
Street Lighting Districts	C-16	130

PIMA COUNTY, ARIZONA  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2016

**Table of Contents (continued)**

	<u>Exhibit</u>	<u>Page</u>
<b>Other (Nonmajor) Enterprise Funds</b>		
Combining Statement of Position	C-17	131
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	C-18	132
Combining Statement of Cash Flows	C-19	133 - 134
<b>Internal Service Funds</b>		
Combining Statement of Net Position	C-20	135
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	C-21	136
Combining Statement of Cash Flows	C-22	137 - 138
<b>Fiduciary Funds</b>		
Combining Statement of Fiduciary Net Position - Investment Trust Funds	C-23	139
Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds	C-24	140
Combining Statement of Fiduciary Net Position - Agency Funds	C-25	141
Combining Statement of Changes in Fiduciary Net Position - Agency Funds	C-26	142
 <b>III. STATISTICAL SECTION</b>		
<b>Financial Trends Information</b>	D-1 through 4	143 - 147
Net Position by Component		
Changes in Net Position		
Fund Balances - Governmental Funds		
Changes in Fund Balances - Governmental Funds		
 <b>Revenue Capacity Information</b>	D-5 through 12	149 - 160
Taxable Assessed Value and Estimated Actual Value of Property		
Direct and Overlapping Property Tax Rates		
Direct and Overlapping Property Tax Rates - School Districts		
Principal Property Taxpayers		
Real Property Tax Levies and Collections		
Assessed, Limited and Full Cash (Secondary) Value of Taxable Property		
Comparative Net Valuations and Tax Rates		
Historical Collections - Hotel Excise Tax, Car Rental Surcharges and Recreational Vehicle Tax		
Streets and Highways Revenues		

PIMA COUNTY, ARIZONA  
 Comprehensive Annual Financial Report  
 For the Year Ended June 30, 2016

**Table of Contents (continued)**

	<u>Exhibit</u>	<u>Page</u>
<b>Debt Capacity Information</b>	D-13 through 19	161 - 169
Ratios of Outstanding Debt by Type to Personal Income and Per Capita		
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita		
Ratio of Direct and Overlapping Debt to Property Values and Per Capita		
Computation of Direct and Overlapping Governmental Activities Debt Outstanding		
Legal Debt Margin		
Regional Wastewater Reclamation Pledged Sewer Revenue Debt Coverage		
Transportation Revenue Bonds - Pledged Revenue Bond Coverage		
Lease, Lease-purchase Installment Notes Payable and Purchase Agreements		
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures		
 <b>Demographic and Economic Information</b>	 D-20 through 26	 171 - 178
Demographic and Economic Statistics		
Principal Employers		
Population and Employment		
Transportation and Real Estate		
Economic Indicators by Calendar Year		
Population Statistics		
Average annual Jail Population		
 <b>Operating Information</b>	 D-27 through 29	 179 - 181
Employees by Function		
Operating Indicators by Program		
Capital Assets and Infrastructure by Program		

**PIMA COUNTY**

**Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2016

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**INTRODUCTORY SECTION**

Letter of Transmittal

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart

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**FINANCIAL SECTION**

**STATISTICAL SECTION**

## INTRODUCTORY SECTION

The purpose of the Introductory Section in a comprehensive annual financial report (CAFR) is to familiarize readers with the organizational structure of the government, the nature and scope of the services it provides, and the specifics of its legal operating environment.



## COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER  
130 W. CONGRESS, TUCSON, AZ 85701-1317  
(520) 740-8661 FAX (520) 740-8171

C.H. HUCKELBERRY  
County Administrator

December 6, 2016

To the Honorable Board of Supervisors and Citizens of Pima County, Arizona:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Pima County for the fiscal year ended June 30, 2016. This report presents comprehensive financial and operating information about the County's activities for the fiscal year.

We believe that the financial information, 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. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The State of Arizona Office of the Auditor General is required to audit financial transactions and accounts kept by counties. The Auditor General has issued an unmodified ("clean") opinion on the Pima County financial statements for the year ended June 30, 2016. The Auditor General's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report consists of three sections:

- The **INTRODUCTORY** section describes the organizational structure of the County, the nature and scope of its services, and the specifics of its legal operating environment.
- The **FINANCIAL** section includes the Auditor General's report, the MD&A, the audited basic financial statements, the notes to the statements, and required supplementary information necessary to fairly present the financial position and results of operations of the County in conformity with generally accepted accounting principles.
- The **STATISTICAL** section contains comprehensive statistical data on the County's financial, physical, economic, and demographic characteristics.

## Pima County Profile

Covering an area of approximately 9,200 square miles, Pima County is one of the oldest continuously inhabited areas of the United States. It is situated in the southern part of Arizona with a portion of its southern boundary bordering Mexico. Created in 1864, Pima County includes a large portion of southern Arizona acquired from Mexico by the Gadsden Purchase of 1854. Pima County has purchased thousands of acres of open space and ranches to preserve and protect the stunning landscapes and historic and cultural sites. The County's population has grown from 395 in 1820 to an estimated population of 1,016,743 in 2016, according to the Arizona Department of Administration, Office of Employment and Population Statistics. The County has a vibrant multicultural diversity. A major commercial and academic hub, Pima County is home to Tucson, the second largest city in Arizona. Although the County has five incorporated cities and towns, more than a third of the population lives outside of any incorporated cities or towns.

A five-member Board of Supervisors is responsible for implementing the County's governmental and administrative affairs. Each member is elected from a designated district to serve a four-year term. The chairman is selected by the Board from among its members. The Board is responsible for establishing the policies of the County, which provide guidance to the various County constitutional officers and departments. The Board has the legal authority and responsibility to establish spending limits and approve the budgets of all County departments, and also sets the amount of taxes to be levied. The Board appoints a County Administrator who is responsible for the general administrative and overall operations of the various departments of the County. The County has several other elected officials including the Assessor, County Attorney, Recorder, Sheriff, Clerk of the Superior Court, the Constables, Superintendent of Schools, Treasurer, and Judges for the Superior Courts, Juvenile Courts, and Justice Courts.

Pima County includes in its financial statements all funds, 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 either it is able to impose its will on that organization or a potential exists for that organization to provide specific benefits to, or impose specific financial burdens on, Pima County. Additionally, the County may be financially accountable if an organization is fiscally dependent on the County.

Pima County offers a wide variety of governmental services that are organized into the following functional areas:

- *General Government Services* primarily provides internal administrative and support services to County departments directly serving the public. The departments comprising this function include the Assessor; Board of Supervisors; Clerk of the Board; Communications Office; County Administrator; Elections; Facilities Management; Finance and Risk Management; Fleet Services; General Government Services Administration; Human Resources; Information Technology; Non Departmental; Procurement; Recorder; and Treasurer.
- *Community Resources* provides educational, cultural, social, economic development and recreational programs to the public. The departments in this functional area are Attractions and Tourism; Community and Economic Development Administration; Community Development and Neighborhood Conservation; Community Services, Employment and Training; County Free Library; Kino Sports Complex; Natural Resources, Parks and Recreation; School Superintendent; and the Stadium District.
- *Justice and Law* provides public safety, felony and misdemeanor investigation and prosecution, and services for victims, witnesses, and those needing fiduciary assistance. Services are also provided in the areas of indigent defense, civil representation, correctional housing, and juvenile detention. The departments within this area are the Clerk of the Superior Court; Constables; County Attorney; Forensic Science Center; Justice Courts; Juvenile Court; Public Defense Services; Sheriff; and Superior Court.
- *Health Services* provides various public health, sanitation, and animal control services, as well as medical assistance to indigents. The component departments are Behavioral Health; Environmental Quality; Health; and Office of Emergency Management and Homeland Security.

- *Public Works* provides construction, operations, and maintenance services related to the County's infrastructure and related planning and environmental issues. The departments within this area are Capital Projects; Development Services; Office of Sustainability and Conservation, Public Works Administration; Real Property; Regional Flood Control District; Regional Wastewater Reclamation; and Transportation.

Pima County is responsible for reporting the financial activities of its component units. These units are either discretely presented or blended. Although they are separate legal entities, blended component units are substantially a part of the County's financial activities and are combined with data for the County.

The County's component units include the following:

- The *Pima County Stadium District*, the *Regional Flood Control District*, the *Library District*, and the *Street Lighting Districts* are reported as blended component units in special revenue funds in the accompanying financial statements.
- The *Southwestern Fair Commission* is reported as a separate component unit (discrete presentation) in the accompanying financial statements.

Additional information on the legally separate entities and the blended component units can be found in the notes to the financial statements (see Note 1).

The County also has various independently governed school districts, irrigation districts, fire districts, a health district (Ajo-Lukeville), and other entities for which the County is not financially accountable. These entities include the Industrial Development Authority, Pima Association of Governments, Pima Council on Aging, the Workforce Investment Board, Regional Transportation Authority, and Sun Corridor, Inc. The financial statements of such districts and entities are not included in the accompanying financial statements except to reflect amounts held in a fiduciary capacity by the County Treasurer.

Following receipt of the County Administrator's Recommended Budget and public discussion of the Recommended Budget, the Board of Supervisors historically adopts a budget in June. A budget must be adopted on or before the first Monday in August. The Adopted Budget sets a ceiling on expenditures that may be incurred for the County as a whole. This annual budget serves as the foundation for Pima County's financial planning and control. Pima County has implemented a program-oriented presentation of its budget. All departments are budgeted on a cost unit/object line item basis. Departments may modify line item amounts within their own budgets provided the total program budgeted amount remains unchanged. Changes to the adopted budget that require a transfer between funds are evaluated by the County Administrator prior to recommendation of approval to the Board of Supervisors. Should the County Administrator recommend the change to the Board of Supervisors, the recommendation will be considered at a regularly scheduled, open meeting of the Board.

On an annual basis, the County Administrator's office prepares a five-year Capital Improvement Plan and a one-year Capital Improvement Budget.

### ***Economic Outlook***

Pima County's major employers are the University of Arizona, Raytheon Missile Systems, State of Arizona, and Davis-Monthan Air Force Base. Major manufacturers include Ventana Medical Systems, IBM and several aerospace and aircraft companies including Raytheon Missile Systems, Bombardier Aerospace, and Honeywell Aerospace. Employment by industry is led by government; educational and health services; trade, transportation and utilities; professional and business services; and leisure and hospitality. The Pima County unemployment rate has decreased from 8.5% in 2011 to 5.6% in 2015. The decline in Pima County's unemployment rate has been slightly less than the decrease in the national unemployment rate, which was 8.9% in 2011 and had fallen to 5.3% in 2015. Nearly half of Pima County's population is in the prime working age range of 18 to 54.

A sunny, mild, dry climate with an average temperature of 71°F and a unique desert location help promote travel and tourism as a major industry in Pima County. Spending by visitors generates sales in lodging, food services, recreation, transportation, and retail businesses. These sales support jobs for Pima County residents and contribute tax revenues to local and state governments. According to recent research data released by the Arizona Office of Tourism, Pima County direct travel spending generated approximately \$2.77 billion (13.2% of Arizona direct travel spending) in 2015. This direct travel spending generated 24,060 direct jobs, \$674 million in direct earnings and over \$197 million in local and state tax revenues. Unlike other industries, taxes generated by travel industry spending are paid by visitors rather than residents. These visitors bring new money into Pima County's economy and generate revenue in the County. Some of the best world-class attractions in Arizona are found in Pima County, such as the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. There are several signature events which draw many tourists to the area and have a significant economic impact on the County, including the following:

- The area's largest annual event is the two-week Tucson Gem, Mineral and Fossil Showcase, the largest event of its kind in the world, which attracts an estimated 50,000 people to Tucson and has an estimated economic impact of \$120 million in direct spending and nearly \$11 million in sales, bed, and rental car tax revenues.
- The annual El Tour de Tucson is Southern Arizona's largest bicycling event, attracting more than 9,000 cyclists and 30,000 spectators. El Tour's annual economic impact is estimated to be \$17 to \$25 million on ride weekend alone and \$65 to \$175 million year-round.

Please refer to the MD&A beginning on page 15 for additional information regarding the County's economic outlook.

### ***Long-term Financial Planning***

Pima Prospers is Pima County's ten-year comprehensive plan establishing a vision and overarching principles for the County in areas such as land use, physical infrastructure, human infrastructure, and economic development. The County's annual budget, capital improvement plan, and debt management strategies are aligned with this comprehensive plan. Pima Prospers, including the planning for its financial impacts, can be found at [www.pimaprospers.com](http://www.pimaprospers.com).

Pima County's Economic Development Plan is a shorter term plan focusing on the County's future actions to help create new jobs, protect our existing jobs, improve transportation, promote tourism, and enhance relationships with our economic partners. Regional infrastructure investment is a significant component of the County's Economic Development Plan. Some of these economic development projects and financing can be seen in the Capital Improvement Plan and Debt Management sections below.

### ***Capital Improvement Plan***

The Adopted Budget for fiscal year 2016-2017 includes \$157 million for its Capital Improvement Plan (CIP). Under this plan, four departments comprise 92% of the total CIP budget as follows:

- Transportation, with a budget of \$51 million
- Regional Wastewater Reclamation, with a budget of \$47 million
- Facilities Management, with a budget of \$31 million
- Regional Flood Control District, with a budget of \$16 million

**Regional Wastewater Reclamation** – The Regional Wastewater Reclamation Department (RWRD) projects are predominantly funded by Sewer Revenue Obligations. RWRD has a total fiscal year 2016-2017 budget of \$47 million dollars with the following major projects included:

- Minor Rehabilitation Projects are budgeted for \$10.0 million.
- North Rillito Interceptor Rehabilitation project is budgeted for \$6.8 million.
- Southeast Interceptor Augmentation project is budgeted for \$9.2 million.
- Continental Ranch Regional Pump Station Modification project is budgeted for \$4.5 million.

**Transportation** - The Department of Transportation projects are funded by highway user revenues, vehicle license tax revenues and from funding received from the Pima County Regional Transportation Authority, a taxing entity distinct from Pima County. Transportation has three major projects included in the fiscal year 2016-2017 budget:

- Sunset Road: Silverbell Road to I-10 project is budgeted for \$10.6 million.
- Wilmot Road North of Sahuarita Road project is budgeted for \$8.4 million.
- Colossal Cave road: Success Drive and Ruthrauff Culvert project is budgeted for \$5.5 million.

**Facilities Management** –Facilities Management is budgeted for several ongoing projects. Two of the major projects included in the fiscal year 2016-2017 are the following:

- Pima Animal Care Center project is budgeted for \$12.8 million.
- World View project is budgeted for \$9.2 million.

**Regional Flood Control District** – The Regional Flood Control District has active projects with a total budget of \$15.6 million. Major projects include:

- Pantano Wash: Ft. Lowell Park to Tanque Verde Road project is budgeted for \$3.7 million.
- El Corazon de los Tres Rios Del Norte project is budgeted for \$3.0 million.

### ***Debt Management***

Bond ratings for Pima County range from A+ to AA-. Pima County maintains a sound financial profile, with healthy operating reserves while its debt burden is manageable and debt repayment is rapid.

Pima County continues to utilize debt authorized by Pima County voters in elections from 1997, 2004, 2006 and 2014. At June 30, 2016, \$1.3 million from the May 20, 1997, \$6.4 million from the May 18, 2004, \$0.1 million from the May 16, 2006 and \$17.9 from the November 4, 2014 bond elections remained unissued. The County issues Certificates of Participation for building construction and Sewer Revenue Obligations to fund the construction and improvement of the County’s wastewater conveyance systems and treatment facilities.

Bond sales anticipated for fiscal year 2016-2017 include \$45.0 million of Sewer Obligations and \$25.7 million of General Obligation bonds.

The County’s conservative debt management principles play a critical role in the decision regarding when to issue new debt. The County has set an aggressive debt repayment schedule, retiring 80 percent of its debt within 11 years with 100 percent retired at or before 15 years.

The state constitution sets a cap on general obligation debt at 15 percent of the County’s net secondary assessed valuation. In fiscal year 2015-2016 the constitutional debt limit was \$1.2 billion. The actual bonded indebtedness was \$345 million, far below the constitutional debt limit.

Please refer to the MD&A beginning on page 15 and Note 7 beginning on page 66 for specific details on debt issuances, defeasances, and refundings.

## ***Expenditure Limitation***

Pima County, like all counties and cities in Arizona, is subject to numerous budgetary and related legal requirements. Article 9, Section 20, of the Arizona Constitution sets limits on the County's legal budget capacity. In general, the Board of Supervisors, as the governing body of the County, cannot authorize expenditures from local revenues in excess of the expenditure limitation determined annually for Pima County by the Arizona Economic Estimates Commission. The expenditure limitation is determined each year by adjusting the amount of actual payments of local revenues received by the County during fiscal year 1979-1980 to reflect inflation and subsequent population growth for the County. Not subject to this limitation are items such as bond proceeds, related debt service, interest earnings, special voter approved districts, certain highway user revenue funds, federal grant and aid funds, monies received pursuant to intergovernmental agreements, and state grants which are to be used for specific purposes. As in previous years, the County's expenditures for fiscal year 2015-2016 are expected to be under the limit of \$541.5 million.

## ***Single Audit***

As a recipient of federal and state financial assistance, the County is required to ensure adequate internal controls are in place to comply with applicable laws and regulations related to administration of these programs. This internal control structure is subject to periodic evaluation by management of Pima County. An important part of management's periodic evaluation is having the County's federal financial assistance programs audited annually under the federal Single Audit Act.

As a part of the 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 and whether the County has complied with applicable laws and regulations.

A complete Single Audit report for fiscal year 2014-2015 can be found at:

<http://www.pima.gov/finance/reports.shtml>

The Single Audit for Pima County for the fiscal year ended June 30, 2016 was not complete at the time of publication of this CAFR.

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.

## ***Awards***

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 (CAFR) for the fiscal year ended June 30, 2015. Pima County has received this prestigious award for thirty years from fiscal years ended June 30, 1984 through 2015, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline. In order to be awarded a Certificate of Achievement, the County had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Pima County also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2015-2016 budget document. This was the eighteenth consecutive year that Pima County has achieved this award. To qualify for the

Distinguished Budget Presentation Award, Pima County's budget had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

### *Acknowledgments*

The preparation of this report could not have been possible without the skill, effort, and dedication of the entire staff of the County's Finance and Risk Management Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Board of Supervisors for its unfailing support for maintaining the highest standards of professionalism in the management of Pima County's finances.

Respectfully submitted,

C. H. Huckelberry  
County Administrator

Tom Burke  
Deputy County Administrator

Keith Dommer  
Director, Finance and Risk Management



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

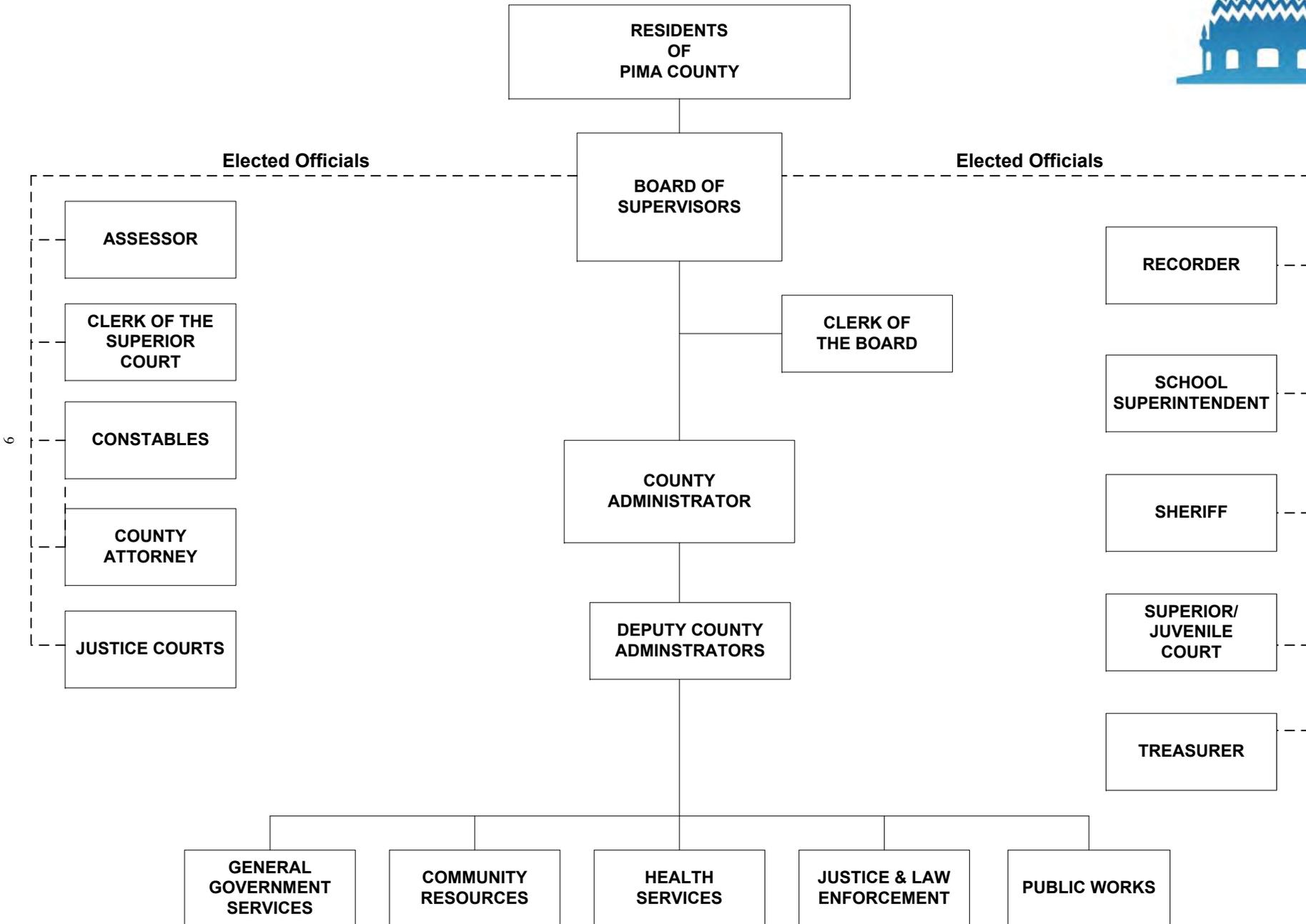
**Pima County**  
**Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO

# PIMA COUNTY ORGANIZATIONAL CHART



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**PIMA COUNTY**

**Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2016

**INTRODUCTORY SECTION**

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**FINANCIAL SECTION**

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information Other than Management's Discussion and Analysis

Combining Statements and Other Schedules

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**STATISTICAL SECTION**

## FINANCIAL SECTION

The Financial Section contains government-wide, combined, combining, and individual fund financial statements and schedules, which present a financial “overview” of Pima County.



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

**Independent auditors' report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Pima County, Arizona

**Report on the financial statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, one major fund, and the component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses or expenditures of the opinion units affected.

<b>Opinion Unit/Department</b>	<b>Assets and Deferred Outflows</b>	<b>Liabilities and Deferred Inflows</b>	<b>Revenues</b>	<b>Expenses/ Expenditures</b>
<u>Government-Wide Statements</u>				
Governmental Activities:				
Stadium District	1.63%	0.68%	0.49%	0.70%
School Reserve Fund	0.07%	0.16%	0.21%	0.24%
Office of Emergency Management's Radio System	0.08%	0.02%	0.36%	0.32%
Self-Insurance Trust	3.03%	2.90%	2.22%	3.19%
Health Benefit Trust	1.28%	0.83%	7.84%	7.00%
Business-Type Activities:				
Regional Wastewater Reclamation Department	98.18%	98.81%	96.27%	94.51%
Development Services	0.20%	1.08%	3.05%	4.41%
Discretely Presented Component Unit:				
Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
<u>Fund Statements</u>				
Major Fund:				
Regional Wastewater Reclamation Department				
Enterprise Fund	100.00%	100.00%	100.00%	100.00%

<b>Opinion Unit/Department</b>	<b>Assets and Deferred Outflows</b>	<b>Liabilities and Deferred Inflows</b>	<b>Revenues</b>	<b>Expenses/ Expenditures</b>
Aggregate Remaining Fund Information:				
Stadium District	0.10%	1.10%	0.29%	0.31%
School Reserve Fund	0.22%	0.06%	0.07%	0.07%
Office of Emergency Management's Radio System	0.33%	0.16%	0.12%	0.10%
Development Services	0.48%	3.65%	0.24%	0.28%
Self-Insurance Trust	12.81%	21.99%	0.72%	1.04%
Health Benefit Trust	5.40%	6.30%	2.54%	2.28%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the other auditors' reports. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

### **Emphasis of matter**

As discussed in Notes 1 and 2 to the financial statements, for the year ended June 30, 2016, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 82, *Pension Issues*. Our opinions are not modified with respect to this matter.

### **Other matters**

#### *Required supplementary information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 33, the budgetary comparison schedules on pages 103 and 104, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 105, schedule of changes in the County's net pension liability and related ratios—agent pension plans on pages 106 and 107, schedule of county pension contributions on page 108, and schedule of agent OPEB plans' funding progress on page 110 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual fund statements and schedules are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### *Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies*

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

#### **Other reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters at a future date. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Debbie Davenport  
Auditor General

December 6, 2016



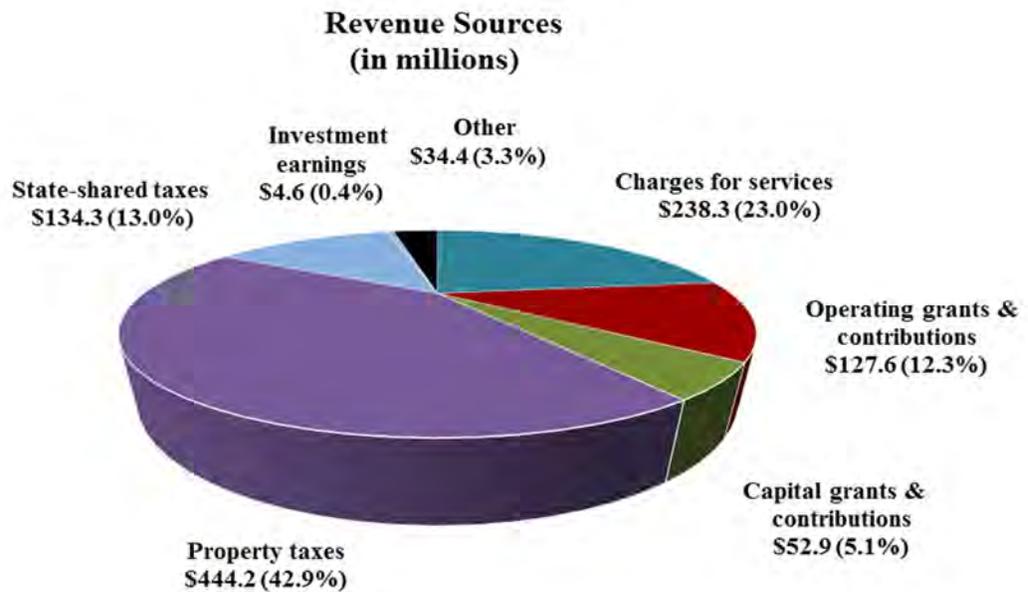
## **Management's Discussion and Analysis**

**Pima County, Arizona**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2016**

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2016. Please read it in conjunction with the transmittal letter, which begins on page 1 and the County's basic financial statements, which begin on page 35. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

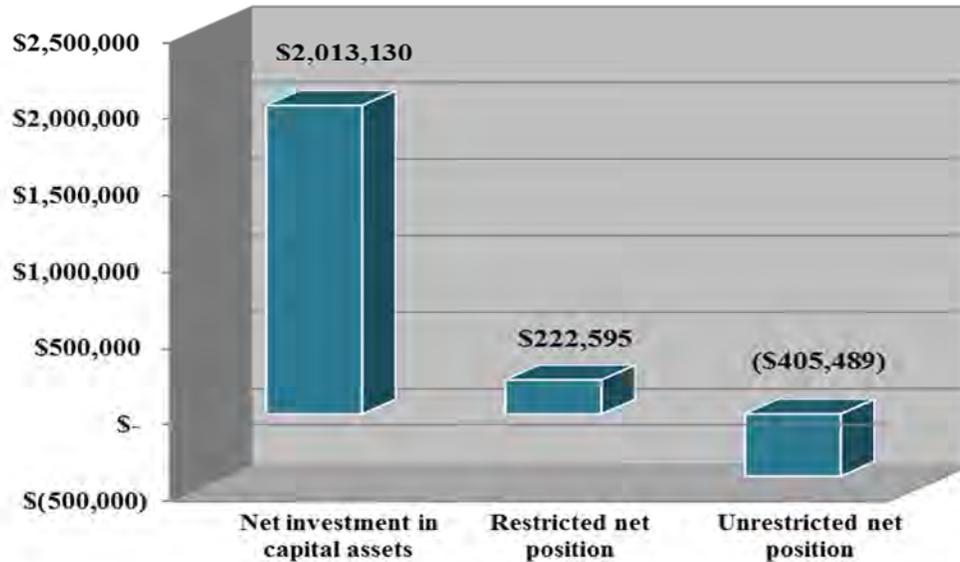
**Financial Highlights**

- The County's total net position increased \$46,378, primarily due to an increase of \$20,656 in property tax revenues, in combination with a decrease of \$28,979 in business-type activities expenses, specifically in the Regional Wastewater Reclamation (RWR) enterprise fund.
- The County's primary sources of revenue come from property taxes, grants and contributions, charges for services, and state shared taxes as displayed below:



- The County's total net position at June 30, 2016, is \$1,830,236. Composition of net position is illustrated in the following chart.

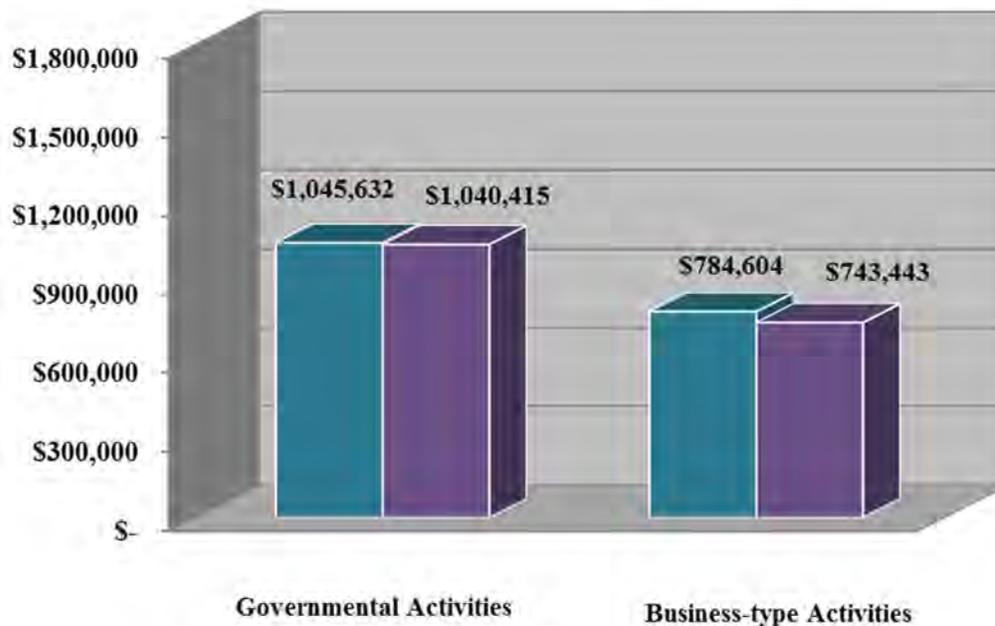
**Composition of Net Position, as of June 30, 2016**



- Governmental Activities total net position at June 30, 2016, is \$1,045,632, an increase of \$5,217 (0.5%) from the prior fiscal year primarily because of the previously mentioned increase in property tax revenues. Business-type Activities total net position of \$784,604 increased by \$41,161 (5.5%) in the current fiscal year primarily because of the previously mentioned decreases in RWR enterprise fund costs.

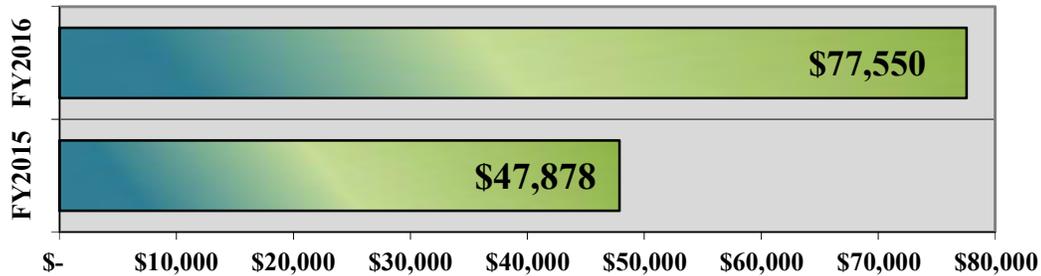
**Comparative Total Net Position**

6/30/2016 6/30/2015



- The General Fund unassigned fund balance increased by \$29,672 (62%) to \$77,550, from \$47,878 in the prior fiscal year, primarily because of the previously mentioned increase in property tax revenues. The unassigned fund balance comprises 96.1% of the total fund balance of \$80,682.

### General Fund - Unassigned Fund Balance



The County issued \$43,935 in Certificates of Participation to finance sewer system facilities (\$19,110), construction of building facilities (\$15,185), and refund a portion of existing certificates (\$9,640). During the current fiscal year, the County did not issue new bonds, which in combination with continued payments on outstanding debt, resulted in long-term liabilities decreasing by \$64,063 to \$2,062,738 from \$2,126,801 in the prior year.

### *Overview of the Financial Statements*

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) Government-wide Statements, (2) Fund Statements, and (3) Notes to the Financial Statements. Required supplementary information is included in addition to the basic financial statements.

**Government-wide financial statements** are designed to provide readers with a broad overview of County finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) in contrast to other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include: Regional Wastewater Reclamation (RWR), Development Services, and the County's downtown parking garages.

The Southwestern Fair Commission is presented as a discretely presented component unit and is included in the basic financial statements. The Commission, which operates the County Fairgrounds and annual Pima County Fair, is a legally separate entity for which the County is financially accountable.

**The government-wide financial statements can be found on pages 35-37.**

**Fund financial statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable state statutes and Federal Office of Management and Budget budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fifteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Projects, and Debt Service funds, which are reported as major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements.

**The governmental fund financial statements can be found on pages 38-41. The combining statements for non-major governmental funds can be found on pages 112-115.**

**Proprietary funds** are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for employee health and health related benefits, risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless, and information technology network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The RWR Enterprise Fund is considered to be a major fund of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of combining statements.

**The proprietary fund financial statements can be found on pages 42-45. The combining statements for other enterprise and internal service funds can be found on pages 131-134.**

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

**The fiduciary fund financial statements can be found on pages 46-47.**

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 48-101.

**Required Supplementary Information (RSI)** is presented concerning the County's General Fund budgetary schedule and the schedule of the County's Proportionate Share of the Net Pension Liability for Cost Sharing Plans,

the Schedule of Changes in the County's Net Pension Liability and Related Ratios for Agent Pension Plans, the Schedule of County Pension Contributions, and the Schedule of Agent OPEB Plans' Funding Progress. Required supplementary information can be found on pages 103-110.

**Combining Statements and Other Schedules** referred to earlier provide information for non-major governmental, enterprise, internal service, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 112-142.

### *Government-Wide Financial Analysis*

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. An analysis of the results of operations is also useful. The schedule below identifies variances in the results of operations.

<b>Schedule of Results of Operations and Net Position For the Years Ended June 30, 2016 and 2015</b>			
	<b>2016</b>	<b>2015</b>	<b>Variance</b>
Charges for services	\$ 238,309	\$ 245,000	\$ (6,691)
Operating grants and contributions	127,571	126,897	674
Capital grants and contributions	52,876	48,424	4,452
Total program revenues	418,756	420,321	(1,565)
Total general revenues and transfers	617,434	592,725	24,709
Total program and general revenues	1,036,190	1,013,046	23,144
Total expenses	988,680	973,479	15,201
Change in net position	<u>\$ 47,510</u>	<u>\$ 39,567</u>	<u>\$ 7,943</u>

Total program revenues decreased by \$1,565; however total general revenues and transfers increased by \$24,709, resulting in an increase of \$23,144 for total program and general revenues. This increase in total program and general revenues was offset by an increase of \$15,201 in total expenses, resulting in a \$7,943, or 20%, increase in net position to \$47,510.

An explanation of each of these changes is discussed further in the following governmental and business-type activities sections.

The graph presented below illustrates at a summary level the changes in the elements of the Statement of Net Position for the County at June 30, 2016, and June 30, 2015.



A general discussion of significant variances between fiscal years follows. For a more detailed discussion, please see the governmental activities and business-type activities sections immediately following this section.

Total County assets at June 30, 2016, were \$3,908,348, representing a decrease of \$46,493 (1.2%) from the prior year, while total liabilities decreased by \$80,819 (3.6%) from the prior year, ending at a balance of \$2,140,140. Deferred outflows of resources decreased by \$19,252 (15.1%) to \$108,613, while deferred inflows of resources decreased by \$31,304 (40.2%) to \$46,585.

The result of these changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources was an increase in net position of \$46,378 (2.6%), to \$1,830,236 in the current fiscal year from \$1,783,858 in the prior fiscal year.

The largest portion of the County's net position is reflected in its net investment in capital assets (i.e., land, buildings, infrastructure, and equipment) less any related outstanding debt used to acquire those assets. At June 30, 2016, net investment in capital assets totaled \$2,013,130, an increase of \$34,783 (1.8%) from the prior year, primarily due to the increase of \$44,018 in net investment in capital assets for business-type activities. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Resources subject to external restrictions on how they may be used comprise the restricted net position of \$222,595 which is a decrease of \$3,033 (1.3%) from the prior year and approximately 12.2% of total net position.

The following schedule presents, on a comparative basis, both governmental activities and business-type activities within the Statement of Net Position.

<b>Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position At June 30, 2016 and 2015</b>									
	<b>Governmental Activities</b>			<b>Business-type Activities</b>			<b>Total</b>		
	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>
Current and other assets	\$ 485,911	\$ 478,797	\$ 7,114	\$ 215,233	\$ 223,188	\$ (7,955)	\$ 701,144	\$ 701,985	\$ (841)
Capital assets (net):									
Land, buildings, equipment, infrastructure & other assets	1,969,092	2,011,236	(42,144)	1,238,112	1,241,620	(3,508)	3,207,204	3,252,856	(45,652)
Total assets	<u>2,455,003</u>	<u>2,490,033</u>	<u>(35,030)</u>	<u>1,453,345</u>	<u>1,464,808</u>	<u>(11,463)</u>	<u>3,908,348</u>	<u>3,954,841</u>	<u>(46,493)</u>
Deferred outflows of resources									
Pension	102,101	119,381	(17,280)	4,378	5,626	(1,248)	106,479	125,007	(18,528)
Deferred charges on refunding	2,134	2,858	(724)				2,134	2,858	(724)
Total deferred outflows of resources	<u>104,235</u>	<u>122,239</u>	<u>(18,004)</u>	<u>4,378</u>	<u>5,626</u>	<u>(1,248)</u>	<u>108,613</u>	<u>127,865</u>	<u>(19,252)</u>
Current and other liabilities	60,392	72,501	(12,109)	17,010	21,657	(4,647)	77,402	94,158	(16,756)
Long-term liabilities	1,411,130	1,429,188	(18,058)	651,608	697,613	(46,005)	2,062,738	2,126,801	(64,063)
Total liabilities	<u>1,471,522</u>	<u>1,501,689</u>	<u>(30,167)</u>	<u>668,618</u>	<u>719,270</u>	<u>(50,652)</u>	<u>2,140,140</u>	<u>2,220,959</u>	<u>(80,819)</u>
Deferred inflows of resources									
Pension	42,084	70,168	(28,084)	4,501	7,721	(3,220)	46,585	77,889	(31,304)
Total deferred inflows of resources	<u>42,084</u>	<u>70,168</u>	<u>(28,084)</u>	<u>4,501</u>	<u>7,721</u>	<u>(3,220)</u>	<u>46,585</u>	<u>77,889</u>	<u>(31,304)</u>
Net position:									
Net investment in capital assets	1,376,761	1,385,996	(9,235)	636,369	592,351	44,018	2,013,130	1,978,347	34,783
Restricted	163,266	161,546	1,720	59,329	64,082	(4,753)	222,595	225,628	(3,033)
Unrestricted (deficit)	(494,395)	(507,127)	12,732	88,906	87,010	1,896	(405,489)	(420,117)	14,628
Total net position	<u>\$ 1,045,632</u>	<u>\$ 1,040,415</u>	<u>\$ 5,217</u>	<u>\$ 784,604</u>	<u>\$ 743,443</u>	<u>\$ 41,161</u>	<u>\$ 1,830,236</u>	<u>\$ 1,783,858</u>	<u>\$ 46,378</u>

### **Analysis of Net Position for Governmental activities**

The current year capital assets balance of \$1,969,092 in governmental activities decreased \$42,144 (2.1%) from the prior year. This decrease is primarily due to the \$70,948 decrease in the construction in progress balance as projects were concluded and fewer new projects were started in the current fiscal year. This decrease was partially offset by increases of \$5,270 in land, \$5,036 in buildings and improvements and \$19,484 in infrastructure asset types as assets were acquired and certain projects were completed and capitalized.

Total liabilities decreased \$30,167 (2.0%) to \$1,471,522 primarily because the County did not issue any new general obligation or transportation revenue bonds during the current year and continued paying off existing debt.

The decreases in deferred outflows of resources of \$18,004 (14.7%), and deferred inflows of resources of \$28,084 (40.0%), are due to changes in actuarial estimates related to the net pension liability for the various retirement plans that the County contributes to for its employees within the governmental activities.

These changes resulted in an overall increase of \$12,732 in unrestricted net position in the County's governmental activities, which ended at a deficit balance of \$494,395.

**Analysis of Net Position for Business-type activities**

Current and other assets of \$215,233 represents a decrease of \$7,955 (3.6%), primarily due to the \$4,670 decrease in internal balances due from governmental activities, from \$7,852 last year to \$3,182 in current year. The County's governmental activities owed less funding to the business-type activities' capital projects at the end of the current year than at the end of the prior year.

Total liabilities decreased by \$50,652 (7.0%), primarily due to a decrease of \$46,005 (6.6%) in long-term liabilities because the County did not issue any new business-type activity debt during the current year and continued paying off existing debt.

The decreases of \$1,248 (22.2%) in deferred outflows of resources and \$3,220 (41.7%) in deferred inflows of resources are due to changes in actuarial estimates related to the net pension liability for the Arizona State Retirement System plan that the County contributes to for its employees within the business-type activities.

The large decrease in long-term liabilities mentioned above resulted in an increase in net investment in capital assets of \$44,018 (7.4%), primarily because the outstanding debt had been issued to fund capital assets. This change is also primarily responsible for the increase in total net position of \$41,161 (5.5%) in the current year.

## Governmental activities

The following table shows details of the changes in net position for governmental activities:

<b>Governmental Activities</b>				
<b>Schedule of Revenues, Expenses, and Changes in Net Position</b>				
<b>For the Years Ended June 30, 2016 and 2015</b>				
	<u>FY2016</u>	<u>FY2015</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Program revenues:				
Charges for services	\$ 62,032	\$ 63,808	\$ (1,776)	-2.8%
Operating grants and contributions	127,536	126,862	674	0.5%
Capital grants and contributions	45,579	42,570	3,009	7.1%
Total program revenues	235,147	233,240	1,907	0.8%
General revenues:				
Property taxes	444,194	423,538	20,656	4.9%
State-shared taxes	134,268	130,498	3,770	2.9%
Investment earnings	3,268	1,931	1,337	69.2%
Other general revenues	33,735	35,306	(1,571)	-4.4%
Total general revenues	615,465	591,273	24,192	4.1%
Total revenues	850,612	824,513	26,099	3.2%
Expenses:				
General government	267,658	259,734	7,924	3.1%
Public safety	201,759	188,189	13,570	7.2%
Highways and streets	102,461	85,618	16,843	19.7%
Sanitation	3,089	(4,882)	7,971	163.3%
Health	38,386	38,219	167	0.4%
Welfare	88,515	93,524	(5,009)	-5.4%
Culture and recreation	65,770	62,981	2,789	4.4%
Education and economic opportunity	35,833	35,051	782	2.2%
Amortization	(6,862)	(6,237)	(625)	10.0%
Interest on long-term debt	27,464	27,696	(232)	-0.8%
Total expenses	824,073	779,893	44,180	5.7%
Excess before transfers	26,539	44,620	(18,081)	-40.5%
Transfers out	(20,190)	(17,133)	(3,057)	17.8%
Change in net position	6,349	27,487	(21,138)	-76.9%
Beginning net position, as restated *	1,039,283	1,012,928	26,355	2.6%
Ending net position	\$ 1,045,632	\$ 1,040,415	\$ 5,217	0.5%

*\*Beginning net position as restated July 1, 2015, due to the provisions of GASB 82*

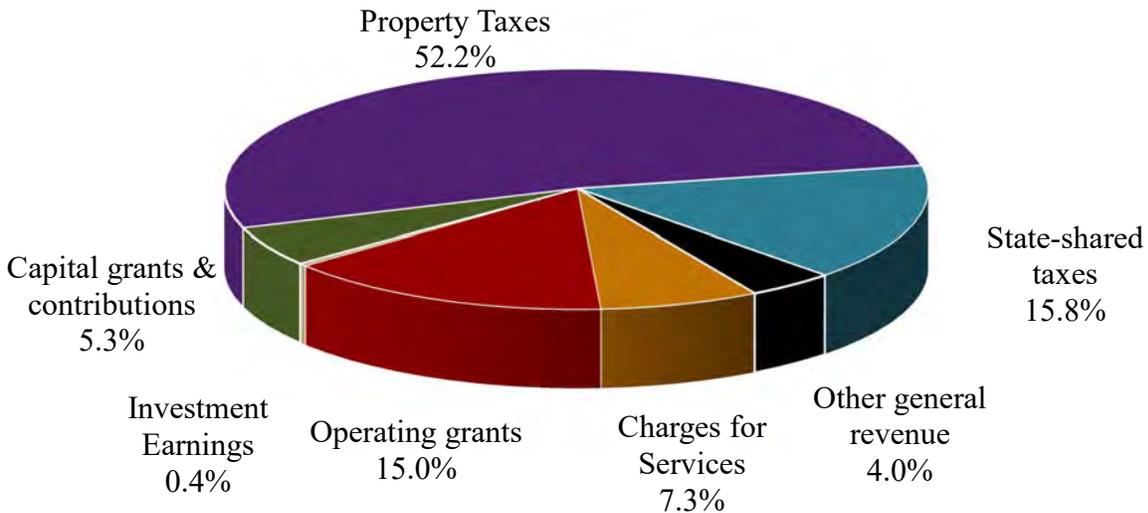
## Revenues

Total revenues of \$850,612 increased \$26,099 (3.2%) from the prior year, primarily due to an increase of \$20,656 (4.9%) in property taxes because of a higher primary property tax rate and slightly higher property valuations.

Total program revenues increased by \$1,907 (0.8%) over the prior year, primarily because the County received more capital and operating grants compared to the prior year.

The chart below presents general and program revenues, as a percentage to total revenues. The amount provided from each revenue source for governmental activities, as a percentage to total revenue for governmental activities, has not changed significantly from the prior fiscal year. Property taxes, operating grants, and state-shared taxes account for approximately 83.0% of the County's revenues.

### **General and Program Revenues - Governmental Activities**



### **Expenses**

Total expenses increased \$44,180 or 5.7% over the prior year, primarily due to the increase of \$16,843 (19.7%) in highways and streets expenses, an increase of \$13,570 (7.2%) in public safety expenses, an increase of \$7,924 (3.1%) in general government expenses, and an increase of \$7,971 (163.3%) in sanitation expenses. The explanations for these increases are as follows:

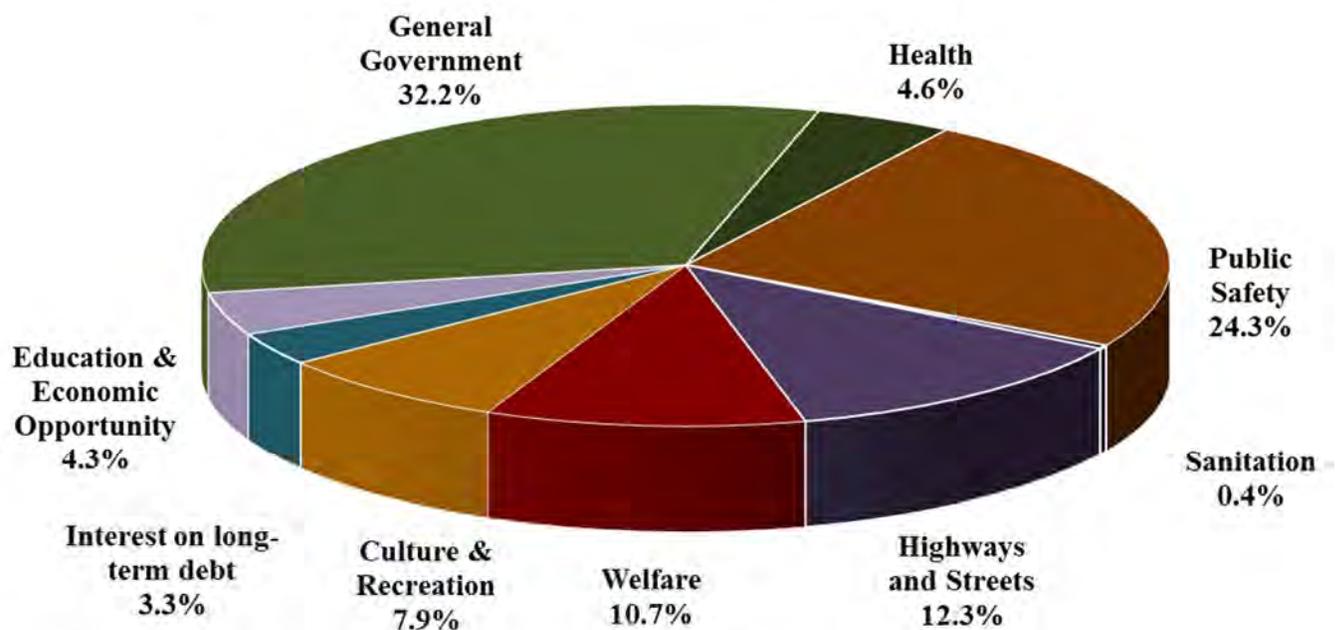
- The highways and streets increase is due largely in part to the County's continued collaboration with other local governments on numerous transportation projects with increased activity in the current year.
- The increase in public safety is primarily due to ongoing flood control projects, in addition to increased contributions to the Public Safety Personnel Retirement System due to pension reform changes instituted by the State legislature.
- The general government increase is primarily due to an increase in contributions to the various retirement plans that the County contributes to for its employees, the largest of which is the Arizona State Retirement System.
- The increase in sanitation expenses is mostly due to an ongoing project to permanently close and monitor the Tangerine Landfill as required by the Arizona Department of Environmental Quality.

The following chart presents expenses by function as a percentage to total expenses. The amount of each expense by function as a percentage to total expenses has not changed significantly from the prior fiscal year. General government, public safety, and highways and streets account for over two-thirds of the County's total expenses.

The current year's change in net position of \$6,349 decreased by \$21,138 from the prior year's change of \$27,487 primarily because expenses increased more than revenues as described above.

At July 1, 2015, the governmental activities beginning net position was restated due to the implementation of the provisions of GASB 82, *Pension Issues*. The restatement decreased prior year-end net position by \$1,132 for amounts the County contributed on behalf of employees participating in the Public Safety Personnel Retirement System, resulting in a restated governmental activities net position balance of \$1,039,283.

**Expenses by Function - Governmental Activities**



## Business-type activities

Business-type activities, which are composed exclusively of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. The following schedule shows changes in the net position for business-type activities.

<b>Business-type Activities</b>				
<b>Schedule of Revenues, Expenses, and Changes in Net Position</b>				
<b>For the Years Ended June 30, 2016 and 2015</b>				
	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>	
			<b>Amount</b>	<b>Percent</b>
Program revenues:				
Charges for services	\$ 176,277	\$ 181,192	\$ (4,915)	-2.7%
Operating grants and contributions	35	35		0.0%
Capital grants and contributions	7,297	5,854	1,443	24.6%
Total program revenues	183,609	187,081	(3,472)	-1.9%
General revenues:				
Investment earnings	1,291	903	388	43.0%
Other general revenues	678	549	129	23.5%
Total general revenues	1,969	1,452	517	35.6%
Total revenues	185,578	188,533	(2,955)	-1.6%
Expenses:				
Regional Wastewater Reclamation	155,566	184,884	(29,318)	-15.9%
Development Services	6,691	6,888	(197)	-2.9%
Parking Garages	2,350	1,814	536	29.5%
Total expenses	164,607	193,586	(28,979)	-15.0%
Excess before transfers	20,971	(5,053)	26,024	515.0%
Transfers in	20,190	17,133	3,057	17.8%
Change in net position	41,161	12,080	29,081	240.7%
Beginning net position	743,443	731,363	12,080	1.7%
Ending net position	\$ 784,604	\$ 743,443	\$ 41,161	5.5%

## Revenues

Total revenues for business-type activities decreased \$2,955 (1.6%) mainly due to a decrease in charges for services of \$4,915 (2.7%) resulting from a decrease in the RWR sewer user and connection fees.

## Expenses

Total expenses for business-type activities decreased by \$28,979 (15.0%), primarily due to the decrease of \$29,318 (15.9%) in RWR expenses. RWR's prior year expenses had been unusually high mainly due to the \$27,554 loss from the closure of the Randolph Park Reclamation Facility in the prior year.

## ***Financial Analysis of the County's Funds***

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

### **Governmental funds**

The County's general government functions are accounted for in the General, Capital Projects, Debt Service, and Special Revenue funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library and Stadium Districts) acting as the Board of Directors for each district. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

### **Major Governmental Funds**

#### **General Fund**

The General Fund is the chief operating fund of the County.

Property taxes revenues for the General Fund increased \$12,064 as a result of a higher primary property tax rate and slightly higher property valuations. Intergovernmental revenues increased \$3,448 primarily due to increases in the state-shared sales tax and state-shared vehicle license tax associated with an anticipated gradual recovery in the local economy. Charges for services increased \$3,212 mostly due to higher General Fund administrative overhead charges, and increasing Recorder's general government fees from administering the presidential and other special elections. Overall, revenues for the General Fund increased \$18,989.

General fund expenditures decreased \$8,695 primarily due to:

- A decrease of \$13,497 in culture and recreation expenditures primarily as a result of two property acquisitions in the prior year for the Stardust and Painted Hills properties.
- A decrease of \$5,094 in welfare expenditures, which includes a \$2,500 current year funding reduction to Banner – University Medical Center South, a \$1,200 decrease due to the final contract payment to Banner – University Medical Center South in the prior year, and the remainder of the expenditure decrease primarily associated with the switch from the State designated Regional Behavioral Health Authority to the County's own administration process.
- An increase of \$4,636 in public safety expenditures primarily due to higher public safety retirement contributions and additional costs related to the County's information technology leases for hardware, software, and storage servers.
- An increase of \$2,949 in debt service – principal, mainly as a result of two notes payable principal payments: \$1,242 towards the Stardust property, and \$1,704 towards the Painted Hills property.

The other financing source - installment note, decreased \$11,500 from two notes payable in the prior year, one for financing \$7,000 towards the acquisition of the Stardust property, and the other financing \$4,500 towards the acquisition of the Painted Hills property.

Transfers (out) decreased \$7,814, primarily due to a funding reduction of \$3,000 to the transportation fund for the pavement preservation due to lower state diversions and an improving economy, and transfers out of \$6,117 to the information technology fund in the prior year to provide capital and operating costs in support of the County's information technology infrastructure.

The \$18,989 increase in revenues, the \$8,695 decrease in expenditures, and a total net increase of \$3,062 in other financing uses yielded an increase of \$24,622 in net change in fund balance, which ended the year at \$80,682.

### Budget to Actual Comparison for the General Fund

Overall, actual revenues were lower than budgeted revenues by \$42 and actual expenditures were less than budgeted expenditures by \$61,159.

Actual expenditures for the General Fund were less than budgeted, primarily because the County did not need to spend \$43,628 of the amount budgeted for contingencies within General government- County Administration.

No variances between the budget to actual amounts at the departmental level were significant enough to affect the County's ability to provide future services.

### Capital Projects Fund

The County's Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned for capital outlays to acquire or construct capital assets.

Revenues for the Capital Projects Fund increased \$3,436, primarily due to an increase of \$4,212 in State revenues for the Hughes Access Road Relocation project.

Expenditures decreased \$30,315, because the new Public Service Center project was completed in 2015. Prior year expenditures to complete the Public Service Center totaled \$26,007.

The \$34,295 face amount of long-term debt issued represents a decrease of \$37,730 from the prior fiscal year, as the County did not issue any general obligation or transportation revenue bonds in the current year. All proceeds received were from certificates of participation.

Transfers out decreased by \$3,936 primarily because less transfers were necessary to fund various capital projects and related financing.

The \$3,436 increase in revenues, the \$30,315 decrease in expenditures and a total decrease of \$38,432 in other financing sources yield a decrease of \$4,681 in net change in fund balance in the current year.

### Debt Service Fund

This major fund accounts for the accumulation of resources for the payment of principal and interest of long-term debt.

Revenues for the Debt Service Fund remained relatively constant with a decrease of only \$360 primarily because the secondary property taxes rate remained the same as the prior year and property valuations remained relatively consistent.

Expenditures for the Debt Service Fund increased \$776 mainly from an increase in principal payments of \$2,060 offset by a decrease in interest payments of \$909. Please see Note 7 beginning on page 66 for more information on bond and certificate of participation details.

Premium on bonds decreased to \$1,662 as the only premium consisted of \$1,662 from the issuance of Certificates of Participation Series (COPS) 2016. Issuance of refunding debt decreased to \$9,640, as the COPS 2016 included a refunding portion in the amount of \$9,640. Payments to escrow agents decreased to \$11,010 because this amount was deposited into a trust account as of the refunding.

The resulting fund balance of \$6,656 reflects a \$1,768 decrease from prior year.

**Major Proprietary Fund**

The County’s Regional Wastewater Reclamation Enterprise (RWR) Fund is a major enterprise fund.

Significant changes in the Fund’s net position during the fiscal year include a drop in total expenses of \$29,318 and an increase in net transfers in of \$13,804 compared to the prior fiscal year. The drop in total expenses is primarily due to the prior fiscal year loss of \$27,554 incurred on the closure of the Randolph Park Wastewater Reclamation Facility. The increase in net transfers in is primarily due to an increase of transfers in from Capital Projects of \$15,638 for improvements to the sewer conveyance system.

The net position increased by \$42,529 in the current fiscal year resulting in a total net position of \$766,066 at fiscal year-end.

***Capital Assets and Debt Administration***

**Capital Assets**

The County’s investment in capital assets consists of land, buildings and improvements, sewage conveyance systems, infrastructure, equipment, and construction in progress.

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

<b>Governmental and Business-type Activities</b>									
<b>Capital Assets</b>									
<b>As of June 30, 2016 and 2015</b>									
	<b>Governmental Activities</b>			<b>Business-type Activities</b>			<b>Total</b>		
	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>	<b>FY2016</b>	<b>FY2015</b>	<b>Variance</b>
Land	\$ 526,319	\$ 521,049	\$ 5,270	\$ 13,999	\$ 13,994	\$ 5	\$ 540,318	\$ 535,043	\$ 5,275
Construction in progress	33,327	104,275	(70,948)	39,135	50,204	(11,069)	72,462	154,479	(82,017)
Buildings and improvements	598,750	593,714	5,036	602,681	624,068	(21,387)	1,201,431	1,217,782	(16,351)
Infrastructure	694,519	675,035	19,484			-	694,519	675,035	19,484
Sewage conveyance systems				485,043	457,524	27,519	485,043	457,524	27,519
Equipment	116,177	117,163	(986)	97,254	95,830	1,424	213,431	212,993	438
<b>Total</b>	<b>\$ 1,969,092</b>	<b>\$ 2,011,236</b>	<b>\$ (42,144)</b>	<b>\$ 1,238,112</b>	<b>\$ 1,241,620</b>	<b>\$ (3,508)</b>	<b>\$ 3,207,204</b>	<b>\$ 3,252,856</b>	<b>\$ (45,652)</b>

The County’s total capital assets decreased by \$45,652 (1.4%) in the current fiscal year.

The most significant changes were as follows:

- Construction in progress decreased by \$82,017 (53.1%), primarily from governmental activities.
- Sewage and conveyance systems increased by \$27,519 (6.0%), entirely from business-type activities.
- Infrastructure increased by \$19,484 (2.9%), entirely from governmental activities.
- Buildings and improvements decreased by \$16,351 (1.3%), entirely from business-type activities, offset by an increase of \$5,036 (0.8%) in governmental activities.

***Governmental activities***

Capital assets of Governmental activities decreased by \$42,144 (2.1%), with the decrease resulting largely from the \$70,948 (68.0%) decrease in construction in progress, offset by the increase in infrastructure mentioned above. The reduction in construction in progress is due to projects being completed and capitalized as shown by the increase in infrastructure. In addition to these decreases, there were other decreases resulting from transportation projects that were started and incurred planning and design costs, but were subsequently cancelled due to changes in prioritization of funding pertaining to other projects.

The most significant changes in construction in progress were as follows:

- Completion of a transportation project for Magee Road between La Canada Drive and Oracle Road totaling \$15,313, of which \$7,068 belongs to the Town of Oro Valley.
- Completion of a transportation project for Valencia Road between Alvernon Way and Kolb Road totaling \$36,442, of which \$22,234 belongs to the City of Tucson.
- Completion of flood control improvements for the Arroyo Chico Detention Basin totaling \$14,964, of which \$1,975 belongs to the City of Tucson.
- Cancellation of various other projects totaling \$3,853.

***Business-type activities***

Capital assets of business-type activities decreased by \$3,508 (0.3%), due to a decrease in building and improvements of \$21,387 (3.4%) and construction in progress of \$11,069 (22.0%), offset by an increase of \$27,519 (6.0%) in sewage conveyance systems all primarily within RWR. The decrease in buildings and improvements is due to current year depreciation expense exceeding the amount of building and improvements additions. The decrease in construction in progress is primarily due to the increase in the amount of sewage conveyance systems that were completed and capitalized during the year. The project that makes up the majority of the sewage conveyance systems increase is the sewage conveyance rehabilitation program, which is responsible for \$25,623 of the total increase.

**Long-term Debt**

Significant, comparative long-term debt entered into during the last two fiscal years is presented below:

<b>Long-Term Debt</b>		
<b>For the Years Ended June 30, 2016 and 2015</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>
Bonds issued (at face value):		
General Obligation		\$ 15,000
Street and Highway Revenue		13,685
Certificates of Participation (COPs)	\$ 43,935	57,025
Capital leases	149	
Installment note payable		11,500
<b>Total</b>	<b>\$ 44,084</b>	<b>\$ 97,210</b>

During the year, the County issued Certificates of Participation Series 2016A for \$28,750, \$19,110 of the proceeds to expand and improve the County's existing sewer system facilities and \$9,640 to refund portion of Certificates of Participation Series 2007A. This refunding resulted in an economic gain of \$1,061 and a reduction in debt service payments of \$1,169.

In addition, the County issued Certificates of Participation Series 2016B for \$15,185 to develop, design and construct a manufacturing and administrative headquarters to be used by World View Enterprises, Inc., which will lease the facility from the County over a 20-year period.

The County also acquired computer network storage arrays under contract agreements at a total capital leases payable amount of \$149.

The most recent ratings for Pima County's bonds and COPs are:

<b>Credit Ratings</b>				
	<b>Standard &amp; Poor's</b>		<b>Fitch Ratings</b>	
	<b>Rating</b>	<b>Date</b>	<b>Rating</b>	<b>Date</b>
Certificates of Participation (COPs)	A+	May-2016	AA-	May-2016
General Obligation	AA-	May-2016	AA	May-2016
Street and Highway Revenue	AA	May-2016	AA	May-2016
Sewer Revenue Bonds	AA	May-2016	AA	May-2016
Sewer Revenue Obligations	AA	May-2016	AA-	May-2016

The State of Arizona Constitution limits the amount of general obligation debt a governmental entity may issue to 6.0% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15.0%. The current debt limitation for Pima County is \$1,185,929, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements, on pages 66-76.

## ***Economic Factors and Next Year's Budget***

Pima County is still contending with a slow, and at times, uneven recovery from the Great Recession. Like all governments in Arizona, Pima County has necessarily adjusted to reduced revenues and increased service demands during this time. The current fiscal year 2016-17 budget is based largely on the County's response to a set of unique challenges from a variety of outside sources. Primary among these is the decision by the Arizona Legislature to balance the State Budget by continuing to transfer \$82.4 million of fiscal year 2016-17 State costs to Pima County. These additional costs imposed by the State continue to cause significant uncertainties in the development of the County budget and impact all of Pima County's existing service priorities and programs, including law enforcement, healthcare and economic development. Recognizing this, the budget that was adopted by the Board of Supervisors for fiscal year 2016-17 is primarily a "maintenance of effort" budget, which will sustain the County's existing service priorities. The following discussion identifies other significant activities that are expected to impact the County in fiscal year 2016-17.

### **State Budget Cost Shifts**

In attempts to balance the State Budget, the Governor and Legislature continue to transfer significant amounts of State costs to the 15 counties throughout the State. The total of these cost transfers to Pima County is \$82.4 million for fiscal year 2016-17, or nearly 25% of Pima County's primary property tax levy.

### **Successful Litigation of State Aid to Education Cost Shifts**

A significant portion of the state cost transfers to Pima County in fiscal year 2015-16 were related to the State Aid to Education tax credit, which had been paid for by the State for the last 36 years. In response to this unprecedented transfer of state costs, the County mounted a legal challenge to this portion of the State budget. Based on the decision of the Maricopa County Superior Court, the County prevailed in the litigation against the State of Arizona regarding this unconstitutional transfer of property tax liability. As a result of the successful litigation, the County was able to reduce its fiscal year 2016-17 primary property tax rate by \$0.0981.

### **Property Taxes**

As previously mentioned, the fiscal year 2016-17 Adopted Budget includes a \$0.0981 decrease in the primary property tax rate for the General Government from the fiscal year 2015-16 tax rate. The Library District and Debt Service secondary property tax rates remain unchanged from fiscal year 2015-16 and the Regional Flood Control District secondary property tax rate increases by \$0.0200. The total property tax rate for Pima County (excluding the State mandated Fire District Assistance Tax) decreased from \$5.9165 to \$5.8384 per \$100 of net taxable value, a net decrease of \$0.0781.

### **State Shared Revenues**

State shared sales tax revenue is projected to increase by \$3.6 million in fiscal year 2016-17. This increase reflects a gradual recovery in the local economy and continued statewide economic growth.

### **Employee Benefits Costs**

Over the years, Pima County has continued to change and upgrade its benefits package for employees. Over time, the cost to provide these benefits has steadily increased. As a comparison, the actual cost to the County for employee benefits in fiscal year 2003-04 totaled \$65 million whereas the budgeted benefit costs in fiscal year 2016-17 totals \$145 million; resulting in an increase that is more than double the fiscal year 2003-04 amount. A significant portion of this increase is due to higher cost of employee medical insurance, retirement contributions and other benefit costs. Fiscal year 2016-17 aggregate benefits will increase more than \$6 million over fiscal year 2015-16. The County will have to absorb these increases in the face of other budgetary challenges.

### **Employee Medical Insurance Benefits Costs**

Prior to fiscal year 2013-14, Pima County purchased medical insurance for its employees from an independent provider. Over the five years prior to fiscal year 2013-14, the County's employee medical insurance premiums increased by an average of 15 to 20 percent yearly. In order to control the rate of increase of employee medical insurance costs, the County moved to a self-insured medical plan run by a third-party administrator starting in fiscal

year 2013-14. Under this new model, year-to-year medical insurance costs have increased in the range of 5 to 7 percent annually. It is anticipated that the rate of medical costs increases will continue to be better controlled in future years.

### **Rainy Day Funds**

Maintaining a budget reserve has given the County a favorable bond rating, which in turn has yielded substantial savings from lower interest payments on County bonds. The reserve has also enabled the County to minimize the negative fiscal impacts of a variety of unforeseen events over which the County has had little or no control. The General Fund Reserve for fiscal year 2016-17 totals \$61,240,853. This reserve represents 10.8% of projected revenues for fiscal year 2016-17 compared to the ending fund balance of 5.6% of revenue last fiscal year. The reserve increase reflects the savings resulting from the County's successful litigation ruling against the State of Arizona State Aid to Education Cost Shifts and is in the middle of the range of reserves recommended by the Government Finance Officers Association. If this reserve is not spent, it will represent the base ending fund balance for fiscal year 2016-17.

### ***Requests for Information***

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6<sup>th</sup> Floor, Tucson, AZ, 85701.

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## **Basic Financial Statements**

PIMA COUNTY, ARIZONA

Exhibit A-1

Statement of Net Position

June 30, 2016

(in thousands)

	Primary Government			Component Unit SW Fair Commission
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 404,060	\$ 115,303	\$ 519,363	\$ 2,295
Property taxes receivable (net)	13,570		13,570	
Interest receivable	180	87	267	
Internal balances	(3,182)	3,182		
Due from other governments	47,052	835	47,887	
Accounts receivable (net)	7,858	17,031	24,889	32
Inventories	2,039	2,621	4,660	27
Prepays	11,456	285	11,741	69
Restricted assets:				
Cash and cash equivalents	57	75,889	75,946	1,199
Loans receivable	2,821		2,821	
Capital assets not being depreciated:				
Land	526,319	13,999	540,318	
Construction in progress	33,327	39,135	72,462	
Capital assets being depreciated (net):				
Buildings and improvements	598,750	602,681	1,201,431	3,321
Sewage conveyance system		485,043	485,043	
Equipment	116,177	97,254	213,431	412
Infrastructure	694,519		694,519	
<b>Total assets</b>	<b>2,455,003</b>	<b>1,453,345</b>	<b>3,908,348</b>	<b>7,355</b>
<b>Deferred outflows of resources</b>				
Pension	102,101	4,378	106,479	
Deferred charge on refunding	2,134		2,134	
<b>Total deferred outflows of resources</b>	<b>104,235</b>	<b>4,378</b>	<b>108,613</b>	
<b>Liabilities</b>				
Accounts payable	43,577	14,699	58,276	286
Interest payable	3	252	255	
Contract retentions	1,863		1,863	
Employee compensation	9,028	791	9,819	
Due to other governments	24	109	133	
Deposits and rebates	183		183	37
Unearned revenue	5,714	1,159	6,873	67
Noncurrent liabilities:				
Due within one year	110,854	55,508	166,362	
Due in more than one year	1,300,276	596,100	1,896,376	3
<b>Total liabilities</b>	<b>1,471,522</b>	<b>668,618</b>	<b>2,140,140</b>	<b>393</b>
<b>Deferred inflows of resources</b>				
Pension	42,084	4,501	46,585	
<b>Total deferred inflows of resources</b>	<b>42,084</b>	<b>4,501</b>	<b>46,585</b>	
<b>Net Position</b>				
Net investment in capital assets	1,376,761	636,369	2,013,130	3,733
Restricted for:				
Facilities, justice, library, community development, and tax stabilization	58,269		58,269	
Highways and streets	8,269		8,269	
Debt service		36,666	36,666	
Capital projects	62,386	3,440	65,826	
Regional wastewater		19,223	19,223	
Healthcare	34,342		34,342	
Unrestricted (deficit)	(494,395)	88,906	(405,489)	3,229
<b>Total net position</b>	<b>\$ 1,045,632</b>	<b>\$ 784,604</b>	<b>\$ 1,830,236</b>	<b>\$ 6,962</b>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Activities  
For the Year Ended June 30, 2016  
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 267,658	\$ 27,149	\$ 31,658	\$ 82
Public safety	201,759	12,733	7,363	723
Highways and streets	102,461	5,263	57,241	42,724
Sanitation	3,089		1,215	
Health	38,386	13,437	11,218	159
Welfare	88,515	50	350	
Culture and recreation	65,770	2,855	430	1,779
Education and economic opportunity	35,833	545	18,061	112
Amortization - unallocated	(6,862)			
Interest on long-term debt	27,464			
<b>Total governmental activities</b>	<b>824,073</b>	<b>62,032</b>	<b>127,536</b>	<b>45,579</b>
Business-type activities:				
Regional Wastewater Reclamation	155,566	167,856	35	7,297
Development Services	6,691	6,212		
Parking Garages	2,350	2,209		
<b>Total business-type activities</b>	<b>164,607</b>	<b>176,277</b>	<b>35</b>	<b>7,297</b>
<b>Total primary government</b>	<b>\$ 988,680</b>	<b>\$ 238,309</b>	<b>\$ 127,571</b>	<b>\$ 52,876</b>
<b>Component unit:</b>				
Southwestern Fair Commission	6,150	6,364	120	
<b>Total component unit</b>	<b>\$ 6,150</b>	<b>\$ 6,364</b>	<b>\$ 120</b>	
<b>General revenues:</b>				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as restated				
Net position at end of year				

See accompanying notes to financial statements

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental</b>	<b>Business-type</b>		<b>SW Fair Commission</b>
<b>Activities</b>	<b>Activities</b>	<b>Total</b>	
\$ (208,769)		\$ (208,769)	
(180,940)		(180,940)	
2,767		2,767	
(1,874)		(1,874)	
(13,572)		(13,572)	
(88,115)		(88,115)	
(60,706)		(60,706)	
(17,115)		(17,115)	
6,862		6,862	
(27,464)		(27,464)	
<u>(588,926)</u>		<u>(588,926)</u>	
	\$ 19,622	19,622	
	(479)	(479)	
	(141)	(141)	
	<u>19,002</u>	<u>19,002</u>	
<u>(588,926)</u>	<u>19,002</u>	<u>(569,924)</u>	
			334
			<u>\$ 334</u>
331,173		331,173	
21,450		21,450	
38,962		38,962	
52,609		52,609	
6,620		6,620	
1,614		1,614	
107,966		107,966	
26,302		26,302	
4,199		4,199	
5,590		5,590	
3,268	1,291	4,559	34
15,712	678	16,390	110
(20,190)	20,190		
<u>595,275</u>	<u>22,159</u>	<u>617,434</u>	<u>144</u>
6,349	41,161	47,510	478
<u>1,039,283</u>	<u>743,443</u>	<u>1,782,726</u>	<u>6,484</u>
<u>\$ 1,045,632</u>	<u>\$ 784,604</u>	<u>\$ 1,830,236</u>	<u>\$ 6,962</u>

**Functions/Programs**

**Primary government:**

Governmental activities:

- General government
- Public safety
- Highways and streets
- Sanitation
- Health
- Welfare
- Culture and recreation
- Education and economic opportunity
- Amortization - unallocated
- Interest on long-term debt

**Total governmental activities**

Business-type activities:

- Regional Wastewater Reclamation
- Development Services
- Parking Garages

**Total business-type activities**

**Total primary government**

**Component unit:**

- Southwestern Fair Commission

**Total component unit**

**General revenues:**

- Property taxes, levied for general purposes
- Property taxes, levied for regional flood control district
- Property taxes, levied for library district
- Property taxes, levied for debt service
- Hotel/motel taxes, levied for sports facility and tourism
- Other taxes, levied for stadium district
- Unrestricted share of state sales tax
- Unrestricted share of state vehicle license tax
- Grants and contributions not restricted to specific programs
- Interest and penalties on delinquent taxes
- Investment earnings
- Miscellaneous

Transfers

- Total general revenues and transfers

Change in net position

- Net position at beginning of year, as restated
- Net position at end of year

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Balance Sheet - Governmental Funds  
June 30, 2016  
(in thousands)

Exhibit A - 3

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 74,117	\$ 118,660	\$ 6,104	\$ 70,655	\$ 269,536
Property taxes receivable (net)	10,030		1,655	1,885	13,570
Interest receivable	50	25	36	38	149
Due from other funds	6,210	642		455	7,307
Due from other governments	23,048	3,990	14	19,997	47,049
Accounts receivable	2,044	2,132		3,580	7,756
Inventory				1,369	1,369
Prepaid expenditures	2,880			909	3,789
Loan receivable	1,300			1,521	2,821
Restricted cash and cash equivalents		12		45	57
<b>Total assets</b>	<u>\$ 119,679</u>	<u>\$ 125,461</u>	<u>\$ 7,809</u>	<u>\$ 100,454</u>	<u>\$ 353,403</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 12,085	\$ 9,620	\$ 2	\$ 17,050	\$ 38,757
Interest payable				3	3
Contract retentions		1,863			1,863
Employee compensation	6,622			2,169	8,791
Due to other funds	452	3,403		6,663	10,518
Due to other governments	11			13	24
Deposits and rebates	166	12		5	183
Unearned revenue	1,807	200		3,707	5,714
<b>Total liabilities</b>	<u>21,143</u>	<u>15,098</u>	<u>2</u>	<u>29,610</u>	<u>65,853</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue - intergovernmental	10,252	4,386		8,500	23,138
Unavailable revenue - property taxes	6,873		1,151	1,294	9,318
Unavailable revenue - other	729			432	1,161
<b>Total deferred inflows of resources</b>	<u>17,854</u>	<u>4,386</u>	<u>1,151</u>	<u>10,226</u>	<u>33,617</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>38,997</u>	<u>19,484</u>	<u>1,153</u>	<u>39,836</u>	<u>99,470</u>
<b>Fund balances</b>					
Nonspendable	2,931			2,323	5,254
Restricted		104,274		57,141	161,415
Committed		1,508		6,962	8,470
Assigned	201	195	6,656	3,289	10,341
Unassigned	77,550			(9,097)	68,453
<b>Total fund balances</b>	<u>80,682</u>	<u>105,977</u>	<u>6,656</u>	<u>60,618</u>	<u>253,933</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 119,679</u>	<u>\$ 125,461</u>	<u>\$ 7,809</u>	<u>\$ 100,454</u>	<u>\$ 353,403</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2016  
(in thousands)

Exhibit A - 4

Fund balances - total governmental funds \$ 253,933

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 3,001,330	
Less accumulated depreciation	(1,078,789)	1,922,541

Long-term liabilities, such as pension liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Bonds payable	(454,096)	
Certificates of participation payable	(179,054)	
Leases and notes payable	(8,869)	
Compensated absences liability	(29,404)	
Landfill liability	(10,584)	
Pollution remediation liability	(71)	
Net pension liability	(673,849)	(1,355,927)

Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows of resources related to pensions	101,248	
Deferred inflows of resources related to pensions	(41,207)	
Deferred outflows for bond refunding	2,134	62,175

Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.

33,617

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.

129,293

Net position of governmental activities

\$ 1,045,632

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 5

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2016  
 (in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 336,904		\$ 52,726	\$ 60,424	\$ 450,054
Licenses and permits	3,135			5,689	8,824
Intergovernmental	145,907	\$ 27,250	14	141,747	314,918
Charges for services	44,465	3,988		13,805	62,258
Fines and forfeits	3,401			5,019	8,420
Investment earnings	389	812	226	385	1,812
Miscellaneous	6,510	890	43	9,392	16,835
<b>Total revenues</b>	<b>540,711</b>	<b>32,940</b>	<b>53,009</b>	<b>236,461</b>	<b>863,121</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	219,122			36,517	255,639
Public safety	143,359			25,933	169,292
Highways and streets				45,625	45,625
Sanitation	1,205			1,032	2,237
Health	3,557			34,833	38,390
Welfare	88,117			319	88,436
Culture and recreation	17,418			41,292	58,710
Education and economic opportunity	12,092			23,029	35,121
Capital outlay		70,473			70,473
Debt Service - principal	3,098		83,765	94	86,957
- interest	762		25,515	2	26,279
- miscellaneous			488		488
<b>Total expenditures</b>	<b>488,730</b>	<b>70,473</b>	<b>109,768</b>	<b>208,676</b>	<b>877,647</b>
Excess (deficiency) of revenues over (under) expenditures	51,981	(37,533)	(56,759)	27,785	(14,526)
<b>Other financing sources (uses):</b>					
Proceeds from capital lease agreements				149	149
Premium on bonds		890	1,662		2,552
Issuance of refunding debt			9,640		9,640
Payments to escrow agent			(11,010)		(11,010)
Face amount of long-term debt issued		34,295			34,295
Proceeds from sale of capital assets	1			88	89
Transfers in	10,171	25,807	56,299	22,081	114,358
Transfers (out)	(33,596)	(47,317)	(1,600)	(50,352)	(132,865)
<b>Total other financing sources (uses)</b>	<b>(23,424)</b>	<b>13,675</b>	<b>54,991</b>	<b>(28,034)</b>	<b>17,208</b>
Net change in fund balances	28,557	(23,858)	(1,768)	(249)	2,682
Fund balances at beginning of year	52,125	129,835	8,424	60,989	251,373
<b>Changes in nonspendable resources:</b>					
Change in inventory				(110)	(110)
Change in prepaids				(12)	(12)
<b>Fund balances at end of year</b>	<b>\$ 80,682</b>	<b>\$ 105,977</b>	<b>\$ 6,656</b>	<b>\$ 60,618</b>	<b>\$ 253,933</b>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 6

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2016  
(in thousands)

Net change in fund balances - total governmental funds \$ 2,682

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets	\$ 33,539	
Less current year depreciation	<u>(76,735)</u>	(43,196)

Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of the principal of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Face amount of long-term debt issued	(34,295)	
Premium on bonds	(2,552)	
Proceeds from issuance of refunding bonds	(9,640)	
Debt service - principal payments	86,957	
Payments to escrow agent	11,010	
Proceeds from capital lease agreements	(149)	
Amortization of premiums/discounts	6,862	
Amortization of deferred charge on refunding	<u>(1,185)</u>	57,008

Some revenues reported in the Statement of Activities do not represent the collection of current financial resources and therefore are not reported as revenues in the governmental funds. In addition, collections of some revenues in the governmental funds exceeded revenues reported in the Statement of Activities.

Donations of capital assets	4,574	
Intergovernmental	(982)	
Property tax revenues	(270)	
Other	<u>(1,168)</u>	2,154

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in compensated absences	(381)	
Change in landfill liability	4,491	
Pollution remediation liability	223	
Net book value of capital asset disposals	(2,013)	
Other	<u>(122)</u>	2,198

County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions is reported in the Statement of Activities.

Pension contributions	45,366	
Pension expense	<u>(63,072)</u>	(17,706)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The incorporation of the external activities of these funds, and the elimination of profit/loss generated by primary government customers results in net revenue (expense) for governmental activities.

3,209

Change in net position of governmental activities \$ 6,349

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Net Position - Proprietary Funds  
June 30, 2016  
(in thousands)

Exhibit A- 7

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 110,451	\$ 4,852	\$ 115,303	\$ 134,524
Restricted cash and cash equivalents	26,777		26,777	
Interest receivable	85	2	87	31
Due from other funds	3,393	18	3,411	43
Due from other governments	827	8	835	3
Accounts receivable	16,931	100	17,031	102
Inventory	2,621		2,621	670
Prepaid expense	273	12	285	7,667
<b>Total current assets</b>	<u>161,358</u>	<u>4,992</u>	<u>166,350</u>	<u>143,040</u>
<b>Noncurrent assets:</b>				
Restricted cash and cash equivalents	49,112		49,112	
Loan receivable				6,700
<b>Capital assets:</b>				
Land	12,231	1,768	13,999	449
Buildings and improvements	745,587	27,608	773,195	18,969
Sewage conveyance system	791,058		791,058	
Equipment	148,423	2,296	150,719	53,378
Less accumulated depreciation	(519,400)	(10,594)	(529,994)	(26,795)
Construction in progress	39,007	128	39,135	550
<b>Total capital assets (net)</b>	<u>1,216,906</u>	<u>21,206</u>	<u>1,238,112</u>	<u>46,551</u>
<b>Total noncurrent assets</b>	<u>1,266,018</u>	<u>21,206</u>	<u>1,287,224</u>	<u>53,251</u>
<b>Total assets</b>	<u>1,427,376</u>	<u>26,198</u>	<u>1,453,574</u>	<u>196,291</u>
<b>Deferred outflows of resources</b>				
Pension	3,772	606	4,378	853
<b>Total deferred outflows of resources</b>	<u>3,772</u>	<u>606</u>	<u>4,378</u>	<u>853</u>
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	14,091	608	14,699	4,820
Employee compensation	692	99	791	237
Interest payable	252		252	
Due to other funds	64	165	229	14
Due to other governments	2	107	109	
Unearned revenue	1,158	1	1,159	
Current sewer revenue bonds and obligations payable	53,879		53,879	
Current portion of wastewater loans payable	1,629		1,629	
Current portion reported but unpaid losses				5,465
Current portion incurred but not reported losses				6,284
<b>Total current liabilities</b>	<u>71,767</u>	<u>980</u>	<u>72,747</u>	<u>16,820</u>
<b>Noncurrent liabilities:</b>				
Compensated absences payable	2,338	348	2,686	593
Loan payable				6,700
Contracts and notes payable	1,577		1,577	
Sewer revenue bonds and obligations payable	531,301		531,301	
Wastewater loans payable	14,934		14,934	
Reported but unpaid losses				22,658
Incurred but not reported losses				11,317
Net pension liability	39,287	6,315	45,602	8,886
<b>Total noncurrent liabilities</b>	<u>589,437</u>	<u>6,663</u>	<u>596,100</u>	<u>50,154</u>
<b>Total liabilities</b>	<u>661,204</u>	<u>7,643</u>	<u>668,847</u>	<u>66,974</u>
<b>Deferred inflows of resources</b>				
Pension	3,878	623	4,501	877
<b>Total deferred inflows of resources</b>	<u>3,878</u>	<u>623</u>	<u>4,501</u>	<u>877</u>
<b>Net position</b>				
Net investment in capital assets	615,163	21,206	636,369	46,551
<b>Restricted for:</b>				
Debt service	36,666		36,666	
Capital projects	3,440		3,440	
Healthcare				20,137
Regional wastewater reclamation	19,223		19,223	
Unrestricted	91,574	(2,668)	88,906	62,605
<b>Total net position</b>	<u>\$ 766,066</u>	<u>\$ 18,538</u>	<u>\$ 784,604</u>	<u>\$ 129,293</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 8

Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2016  
 (in thousands)

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:				
Charges for services	\$ 157,132	\$ 8,421	\$ 165,553	\$ 121,687
Other	615	63	678	2,385
Total net operating revenues	<u>157,747</u>	<u>8,484</u>	<u>166,231</u>	<u>124,072</u>
Operating expenses:				
Employee compensation	29,885	5,030	34,915	11,829
Operating supplies and services	7,364	77	7,441	7,145
Utilities	6,761		6,761	
Sludge and refuse disposal	1,623		1,623	
Repair and maintenance	9,037	79	9,116	1,791
Incurring losses				67,838
Insurance premiums				10,024
General and administrative	15,406	3,009	18,415	10,859
Consultants and professional services	11,677	149	11,826	6,458
Depreciation	51,376	697	52,073	4,756
Total operating expenses	<u>133,129</u>	<u>9,041</u>	<u>142,170</u>	<u>120,700</u>
Operating income (loss)	<u>24,618</u>	<u>(557)</u>	<u>24,061</u>	<u>3,372</u>
Nonoperating revenues (expenses):				
Intergovernmental revenue	832		832	
Investment earnings	1,259	32	1,291	1,456
Sewer connection fees	10,724		10,724	
Interest expense	(20,890)		(20,890)	
Gain/(loss) on disposal of capital assets	(1,547)		(1,547)	64
Total nonoperating revenues (expenses)	<u>(9,622)</u>	<u>32</u>	<u>(9,590)</u>	<u>1,520</u>
Income (loss) before contributions and transfers	14,996	(525)	14,471	4,892
Capital contributions	6,500		6,500	
Transfers in	44,295		44,295	958
Transfers (out)	(23,262)	(843)	(24,105)	(2,641)
Change in net position	42,529	(1,368)	41,161	3,209
Net position at beginning of year	<u>723,537</u>	<u>19,906</u>	<u>743,443</u>	<u>126,084</u>
Net position at end of year	<u>\$ 766,066</u>	<u>\$ 18,538</u>	<u>\$ 784,604</u>	<u>\$ 129,293</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit A - 9

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:				
Cash received from other funds for goods and services provided				\$ 124,201
Cash received from customers for goods and services provided	\$ 158,724	\$ 8,687	\$ 167,411	
Cash received from miscellaneous operations	615		615	2,455
Cash payments to suppliers for goods and services	(32,593)	(1,038)	(33,631)	(33,999)
Cash payments to other funds for goods and services	(19,302)	(1,942)	(21,244)	(5,500)
Cash payments for incurred losses				(53,491)
Cash payments to employees for services	(31,698)	(5,380)	(37,078)	(12,008)
Net cash provided by operating activities	<u>75,746</u>	<u>327</u>	<u>76,073</u>	<u>21,658</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds	44,295		44,295	1,005
Cash transfers out to other funds	(23,262)	(843)	(24,105)	(2,673)
Loans with other funds	4,524	146	4,670	8
Intergovernmental revenues	832		832	
Net cash provided by (used for) noncapital financing activities	<u>26,389</u>	<u>(697)</u>	<u>25,692</u>	<u>(1,660)</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(40,271)		(40,271)	
Interest paid on bonds and loans	(28,169)		(28,169)	
Sewer connection fees	10,294		10,294	
Proceeds from sale of capital assets				291
Purchase of capital assets	(45,752)	(1,055)	(46,807)	(3,474)
Net cash used for capital and related financing activities	<u>(103,898)</u>	<u>(1,055)</u>	<u>(104,953)</u>	<u>(3,183)</u>
Cash flows from investing activities:				
Interest received on cash and investments	1,260	34	1,294	1,440
Net cash provided by investing activities	<u>1,260</u>	<u>34</u>	<u>1,294</u>	<u>1,440</u>
Net increase (decrease) in cash and cash equivalents	(503)	(1,391)	(1,894)	18,255
Cash and cash equivalents at beginning of year	<u>186,843</u>	<u>6,243</u>	<u>193,086</u>	<u>116,269</u>
Cash and cash equivalents at end of year	<u>\$ 186,340</u>	<u>\$ 4,852</u>	<u>\$ 191,192</u>	<u>\$ 134,524</u>

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit A - 9.1

(continued)

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 24,618	\$ (557)	\$ 24,061	\$ 3,372
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	51,376	697	52,073	4,756
Changes in assets and deferred outflows of resources:				
Decrease (increase) in assets:				
Accounts receivable	2,009	204	2,213	2,509
Due from other governments	(417)	(2)	(419)	75
Inventory and other assets	(238)		(238)	35
Prepaid expense	(183)	14	(169)	(4,045)
Decrease in deferred outflows of resources:				
Pension plans	1,074	173	1,247	243
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in liabilities:				
Accounts payable	397	213	610	792
Due to other governments	(3)	107	104	(4)
Reported but unpaid losses				11,887
Incurred but not reported losses				2,460
Net pension liability	1,246	202	1,448	281
Other liabilities	(1,359)	(278)	(1,637)	(75)
Decrease in deferred inflows of resources:				
Pension plans	(2,774)	(446)	(3,220)	(628)
Net cash provided by operating activities	<u>\$ 75,746</u>	<u>\$ 327</u>	<u>\$ 76,073</u>	<u>\$ 21,658</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2016:

Regional Wastewater Reclamation Enterprise Fund received developer-built conveyance systems with an estimated fair value of \$6,494. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation Enterprise Fund retired capital assets with a net book value of \$1,547.

Regional Wastewater Reclamation Enterprise Fund retired expired Sewer Credit Agreements totaling \$6. These transactions were recorded as a decrease in unearned revenue and an increase in capital contributions.

Other Enterprise Funds retired fully depreciated capital assets with an original cost of \$195 and transferred out assets with an original cost of \$19 to General Government.

Internal Service Funds sold capital assets with a net book value of \$203 and retired capital assets with a net book value of \$11.

Internal Service Funds transferred out an asset with a net book value of \$13 to General Government.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Fiduciary Net Position - Fiduciary Funds  
June 30, 2016  
(in thousands)

Exhibit A - 10

	Investment Trust Funds	Agency Funds
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 197,452	\$ 81,890
Interest receivable	62	
Due from other governments		1,508
<b>Total assets</b>	<b>\$ 197,514</b>	<b>\$ 83,398</b>
<b><u>Liabilities</u></b>		
Employee compensation		\$ 1,463
Due to other governments		52,289
Deposits and rebates		29,646
<b>Total liabilities</b>		<b>\$ 83,398</b>
<b><u>Net position</u></b>		
Held in trust for pool participants	<b>\$ 197,514</b>	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit A - 11

	Investment Trust Funds
<b>Additions</b>	
Contributions from participants	\$ 2,170,414
<b>Total contributions</b>	<b>2,170,414</b>
Investment earnings	926
<b>Total investment earnings</b>	<b>926</b>
<b>Total additions</b>	<b>2,171,340</b>
<b>Deductions</b>	
Distributions to participants	2,203,157
<b>Total deductions</b>	<b>2,203,157</b>
<b>Change in net position</b>	<b>(31,817)</b>
<b>Net position held in trust July 1, 2015</b>	229,331
<b>Net position held in trust June 30, 2016</b>	<b>\$ 197,514</b>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies**

Pima County's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

For the year ended June 30, 2016, the County implemented the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain provisions of GASB Statements 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement No. 72 establishes standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 73 amended GASB Statement No. 68 requirements related to note disclosures for pension related required supplementary information and payables to defined benefit pension plans. GASB Statement No. 76 establishes the hierarchy of sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles. The County also early implemented the provisions of GASB Statement No. 82, *Pension Issues*. GASB Statement No. 82 amends certain provisions of GASB Statements No. 67, No. 68 and No. 73.

**A. Reporting Entity**

The County is a general purpose local government that is governed by a separately elected board of supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the County. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The following describes the County's component units:

**The Pima County Stadium District**, a legally separate entity, was created in 1991 when the County Board of Supervisors adopted a resolution to create the Stadium District to manage Kino Sports Complex. The District is a tax-levying, public improvement district and political taxing subdivision of the state of Arizona. The Stadium District, in conjunction with Pima County government, maintains the fiscal resources of the entire complex including facilities, grounds, personnel and the various services provided at the venue. Kino Sports Complex, which covers 155 acres, is the largest professional sports and entertainment venue of its kind in Pima County. The facility hosts youth athletics, amateur and professional sports, concerts and community events on its fields. The County Board of Supervisors serves as the Board of Directors and has operational responsibility for the District. Acting in the capacity of the Board of Directors, the 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 recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies (continued)**

**The Pima County Library District** was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The Library District provides and maintains library services for the County's residents. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

**The Pima County Regional Flood Control District** was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the Flood Control District. The Regional Flood Control District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

**The Pima County Street Lighting Districts (SLDs)** operate and maintain street lighting for specific regions in areas outside local city jurisdictions. The Pima County Board of Supervisors serves as the Board of Directors and has operational responsibility for the Districts. SLDs are reported as a special revenue fund in these financial statements and meet substantively the same criteria as blended component units. Separate financial statements for the SLDs are not available.

**The Southwestern Fair Commission, Inc. (SFC)** is a nonprofit corporation which manages and maintains the fairgrounds owned by the County and conducts 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, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization:

**The Industrial Authority of Pima County (Authority)** is a legally separate entity that was created to promote economic development and the development of affordable housing. The Authority fulfills its function through the issuance of tax-exempt bonds. The County Board of Supervisors appoints the Authority's Board of Directors. The Authority's operations are completely separate from the County and the County is not financially accountable for the Authority. Therefore, the financial activities of the Authority have not been included in the accompanying financial statements.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the County as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

**Government-wide statements** - Provide information about the primary government (the County) and its component units. The statements include a statement of net position and a statement of activities. These statements report the

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies (continued)**

overall government's financial activities except for fiduciary activities. The statements also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund financial statements** - Provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues such as connection fees, intergovernmental revenues, along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund revenues are primarily from property taxes and intergovernmental revenues.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. Capital Projects Fund revenues and other financing sources are primarily from intergovernmental, face amount of long-term debt, and transfers in.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Revenues and other financing sources are primarily from property taxes, proceeds from refunding debt, and transfers in.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies (continued)**

The County reports the following major enterprise fund:

*Regional Wastewater Reclamation (RWR)* accounts for the management and operation of wastewater treatment and water pollution control programs. Revenues are primarily from charges for services and connection fees.

The County also reports the following fund types:

*Internal Service Funds* account for fleet maintenance and operation, insurance, printing services, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis. The County transitioned to a medical self-insurance model on July 1, 2013 that is funded by employee and employer premium rates.

*Investment Trust Funds* account for pooled assets and individual investment accounts the County Treasurer holds and invests on behalf of other governmental entities.

*Agency Funds* account for assets the County holds as an agent for the State, cities, towns, and other parties.

**C. Basis of Accounting**

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The County applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The County recognizes property taxes to be available if collected within 30 days. In addition, other taxes that are reported as intergovernmental revenues, i.e. state shared sales tax, highway user revenues and vehicle license tax, recreational vehicle taxes, car rental surcharges, and hotel excise taxes are also recognized if collected within 30 days. Grant funded intergovernmental revenues are considered available if collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**D. Cash and Investments**

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies (continued)**

Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value.

**E. Inventories and Prepaids**

Inventories in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

The County accounts for its inventories in the OEM Radio System Fund using the purchases method. Inventories of the OEM Radio System Fund consist of spare parts for the fixed network equipment held for consumption and are recorded as expenditures at the time of purchase. These inventories are stated at cost using the first-in, first-out method or average cost method.

Inventories of the Transportation Fund are recorded as assets when purchased and expensed when used. They are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of RWR, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.

Inventories of Internal Service Funds are valued at lower of cost or market, cost being determined using the moving average method.

Prepaid expenses/expenditures are accounted for using the consumption method, except for the School Reserve Fund reported as an Other Governmental Fund, which uses the purchase method.

**F. Property Tax Calendar**

The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

**G. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies (continued)**

	<b><u>Capitalization Threshold</u></b>	<b><u>Depreciation Method</u></b>	<b><u>Estimated Useful Life</u></b>
Land	All	N/A	N/A
Land improvements (Reported in buildings and improvements)	All	Straight Line	20 - 30 Years
Buildings and improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Infrastructure/Sewer conveyance systems	\$100	Straight Line	10 - 50 Years
Intangible (Reported in land and infrastructure)	\$100	Straight Line	Varies
Software (Reported in equipment)	\$5,000	Straight Line	Varies

Discretely presented component unit:

The Southwestern Fair Commission, Inc. capital assets are reported at actual cost. Depreciation is calculated using the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

**H. Deferred Outflows and Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**I. Fund Balance Classifications**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors, the highest level of decision-making authority within the County, approved by formal action (ordinance). Only the Board can remove or change the constraints placed on committed fund balances. This approval must be given at a regular supervisory meeting by taking the same type of action it employed to previously commit those amounts.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Administrator to make assignments of resources for a specific purpose. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 1: Summary of Significant Accounting Policies (continued)**

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**J. Investment Earnings**

Investment earnings are composed of interest, dividends, and net changes in the fair value of applicable investments.

**K. Compensated Absences**

Compensated absences consist of annual leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of annual leave depending upon years of services, but they forfeit any annual leave hours in excess of the maximum amount that are unused at year-end. Upon termination of employment, all unused and unforfeited annual leave benefits are paid to employees. Accordingly, annual leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate up to 1,920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but most employees forfeit them upon terminating employment. However, employees who have accumulated greater than 240 hours of sick leave and are eligible to retire will receive some benefits. Employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave to be converted to annual leave on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide and proprietary funds' financial statements in Employee Compensation for the current portion and under Noncurrent Liabilities for the noncurrent portion.

In addition, since annual and sick leave used by employees within the first two pay periods after fiscal year-end is paid for with current financial resources, a compensated absences liability for these amounts is reported in the governmental funds' financial statements within Employee Compensation.

**L. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 2: Change in Accounting Principle**

Net Position as of July 1, 2015, has been restated as follows for the implementation of GASB Statement No. 82, *Pension Issues*.

	Governmental Activities
Net Position as previously reported at June 30, 2015	\$ 1,040,415
Prior period adjustment - Implementation of GASB 82:	
Deferred outflows - employer-paid member contributions made during fiscal year 2015	(1,132)
Net position as restated, July 1, 2015	\$ 1,039,283

**Note 3: Cash and Investments**

Primary Government

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

**Credit risk**—The State statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, notes and other evidence of indebtedness that are denominated in United States dollars must be rated "A" or better by at least two nationally recognized rating agencies at the time of purchase.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 3: Cash and Investments (continued)**

**Custodial credit risk**—Statutes require a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s Office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

**Concentration of credit risk**—Statutes do not include any requirements for concentration of credit risk.

**Interest rate risk**—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

**Foreign currency risk**—Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

**Deposits**—At June 30, 2016, the carrying amount of the County’s deposits was \$73,941, and the bank balance was \$57,802.

**Custodial credit risk**—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2016, \$2,906 of County’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**—At June 30, 2016, the County’s investments consisted of \$324,721 invested in marketable securities and \$475,943 invested in the State Treasurer’s Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer’s Pool. The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 3: Cash and Investments (continued)**

**Credit risk**—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk.

At June 30, 2016, credit risk for the County’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Commercial paper	A-1/P-1	S&P / Moody's	\$ 9,954
Corporate bonds	BBB+/Baa2	S&P / Moody's	243,401
Municipal bonds	AA+/Aa1	S&P / Moody's	7,197
Federal Farm Credit Bank	AA+/Aaa	S&P / Moody's	5,011
Federal Home Loan Bank	AA+/Aaa	S&P / Moody's	15,019
Federal Home Loan Mortgage Corporation	AA+/Aaa	S&P / Moody's	5,006
Federal National Mortgage Association	AA+/Aaa	S&P / Moody's	5,010
Money market mutual fund	AAA m/Aaa-mf	S&P / Moody's	29,111
		Marketable Securities	<u>319,709</u>
State Treasurer Investment Pool 5	AAA f/S1+	S&P	267,904
State Treasurer Investment Pool 500	Unrated		106,434
State Treasurer Investment Pool 7	Unrated		101,605
		State Treasurer's Investment Pool	<u>475,943</u>
Total			<u><u>\$ 795,652</u></u>

**Custodial credit risk**—For an investment, custodial risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County’s \$800,664 of investments, \$295,610, consisting of the commercial paper, corporate bonds, municipal bonds, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and U.S. Treasury notes, is uninsured and held by a counterparty in the County’s name in book entry form.

**Concentration of credit risk**—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County’s exposure as of June 30, 2016 is less than 5% per issuer.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 3: Cash and Investments (continued)**

**Interest rate risk**—Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The County does not have a formal investment policy with respect to interest rate risk.

As of June 30, 2016, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
State Treasurer Investment Pool 5	\$ 267,904	0.07
State Treasurer Investment Pool 500	106,434	4.61
State Treasurer Investment Pool 7	101,605	0.19
Commercial paper	9,954	0.56
Corporate bonds	243,401	1.25
Municipal bonds	7,197	0.74
Federal Farm Credit Bank	5,011	0.34
Federal Home Loan Bank	15,019	0.47
Federal Home Loan Mortgage Corporation	5,006	1.40
Federal National Mortgage Association	5,010	2.36
U.S. Treasury Notes	5,012	1.01
Money market mutual fund	29,111	0.12
Total	\$ 800,664	

A reconciliation of cash, deposits, and investments to amounts shown on the Statements of Net Position follows:

	<u>Cash on Hand</u>	<u>Amount of Deposits</u>	<u>Amount of Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 46	\$ 73,941	\$ 800,664	\$ 874,651

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Totals</u>
Statement of Net Position					
Cash and cash equivalents	\$ 404,060	\$ 115,303	\$ 197,452	\$ 81,890	\$ 798,705
Restricted cash and cash equivalents	57	75,889			75,946
Total	\$ 404,117	\$ 191,192	\$ 197,452	\$ 81,890	\$ 874,651

**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 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

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 3: Cash and Investments (continued)**

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. The County Treasurer allocates interest earnings to each of the Pool's participants. Substantially, all deposits and investments of the County's primary government are included in the County Treasurer's investment pool. Therefore, the deposit and investment risks of the Treasurer's investment pool are substantially the same as the County's deposit and investment risks disclosed above.

The Pool's assets consist of the following:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Commercial paper	\$ 10,000	0.61-0.98%	12/16-02/17	\$ 9,954
Corporate bonds	244,988	0.88-6.25%	07/16-04/19	243,401
Municipal bonds	7,060	0.58-1.50%	11/16-07/17	7,197
Federal Farm Credit Bank	5,000	0.70%	11/16	5,011
Federal Home Loan Bank	15,000	0.50%	11/16-12/16	15,019
Federal Home Loan Mortgage Corporation	5,000	0.80%	11/17	5,006
Federal National Mortgage Association	5,000	1.13%	10/18	5,010
U.S. Treasury Notes	5,000	0.75%	06/17	5,012
State Treasurer Investment Pool 5	217,359	N/A	N/A	217,359
Deposits	20,180	N/A	N/A	20,180
Interest receivable	62	N/A	N/A	62
Total assets				<u>\$ 533,211</u>

A condensed statement of the investment pool's net position and changes in net position follows:

Statement of Net Position

Assets held in trust for:	
Internal participants	\$ 449,143
External participants	84,068
Total assets	<u>533,211</u>
Total liabilities	
Total net position held in trust	<u>\$ 533,211</u>

Statement of Changes in Net Position

Total additions	\$ 5,301,467
Total deductions	<u>(5,286,280)</u>
Net increase	15,187
Net position held in trust:	
July 1, 2015	518,024
June 30, 2016	<u>\$ 533,211</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 3: Cash and Investments (continued)**

**Fair Value Measurement**—The County’s investments at June 30, 2016, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment by fair value level</u>	<u>Amount</u>	<u>Fair value measurement using</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Quoted prices in active markets for similar assets (Level 2)</u>
Commercial paper	\$ 9,954		\$ 9,954
Corporate bonds	243,401		243,401
Municipal bonds	7,197		7,197
Federal Farm Credit Bank	5,011		5,011
Federal Home Loan Bank	15,019		15,019
Federal Home Loan Mortgage Corporation	5,006		5,006
Federal National Mortgage Association	5,010		5,010
U.S. Treasury Notes	5,012	\$ 5,012	
Money market mutual fund	29,111	29,111	
Total investments by fair value level	324,721	\$ 34,123	\$ 290,598
 <b>External investment pools measured at fair value</b>			
State Treasurer’s investment pools	475,943		
Total investments measured at fair value	\$ 800,664		

The investments categorized as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The investments categorized as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices.

Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 4: Fund Balance Classifications of the Governmental Funds**

The table below details the fund balance categories and classifications:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>CAFR Total</u>
<b>Fund Balance:</b>					
<b>Nonspendable:</b>					
Inventory				\$ 1,369	\$ 1,369
Prepaid expenditures	\$ 2,880			909	3,789
Loan receivable	51				51
Permanent fund principal				45	45
Total nonspendable	<u>2,931</u>			<u>2,323</u>	<u>5,254</u>
<b>Restricted for:</b>					
Community and economic development		\$ 11,542		441	11,983
Flood Control District		17,707		6,886	24,593
Health				6,982	6,982
Judicial activities				18,374	18,374
Law enforcement		37		2,329	2,366
Library District				10,652	10,652
Municipal facilities		9,448			9,448
Pima animal care		2,420		1,573	3,993
Sanitation		10,983			10,983
School reserve				496	496
Streets and highways		51,019		6,838	57,857
Waste tire				1,627	1,627
Other purposes		1,118		943	2,061
Total restricted		<u>104,274</u>		<u>57,141</u>	<u>161,415</u>
<b>Committed to:</b>					
Community and economic development		135			135
Judicial activities				414	414
Library District		194			194
Municipal facilities		1,179			1,179
Parks and recreation				3,627	3,627
School reserve				252	252
Sports promotion (Stadium)				822	822
Other purposes				1,847	1,847
Total committed		<u>1,508</u>		<u>6,962</u>	<u>8,470</u>
<b>Assigned to:</b>					
Debt service reserve			\$ 6,656		6,656
Health				1,351	1,351
Law enforcement	197			1,486	1,683
Parks and recreation	4			26	30
School reserve				426	426
Other purposes		195			195
Total assigned	<u>201</u>	<u>195</u>	<u>6,656</u>	<u>3,289</u>	<u>10,341</u>
<b>Unassigned:</b>					
	<u>77,550</u>			<u>(9,097)</u>	<u>68,453</u>
Total Fund Balance	<u>\$ 80,682</u>	<u>\$ 105,977</u>	<u>\$ 6,656</u>	<u>\$ 60,618</u>	<u>\$ 253,933</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 521,049	\$ 5,270		\$ 526,319
Construction in progress	104,275	26,952	\$ (97,900)	33,327
Total capital assets not being depreciated	<u>625,324</u>	<u>32,222</u>	<u>(97,900)</u>	<u>559,646</u>
Capital assets being depreciated:				
Buildings and improvements	829,236	31,590	(480)	860,346
Infrastructure	1,377,326	59,887	(3,494)	1,433,719
Equipment	211,558	15,822	(6,415)	220,965
Total capital assets being depreciated	<u>2,418,120</u>	<u>107,299</u>	<u>(10,389)</u>	<u>2,515,030</u>
Less accumulated depreciation for:				
Buildings and improvements	(235,522)	(26,358)	284	(261,596)
Infrastructure	(702,291)	(38,794)	1,885	(739,200)
Equipment	(94,395)	(16,339)	5,946	(104,788)
Total accumulated depreciation	<u>(1,032,208)</u>	<u>(81,491)</u>	<u>8,115</u>	<u>(1,105,584)</u>
Total capital assets being depreciated, net	<u>1,385,912</u>	<u>25,808</u>	<u>(2,274)</u>	<u>1,409,446</u>
Governmental activities capital assets, net	<u>\$ 2,011,236</u>	<u>\$ 58,030</u>	<u>\$ (100,174)</u>	<u>\$ 1,969,092</u>
	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 13,994	\$ 5		\$ 13,999
Construction in progress	50,204	46,480	\$ (57,549)	39,135
Total capital assets not being depreciated	<u>64,198</u>	<u>46,485</u>	<u>(57,549)</u>	<u>53,134</u>
Capital assets being depreciated:				
Buildings and improvements	767,458	5,925	(188)	773,195
Sewage conveyance systems	751,093	43,058	(3,093)	791,058
Equipment	141,522	12,192	(2,995)	150,719
Total capital assets being depreciated	<u>1,660,073</u>	<u>61,175</u>	<u>(6,276)</u>	<u>1,714,972</u>
Less accumulated depreciation for:				
Buildings and improvements	(143,390)	(27,249)	125	(170,514)
Sewage conveyance systems	(293,569)	(14,957)	2,511	(306,015)
Equipment	(45,692)	(9,867)	2,094	(53,465)
Total accumulated depreciation	<u>(482,651)</u>	<u>(52,073)</u>	<u>4,730</u>	<u>(529,994)</u>
Total capital assets being depreciated, net	<u>1,177,422</u>	<u>9,102</u>	<u>(1,546)</u>	<u>1,184,978</u>
Business-type activities capital assets, net	<u>\$ 1,241,620</u>	<u>\$ 55,587</u>	<u>\$ (59,095)</u>	<u>\$ 1,238,112</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 5: Capital Assets (continued)**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$ 17,607
Public safety	13,039
Highways and streets	35,357
Sanitation	2,536
Health	594
Welfare	93
Culture and recreation	6,666
Education and economic opportunity	843
Internal service funds	4,756
Total governmental activities depreciation expense	<u>\$ 81,491</u>

**Business-type activities:**

Parking Garages	\$ 697
Regional Wastewater Reclamation Department	51,376
Total business-type activities depreciation expense	<u>\$ 52,073</u>

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<b>Discretely presented component units:</b>				
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	\$ 7,130	\$ 486	\$ (139)	\$ 7,477
Equipment	2,737	150	(253)	2,634
Total capital assets being depreciated	<u>9,867</u>	<u>636</u>	<u>(392)</u>	<u>10,111</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,958)	(337)	139	(4,156)
Equipment	(2,340)	(135)	253	(2,222)
Total accumulated depreciation	<u>(6,298)</u>	<u>(472)</u>	<u>392</u>	<u>(6,378)</u>
Total capital assets being depreciated, net	<u>3,569</u>	<u>164</u>	<u></u>	<u>3,733</u>
SFC capital assets, net	<u>\$ 3,569</u>	<u>\$ 164</u>	<u></u>	<u>\$ 3,733</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 6: Claims, Judgments and Risk Management**

**Self-Insurance Trust Fund (SIT Fund)**

The SIT Fund, an internal service fund, accounts for the financing of the insured risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. The SIT Fund is liable for any single general or automobile liability claim up to \$2,500 per occurrence, any workers' compensation claim up to \$1,000 per occurrence, and any single medical malpractice claim up to \$1,000 per occurrence or any medical malpractice claims in aggregate up to \$5,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the SIT Fund. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

Payment of unemployment claims is fully self-funded. Payment of environmental claims is generally self-funded, although some claims filed could result in past insurers being liable for such losses.

All of the County's departments participate in the SIT Fund. With the exception of environmental and unemployment losses, charges are based on actuarial estimates of the amounts needed to pay prior- and current-year claims. Charges for environmental losses are based on historical experience. Charges for unemployment losses are based on actual claims paid.

Claims liabilities at June 30, 2016, for each insurable area are as follows:

Auto liability	\$	135
General liability		18,842
Workers' compensation		20,527
Medical malpractice		120
Environmental liability		1,500
	<u>\$</u>	<u>41,124</u>

The above amounts, excluding the environmental liability, are reported at their present value using an expected future investment yield assumption of 2 percent.

Changes in the unpaid claims liability reported in the SIT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2014-15	\$ 34,161	\$ (470) *	\$ (6,514)	\$ 27,177
2015-16	27,177	18,553	(4,606)	41,124

\*This reduction was due to a decrease in the actuarial estimate for unpaid claims, which was greater than actual claims during the fiscal year ended June 30, 2015.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 6: Claims, Judgments and Risk Management (continued)**

**Health Benefits Trust Fund (HBT Fund)**

The County created the HBT Fund, an internal service fund, to account for the financing of the County's self-insured medical/pharmacy plan for employees and their dependents. The HBT Fund is responsible for collecting employer and employee premiums through payroll deductions and reimbursing Aetna, acting as a third-party administrator, for the payment of claims. The plan consists of two plan options, a High Deductible Health Plan and a Preferred Provider Organization Plan. The County purchases commercial stop-loss insurance coverage for claims in excess of coverage provided by the HBT Fund. Settled claims have not exceeded insurance coverage during the past three fiscal years.

Claim liabilities are computed using a combination of two actuarial methods: the completion factor approach and the exposure approach. Accrued actuarial liabilities for the HBT Fund at June 30, 2016 for each plan option are as follows:

High-Deductible Health Plan:	
Medical	\$ 2,106
Pharmacy	884
Preferred Provider Organization Plan:	
Medical	1,033
Pharmacy	577
	\$ 4,600

Changes in the unpaid claims liabilities reported in the HBT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2014-15	\$ 6,700	\$ 46,123	\$ (48,623)	\$ 4,200
2015-16	4,200	49,285	(48,885)	4,600

**Litigation**

Pima County is a defendant in a number of court actions. In the opinion of County management, the final disposition of these actions, if unfavorable, will not have a material effect upon the County's financial statements.

**Pollution Remediation**

The County has estimated and reported an environmental liability of \$71 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at one County site: El Camino del Cerro.

Remediation efforts continue at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and El Camino del Cerro Road on the south. The groundwater

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 6: Claims, Judgments and Risk Management (continued)**

contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

The estimated liability was calculated based upon the expected future outlays associated with the estimate of one pump-and-treat system for one year. There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction and injection wells, and/or changes in the estimated extent of contamination.

**Note 7: Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2016.

	<b>Balance</b>			<b>Balance</b>	<b>Due within</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2016</b>	<b>1 year</b>
<b>Governmental activities:</b>					
General obligation bonds	\$ 383,935		\$ 39,315	\$ 344,620	\$ 41,445
Unamortized premium/discount	7,363		1,848	5,515	1,504
Total general obligation bonds	391,298		41,163	350,135	42,949
Transportation revenue bonds	113,870		13,210	100,660	14,585
Unamortized premium/discount	4,900		1,599	3,301	1,269
Total transportation revenue bonds	118,770		14,809	103,961	15,854
Certificates of participation	166,245	\$ 43,935	41,560	168,620	34,415
Unamortized premium/discount	11,526	2,552	3,644	10,434	3,445
Total certificates of participation	177,771	46,487	45,204	179,054	37,860
Capital lease payable		149	13	136	48
Installment note payable	11,912		3,179	8,733	2,394
Net pension liabilities (Note 11)	653,197	29,538		682,735	
Reported but unpaid losses (Note 6)	16,236	16,547	4,660	28,123	5,465
Incurred but not reported losses (Note 6)	15,141	3,027	567	17,601	6,284
Landfill closure and post-closure care costs (Note 9)	15,075		4,491	10,584	
Pollution remediation (Note 6)	294		223	71	
Compensated absences payable	29,494	503		29,997	
Total governmental activities long-term liabilities	\$ 1,429,188	\$ 96,251	\$ 114,309	\$ 1,411,130	\$ 110,854

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

	<b>Balance</b>			<b>Balance</b>	<b>Due within</b>
	<b>July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2016</b>	<b>1 year</b>
<b>Business-type activities:</b>					
Sewer revenue bonds	\$ 120,095		\$ 15,950	\$ 104,145	\$ 11,250
Unamortized premium/discount	266		258	8	94
Total revenue bonds payable	<u>120,361</u>		<u>16,208</u>	<u>104,153</u>	<u>11,344</u>
Sewer revenue obligations	472,240		22,740	449,500	36,170
Unamortized premium/discount	38,523		6,996	31,527	6,365
Total revenue obligations payable	<u>510,763</u>		<u>29,736</u>	<u>481,027</u>	<u>42,535</u>
Regional Wastewater Reclamation Loans payable	18,145		1,582	16,563	1,629
Total loans payable	<u>18,145</u>		<u>1,582</u>	<u>16,563</u>	<u>1,629</u>
Net pension liabilities (Note 11)	44,154	\$ 1,448		45,602	
Contracts and notes	1,098	1,479	1,000	1,577	
Compensated absences payable	3,092		406	2,686	
Total business-type activities long-term liabilities	<u>\$ 697,613</u>	<u>\$ 2,927</u>	<u>\$ 48,932</u>	<u>\$ 651,608</u>	<u>\$ 55,508</u>

The County's debt consists of various issues of general obligation bonds, HURF revenue bonds, certificates of participation, sewer revenue bonds, loans, and obligations that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The County repays general obligation bonds from voter-approved property taxes. HURF revenue bonds are repaid from net highway user revenues in the Transportation fund. Certificates of participation are repaid from General fund and other various funds' revenues. Sewer revenue bonds, loans, and obligations are repaid from the charges for services in the Regional Wastewater Reclamation fund.

**GENERAL OBLIGATION BONDS OUTSTANDING**

**Governmental Activities**

(Payments made from property tax revenues of the Debt Service Fund)

General obligation bonds payable at June 30, 2016, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$1,289 from the May 20, 1997, \$6,400 from the May 18, 2004, \$37 from the May 16, 2006, and \$17,955 from November 4, 2014 bond elections remain unissued.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2016</u>
Series of 2007	\$ 95,000	3.00 - 4.25%	2017-21	July 1, 2017	\$ 34,715
Series of 2008	100,000	4.00%	2017-22	July 1, 2018	53,750
Series of 2009	75,000	3.50 - 4.13%	2017-23	July 1, 2019	32,185
Series of 2009A	90,000	3.50 - 4.00%	2017-24	July 1, 2019	52,395
Series of 2011	75,000	3.00 - 5.00%	2017-26	July 1, 2021	38,145
Series of 2012A	60,000	3.00 - 4.00%	2017-27	July 1, 2022	38,960
Series of 2012B Refunding	16,225	3.00%	2017		4,035
Series of 2013A	50,000	1.75 - 4.00%	2017-28	July 1, 2023	41,185
Series of 2013B Refunding	38,575	3.00 - 4.00%	2017-20		29,435
Series of 2014	10,000	1.50 - 5.00%	2018-28	July 1, 2023	8,000
Series of 2015	15,000	2.25 - 4.00%	2018-29	July 1, 2025	11,815
G.O. bonds outstanding					344,620
Plus unamortized premium/discount:					5,515
					<u>\$ 350,135</u>
			Total G.O. bonds outstanding		<u>\$ 350,135</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 41,445	\$ 12,802
2018	43,005	11,445
2019	40,475	9,873
2020	43,450	8,461
2021	39,935	6,932
2022 - 2026	119,510	14,827
2027 - 2029	16,800	895
Total	<u>\$ 344,620</u>	<u>\$ 65,235</u>

**REFUNDED GENERAL OBLIGATION BONDS**

In prior years, the County defeased \$1,200 of General Obligation Bonds, Series 2007 with County funds. County funds were placed in an irrevocable trust to provide for future debt service payments of the defeased debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2016, \$1,200 of outstanding bonds are considered defeased.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

TRANSPORTATION BONDS PAYABLE

**Governmental Activities**

(Payments made from street and highway revenues)

Pima County transportation revenue bonds were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, \$73,375 from the November 4, 1997 bond election remains unissued.

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2016</u>
Series of 2007	\$ 21,000	3.25 - 4.75%	2017-22	July 1, 2017	\$ 11,680
Series of 2008	25,000	4.00 - 4.50%	2017-22	July 1, 2018	16,040
Series of 2009	15,000	3.00 - 4.00%	2017-24	July 1, 2019	12,400
Series of 2009 Refunding	8,420	3.00 - 4.00%	2017-24	July 1, 2019	6,330
Series of 2012	18,425	3.00 - 4.00%	2017-27	July 1, 2022	14,520
Series of 2012 Refunding	14,520	4.00%	2017-18		6,230
Series of 2014	16,000	3.00 - 5.00%	2017-28	July 1, 2023	14,405
Series of 2014 Refunding	8,805	5.00%	2017-18		8,805
Series of 2015 Refunding	13,685	5.00%	2019-20		10,250
Transportation bonds outstanding					100,660
Plus unamortized premium/discount:					3,301
Total transportation bonds outstanding					<u>\$ 103,961</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 14,585	\$ 4,146
2018	15,245	3,497
2019	14,160	2,824
2020	14,875	2,204
2021	10,020	1,555
2022 - 2026	27,350	3,030
2027 - 2028	4,425	191
Total	<u>\$ 100,660</u>	<u>\$ 17,447</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

Pima County has pledged future street and highway revenues, to repay \$100,660 in transportation revenue bonds issued between 2007 and 2015. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from transportation revenues and are payable through 2028. Total principal and interest remaining to be paid on the bonds is \$118,107. It is expected that approximately 33 percent of revenues will be used to pay annual principal and interest on the bonds. Prior year street and highway revenues are required to be greater than two times the maximum annual debt service payment. Principal and interest paid for bonds in the current year, the maximum principal and interest to be paid in any one future year, and total street and highway revenues for the prior fiscal year were \$17,921, \$18,742 and \$53,212, respectively.

CERTIFICATES OF PARTICIPATION

**Governmental Activities**

(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson and to acquire and construct replacement facilities for the Pima County Community Services Department.

On February 4, 2010, the County issued Certificates of Participation Series 2010 for \$20,000 to finance the replacement computer enterprise system composed of servers and other hardware, computer terminals, software and system training. The enterprise system serves the County with finance, budget, procurement, human resources, and material management systems.

On May 22, 2013, the County issued Certificates of Participation Series 2013A for \$80,175. The County intends to use \$60,000 of the proceeds from that issue for projects related to its sewer system. Although no sewer revenues are pledged for the repayment of the Certificates, the County intends to transfer available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects. The County also issued \$12,705 of Refunding Certificates of Participation, Series 2013B. The Certificates were issued with a premium of \$1,260 and the proceeds were used to refund and redeem \$1,220 of Certificates of Participation, Series 1999, and \$12,335 of Certificates of Participation, Series 2003, previously reported by the County as a jail capital lease.

On February 12, 2014, the County issued Certificates of Participation Series 2014 for \$52,160 to finance the costs of completing the Public Service Center and Office Tower. The County may also use a portion of the funds for other capital projects.

On April 15, 2015, the County issued Certificates of Participation Series 2015 for \$57,025 to expand and improve the County's existing sewer system facilities. The County may also use a portion of the funds for other capital projects.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

On April 14, 2016, the County issued Certificates of Participation Series 2016A for \$28,750, \$9,640 to refund a portion of Certificates of Participation Series 2007A, and \$19,110 of the proceeds to expand and improve the County's existing sewer system facilities. Although no specific sewer revenues are pledged for the repayment of the Certificates, the County anticipates using available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects. The \$9,640 refunding portion of Certificates were issued with a premium of \$1,469 and the proceeds were used to refund and redeem \$10,320 of Certificates of Participation Series 2007A. The 2016A Certificates refunding portion have an average life of 4.41 years and an average interest rate of 4.99%. This refunding transaction resulted in an economic gain of \$1,061 and a reduction in debt service between the refunding debt and the refunded debt of \$1,169. The proceeds of the new Certificates were placed in an irrevocable trust to provide for future debt service payments of the refunded Certificates. Accordingly, the trust account assets and liability for the defeased Certificates are not included in the County's financial statements.

On April 14, 2016, the County also issued Certificates of Participation Series 2016B for \$15,185 to develop, design, and construct a manufacturing and administrative headquarters to be used by World View Enterprises, Inc., which will lease the facility from the County over a 20-year period. The County, in January 2016, entered into a lease-sale agreement with World View Enterprises, Inc., a private for-profit entity, as the tenant/purchaser of a to-be-built County facility. The County intends to use the proceeds of the Taxable 2016B Certificates to pay for the construction of the facility, which will be owned by the County during the term of the lease-sale agreement.

The following schedule details outstanding Certificates of Participation payable at June 30, 2016.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2016</u>
Series of 2007A	\$ 28,765	5.00%	2017-18	July 1, 2017	\$ 4,450
Series of 2010	20,000	4.00 - 5.25%	2017-19		7,550
Series of 2013A	80,175	5.00%	2017-23		17,405
Series of 2013B Refunding	12,705	5.00%	2017-18		5,435
Series of 2014	52,160	4.00 - 5.00%	2017-29	December 1, 2023	47,820
Series of 2015	57,025	2.00 - 5.00%	2017-19		42,025
Series of 2016A	19,110	2.00 - 5.00%	2017-19		19,110
Series of 2016A Refunding	9,640	2.00 - 5.00%	2017-22		9,640
Series of 2016B	15,185	1.12 - 4.04%	2017-31	June 1, 2026	15,185
Certificates of participation outstanding					168,620
Plus unamortized premium/discount:					10,434
Total certificates of participation outstanding					\$ 179,054

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 34,415	\$ 7,218
2018	35,605	5,617
2019	27,180	4,049
2020	9,685	3,114
2021	9,390	2,664
2022 - 2026	32,470	7,828
2027 - 2031	19,875	1,660
Total	<u>\$ 168,620</u>	<u>\$ 32,150</u>

INSTALLMENT NOTE PAYABLE

**Governmental Activities**

In prior years, the County acquired tasers and computer equipment under contract agreements at a total purchase price of \$764 and \$239, respectively. The County also acquired Stardust and Painted Hills properties under contract agreements at a total purchase price of \$8,750 and \$7,500, respectively. The following schedule details debt service requirements to maturity for the County's installment note payable at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Equipment</u>		<u>Land</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 178	\$ 4	\$ 2,216	\$ 506
2018			2,348	375
2019			2,423	236
2020			1,568	94
Total	<u>\$ 178</u>	<u>\$ 4</u>	<u>\$ 8,555</u>	<u>\$ 1,211</u>

CAPITAL LEASE

**Governmental Activities**

During fiscal year 2015-16, the County acquired computer network storage arrays under a long-term capital lease agreement. The carrying value of assets acquired through capital lease consists of \$142 of equipment.

The following schedule details debt service requirements to maturity for the County's capital lease payable at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 48	\$ 3
2018	50	2
2019	38	
Total	<u>\$ 136</u>	<u>\$ 5</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

SEWER REVENUE BONDS AND LOANS  
**Business-type Activities**  
(Payments made from user charges received in the RWR)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system and for the defeasance of prior sewer revenue bonds. As of June 30, 2016, the County has issued the total amounts originally authorized from the May 20, 1997 and May 18, 2004 bond elections.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2016</u>
Series of 2007	\$ 50,000	4.00 - 5.00%	2017-26	July 1, 2017	\$ 30,245
Series of 2008	75,000	4.00 - 5.00%	2017-23	July 1, 2018	61,725
Series of 2009	18,940	3.50 - 4.25%	2017-24	July 1, 2019	12,175
Sewer revenue bonds outstanding					104,145
Plus unamortized premium/discount:					8
Total sewer revenue bonds outstanding					<u>\$ 104,153</u>

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 11,250	\$ 4,354
2018	11,810	3,886
2019	12,405	3,414
2020	13,025	2,914
2021	13,685	2,302
2022 - 2026	41,970	3,830
Total	<u>\$ 104,145</u>	<u>\$ 20,700</u>

On June 17, 2010, Pima County entered into an agreement, whereby future revenues were pledged, that provided monies to be used primarily to pay a portion of the capital project costs associated with the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the county-wide sewer system, including the Agua Nueva (previously known as Roger Road) and Tres Rios (previously known as Ina Road) Wastewater Reclamation Facilities. In December 2011, the County issued Sewer Revenue Obligations Series 2011B for \$189,160 to provide additional funding for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

In December 2012, the County issued Sewer Revenue Obligations Series 2012A for \$128,795. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the Agua Nueva and Tres Rios Wastewater Reclamation Facilities.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

In February 2014, the County issued Sewer Revenue Obligations Series 2014 for \$48,500. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2016</u>
Series of 2010	\$165,000	3.25 - 5.00%	2017-25	July 1, 2020	\$ 159,000
Series of 2011B	189,160	5.00%	2017-26	July 1, 2021	143,270
Series of 2012A	128,795	1.75 - 5.00%	2017-27	July 1, 2022	103,910
Series of 2014	48,500	5.00%	2017-28	July 1, 2023	43,320
Sewer revenue obligations outstanding					449,500
Plus unamortized premium/discount:					31,527
Total sewer revenue obligations outstanding					<u>\$ 481,027</u>

The following schedule details sewer revenue obligation debt service requirements to maturity at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 36,170	\$ 21,989
2018	37,795	20,366
2019	39,615	18,548
2020	41,585	16,571
2021	43,605	14,557
2022 - 2026	229,855	38,604
2027 - 2028	20,875	1,276
Total	<u>\$ 449,500</u>	<u>\$ 131,911</u>

In prior years, the Regional Wastewater Reclamation Enterprise Fund entered into various loan agreements (used for construction and improvement of wastewater treatment facilities). In October 2009 the County entered into an additional loan agreement for the funding of construction of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2016</u>
2004 Loans payable	\$ 19,967	1.81%	2017-24	\$ 11,416
2009 Loans payable	8,002	0.96%	2017-24	5,147
Total loans payable				<u>\$ 16,563</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

The following schedule details loans payable debt service requirements to maturity at June 30, 2016.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,629	\$ 480
2018	1,679	430
2019	1,730	378
2020	1,782	324
2021	1,837	269
2022 - 2024	7,906	490
Total	<u>\$ 16,563</u>	<u>\$ 2,371</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$104,145 in sewer revenue bonds issued between 2007 and 2009, \$16,563 in sewer revenue loans issued between 2004 and 2009, and \$449,500 in sewer revenue obligations issued between 2010 and 2014. Proceeds from the bonds, loans and obligations provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds, loans and obligations are payable from net sewer revenues and are payable through fiscal year 2028. It is expected that approximately 73 percent of net revenues will be used to pay annual principal and interest payments on the bonds and obligations and approximately 2 percent of net revenues will be used to pay annual principal and interest on the loans. Total principal and interest remaining to be paid on the bonds, loans and obligations are \$124,845, \$18,934, and \$581,411, respectively. Principal and interest paid for loans, bonds and obligations in the current year, and total customer net revenues were \$2,134, \$66,715 and \$90,800, respectively.

All sewer revenue bonds were issued and the loan agreements were executed with a first lien on the pledge of the RWR net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the RWR to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies in amounts set by each debt issue. At June 30, 2016, the RWR met the requirements of the debt covenants. The County is also authorized to issue for the RWR additional parity bonds or revenue obligations if certain conditions are met, primarily that net revenues for parity bonds and pledged revenues for revenue obligations for the fiscal year immediately preceding issuance of the new debt exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

**CONTRACTS AND NOTES**

**Business-type Activities**

(Payments made from restricted assets in the RWR)

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

LEGAL DEBT MARGIN  
**County General Obligation Bonds**

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Pima County has received voter approval for all general obligation debt. The legal debt margin at June 30, 2016, is as follows:

Net assessed valuation		\$ 7,906,190
<u>Debt limit (15% of net assessed valuation):</u>		<u>\$ 1,185,929</u>
<u>Less amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$ 344,620	
Less fund balance in debt service fund available for payment of general obligation bond principal	<u>(5,606)</u>	<u>339,014</u>
Legal debt margin available		<u><u>\$ 846,915</u></u>

**Note 8: Short-Term Liabilities**

**LINE OF CREDIT**

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association to meet its short-term cash needs. At June 30, 2016, the County had an outstanding balance of \$0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	<u>July 1, 2015</u>	<u>Draws</u>	<u>Repayments</u>	<u>June 30, 2016</u>
	<u>Balance</u>			<u>Balance</u>
Line of credit	\$0	\$20,000	\$20,000	\$0

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 9: Landfill Liabilities**

**Solid Waste Landfill Closure and Post-Closure Care Costs:**

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The \$10,584 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$4,111 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2016; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2016</u>	<u>Estimated Remaining Service Life</u>
Ajo	74%	35 Years
Sahuarita*	59%	26 Years
Tangerine**	100%	Closed

\*The Sahuarita Landfill stopped accepting waste from the public in February 2016 but remains open for internal County waste disposal needs.

\*\*The Tangerine Landfill has stopped accepting waste and has reached its capacity. The construction to close this facility is currently in progress, and is expected to be completed by December 2016.

The County plans to fund the estimated closure and post-closure care costs with proceeds of general obligation bonds.

According to State and Federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$11,232 when closure occurs and plans to fund the costs with proceeds of general obligation bonds. At this time, there is no closure date available.

On June 1, 2013 Tucson Recycling and Waste Services was contracted to operate the remaining open landfills and transfer stations on behalf of Pima County in an agency capacity. The closure and post closure costs remain the liability of Pima County.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 10: Operating Leases**

The County leases land, buildings, parking spaces, machineries, and office equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$5,767 for the year ended June 30, 2016. These operating leases have remaining lease terms from one to thirty nine years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future estimated minimum rental payments under these operating leases as of June 30, 2016, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Year ending June 30		
2017	\$ 16,358	\$ 200
2018	14,782	200
2019	14,300	200
2020	3,740	200
2021	360	200
2022-26	584	1,000
2027-31		1,000
2032-36		1,000
2037-41		1,000
2042-46		1,000
2047-51		1,000
2052-55		750
Total minimum lease payments	\$ 50,124	\$ 7,750

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits**

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan (CORP), the Corrections Officer Retirement Plan – Administrative Office of the Courts (CORP AOC), the Public Safety Personnel Retirement System (PSPRS), consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan (EORP), all component units of the State of Arizona.

At June 30, 2016, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Net pension liabilities	\$ 682,735	\$ 45,602	\$ 728,337
Deferred outflows of resources	102,101	4,378	106,479
Deferred inflows of resources	42,084	4,501	46,585
Pension expense	68,482	2,356	70,838

The County's accrued payroll and employee benefits includes \$2,750 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2016. Also, the County reported \$45,366 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS - Pima County Sheriffs, and EORP plans are described below. The PSPRS, Pima County - County Attorney Investigators are not described due to their relative insignificance to the County's financial statements.

**A. Arizona State Retirement System**

**Plan description**—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Benefits provided**—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

<b>ASRS</b>	<b>Retirement</b>	
	<b>Initial membership date:</b>	
	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

**Contributions**—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2016, were \$24,752. The County's OPEB contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<b>ASRS</b>		<b>Health Benefit Supplement Fund</b>	<b>Long-Term Disability Fund</b>
<b>Year ended June 30</b>			
2016	\$	1,129	\$ 272
2015		1,363	277
2014		1,387	555

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

During fiscal year 2016, the County paid for ASRS pension and OPEB contributions as follows: 60 percent from the General Fund, 10 percent from major funds, and 30 percent from other funds.

**Pension liability**—At June 30, 2016, the County reported a liability of \$391,629 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 2.51 percent, which was a decrease of 0.05 percent from its proportion measured as of June 30, 2014.

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2016, the County recognized pension expense for ASRS of \$20,082. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,686	\$ 20,522
Net difference between projected and actual earnings on pension plan investments		12,551
Changes in proportion and differences between county contributions and proportionate share of contributions	2,245	5,838
County contributions subsequent to the measurement date	24,752	
Total	<u>\$ 37,683</u>	<u>\$ 38,911</u>

The \$24,752 reported as deferred outflows of resources related to ASRS pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2017	\$ (9,335)
2018	(16,133)
2019	(9,572)
2020	9,060

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Actuarial Assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

<b>ASRS</b>	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>ASRS</b>	<b>Target</b>	<b>Long-Term</b>
<b>Asset Class</b>	<b>Allocation</b>	<b>Expected</b>
		<b>Arithmetic Real</b>
		<b>Rate of Return</b>
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.93%
Total	<u>100%</u>	

**Discount Rate**—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Sensitivity of the County’s proportionate share of the ASRS net pension liability to changes in the discount rate**—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County’s proportionate share of the net pension liability	\$ 513,167	\$ 391,629	\$ 308,335

**Pension plan fiduciary net position**—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan**

**Plan descriptions**—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers (agent plans), and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS and CORP issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits provided**—The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

PSPRS	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	
<b>CORP</b>		
	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

CORP	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
Ordinary Disability Retirement	2.5% per year of credited service	
<b>Survivor Benefit</b>		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**Employees covered by benefit terms**—At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>
Inactive employees or beneficiaries currently receiving benefits	373	182
Inactive employees entitled to but not yet receiving benefits	118	102
Active employees	478	465
Total	969	749

**Contributions and annual OPEB cost**—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. As allowed by statute, the County contributed 3.65 percent of the PSPRS members' required contribution. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>	<b>CORP AOC</b>
Active members—Pension			
Pension	11.65%	8.41%	8.41%
County			
Pension	49.76%	22.79%	19.10%
Health insurance premium benefit	0.28%	0.18%	0.85%

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

In addition, statute required the County to contribute at the actuarially determined rate of 28.62 percent for the PSPRS and 11.33 percent for the CORP of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	<b>PSPRS Sheriff</b>	<b>CORP Detention</b>
<b>Pension</b>		
Contributions made	\$ 15,119	\$ 4,618
<b>Health Insurance Premium Benefit</b>		
Annual OPEB cost	85	36
Contributions made	85	36

Contributions to the CORP AOC pension plan for the year ended June 30, 2016, were \$2,613. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

<b>CORP AOC</b>	<b>Health Insurance Fund</b>
<b>Year ended June 30</b>	
2016	\$ 116
2015	172
2014	151

During fiscal year 2016, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 93 percent from the General Fund and 7 percent from other non-major funds.

**Pension liability** —At June 30, 2016, the County reported the following net pension liabilities:

	<b>Net Pension Liability</b>
PSPRS Sheriff	\$ 192,042
CORP Detention	53,135
CORP AOC (County's proportionate share)	30,274

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the County's net pension liability as a result of the statutory adjustments is not known.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Pension actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

**PSPRS and CORP—Pension**

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>PSPRS and CORP</b>	<b>Target</b>	<b>Long-Term</b>
<b><u>Asset Class</u></b>	<b><u>Allocation</u></b>	<b><u>Expected Geometric Real Rate of Return</u></b>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

**Pension discount rates**—The discount rate used to measure the PSPRS and CORP total pension liabilities was 7.85 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Changes in the Net Pension Liability**

<b>PSPRS – Sheriff</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) – (b)</b>
Balances at June 30, 2015	\$ 324,825	\$ 139,846	\$ 184,979
Changes for the year:			
Service cost	6,421		6,421
Interest on the total pension liability	24,997		24,997
Differences between expected and actual experience in the measurement of the pension liability	(4,579)		(4,579)
Contributions—employer		11,490	(11,490)
Contributions—employee		3,505	(3,505)
Net investment income		5,053	(5,053)
Benefit payments, including refunds of employee contributions	(19,209)	(19,209)	
Administrative expense		(124)	124
Other changes		(148)	148
Net changes	7,630	567	7,063
Balances at June 30, 2016	\$ 332,455	\$ 140,413	\$ 192,042

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

CORP – Detention	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2015	\$ 100,333	\$ 48,360	\$ 51,973
Changes for the year:			
Service cost	2,798		2,798
Interest on the total pension liability	7,751		7,751
Differences between expected and actual experience in the measurement of the pension liability	(2,557)		(2,557)
Contributions—employer		3,441	(3,441)
Contributions—employee		1,737	(1,737)
Net investment income		1,765	(1,765)
Benefit payments, including refunds of employee contributions	(5,988)	(5,988)	
Administrative expense		(44)	44
Other changes		(69)	69
Net changes	2,004	842	1,162
Balances at June 30, 2016	\$ 102,337	\$ 49,202	\$ 53,135

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015, was 12.45 percent, which was an increase of 0.02 percent from its proportion measured as of June 30, 2014.

**Sensitivity of the County's net pension liability to changes in the discount rate**—The following table presents the County's net pension liabilities calculated using the discount rate of 7.85 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

	1% Decrease (6.85%)	Current Discount Rate (7.85%)	1% Increase (8.85%)
PSPRS Sheriff			
Net pension liability	\$ 229,713	\$ 192,042	\$ 160,408
CORP Detention			
Net pension liability	\$ 66,061	\$ 53,135	\$ 42,408
CORP AOC			
County's proportionate share of the net pension liability	\$ 39,584	\$ 30,274	\$ 22,526

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Pension plan fiduciary net position**—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

**Pension expense**—For the year ended June 30, 2016, the County recognized the following pension expense:

	<b>Pension Expense</b>
PSPRS Sheriff	\$ 22,080
CORP Detention	6,401
CORP AOC (County's proportionate share)	4,046

**Pension deferred outflows/inflows of resources**—At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>PSPRS – Sheriff</b>		
Differences between expected and actual experience		\$ 4,082
Changes of assumptions or other inputs	\$ 22,613	
Net difference between projected and actual earnings on pension plan investments	292	
County contributions subsequent to the measurement date	15,119	
Total	\$ 38,024	\$ 4,082
<b>CORP – Detention</b>		
Differences between expected and actual experience		\$ 2,479
Changes of assumptions or other inputs	\$ 6,727	
Net difference between projected and actual earnings on pension plan investments	94	
County contributions subsequent to the measurement date	4,618	
Total	\$ 11,439	\$ 2,479
<b>CORP – AOC</b>		
Differences between expected and actual experience	\$ 1,037	\$ 171
Changes of assumptions or other inputs	3,209	
Net difference between projected and actual earnings on pension plan investments	166	
Changes in proportion and differences between county contributions and proportionate share of contributions	39	
County contributions subsequent to the measurement date	2,613	
Total	\$ 7,064	\$ 171

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	<u>PSPRS Sheriff</u>	<u>CORP Detention</u>	<u>CORP AOC</u>
2017	\$ 4,696	\$ 1,236	\$ 1,101
2018	4,696	1,236	1,101
2019	4,696	1,236	1,101
2020	5,307	861	989
2021	(572)	(227)	(12)
	<u>\$ 18,823</u>	<u>\$ 4,342</u>	<u>\$ 4,280</u>

**Agent plan OPEB actuarial assumptions**—The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as the County and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

**PSPRS and CORP—OPEB Contribution Requirements**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Agent plan OPEB trend information**—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
<b>PSPRS Sheriff</b>			
2016	\$ 85	100%	
2015	608	100%	
2014	563	100%	
<b>CORP Detention</b>			
2016	\$ 36	100%	
2015	264	100%	
2014	252	100%	

**Agent plan OPEB funded status**—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Sheriff	CORP Detention
<b>Actuarial value of assets: (a)</b>	\$ 8,092	\$ 3,532
<b>Actuarial accrued liability: (b)</b>	7,593	3,092
<b>Unfunded actuarial accrued liability (funding excess): (b) – (a)</b>	\$ (499)	\$ (440)
<b>Funded ratio: (a)/(b)</b>	106.6%	114.2%
<b>Annual covered payroll: (c)</b>	\$ 31,515	\$ 20,816
<b>Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll: (b) – (a) / (c)</b>	(1.6)%	(2.1)%

The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

**PSPRS and CORP—OPEB Funded Status**

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**C. Elected Officials Retirement Plan**

**Plan description**—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP) or ASRS. EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes its financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at [www.psprs.com](http://www.psprs.com).

**Benefits provided**—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

<b>EORP</b>	<b>Initial membership date:</b>	
	<b>Before January 1, 2012</b>	<b>On or after January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<b>Survivor Benefit</b>		
Retired Members	75% of retired member’s benefit	50% of retired member’s benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member’s normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Contributions**—State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2016, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the County was required to contribute 23.5 percent of active EORP members' annual covered payroll. Also, the County was required by statute to contribute 12.15 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for these elected officials and judges. In addition, the County was required by statute to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that would typically be filled by an employee who contributes to the EORP. The County's contributions to the pension plan for the year ended June 30, 2016, were \$1,555. No OPEB contributions were required or made for the years ended June 30, 2015 and 2016. The County's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

**EORP**

<b>Year ended June 30</b>	<b><u>Health Insurance Fund</u></b>
2016	
2015	
2014	\$ 54

During fiscal year 2016, the County paid for EORP pension contributions entirely from the General Fund.

**Pension liability**—At June 30, 2016, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 59,037
State's proportionate share of the EORP net pension liability associated with the County	18,405
Total	\$ 77,442

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2015. The County's proportion measured as of June 30, 2015 was 7.55 percent, which was a decrease of 0.09 percent from its proportion measured as of June 30, 2014.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

**Pension expense and deferred outflows/inflows of resources**—For the year ended June 30, 2016, the County recognized pension expense for EORP of \$17,941 and revenue of \$4,952 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>EORP</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 94	\$ 657
Changes of assumptions or other inputs	9,892	
Net difference between projected and actual earnings on pension plan investments	358	
Changes in proportion and differences between county contributions and proportionate share of contributions		271
County contributions subsequent to the measurement date	1,555	
<b>Total</b>	<b>\$ 11,899</b>	<b>\$ 928</b>

The \$1,555 reported as deferred outflows of resources related to EORP pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2017	\$ 7,967
2018	1,151
2019	29
2020	269

**Actuarial assumptions**—The significant actuarial assumptions used to measure the total pension liability are as follows:

<b>EORP</b>	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 11 - Pensions and Other Postemployment Benefits (continued)**

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP		Long-Term Expected Geometric Real Rate of Return
Asset Class	Target Allocation	
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

**Discount rate**—At June 30, 2015, the discount rate used to measure the EORP total pension liability was 4.86 percent, which was a decrease of 0.81 from the discount rate used as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2028. A municipal bond rate of 3.80 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 25, 2015, was applied to periods of projected benefit payments after June 30, 2028.

**Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate**—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 4.86 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

EORP	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
County's proportionate share of the net pension liability	\$ 68,727	\$ 59,037	\$ 50,889

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 12: Due from Other Governments**

Governmental activities:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
Federal government:						
Grants and contributions	\$ 184		\$ 5	\$ 6,460		\$ 6,649
State of Arizona:						
Taxes and shared revenues	20,915	\$ 787		5,500		27,202
Grants and contributions				6,469	\$ 2	6,471
Cities:						
Reimbursement for services	1,849	1,000	9	1,518	1	4,377
Other governments:						
Reimbursement for services	100	2,203		50		2,353
Total due from other governments fund based statements	<u>\$ 23,048</u>	<u>\$ 3,990</u>	<u>\$ 14</u>	<u>\$ 19,997</u>	<u>\$ 3</u>	<u>\$ 47,052</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 13: Interfund Transactions**

**A. Interfund Assets/Liabilities**

Due from / Due to Other Funds are used to record loans or unpaid operating transfers between funds.

**Amounts recorded as due to:**

Amounts recorded as due from:		General	Capital Projects	Other Governmental	Regional Wastewater Reclamation	Other Enterprise	Internal Services	Total
	General		\$ 6,204	\$ 6			\$ 6,210	
	Capital Projects	\$ 17		415	45	\$ 165		642
	Other Governmental	414	\$ 10	31				455
	Regional Wastewater Reclamation		3,393					3,393
	Other Enterprise			7	11			18
	Internal Services	21		6	2	\$ 14		43
	<b>Total</b>	<b>\$ 452</b>	<b>\$ 3,403</b>	<b>\$ 6,663</b>	<b>\$ 64</b>	<b>\$ 165</b>	<b>\$ 14</b>	<b>\$ 10,761</b>

**B. Transfers**

Transfers are used to record transactions between individual funds to subsidize their operations and fund debt service payments and capital construction projects.

**Amounts recorded as transfers out:**

Amounts recorded as transfers in:		General	Capital Projects	Debt Service	Other Governmental	Regional Wastewater Reclamation	Other Enterprise	Internal Services	Total
	General	\$ 2,179	\$ 1,600	\$ 5,892	\$ 243	\$ 250	\$ 7	\$ 10,171	
	Capital Projects	\$ 413		24,883	52	304	155	25,807	
	Debt Service	12,255	193		18,391	22,692	289	56,299	
	Other Governmental	20,209	514		1,170	188		22,081	
	Regional Wastewater Reclamation	6	44,289					44,295	
	Internal Service	713	142		16	87		958	
	<b>Total</b>	<b>\$ 33,596</b>	<b>\$ 47,317</b>	<b>\$ 1,600</b>	<b>\$ 50,352</b>	<b>\$ 23,262</b>	<b>\$ 843</b>	<b>\$ 2,641</b>	<b>\$ 159,611</b>

The table above does not include transfers of capital assets from the proprietary funds to the governmental activities because these are not reported in the governmental funds.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 14: Construction and Other Significant Commitments**

At June 30, 2016, Pima County had the following major contractual commitments related to Facilities Management, General Government, Natural Resources, Parks and Recreations, Stadium District, Transportation, and Regional Wastewater Reclamation.

**Facilities Management**

At June 30, 2016, the Pima County Facilities Management Department had construction contractual commitments of \$13,937 and other contractual commitments related to service contracts of \$2,246. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

**General Government**

At June 30, 2016, Pima County had contractual commitments related to service contracts for the Department of Information Technology of \$5,246. The Office of Medical Services had commitments related to service contracts of \$34,179. Procurement had construction contractual commitments of \$6,263. Funding for these expenditures will be provided from general fund revenues, the OEM Radio System special revenue fund, and general obligation bonds.

**Natural Resources, Parks and Recreation**

At June 30, 2016, the Pima County Natural Resources, Parks and Recreation Department had construction contractual commitments of \$82 and other contractual commitments related to service contracts of \$11,294. Funding for these expenditures will be provided from general fund revenues.

**Stadium District**

At June 30, 2016, the Pima County Stadium District had contractual commitments related to service contracts of \$8,379. Funding for these expenditures will be provided from general fund revenues and various taxes, such as Hotel/Motel tax revenue.

**Transportation**

At June 30, 2016, the Pima County Transportation Department had construction commitments of \$29,557 and other contractual commitments related to services of \$28,446. Funding for these expenditures will be primarily provided from Transportation Revenue bonds, federal grants funding and state Highway User Tax Revenue, which is the primary source of revenue for the Transportation Department.

**Regional Wastewater Reclamation**

At June 30, 2016, the Regional Wastewater Reclamation enterprise fund had construction contractual commitments of \$37,308 and other contractual commitments related to services of \$11,351. Funding for these expenses will be primarily from the Sewer Revenue Bonds and sewer user fees.

**Note 15: Deficit Fund Balances/Net Position**

The Stadium District and Other Grants – Special Revenue Fund had deficit fund balances at June 30, 2016, of \$1,592 and \$6,559 respectively. In addition, the Development Services Enterprise Fund had a deficit net position at June 30, 2016, of \$4,366.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 16: Subsequent Events**

**General Obligation Refunding Bonds** – On July 6, 2016, the County issued General Obligation Refunding Bonds, Series 2016 in the amount of \$122,070. The net proceeds of the refunding bonds issuance were placed in an irrevocable trust account with U.S. Bank to advance refund various General Obligation bonds as follows:

Series 2007	\$ 28,475
Series 2008	35,750
Series 2009	22,185
Series 2009A	21,600
Series 2011	17,380
	<u>\$ 125,390</u>

The interest rate on the bonds range from 2.00% to 4.00%, and the maturity dates range from July 1, 2018 to 2026. Interest is payable semiannually beginning January 1, 2017.

**Street and Highway Revenue Refunding Bonds** – On July 6, 2016, the County issued Street and Highway Revenue Refunding Bonds, Series 2016 in the amount of \$28,315. The net proceeds of the refunding bonds issuance were placed in an irrevocable trust account with U.S. Bank to advance refund various Transportation bonds as follows:

Series 2007	\$ 9,965
Series 2008	8,605
Series 2009	11,385
	<u>\$ 29,955</u>

The interest rate on the bonds range from 1.75% to 5.00%, and the maturity dates range from July 1, 2018 to 2024. Interest is payable semiannually beginning January 1, 2017. Payments will be made from the revenues received by the County from highway user taxes.

**Sewer System Revenue Refunding Obligations** – On July 7, 2016 the Regional Wastewater Reclamation Enterprise Fund issued Series 2016 Obligations in the amount of \$211,595. The net proceeds of the refunding obligations issuance were placed in an irrevocable trust account with The Bank of New York Mellon to advance refund various Sewer Revenue Bonds and Obligations as follows:

Sewer Revenue Bonds, Series 2007	\$ 27,840
Sewer Revenue Bonds, Series 2008	37,825
Sewer Revenue Bonds, Series 2009	6,725
Sewer Revenue Obligations, Series 2010	85,495
Sewer Revenue Obligations, Series 2011B	71,000
	<u>\$ 228,885</u>

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2016  
(in thousands)

**Note 16: Subsequent Events (Continued)**

The interest rate on the obligations is 5.00%, and the maturity dates range from July 1, 2018 to 2026. Interest is payable semiannually beginning January 1, 2017 and is calculated based on the principal amount of the obligations outstanding during such period. Payments will be made from the user charges received in the Regional Wastewater Reclamation Enterprise Fund.

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## **Required Supplementary Information**

Other Than Management's Discussion & Analysis

PIMA COUNTY, ARIZONA

Exhibit B - 1

Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – General Fund  
For the Year Ended June 30, 2016  
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 337,310	\$ 337,310	\$ 336,904	\$ (406)
Licenses and permits	3,075	3,075	3,135	60
Intergovernmental	144,574	144,574	145,907	1,333
Charges for services	45,192	45,192	44,465	(727)
Fines and forfeits	4,262	4,262	3,401	(861)
Investment earnings	196	196	389	193
Miscellaneous	6,144	6,144	6,510	366
<b>Total revenues</b>	<b>540,753</b>	<b>540,753</b>	<b>540,711</b>	<b>(42)</b>
<b>Expenditures:</b>				
General government				
Assessor	8,493	8,493	7,678	815
Board of Supervisors	2,020	2,020	1,846	174
Clerk of Superior Court	10,211	10,211	10,198	13
Constables	1,199	1,199	1,245	(46)
County Administration	106,255	106,255	56,223	50,032
County Attorney	22,453	22,453	21,565	888
Justice Courts	8,129	8,129	7,945	184
Juvenile Courts	22,605	22,605	22,307	298
Justice & Law Enforcement	32,063	32,063	32,032	31
Public Works (Facilities Management)	22,829	22,829	20,717	2,112
Recorder	3,913	3,913	4,097	(184)
Superior Court	29,277	29,277	29,292	(15)
Superior Court Mandated Services	1,757	1,757	1,610	147
Treasurer	2,543	2,543	2,367	176
Public safety				
Sheriff	142,955	142,955	143,014	(59)
Office of Emergency Management & Homeland Security	414	414	345	69
Sanitation				
Environmental Quality	1,431	1,431	1,205	226
Health				
Forensic Science Center	3,718	3,718	3,557	161
Welfare				
County Admin - Welfare	57,782	57,782	56,840	942
Office of Medical Services	38,251	38,251	31,277	6,974
Culture and recreation				
Public Works (Parks and Recreation)	17,903	17,903	17,418	485
Education and economic opportunity				
Community & Economic Development	11,873	11,873	10,676	1,197
School Superintendent	1,655	1,655	1,416	239
Debt Service - principal	160	160	3,098	(2,938)
- interest			762	(762)
<b>Total expenditures</b>	<b>549,889</b>	<b>549,889</b>	<b>488,730</b>	<b>61,159</b>
Excess (deficiency) of revenues over (under) expenditures	(9,136)	(9,136)	51,981	61,117
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets			1	1
Transfers in	10,165	10,165	10,171	6
Transfers (out)	(32,877)	(32,877)	(33,596)	(719)
<b>Total other financing uses</b>	<b>(22,712)</b>	<b>(22,712)</b>	<b>(23,424)</b>	<b>(712)</b>
Net change in fund balances	(31,848)	(31,848)	28,557	60,405
Fund balances at beginning of year	31,848	31,848	52,125	20,277
Fund balances at end of year	\$	\$	\$ 80,682	\$ 80,682

Notes to Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual – General Fund  
June 30, 2016  
(in thousands)

**Note 1- Budgeting and Budgetary Control**

Arizona Revised Statutes (A.R.S.) requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors’ approval. With the exception of the General Fund, Other Special Revenue, and Other Special Revenue – Grants, each fund includes only one department.

**Note 2 – Expenditures in Excess of Appropriations**

For the year ended June 30, 2016, expenditures for the following departments in the General Fund exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

<b>Function/Department</b>	<b>Excess</b>
General government:	
Constables	\$ 46
Recorder	184
Superior Court	15
Total general government:	<u>245</u>
Public safety:	
Sheriff	59
Total public safety	<u>59</u>
Debt Service - principal	2,938
- inteeest	762
Total debt service	<u>\$ 3,700</u>

These expenditures were funded by greater than anticipated revenues and unspent appropriations.

PIMA COUNTY, ARIZONA

Exhibit B - 2

Schedule of the County's Proportionate Share of the Net Pension Liability  
 Cost-Sharing Pension Plans  
 June 30, 2016  
 (in thousands)

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Arizona State Retirement System			
County's proportion of the net pension liability	2.51%	2.56%	Information not available
County's proportionate share of the net pension liability	\$ 391,629	\$ 379,139	Information not available
County's covered payroll	\$ 231,570	\$ 229,907	
County's proportionate share of the net pension liability as a percentage of its covered payroll	169.12%	164.91%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Corrections Officer Retirement Plan—Administrative Office of the Courts			
County's proportion of the net pension liability	12.45%	12.43%	Information not available
County's proportionate share of the net pension liability	\$ 30,274	\$ 27,888	Information not available
County's covered payroll	\$ 13,857	\$ 13,114	
County's proportionate share of the net pension liability as a percentage of its covered payroll	218.47%	212.66%	
Plan fiduciary net position as a percentage of the total pension liability	57.89%	58.59%	

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Elected Officials Retirement Plan			
County's proportion of the net pension liability	7.55%	7.64%	Information not available
County's proportionate share of the net pension liability	\$ 59,037	\$ 51,259	Information not available
State's proportionate share of the net pension liability associated with the County	\$ 18,405	\$ 15,717	
Total	\$ 77,442	\$ 66,976	
County's covered payroll	\$ 6,391	\$ 6,932	
County's proportionate share of the net pension liability as a percentage of its covered payroll	923.75%	739.45%	
Plan fiduciary net position as a percentage of the total pension liability	28.32%	31.91%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA  
Schedule of Changes in the County's  
Net Pension Liability and Related Ratios  
Agent Pension Plans  
June 30, 2016  
(in thousands)

Exhibit B - 2

Public Safety Personnel Retirement System - Sheriff

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			
Service cost	\$ 6,421	\$ 6,346	Information not available
Interest on the total pension liability	24,997	21,060	
Changes of benefit terms		7,336	
Differences between expected and actual experience in the measurement of the pension liability	(4,579)	(462)	
Changes of assumptions or other inputs		34,338	
Benefit payments, including refunds of employee contributions	(19,209)	(17,811)	
Net change in total pension liability	7,630	50,807	
Total pension liability - beginning	324,825	274,018	
Total pension liability - ending (a)	<u>\$ 332,455</u>	<u>\$ 324,825</u>	
Plan fiduciary net position			
Contributions - employer	\$ 11,490	\$ 10,627	
Contributions - employee	3,505	3,415	
Net investment income	5,053	17,221	
Benefit payments, including refunds of employee contributions	(19,209)	(17,811)	
Administrative expense	(124)	(139)	
Other changes	(148)	(92)	
Net change in plan fiduciary net position	567	13,221	
Plan fiduciary net position - beginning	139,846	126,625	
Plan fiduciary net position - ending (b)	<u>\$ 140,413</u>	<u>\$ 139,846</u>	
County's net pension liability - ending (a) - (b)	\$ 192,042	\$ 184,979	
Plan fiduciary net position as a percentage of the total pension liability	42.24%	43.05%	
Covered payroll	\$ 31,515	\$ 31,543	
County's net pension liability as a percentage of covered payroll	609.37%	586.43%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA  
Schedule of Changes in the County's  
Net Pension Liability and Related Ratios  
Agent Pension Plans  
June 30, 2016  
(in thousands)

Exhibit B - 2

Corrections Officer Retirement Plan - Detention

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			
Service cost	\$ 2,798	\$ 2,852	Information not available
Interest on the total pension liability	7,751	6,623	
Changes of benefit terms		1,459	
Differences between expected and actual experience in the measurement of the pension liability	(2,557)	(609)	
Changes of assumptions or other inputs		10,555	
Benefit payments, including refunds of employee contributions	(5,988)	(6,975)	
Net change in total pension liability	2,004	13,905	
Total pension liability - beginning	100,333	86,428	
Total pension liability - ending (a)	<u>\$ 102,337</u>	<u>\$ 100,333</u>	
Plan fiduciary net position			
Contributions - employer	\$ 3,441	\$ 2,970	
Contributions - employee	1,737	1,686	
Net investment income	1,765	6,030	
Benefit payments, including refunds of employee contributions	(5,988)	(6,975)	
Administrative expense	(44)	(48)	
Other changes	(69)	11	
Net change in plan fiduciary net position	842	3,674	
Plan fiduciary net position - beginning	48,360	44,686	
Plan fiduciary net position - ending (b)	<u>\$ 49,202</u>	<u>\$ 48,360</u>	
County's net pension liability - ending (a) - (b)	\$ 53,135	\$ 51,973	
Plan fiduciary net position as a percentage of the total pension liability	48.08%	48.20%	
Covered payroll	\$ 20,816	\$ 20,051	
County's net pension liability as a percentage of covered payroll	255.26%	259.20%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA  
Schedule of County Pension Contributions  
June 30, 2016  
(in thousands)

Exhibit B - 2

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Arizona State Retirement System				
Statutorily required contribution	\$ 24,752	\$ 25,218	\$ 24,600	Information
County's contributions in relation to the statutorily required contribution	24,752	25,218	24,600	not available
County's contribution deficiency (excess)	-	-	-	
County's covered payroll	\$ 228,129	\$ 231,570	\$ 229,907	
County's contributions as a percentage of covered payroll	10.85%	10.89%	10.70%	

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Corrections Officer Retirement Plan - Administrative Office of the Courts				
Statutorily required contribution	\$ 2,613	\$ 2,062	\$ 1,933	Information
County's contributions in relation to the statutorily required contribution	2,613	2,062	1,933	not available
County's contribution deficiency (excess)	-	-	-	
County's covered payroll	\$ 13,681	\$ 13,857	\$ 13,114	
County's contributions as a percentage of covered payroll	19.10%	14.88%	14.74%	

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Elected Officials Retirement Plan				
Statutorily required contribution	\$ 1,555	\$ 1,502	\$ 1,629	Information
County's contributions in relation to the statutorily required contribution	1,555	1,502	1,629	not available
County's contribution deficiency (excess)	-	-	-	
County's covered payroll	\$ 6,617	\$ 6,391	\$ 6,932	
County's contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Public Safety Personnel Retirement System - Sheriff				
Actuarially determined contribution	\$ 15,119	\$ 11,490	\$ 10,627	Information
County's contributions in relation to the actuarially determined contribution	15,119	11,490	10,627	not available
County's contribution deficiency (excess)	-	-	-	
County's covered payroll	\$ 30,384	\$ 31,515	\$ 31,543	
County's contributions as a percentage of covered payroll	49.76%	36.46%	33.69%	

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Corrections Officer Retirement Plan - Detention				
Actuarially determined contribution	\$ 4,618	\$ 3,441	\$ 2,970	Information
County's contributions in relation to the actuarially determined contribution	4,618	3,441	2,970	not available
County's contribution deficiency (excess)	-	-	-	
County's covered payroll	\$ 20,263	\$ 20,816	\$ 20,051	
County's contributions as a percentage of covered payroll	22.79%	16.53%	14.81%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA  
Notes to Pension Plan Schedules  
June 30, 2016  
(in thousands)

**Note 1 – Change in Accounting Principle**

For the year ended June 30, 2016, the County implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the classification of employer-paid member contributions from employer contributions to employee contributions. In addition, the statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, contribution and payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

**Note 2 – Actuarially Determined Contribution Rates**

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80% / 120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

PIMA COUNTY, ARIZONA  
Schedule of Agent OPEB Plans' Funding Progress  
June 30, 2016  
(in thousands)

Exhibit B - 2

**Health Insurance Premium Benefit**

Actuarial Valuation Date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL) (funding excess)	Funded ratio	Annual covered payroll	UAAL (funding excess) as a percentage of covered payroll
	(a)	(b)	(b) - (a)	(a)/(b)	(c)	(b) - (a)/c
<b>PSPRS Sheriff</b>						
6/30/15	\$ 8,092	\$ 7,593	\$ (499)	106.6%	\$ 31,515	-1.6%
6/30/14	7,549	7,337	(212)	102.9%	31,543	-0.7%
6/30/13		7,460	7,460	0.0%	30,768	24.3%
<b>CORP Detention</b>						
6/30/15	\$ 3,532	\$ 3,092	\$ (440)	114.2%	\$ 20,816	-2.1%
6/30/14	3,248	3,122	(126)	104.0%	20,051	-0.6%
6/30/13		3,195	3,195	0.0%	19,665	16.3%

**Note 1 – Factors That Affect the Identification of Trends**

Beginning in fiscal year 2014, PSPRS and CORP established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.



# **Combining Statements and Other Schedules**

Other (Nonmajor) Governmental Funds

## OTHER GOVERNMENTAL FUNDS (Nonmajor)

Transportation Fund - to account for administrative and operating costs, as well as resources transferred to the Capital Projects Fund for construction of highways and streets. Financing is provided primarily from the County share of gasoline and vehicle license taxes collected by the State.

Health Fund - to account for resources used to finance activities involved in the conservation and improvement of public health and animal care. Major sources of funding include Federal and State grants, charges for services provided, and operating transfers from the General Fund.

Regional Flood Control District Fund - to account for amounts expended to protect persons and property from floodwaters. Revenues are provided by secondary taxes on real property and government grants. The Regional Flood Control District is a blended component unit of Pima County.

Other Special Revenue Fund - to account for resources specifically identified to be expended for the various other programs of the County. These include various probation programs, consumer protection programs, family support, antiracketeering programs, law library, etc. Revenues are provided by fines, intergovernmental revenues, fees and forfeitures, and charges for services.

Other Special Revenue Grants Fund - to account for Federal and State grants received by the County not required to be accounted for in a separate fund. Each grant has a specific project objective and the grant funds must be used for a stated purpose.

Office of Emergency Management's Radio System Special Revenue Fund - to account for the design, procurement and deployment of a regional public safety voice communications network to serve public and non-profit entities responsible for providing public safety and emergency management services to the Pima County populace.

School Reserve Fund - to account for Federal and State grants received by the Superintendent of Schools. Each grant has a specific project objective and the grant funds must be used for a stated purpose.

Environmental Quality Fund - to account for resources specifically identified to be expended for protection of water, air, and land from pollutants. Revenues are provided by fines, fees and forfeitures, licenses, permits, and Federal and State grants.

Waste Tire Fund - to account for the state shared revenue tax for the tire recycling program.

Library District Fund - to account for the resources used for management and operation of the Library District. Revenues are provided primarily by secondary taxes on real property. The Library District is a blended component unit of Pima County.

Stadium District Fund - to account for resources specifically identified to be expended for the Stadium District. Revenues are provided by the car rental, hotel/motel bed and recreation vehicle park taxes, and charges for services provided. The Stadium District is a blended component unit of Pima County.

Street Lighting District (SLDs) Fund - to account for financial activity related to street lighting in unincorporated Pima County. The SLDs are a blended component unit of Pima County.

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**PIMA COUNTY, ARIZONA**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2016**  
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	OEM Radio System
<b>Assets</b>						
Cash and cash equivalents	\$ 6,592	\$ 6,827	\$ 7,307	\$ 30,760		\$ 1,813
Property taxes receivable (net)			667			
Interest receivable	4	4	4	16		1
Due from other funds	10	7		265	\$ 45	
Due from other governments	4,698	1,326	27	315	12,786	
Accounts receivable	216	160	25	686	1,949	
Inventory	1,189					180
Prepaid expenditures	42	58	20	165	50	9
Loan receivable	1,481			40		
Restricted cash equivalents						
<b>Total assets</b>	<u>\$ 14,232</u>	<u>\$ 8,382</u>	<u>\$ 8,050</u>	<u>\$ 32,247</u>	<u>\$ 14,830</u>	<u>\$ 2,003</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 4,060	\$ 531	\$ 515	\$ 2,304	\$ 7,804	\$ 183
Interest payable					2	
Employee compensation	402	333	139	461	290	26
Due to other funds	14	6	2	181	4,640	
Due to other governments	1	11			1	
Deposits and rebates	2		2	1		
Unearned revenue	1,482	3	7	1,199	865	119
<b>Total liabilities</b>	<u>5,961</u>	<u>884</u>	<u>665</u>	<u>4,146</u>	<u>13,602</u>	<u>328</u>
<b>Deferred inflows of resources:</b>						
Unavailable revenue - intergovernmental	73	564	19		7,723	
Unavailable revenue - property taxes			448			
Unavailable revenue - other	129	52	12	22	64	
<b>Total deferred inflows of resources</b>	<u>202</u>	<u>616</u>	<u>479</u>	<u>22</u>	<u>7,787</u>	
<b>Total liabilities and deferred inflows of resources</b>	<u>6,163</u>	<u>1,500</u>	<u>1,144</u>	<u>4,168</u>	<u>21,389</u>	<u>328</u>
<b>Fund balances</b>						
Nonspendable	1,231	58	20	165	50	189
Restricted	6,838	6,824	6,886	21,895	70	
Committed				5,888		
Assigned				131		1,486
Unassigned					(6,679)	
<b>Total fund balances</b>	<u>8,069</u>	<u>6,882</u>	<u>6,906</u>	<u>28,079</u>	<u>(6,559)</u>	<u>1,675</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 14,232</u>	<u>\$ 8,382</u>	<u>\$ 8,050</u>	<u>\$ 32,247</u>	<u>\$ 14,830</u>	<u>\$ 2,003</u>

Special Revenue Funds						Total Other Governmental Funds
School Reserve	Environmental Quality	Waste Tire	Library District	Stadium District	Street Lighting Districts	
\$ 1,159	\$ 3,064	\$ 1,595	\$ 11,395		\$ 143	\$ 70,655
			1,217		1	1,885
	2	1	6			38
	12			\$ 116		455
124		287	10	424		19,997
18	85		377	64		3,580
						1,369
4			557	4		909
			45			1,521
						45
<u>\$ 1,305</u>	<u>\$ 3,163</u>	<u>\$ 1,883</u>	<u>\$ 13,607</u>	<u>\$ 608</u>	<u>\$ 144</u>	<u>\$ 100,454</u>
\$ 64	\$ 50	\$ 254	\$ 1,037	\$ 240	\$ 8	\$ 17,050
				1		3
60	55		362	41		2,169
	28	2		1,790		6,663
						13
						5
<u>3</u>	<u>5</u>		<u>18</u>	<u>6</u>		<u>3,707</u>
<u>127</u>	<u>138</u>	<u>256</u>	<u>1,417</u>	<u>2,078</u>	<u>8</u>	<u>29,610</u>
				121		8,500
			846			1,294
	62		90	1		432
	62		936	122		10,226
<u>127</u>	<u>200</u>	<u>256</u>	<u>2,353</u>	<u>2,200</u>	<u>8</u>	<u>39,836</u>
4			602	4		2,323
496	1,717	1,627	10,652		136	57,141
252				822		6,962
426	1,246			(2,418)		3,289
						(9,097)
<u>1,178</u>	<u>2,963</u>	<u>1,627</u>	<u>11,254</u>	<u>(1,592)</u>	<u>136</u>	<u>60,618</u>
<u>\$ 1,305</u>	<u>\$ 3,163</u>	<u>\$ 1,883</u>	<u>\$ 13,607</u>	<u>\$ 608</u>	<u>\$ 144</u>	<u>\$ 100,454</u>

PIMA COUNTY, ARIZONA  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30 , 2016  
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	OEM Radio System
Revenues:						
Property taxes			\$ 21,463			
Licenses and permits	\$ 1,178	\$ 2,294	1			
Intergovernmental	56,344	5,071	316	\$ 22,104	\$ 53,122	
Charges for services	97	2,173	57	7,357		\$ 2,883
Fines and forfeits		105		4,354		
Investment earnings	38	29	47	174	8	11
Miscellaneous	319	2,324	73	5,177	1,125	66
<b>Total revenues</b>	<b>57,976</b>	<b>11,996</b>	<b>21,957</b>	<b>39,166</b>	<b>54,255</b>	<b>2,960</b>
Expenditures:						
General government				31,154	5,205	
Public safety			14,598	2,258	6,388	2,689
Highways and streets	39,798				5,827	
Sanitation						
Health		21,444		30	10,413	
Welfare					319	
Culture and recreation				503	53	
Education and economic opportunity				2,959	18,159	
Debt service - principal				94		
- interest				2		
<b>Total expenditures</b>	<b>39,798</b>	<b>21,444</b>	<b>14,598</b>	<b>37,000</b>	<b>46,364</b>	<b>2,689</b>
Excess (deficiency) of revenues over (under) expenditures	18,178	(9,448)	7,359	2,166	7,891	271
Other financing sources (uses):						
Proceeds from capital lease agreements				149		
Proceeds from sale of capital assets	88					
Transfers in	154	12,962	150	1,561	1,578	
Transfers (out)	(18,362)	(833)	(8,727)	(5,149)	(13,508)	
<b>Total other financing sources (uses)</b>	<b>(18,120)</b>	<b>12,129</b>	<b>(8,577)</b>	<b>(3,439)</b>	<b>(11,930)</b>	
<b>Net change in fund balances</b>	<b>58</b>	<b>2,681</b>	<b>(1,218)</b>	<b>(1,273)</b>	<b>(4,039)</b>	<b>271</b>
Fund balances at beginning of year	8,011	4,311	8,124	29,352	(2,520)	1,404
Changes in nonspendable resources:						
Change in inventory		(110)				
Change in prepaids						
<b>Fund balances at end of year</b>	<b>\$ 8,069</b>	<b>\$ 6,882</b>	<b>\$ 6,906</b>	<b>\$ 28,079</b>	<b>\$ (6,559)</b>	<b>\$ 1,675</b>

Special Revenue Funds						Total Other Governmental Funds
School Reserve	Environmental Quality	Waste Tire	Library District	Stadium District	Street Lighting Districts	
			\$ 38,821		\$ 140	\$ 60,424
	\$ 2,216					5,689
\$ 1,748		\$ 1,215	215	\$ 1,612		141,747
			249	989		13,805
			560			5,019
	19	9	45	5		385
	22		278	8		9,392
<u>1,748</u>	<u>2,257</u>	<u>1,224</u>	<u>40,168</u>	<u>2,614</u>	<u>140</u>	<u>236,461</u>
					158	36,517
						25,933
		1,032				45,625
	2,946					1,032
						34,833
						319
1,911			35,883	4,853		41,292
						23,029
						94
						2
<u>1,911</u>	<u>2,946</u>	<u>1,032</u>	<u>35,883</u>	<u>4,853</u>	<u>158</u>	<u>208,676</u>
<u>(163)</u>	<u>(689)</u>	<u>192</u>	<u>4,285</u>	<u>(2,239)</u>	<u>(18)</u>	<u>27,785</u>
						149
						88
	655		164	4,857		22,081
	(53)		(462)	(3,258)		(50,352)
	602		(298)	1,599		(28,034)
(163)	(87)	192	3,987	(640)	(18)	(249)
1,353	3,050	1,435	7,267	(952)	154	60,989
						(110)
<u>(12)</u>						<u>(12)</u>
<u>\$ 1,178</u>	<u>\$ 2,963</u>	<u>\$ 1,627</u>	<u>\$ 11,254</u>	<u>\$ (1,592)</u>	<u>\$ 136</u>	<u>\$ 60,618</u>

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## **Combining Statements and Other Schedules**

Schedule of Revenues, Expenditures and Changes in  
Fund Balance

Budget and Actual - Other Governmental Funds

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Capital Projects Fund  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 17,962	\$ 27,250	\$ 9,288
Charges for services	3,941	3,988	47
Investment earnings	281	812	531
Miscellaneous	200	890	690
Total revenues	<u>22,384</u>	<u>32,940</u>	<u>10,556</u>
Expenditures:			
Capital outlay	<u>83,325</u>	<u>70,473</u>	<u>12,852</u>
Total expenditures	<u>83,325</u>	<u>70,473</u>	<u>12,852</u>
Deficiency of revenues under expenditures	<u>(60,941)</u>	<u>(37,533)</u>	<u>23,408</u>
Other financing sources (uses):			
Premium on bonds		890	890
Face amount of long-term debt issued	25,681	34,295	8,614
Transfers in	22,838	25,807	2,969
Transfers (out)	<u>(61,947)</u>	<u>(47,317)</u>	<u>14,630</u>
Total other financing sources (uses)	<u>(13,428)</u>	<u>13,675</u>	<u>27,103</u>
Net change in fund balance	(74,369)	(23,858)	50,511
Fund balance at beginning of year	<u>91,256</u>	<u>129,835</u>	<u>38,579</u>
Fund balance at end of year	<u>\$ 16,887</u>	<u>\$ 105,977</u>	<u>\$ 89,090</u>

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Debt Service Fund  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 52,856	\$ 52,726	\$ (130)
Intergovernmental		14	14
Investment earnings		226	226
Miscellaneous		43	43
Total revenues	<u>52,856</u>	<u>53,009</u>	<u>153</u>
Expenditures:			
Debt service - principal	84,415	83,765	650
- interest	26,390	25,515	875
- miscellaneous	16	488	(472)
Total expenditures	<u>110,821</u>	<u>109,768</u>	<u>1,053</u>
Deficiency of revenues under expenditures	<u>(57,965)</u>	<u>(56,759)</u>	<u>1,206</u>
Other financing sources (uses):			
Premium on bonds		1,662	1,662
Issuance of refunding debt		9,640	9,640
Payments to escrow agent		(11,010)	(11,010)
Transfers in	57,106	56,299	(807)
Transfers (out)	(1,600)	(1,600)	
Total other financing sources	<u>55,506</u>	<u>54,991</u>	<u>(515)</u>
Net change in fund balance	(2,459)	(1,768)	691
Fund balance at beginning of year	<u>15,115</u>	<u>8,424</u>	<u>(6,691)</u>
Fund balance at end of year	<u>\$ 12,656</u>	<u>\$ 6,656</u>	<u>\$ (6,000)</u>

PIMA COUNTY, ARIZONA

Exhibit C - 5

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Transportation - Special Revenue Fund  
For the Year Ended June, 30 2016

	Budget	Actual	Variance
<b>Revenues:</b>			
Licenses and permits	\$ 1,121	\$ 1,178	\$ 57
Intergovernmental	53,180	56,344	3,164
Charges for services	243	97	(146)
Investment earnings	80	38	(42)
Miscellaneous	258	319	61
Total revenues	<u>54,882</u>	<u>57,976</u>	<u>3,094</u>
<b>Expenditures:</b>			
Highways and streets	39,701	39,798	(97)
Total expenditures	<u>39,701</u>	<u>39,798</u>	<u>(97)</u>
Excess of revenues over expenditures	<u>15,181</u>	<u>18,178</u>	<u>2,997</u>
<b>Other financing sources (uses):</b>			
Proceeds from sale of capital assets		88	88
Transfers in	122	154	32
Transfers (out)	(19,025)	(18,362)	663
Total other financing uses	<u>(18,903)</u>	<u>(18,120)</u>	<u>783</u>
Net change in fund balance	(3,722)	58	3,780
Fund balance at beginning of year	5,205	8,011	2,806
Fund balance at end of year	<u>\$ 1,483</u>	<u>\$ 8,069</u>	<u>\$ 6,586</u>

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Health - Special Revenue Fund  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 6

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,280	\$ 2,294	\$ 14
Intergovernmental	4,960	5,071	111
Charges for services	3,037	2,173	(864)
Fines and forfeits	84	105	21
Investment earnings		29	29
Miscellaneous	698	2,324	1,626
Total revenues	<u>11,059</u>	<u>11,996</u>	<u>937</u>
Expenditures:			
Health	<u>23,350</u>	<u>21,444</u>	<u>1,906</u>
Total expenditures	<u>23,350</u>	<u>21,444</u>	<u>1,906</u>
Deficiency of revenues under expenditures	<u>(12,291)</u>	<u>(9,448)</u>	<u>2,843</u>
Other financing sources (uses):			
Transfers in	12,960	12,962	2
Transfers (out)	<u>(1,618)</u>	<u>(833)</u>	<u>785</u>
Total other financing sources	<u>11,342</u>	<u>12,129</u>	<u>787</u>
Net change in fund balance	(949)	2,681	3,630
Fund balance at beginning of year	1,454	4,311	2,857
Changes in nonspendable resources:			
Change in inventory		(110)	(110)
Fund balance at end of year	<u>\$ 505</u>	<u>\$ 6,882</u>	<u>\$ 6,377</u>

PIMA COUNTY, ARIZONA

Exhibit C - 7

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Regional Flood Control District - Special Revenue Fund  
For the Year Ended June 30, 2016

(in thousands)

	Budget	Actual	Variance
Revenues:			
Property taxes	\$ 21,426	\$ 21,463	\$ 37
Licenses and permits	1	1	
Intergovernmental	311	316	5
Charges for services	1,070	57	(1,013)
Investment earnings	25	47	22
Miscellaneous	55	73	18
Total revenues	<u>22,888</u>	<u>21,957</u>	<u>(931)</u>
Expenditures:			
Flood control	17,121	14,598	2,523
Total expenditures	<u>17,121</u>	<u>14,598</u>	<u>2,523</u>
Excess of revenues over expenditures	<u>5,767</u>	<u>7,359</u>	<u>1,592</u>
Other financing sources (uses):			
Transfers in	2	150	148
Transfers (out)	(8,646)	(8,727)	(81)
Total other financing uses	<u>(8,644)</u>	<u>(8,577)</u>	<u>67</u>
Net change in fund balance	(2,877)	(1,218)	1,659
Fund balance at beginning of year	6,105	8,124	2,019
Fund balance at end of year	<u>\$ 3,228</u>	<u>\$ 6,906</u>	<u>\$ 3,678</u>

PIMA COUNTY, ARIZONA

Exhibit C - 8

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Other - Special Revenue Fund  
For the Year Ended June 30, 2016  
(in thousands)

	Budget	Actual	Variance
<b>Revenues:</b>			
Intergovernmental	\$ 25,660	\$ 22,104	\$ (3,556)
Charges for services	8,125	7,357	(768)
Fines and forfeits	3,366	4,354	988
Investment earnings	160	174	14
Miscellaneous	6,272	5,177	(1,095)
<b>Total revenues</b>	<b>43,583</b>	<b>39,166</b>	<b>(4,417)</b>
<b>Expenditures:</b>			
General government	46,105	31,154	14,951
Public safety	5,277	2,258	3,019
Health	30	30	
Culture and recreation	1,021	503	518
Education and economic opportunity	3,177	2,959	218
Debt service - principal	81	94	(13)
- interest	2	2	
<b>Total expenditures</b>	<b>55,693</b>	<b>37,000</b>	<b>18,693</b>
Excess (deficiency) of revenues over (under) expenditures	(12,110)	2,166	14,276
<b>Other financing sources (uses):</b>			
Proceeds from capital lease agreements		149	149
Transfers in	1,051	1,561	510
Transfers (out)	(6,852)	(5,149)	1,703
<b>Total other financing uses</b>	<b>(5,801)</b>	<b>(3,439)</b>	<b>2,362</b>
Net change in fund balance	(17,911)	(1,273)	16,638
Fund balance at beginning of year	21,778	29,352	7,574
Fund balance at end of year	<b>\$ 3,867</b>	<b>\$ 28,079</b>	<b>\$ 24,212</b>

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Other Grants - Special Revenue Fund  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 9

	Budget	Actual	Variance
<b>Revenues:</b>			
Intergovernmental	\$ 73,795	\$ 53,122	\$ (20,673)
Investment earnings	6	8	2
Miscellaneous	1,757	1,125	(632)
<b>Total revenues</b>	<b>75,558</b>	<b>54,255</b>	<b>(21,303)</b>
<b>Expenditures:</b>			
County Administration		136	(136)
Community Development	6,038	4,265	1,773
Community Services	16,672	13,894	2,778
County Attorney	3,996	3,340	656
Elections	36	33	3
Environmental Quality	863	788	75
Finance	5,985	28	5,957
Flood Control	368	232	136
Health	11,441	9,625	1,816
Juvenile Court	785	660	125
Office of Emergency Management	2,740	1,485	1,255
Office of Medical Services	907	319	588
Office of Sustainability and Conservation	5	1	4
Natural Resources, Parks and Recreation	382	53	329
Recorder	38	23	15
Sheriff	8,638	4,671	3,967
Superior Court	1,221	984	237
Transportation	5,003	5,827	(824)
<b>Total expenditures</b>	<b>65,118</b>	<b>46,364</b>	<b>18,754</b>
<b>Excess of revenues over expenditures</b>	<b>10,440</b>	<b>7,891</b>	<b>(2,549)</b>
<b>Other financing sources (uses):</b>			
Transfers in	2,229	1,578	(651)
Transfers (out)	(12,044)	(13,508)	(1,464)
<b>Total other financing uses</b>	<b>(9,815)</b>	<b>(11,930)</b>	<b>(2,115)</b>
<b>Net change in fund balance</b>	<b>625</b>	<b>(4,039)</b>	<b>(4,664)</b>
Fund balance at beginning of year	(2,579)	(2,520)	59
<b>Fund balance at end of year</b>	<b>\$ (1,954)</b>	<b>\$ (6,559)</b>	<b>\$ (4,605)</b>

PIMA COUNTY, ARIZONA  
 Schedule of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual  
 Office of Emergency Management's Radio System - Special Revenue Fund  
 For the Year Ended June 30, 2016  
 (in thousands)

	Budget	Actual	Variance
Revenues:			
Charges for services	\$ 2,781	\$ 2,883	\$ 102
Investment earnings	2	11	9
Miscellaneous	64	66	2
Total revenues	<u>2,847</u>	<u>2,960</u>	<u>113</u>
Expenditures:			
Public safety	3,060	2,689	371
Total expenditures	<u>3,060</u>	<u>2,689</u>	<u>371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(213)</u>	<u>271</u>	<u>484</u>
Net change in fund balance	(213)	271	484
Fund balance at beginning of year	1,767	1,404	(363)
Fund balance at end of year	<u>\$ 1,554</u>	<u>\$ 1,675</u>	<u>\$ 121</u>

PIMA COUNTY, ARIZONA  
 Schedule of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual  
 School Reserve - Special Revenue Fund  
 For the Year Ended June 30, 2016  
 (in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,836	\$ 1,748	\$ (88)
Total revenues	<u>1,836</u>	<u>1,748</u>	<u>(88)</u>
Expenditures:			
School Reserve grants	<u>1,836</u>	<u>1,911</u>	<u>(75)</u>
Total expenditures	<u>1,836</u>	<u>1,911</u>	<u>(75)</u>
Deficiency of revenues under expenditures		<u>(163)</u>	<u>(163)</u>
Net change in fund balance		(163)	(163)
Fund balance at beginning of year	1,869	1,353	(516)
Changes in nonspendable resources:			
Change in prepaid expenditures		(12)	(12)
Fund balance at end of year	<u>\$ 1,869</u>	<u>\$ 1,178</u>	<u>\$ (691)</u>

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Environmental Quality - Special Revenue Fund  
For the Year Ended June 30, 2016  
(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,366	\$ 2,216	\$ (150)
Intergovernmental	16		(16)
Investment earnings	15	19	4
Miscellaneous	8	22	14
Total revenues	<u>2,405</u>	<u>2,257</u>	<u>(148)</u>
Expenditures:			
Environmental Quality	<u>3,153</u>	<u>2,946</u>	<u>207</u>
Total expenditures	<u>3,153</u>	<u>2,946</u>	<u>207</u>
Deficiency of revenues under expenditures	<u>(748)</u>	<u>(689)</u>	<u>59</u>
Other financing sources (uses):			
Transfers in	655	655	
Transfers (out)	(26)	(53)	(27)
Total other financing sources	<u>629</u>	<u>602</u>	<u>(27)</u>
Net change in fund balance	(119)	(87)	32
Fund balance at beginning of year	<u>2,499</u>	<u>3,050</u>	<u>551</u>
Fund balance at end of year	<u>\$ 2,380</u>	<u>\$ 2,963</u>	<u>\$ 583</u>

PIMA COUNTY, ARIZONA

Schedule of Revenues, Expenditures and Changes in  
 Fund Balance - Budget and Actual  
 Waste Tire - Special Revenue Fund  
 For the Year Ended June 30, 2016  
 (in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,100	\$ 1,215	\$ 115
Investment earnings	8	9	1
Total revenues	<u>1,108</u>	<u>1,224</u>	<u>116</u>
Expenditures:			
Sanitation	<u>1,308</u>	<u>1,032</u>	<u>276</u>
Total expenditures	<u>1,308</u>	<u>1,032</u>	<u>276</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200)</u>	<u>192</u>	<u>392</u>
Net change in fund balance	(200)	192	392
Fund balance at beginning of year	<u>1,292</u>	<u>1,435</u>	<u>143</u>
Fund balance at end of year	<u>\$ 1,092</u>	<u>\$ 1,627</u>	<u>\$ 535</u>

PIMA COUNTY, ARIZONA

Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Library District - Special Revenue Fund  
For the Year Ending June 30, 2016  
(in thousands)

	Budget	Actual	Variance
<b>Revenues:</b>			
Property taxes	\$ 38,728	\$ 38,821	\$ 93
Intergovernmental	640	215	(425)
Charges for services	520	249	(271)
Fines and forfeits	600	560	(40)
Investment earnings	25	45	20
Miscellaneous	555	278	(277)
<b>Total revenues</b>	<b>41,068</b>	<b>40,168</b>	<b>(900)</b>
<b>Expenditures:</b>			
Culture and recreation	41,884	35,883	6,001
<b>Total expenditures</b>	<b>41,884</b>	<b>35,883</b>	<b>6,001</b>
Excess (deficiency) of revenues over (under) expenditures	(816)	4,285	5,101
<b>Other financing sources (uses):</b>			
Transfers in		164	164
Transfers (out)	(92)	(462)	(370)
<b>Total other financing uses</b>	<b>(92)</b>	<b>(298)</b>	<b>(206)</b>
Net change in fund balance	(908)	3,987	4,895
Fund balance at beginning of year	3,205	7,267	4,062
<b>Fund balance at end of year</b>	<b>\$ 2,297</b>	<b>\$ 11,254</b>	<b>\$ 8,957</b>

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Stadium District - Special Revenue Fund  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 15

	Budget	Actual	Variance
<b>Revenues:</b>			
Intergovernmental	\$ 1,563	\$ 1,612	\$ 49
Charges for services	931	989	58
Investment earnings	10	5	(5)
Miscellaneous	8	8	8
<b>Total revenues</b>	<b>2,504</b>	<b>2,614</b>	<b>110</b>
<b>Expenditures:</b>			
Culture and recreation	5,210	4,853	357
<b>Total expenditures</b>	<b>5,210</b>	<b>4,853</b>	<b>357</b>
<b>Deficiency of revenues under expenditures</b>	<b>(2,706)</b>	<b>(2,239)</b>	<b>467</b>
<b>Other financing sources (uses):</b>			
Transfers in	4,731	4,857	126
Transfers (out)	(2,991)	(3,258)	(267)
<b>Total other financing sources</b>	<b>1,740</b>	<b>1,599</b>	<b>(141)</b>
<b>Net change in fund balance</b>	<b>(966)</b>	<b>(640)</b>	<b>326</b>
<b>Fund balance at beginning of year</b>	<b>(1,047)</b>	<b>(952)</b>	<b>95</b>
<b>Fund balance at end of year</b>	<b>\$ (2,013)</b>	<b>\$ (1,592)</b>	<b>\$ 421</b>

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Street Lighting Districts  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 16

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 142	\$ 140	\$ (2)
Total revenues	<u>142</u>	<u>140</u>	<u>(2)</u>
Expenditures:			
General government	<u>178</u>	<u>158</u>	<u>20</u>
Total expenditures	<u>178</u>	<u>158</u>	<u>20</u>
Deficiency of revenues under expenditures	<u>(36)</u>	<u>(18)</u>	<u>18</u>
Net change in fund balance	(36)	(18)	18
Fund balance at beginning of year		<u>154</u>	<u>154</u>
Fund balance at end of year	<u>\$ (36)</u>	<u>\$ 136</u>	<u>\$ 172</u>



# **Combining Statements and Other Schedules**

Other (Nonmajor) Enterprise Funds

### **Other (Nonmajor) Enterprise Funds**

Development Services - to account for the operations of providing zoning permits, enforcing ordinances in compliance with state statutes, and administering uniform building codes.

Parking Garages - to account for the management and operation of seven public parking garages located in downtown Tucson.

PIMA COUNTY, ARIZONA  
Combining Statement of Net Position  
Nonmajor Enterprise Funds  
June 30, 2016  
(in thousands)

Exhibit C - 17

	<u>Development Services</u>	<u>Parking Garages</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,210	\$ 2,642	\$ 4,852
Interest receivable	1	1	2
Due from other funds	18		18
Due from other governments		8	8
Accounts receivable	87	13	100
Prepaid expense	9	3	12
Total current assets	<u>2,325</u>	<u>2,667</u>	<u>4,992</u>
Noncurrent assets:			
Capital assets:			
Land		1,768	1,768
Buildings and improvements		27,608	27,608
Equipment	95	2,201	2,296
Less accumulated depreciation	(95)	(10,499)	(10,594)
Construction in progress		128	128
Total capital assets (net)		<u>21,206</u>	<u>21,206</u>
Total noncurrent assets		<u>21,206</u>	<u>21,206</u>
Total assets	<u>2,325</u>	<u>23,873</u>	<u>26,198</u>
<b>Deferred outflows of resources</b>			
Pension	580	26	606
Total deferred outflows of resources	<u>580</u>	<u>26</u>	<u>606</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	36	572	608
Employee compensation	94	5	99
Due to other funds	165		165
Due to other governments		107	107
Unearned revenue		1	1
Total current liabilities	<u>295</u>	<u>685</u>	<u>980</u>
Noncurrent liabilities:			
Compensated absences payable	338	10	348
Net pension liability	6,042	273	6,315
Total noncurrent liabilities	<u>6,380</u>	<u>283</u>	<u>6,663</u>
Total liabilities	<u>6,675</u>	<u>968</u>	<u>7,643</u>
<b>Deferred inflows of resources</b>			
Pension	596	27	623
Total deferred inflows of resources	<u>596</u>	<u>27</u>	<u>623</u>
<b>Net position</b>			
Net investment in capital assets		21,206	21,206
Unrestricted	(4,366)	1,698	(2,668)
Total net position	<u>\$ (4,366)</u>	<u>\$ 22,904</u>	<u>\$ 18,538</u>

PIMA COUNTY, ARIZONA  
Combining Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Nonmajor Enterprise Fund  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 18

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 6,212	\$ 2,209	\$ 8,421
Other	48	15	63
Total net operating revenues	<u>6,260</u>	<u>2,224</u>	<u>8,484</u>
Operating expenses:			
Employee compensation	4,688	342	5,030
Operating supplies and services	17	60	77
Repair and maintenance	7	72	79
General and administrative	1,843	1,166	3,009
Consultants and professional services	136	13	149
Depreciation		697	697
Total operating expenses	<u>6,691</u>	<u>2,350</u>	<u>9,041</u>
Operating loss	<u>(431)</u>	<u>(126)</u>	<u>(557)</u>
Nonoperating revenues:			
Investment earnings	15	17	32
Total nonoperating revenues	<u>15</u>	<u>17</u>	<u>32</u>
Loss before transfers	(416)	(109)	(525)
Transfers (out)	<u>(571)</u>	<u>(272)</u>	<u>(843)</u>
Change in net position	(987)	(381)	(1,368)
Net position at beginning of year	<u>(3,379)</u>	<u>23,285</u>	<u>19,906</u>
Net position at end of year	<u>\$ (4,366)</u>	<u>\$ 22,904</u>	<u>\$ 18,538</u>

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 19

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers for goods and services provided	\$ 6,411	\$ 2,276	\$ 8,687
Cash payments to suppliers for goods and services	(154)	(884)	(1,038)
Cash payments to other funds for goods and services	(1,877)	(65)	(1,942)
Cash payments to employees for services	(5,025)	(355)	(5,380)
Net cash provided by (used for) operating activities	(645)	972	327
Cash flows from noncapital financing activities:			
Cash transfers out to other funds	(571)	(272)	(843)
Loans with other funds	146		146
Net cash used for noncapital financing activities	(425)	(272)	(697)
Cash flows from capital and related financing activities:			
Purchase of capital assets		(1,055)	(1,055)
Net cash used for capital and related financing activities		(1,055)	(1,055)
Cash flows from investing activities:			
Interest received on cash and investments	16	18	34
Net cash provided by investing activities	16	18	34
Net decrease in cash and cash equivalents	(1,054)	(337)	(1,391)
Cash and cash equivalents at beginning of year	3,264	2,979	6,243
Cash and cash equivalents at end of year	\$ 2,210	\$ 2,642	\$ 4,852

(continued)

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 19.1

(continued)

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Reconciliation of operating loss to net cash provided by (used for) operating activities			
Operating loss	\$ (431)	\$ (126)	\$ (557)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation and amortization		697	697
Changes in assets and deferred outflows of resources:			
Decrease (increase) in assets:			
Accounts receivable	151	53	204
Due from other governments		(2)	(2)
Inventory and other assets			
Prepaid expense	14		14
Increase in deferred outflows of resources:			
Pension plans	165	8	173
Changes in liabilities and deferred inflows of resources:			
Increase (decrease) in liabilities:			
Accounts payable	(42)	255	213
Due to other governments		107	107
Net pension liability	193	9	202
Other liabilities	(268)	(10)	(278)
Decrease in deferred inflows of resources:			
Pension plans	(427)	(19)	(446)
Net cash provided by (used for) operating activities	\$ (645)	\$ 972	\$ 327

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2016:

Development Services Fund retired fully depreciated capital assets with an original cost of \$195 and transferred out assets with an original cost of \$19 to General Government.



# **Combining Statements and Other Schedules**

Internal Service Funds

## **Internal Service Funds**

Self Insurance Trust Fund - to account for the risk management function of the County. The Fund provides self insurance coverage to the County for medical malpractice, workers' compensation, unemployment, general liability, environmental liability, and property damage as well as acquiring coverage for other risks.

Fleet Services - to account for the acquisition, operation, and maintenance of fleet services equipment provided to County departments.

Health Benefit Trust Fund - to account for health care and health-related benefits. The Fund is responsible for collecting employer and employee premiums through payroll deductions, and for the payment of claims. The premiums collected include amounts paid for medical, dental, vision, short-term disability and life insurance coverages.

Other Internal Service - to account for the provision of printing, technology infrastructure, telecommunication services, and procurement of software and hardware resources utilized by County departments.

PIMA COUNTY, ARIZONA  
Combining Statements of Net Position  
Internal Service Funds  
June 30, 2016  
(in thousands)

Exhibit C - 20

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 69,417	\$ 26,094	\$ 32,539	\$ 6,474	\$ 134,524
Interest receivable	9	7	12	3	31
Due from other funds	8	9		26	43
Due from other governments				3	3
Accounts receivable	1	20	50	31	102
Inventory		422		248	670
Prepaid expense	752	8	10	6,897	7,667
Total current assets	<u>70,187</u>	<u>26,560</u>	<u>32,611</u>	<u>13,682</u>	<u>143,040</u>
Noncurrent assets:					
Loan receivable	6,700				6,700
Capital assets:					
Land	449				449
Buildings and improvements		18,745		224	18,969
Equipment	168	41,648		11,562	53,378
Less accumulated depreciation	(165)	(20,079)		(6,551)	(26,795)
Construction in progress		412		138	550
Total capital assets (net)	<u>452</u>	<u>40,726</u>		<u>5,373</u>	<u>46,551</u>
Total noncurrent assets	<u>7,152</u>	<u>40,726</u>		<u>5,373</u>	<u>53,251</u>
Total assets	<u>77,339</u>	<u>67,286</u>	<u>32,611</u>	<u>19,055</u>	<u>196,291</u>
<b>Deferred outflows of resources</b>					
Pension	176	348	93	236	853
Total deferred outflows of resources	<u>176</u>	<u>348</u>	<u>93</u>	<u>236</u>	<u>853</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	606	1,186	132	2,896	4,820
Employee compensation	33	64	21	119	237
Due to other funds	6		8		14
Current portion reported but unpaid losses	5,007		458		5,465
Current portion incurred but not reported losses	2,165		4,119		6,284
Total current liabilities	<u>7,817</u>	<u>1,250</u>	<u>4,738</u>	<u>3,015</u>	<u>16,820</u>
Noncurrent liabilities:					
Compensated absences payable	52	197	36	308	593
Loan payable			6,700		6,700
Reported but unpaid losses	22,656		2		22,658
Incurred but not reported losses	11,296		21		11,317
Net pension liability	1,832	3,625	974	2,455	8,886
Total noncurrent liabilities	<u>35,836</u>	<u>3,822</u>	<u>7,733</u>	<u>2,763</u>	<u>50,154</u>
Total liabilities	<u>43,653</u>	<u>5,072</u>	<u>12,471</u>	<u>5,778</u>	<u>66,974</u>
<b>Deferred inflows of resources</b>					
Pension	181	358	96	242	877
Total deferred inflows of resources	<u>181</u>	<u>358</u>	<u>96</u>	<u>242</u>	<u>877</u>
<b>Net position</b>					
Net investment in capital assets	452	40,726		5,373	46,551
Restricted for:					
Healthcare			20,137		20,137
Unrestricted	33,229	21,478		7,898	62,605
Total net position	<u>\$ 33,681</u>	<u>\$ 62,204</u>	<u>\$ 20,137</u>	<u>\$ 13,271</u>	<u>\$ 129,293</u>

PIMA COUNTY, ARIZONA  
Combining Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 21

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 17,421	\$ 18,902	\$ 62,743	\$ 22,621	\$ 121,687
Other	25	92	2,183	85	2,385
Total net operating revenues	<u>17,446</u>	<u>18,994</u>	<u>64,926</u>	<u>22,706</u>	<u>124,072</u>
Operating expenses:					
Employee compensation	2,109	2,917	782	6,021	11,829
Operating supplies and services	231	4,369	7	2,538	7,145
Incurred losses	18,553		49,285		67,838
Insurance premiums	3,826	1,140	5,033	25	10,024
General and administrative	1,040	2,002	1,008	6,809	10,859
Repair and maintenance	407	1,067		317	1,791
Consultants and professional services	610	59	2,948	2,841	6,458
Depreciation	2	4,415		339	4,756
Total operating expenses	<u>26,778</u>	<u>15,969</u>	<u>59,063</u>	<u>18,890</u>	<u>120,700</u>
Operating income (loss)	<u>(9,332)</u>	<u>3,025</u>	<u>5,863</u>	<u>3,816</u>	<u>3,372</u>
Nonoperating revenues (expenses):					
Investment earnings	972	270	186	28	1,456
Gain/(loss) on disposal of capital assets	(13)	77			64
Total nonoperating revenues	<u>959</u>	<u>347</u>	<u>186</u>	<u>28</u>	<u>1,520</u>
Income (loss) before contributions and transfers	(8,373)	3,372	6,049	3,844	4,892
Transfers in	9	305		644	958
Transfers (out)	(190)	(2,436)		(15)	(2,641)
Change in net position	(8,554)	1,241	6,049	4,473	3,209
Net position at beginning of year	<u>42,235</u>	<u>60,963</u>	<u>14,088</u>	<u>8,798</u>	<u>126,084</u>
Net position at end of year	<u>\$ 33,681</u>	<u>\$ 62,204</u>	<u>\$ 20,137</u>	<u>\$ 13,271</u>	<u>\$ 129,293</u>

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 22

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	\$ 17,656	\$ 18,902	\$ 65,022	\$ 22,621	\$ 124,201
Cash received from miscellaneous operations	25	176	2,183	71	2,455
Cash payments to suppliers for goods and services	(4,912)	(6,331)	(8,530)	(14,226)	(33,999)
Cash payments to other funds for goods and services	(1,156)	(2,747)	(473)	(1,124)	(5,500)
Cash payments for incurred losses	(4,606)		(48,885)		(53,491)
Cash payments to employees for services	(2,187)	(3,114)	(831)	(5,876)	(12,008)
Net cash provided by operating activities	<u>4,820</u>	<u>6,886</u>	<u>8,486</u>	<u>1,466</u>	<u>21,658</u>
Cash flows from noncapital financing activities:					
Cash transfers in from other funds	9	305	47	644	1,005
Cash transfers out to other funds	(190)	(2,436)	(32)	(15)	(2,673)
Loans with other funds	3,300	9	(3,300)	(1)	8
Net cash provided by (used for) noncapital financing activities	<u>3,119</u>	<u>(2,122)</u>	<u>(3,285)</u>	<u>628</u>	<u>(1,660)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets		291			291
Purchase of capital assets	(13)	(3,148)		(313)	(3,474)
Net cash used for capital and related financing activities	<u>(13)</u>	<u>(2,857)</u>		<u>(313)</u>	<u>(3,183)</u>
Cash flows from investing activities:					
Interest received on cash and investments	960	269	183	28	1,440
Net cash provided by investing activities	<u>960</u>	<u>269</u>	<u>183</u>	<u>28</u>	<u>1,440</u>
Net increase in cash and cash equivalents	8,886	2,176	5,384	1,809	18,255
Cash and cash equivalents at beginning of year	<u>60,531</u>	<u>23,918</u>	<u>27,155</u>	<u>4,665</u>	<u>116,269</u>
Cash and cash equivalents at end of year	<u>\$ 69,417</u>	<u>\$ 26,094</u>	<u>\$ 32,539</u>	<u>\$ 6,474</u>	<u>\$ 134,524</u>

(continued)

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 22.1

(continued)

Reconciliation of operating income (loss) to net cash provided by operating activities	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
	<u>\$ (9,332)</u>	<u>\$ 3,025</u>	<u>\$ 5,863</u>	<u>\$ 3,816</u>	<u>\$ 3,372</u>
Operating income (loss)					
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2	4,415		339	4,756
Changes in assets and deferred outflows of resources:					
Decrease (increase) in assets:					
Accounts receivable	235	8	2,279	(13)	2,509
Due from other governments		76		(1)	75
Inventory and other assets		18		17	35
Prepaid expense	(33)	13	(10)	(4,015)	(4,045)
Increase in deferred outflows of resources:					
Pension plans	50	99	27	67	243
Changes in liabilities and deferred inflows of resources:					
Increase (decrease) in liabilities:					
Accounts payable	79	(468)	3	1,178	792
Due to other governments		(4)			(4)
Reported but unpaid losses	11,805		82		11,887
Incurred but not reported losses	2,142		318		2,460
Net pension liability	58	115	31	77	281
Other liabilities	(57)	(155)	(38)	175	(75)
Decrease in deferred inflows of resources:					
Pension plans	(129)	(256)	(69)	(174)	(628)
Net cash provided by operating activities	<u>\$ 4,820</u>	<u>\$ 6,886</u>	<u>\$ 8,486</u>	<u>\$ 1,466</u>	<u>\$ 21,658</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2016:

Self-Insurance Trust Fund transferred out an asset with a net book value of \$13 to General Government.

Fleet Services sold capital assets with a net book value of \$203 and retired capital assets with a net book value of \$11.



# **Combining Statements and Other Schedules**

Fiduciary Funds

PIMA COUNTY, ARIZONA  
Combining Statement of Fiduciary Net Position  
Investment Trust Funds  
June 30, 2016  
(in thousands)

Exhibit C - 23

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 84,006	\$ 113,446	\$ 197,452
Interest receivable	62		62
<b>Total assets</b>	<b>\$ 84,068</b>	<b>\$ 113,446</b>	<b>\$ 197,514</b>
<b><u>Liabilities</u></b>			
<b>Total liabilities</b>			
<b><u>Net position</u></b>			
Held in trust for pool participants	<b>\$ 84,068</b>	<b>\$ 113,446</b>	<b>\$ 197,514</b>

PIMA COUNTY, ARIZONA  
Combining Statement of Changes in Fiduciary Net Position  
Investment Trust Funds  
For the Year Ended June 30, 2016  
(in thousands)

Exhibit C - 24

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
<b>Additions</b>			
Contributions from participants	\$ 2,054,519	\$ 115,895	\$ 2,170,414
<b>Total contributions</b>	<u>2,054,519</u>	<u>115,895</u>	<u>2,170,414</u>
Investment earnings	838	88	926
<b>Total investment earnings</b>	<u>838</u>	<u>88</u>	<u>926</u>
<b>Total additions</b>	<u>2,055,357</u>	<u>115,983</u>	<u>2,171,340</u>
<b>Deductions</b>			
Distributions to participants	2,071,832	131,325	2,203,157
<b>Total deductions</b>	<u>2,071,832</u>	<u>131,325</u>	<u>2,203,157</u>
<b>Change in net position</b>	(16,475)	(15,342)	(31,817)
<b>Net position held in trust July 1, 2015</b>	100,543	128,788	229,331
<b>Net position held in trust June 30, 2016</b>	<u>\$ 84,068</u>	<u>\$ 113,446</u>	<u>\$ 197,514</u>

PIMA COUNTY, ARIZONA  
Combining Statement of Fiduciary Net Position  
Agency Funds  
June 30, 2016  
(in thousands)

Exhibit C - 25

	Payroll Clearing	Treasurer's Clearing	Other	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,463	\$ 4,091	\$ 76,336	\$ 81,890
Due from other governments		1,508		1,508
<b>Total assets</b>	<b>1,463</b>	<b>5,599</b>	<b>76,336</b>	<b>83,398</b>
<b><u>Liabilities</u></b>				
Employee compensation	1,463			1,463
Due to other governments			52,289	52,289
Deposits and rebates		5,599	24,047	29,646
<b>Total liabilities</b>	<b>\$ 1,463</b>	<b>\$ 5,599</b>	<b>\$ 76,336</b>	<b>\$ 83,398</b>

PIMA COUNTY, ARIZONA

Exhibit C - 26

Combining Statement of Changes in Fiduciary Net Position  
 Agency Funds  
 For the Year Ended June 30, 2016  
 (in thousands)

	Balance 6/30/2015	Additions	Deductions	Balance 6/30/2016
<b>Payroll Clearing</b>				
Assets				
Cash and cash equivalents	\$ 104	\$ 266,256	\$ 264,897	\$ 1,463
Total assets	104	266,256	264,897	1,463
Liabilities				
Employee compensation	104	266,256	264,897	1,463
Total liabilities	104	266,256	264,897	1,463
<b>Treasurer's Clearing</b>				
Assets				
Cash and cash equivalents	3,977	1,677,036	1,676,922	4,091
Due from other governments	163	1,345		1,508
Total assets	4,140	1,678,381	1,676,922	5,599
Liabilities				
Due to other governments		1,647,464	1,647,464	
Deposits and rebates	4,140	30,917	29,458	5,599
Total liabilities	4,140	1,678,381	1,676,922	5,599
<b>Other</b>				
Assets				
Cash and cash equivalents	64,568	238,802	227,034	76,336
Total assets	64,568	238,802	227,034	76,336
Liabilities				
Due to other governments	40,181	193,734	181,626	52,289
Deposits and rebates	24,387	45,068	45,408	24,047
Total liabilities	64,568	238,802	227,034	76,336
<b>Totals - All Agency Funds</b>				
Assets				
Cash and cash equivalents	68,649	2,182,094	2,168,853	81,890
Due from other governments	163	1,345		1,508
Total assets	68,812	2,183,439	2,168,853	83,398
Liabilities				
Employee compensation	104	266,256	264,897	1,463
Due to other governments	40,181	1,841,198	1,829,090	52,289
Deposits and rebates	28,527	75,985	74,866	29,646
Total liabilities	\$ 68,812	\$ 2,183,439	\$ 2,168,853	\$ 83,398

**PIMA COUNTY**

**Comprehensive Annual Financial Report**

For the Fiscal Year Ended June 30, 2016

**INTRODUCTORY SECTION**

**FINANCIAL SECTION**

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**STATISTICAL SECTION**

Financial Trends Information

Revenue Capacity Information

Debt Capacity Information

Demographic and Economic Information

Operating Information

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## STATISTICAL SECTION

### **FINANCIAL TRENDS:**

The financial trends schedules are intended to provide users with information to assist them in understanding and assessing how a government's financial position has changed over time. Financial trends information is considered to be a primary source of the historical perspective that helps users comprehend the direction in which a government's economic condition is heading. It also serves the purpose of giving users a form of information that is among their most highly valued, comparative information over time.

**PIMA COUNTY, ARIZONA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(in thousands)  
(accrual basis of accounting)

Exhibit D-1

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental activities</b>										
Net investment in capital assets	\$ 774,000	\$ 882,424	\$ 972,346	\$ 1,048,821	\$ 1,136,033	\$ 1,245,227	\$ 1,308,057	\$ 1,354,456	\$ 1,385,996	\$ 1,376,761
Restricted for:										
Special revenue	63,014	71,618	78,080	64,991	64,446	103,592	100,423	61,936	60,285	58,269
Highways and streets	16,734	17,390	21,349	25,749	32,906	32,322	27,033	10,988	8,039	8,269
Debt service	8,980	13,612	44,566							
Capital projects	90,467	80,922	59,945	57,939	60,381	30,224	9,853	66,885	64,612	62,386
Healthcare				3,405	4,074	1,360	1,163	3,591	28,610	34,342
Unrestricted (deficit)	46,256	53,778	34,850	149,966	164,606	157,315	145,618	84,514	(507,127)	(494,395)
Total governmental activities net position	<u>\$ 999,451</u>	<u>\$ 1,119,744</u>	<u>\$ 1,211,136</u>	<u>\$ 1,350,871</u>	<u>\$ 1,462,446</u>	<u>\$ 1,570,040</u>	<u>\$ 1,592,147</u>	<u>\$ 1,582,370</u>	<u>\$ 1,040,415</u>	<u>\$ 1,045,632</u>
<b>Business-type activities</b>										
Net investment in capital assets	476,950	482,822	539,718	550,540	575,525	564,561	531,945	586,868	592,351	636,369
Restricted for:										
Debt service	574	791	819	13,454	12,567	22,538	29,100	31,615	36,683	36,666
Capital projects	35,480	37,925	14,479	11,623	24,236	31,680	42,841	22,720	7,980	3,440
Regional Wastewater	38,628	5,956	5,883	16,110	17,161	18,449	17,785	18,820	19,419	19,223
Healthcare	9,985	13,732	9,017	15,943	23,562					
Unrestricted	10,845	56,397	34,477	29,914	33,448	66,470	101,759	117,425	87,010	88,906
Total business-type activities net position	<u>\$ 572,462</u>	<u>\$ 597,623</u>	<u>\$ 604,393</u>	<u>\$ 637,584</u>	<u>\$ 686,499</u>	<u>\$ 703,698</u>	<u>\$ 723,430</u>	<u>\$ 777,448</u>	<u>\$ 743,443</u>	<u>\$ 784,604</u>
<b>Primary government</b>										
Net investment in capital assets	1,250,950	1,365,246	1,512,064	1,599,361	1,711,558	1,809,788	1,840,002	1,941,324	1,978,347	2,013,130
Restricted for:										
Facilities, justice, library, tax stabilization and community development		71,618	78,080	64,991	64,446	103,592	100,423	61,936	60,285	58,269
Special Revenue	63,014									
Highways and streets	16,734	17,390	21,349	25,749	32,906	32,322	27,033	10,988	8,039	8,269
Debt service	9,554	14,403	45,385	13,454	12,567	22,538	29,100	31,615	36,683	36,666
Capital projects	125,947	118,847	74,424	69,562	84,617	61,904	52,694	89,605	72,592	65,826
Regional Wastewater	38,628	5,956	5,883	16,110	17,161	18,449	17,785	18,820	19,419	19,223
Healthcare	9,985	13,732	9,017	19,348	27,636	1,360	1,163	3,591	28,610	34,342
Unrestricted (deficit)	57,101	110,175	69,327	179,880	198,054	223,785	247,377	201,939	(420,117)	(405,489)
Total primary government net position	<u>\$ 1,571,913</u>	<u>\$ 1,717,367</u>	<u>\$ 1,815,529</u>	<u>\$ 1,988,455</u>	<u>\$ 2,148,945</u>	<u>\$ 2,273,738</u>	<u>\$ 2,315,577</u>	<u>\$ 2,359,818</u>	<u>\$ 1,783,858</u>	<u>\$ 1,830,236</u>

Note:

Due to the implementation of GASB Statement No. 82, Pension Issues, in fiscal year 2016, net position for the year ended June 30, 2015 was restated, however this change was not reflected in this schedule.

Due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in fiscal year 2015, net position for the year ended June 30, 2014 was restated, however this change was not reflected in this schedule.

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA

Exhibit D-2

Changes in Net Position

Last Ten Fiscal Years

(in thousands)

(accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 223,266	\$ 239,399	\$ 212,196	\$ 218,504	\$ 218,843	\$ 223,005	\$ 233,984	\$ 230,742	\$ 259,734	\$ 267,658
Public safety	148,831	165,715	149,253	145,697	146,395	150,349	166,476	188,782	188,189	201,759
Highways and streets	92,985	88,488	79,251	68,691	73,348	69,183	80,087	93,675	85,618	102,461
Sanitation	9,623	9,658	7,434	6,669	6,208	7,224	6,409	4,252	(4,882)	3,089
Health	33,800	36,977	31,541	33,086	36,475	47,248	36,540	36,085	38,219	38,386
Welfare	97,154	106,546	115,513	87,107	90,521	94,409	95,428	93,224	93,524	88,515
Culture and recreation	55,482	60,616	60,520	61,642	67,063	61,900	65,341	63,961	62,981	65,770
Education and economic opportunity	42,483	47,296	46,770	52,023	56,626	55,126	49,924	35,756	35,051	35,833
Amortization-unallocated	168	138	(235)	428	(2,625)	805	(286)	(5,758)	(6,237)	(6,862)
Interest on long-term debt	18,924	22,860	26,780	26,403	26,078	24,776	23,915	27,994	27,696	27,464
Total governmental activities expenses	<u>722,716</u>	<u>777,693</u>	<u>729,023</u>	<u>700,250</u>	<u>718,932</u>	<u>734,025</u>	<u>757,818</u>	<u>768,713</u>	<u>779,893</u>	<u>824,073</u>
<b>Business-type activities:</b>										
Regional Wastewater Reclamation	98,222	106,803	105,139	110,618	113,495	117,774	144,085	145,117	184,884	155,566
Pima Health System & Services	261,859	295,494	224,959	204,619	200,305	58,773				
Development Services	15,400	14,750	9,992	7,924	6,982	6,912	7,231	6,796	6,888	6,691
Parking Garages	1,579	1,877	1,696	1,906	1,538	1,988	1,825	1,877	1,814	2,350
Total business-type activities expenses	<u>377,060</u>	<u>418,924</u>	<u>341,786</u>	<u>325,067</u>	<u>322,320</u>	<u>185,447</u>	<u>153,141</u>	<u>153,790</u>	<u>193,586</u>	<u>164,607</u>
Total primary government expenses	<u>\$ 1,099,776</u>	<u>\$ 1,196,617</u>	<u>\$ 1,070,809</u>	<u>\$ 1,025,317</u>	<u>\$ 1,041,252</u>	<u>\$ 919,472</u>	<u>\$ 910,959</u>	<u>\$ 922,503</u>	<u>\$ 973,479</u>	<u>\$ 988,680</u>
<b>Program revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services</b>										
General government	26,663	25,502	26,283	31,050	27,802	30,444	28,910	27,355	27,974	27,149
Public safety	9,797	9,550	10,386	10,218	9,034	12,047	10,238	14,846	12,883	12,733
Highways and streets	11,732	9,316	4,616	5,317	4,891	5,059	6,511	6,307	6,136	5,263
Sanitation	4,747	5,930	4,668	3,378	3,699	3,487	3,577	31		
Health	10,270	9,965	10,488	11,003	11,436	12,605	12,495	13,259	12,894	13,437
Welfare							320	80	200	50
Culture and recreation	2,991	3,031	2,754	2,532	2,191	2,254	2,865	2,548	3,144	2,855
Education and economic opportunity	698	716	691	749	1,024	1,008	1,544	430	577	545
Operating grants and contributions	139,324	144,479	131,361	142,840	136,472	143,388	116,121	113,129	126,862	127,536
Capital grants and contributions	15,085	48,672	68,535	65,820	65,030	47,528	59,298	54,583	42,570	45,579
Subtotal governmental activities program revenues	<u>\$ 221,307</u>	<u>\$ 257,161</u>	<u>\$ 259,782</u>	<u>\$ 272,907</u>	<u>\$ 261,579</u>	<u>\$ 257,820</u>	<u>\$ 241,879</u>	<u>\$ 232,568</u>	<u>\$ 233,240</u>	<u>\$ 235,147</u>

(continued)

Source:

Pima County Finance & Risk Management

**PIMA COUNTY, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(in thousands)  
(accrual basis of accounting)

Exhibit D-2

(continued)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program revenues</b>										
Business-type activities:										
Charges for services										
Regional Wastewater Reclamation	\$ 106,266	\$ 106,448	\$ 105,162	\$ 127,889	\$ 148,010	\$ 154,601	\$ 156,573	\$ 171,650	\$ 172,597	\$ 167,856
Pima Health System & Services	257,142	291,980	216,108	205,176	207,652	58,722				
Development Services	11,239	8,992	5,654	5,886	5,688	6,073	6,519	7,553	6,324	6,212
Parking Garages	1,548	1,720	1,676	1,985	2,071	2,083	2,073	2,362	2,271	2,209
Operating grants and contributions	5,174	4,806	4,626	4,421	4,691	1,275			35	35
Capital grants and contributions	803	22,952	14,916	9,319	4,192	2,676	3,914	6,807	5,854	7,297
Total business-type activities program revenues	<u>382,172</u>	<u>436,898</u>	<u>348,142</u>	<u>354,676</u>	<u>372,304</u>	<u>225,430</u>	<u>169,079</u>	<u>188,372</u>	<u>187,081</u>	<u>183,609</u>
Total primary government program revenues	<u>603,479</u>	<u>694,059</u>	<u>607,924</u>	<u>627,583</u>	<u>633,883</u>	<u>483,250</u>	<u>410,958</u>	<u>420,940</u>	<u>420,321</u>	<u>418,756</u>
<b>Net (expense) revenue</b>										
Governmental activities	(501,409)	(520,532)	(469,241)	(427,343)	(457,353)	(476,205)	(515,939)	(536,145)	(546,653)	(588,926)
Business-type activities	5,112	17,974	6,356	29,609	49,984	39,983	15,938	34,582	(6,505)	19,002
Total governmental activities net expense	<u>(496,297)</u>	<u>(502,558)</u>	<u>(462,885)</u>	<u>(397,734)</u>	<u>(407,369)</u>	<u>(436,222)</u>	<u>(500,001)</u>	<u>(501,563)</u>	<u>(553,158)</u>	<u>(569,924)</u>
<b>General revenues and other changes in net position</b>										
Governmental activities:										
Taxes										
Property taxes	343,525	377,810	393,255	416,500	416,985	394,963	383,508	378,032	423,538	444,194
Hotel/motel taxes	8,715	8,176	6,591	5,688	5,591	6,285	6,076	6,262	6,155	6,620
Other taxes levied for stadium district	1,884	1,952	1,534	1,515	1,538	1,608	1,524	1,509	1,536	1,614
Shared sales tax	106,985	103,171	89,177	84,767	88,631	93,123	97,685	101,605	105,522	107,966
Shared vehicle licenses	26,967	27,166	25,869	24,203	23,173	23,537	22,043	23,899	24,976	26,302
Unrestricted grants and contributions	9,468	7,748	5,741	4,081	4,527	4,268	3,207	5,035	4,562	4,199
Interest and penalties on delinquent taxes	5,149	6,365	6,123	7,940	8,125	8,235	7,439	6,976	6,164	5,590
Investment earnings	16,439	16,326	5,875	5,266	2,153	3,416	2,627	2,955	1,931	3,268
Miscellaneous	16,309	15,416	21,323	16,579	13,555	22,676	21,267	16,810	16,889	15,712
Capital contributions	5,051									
Gain on sale of capital assets			1,140							
Transfers	721	113	4,005	538	4,650	25,688	(7,330)	(16,715)	(17,133)	(20,190)
Total governmental activities	<u>541,213</u>	<u>564,243</u>	<u>560,633</u>	<u>567,077</u>	<u>568,928</u>	<u>583,799</u>	<u>538,046</u>	<u>526,368</u>	<u>574,140</u>	<u>595,275</u>
Business-type activities:										
Investment earnings	5,510	6,721	2,025	1,236	900	1,001	1,017	1,237	903	1,291
Miscellaneous	1,522	1,286	2,394	2,884	2,681	1,903	580	1,484	549	678
Capital contributions										
Transfers	(721)	(113)	(4,005)	(538)	(4,650)	(25,688)	7,330	16,715	17,133	20,190
Total business-type activities	<u>6,311</u>	<u>7,894</u>	<u>414</u>	<u>3,582</u>	<u>(1,069)</u>	<u>(22,784)</u>	<u>8,927</u>	<u>19,436</u>	<u>18,585</u>	<u>22,159</u>
Total primary government	<u>547,524</u>	<u>572,137</u>	<u>561,047</u>	<u>570,659</u>	<u>567,859</u>	<u>561,015</u>	<u>546,973</u>	<u>545,804</u>	<u>592,725</u>	<u>617,434</u>
Change in net position:										
Governmental activities	39,804	43,711	91,392	139,734	111,575	107,594	22,107	(9,777)	27,487	6,349
Business-type activities	11,423	25,868	6,770	33,191	48,915	17,199	24,865	54,018	12,080	41,161
Total primary government	<u>\$ 51,227</u>	<u>\$ 69,579</u>	<u>\$ 98,162</u>	<u>\$ 172,925</u>	<u>\$ 160,490</u>	<u>\$ 124,793</u>	<u>\$ 46,972</u>	<u>\$ 44,241</u>	<u>\$ 39,567</u>	<u>\$ 47,510</u>

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Fund Balance - Governmental Funds  
 Last Ten Fiscal Years  
 (in thousands)  
 (modified accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 8,889	\$ 5,415	\$ 4,363							
Unreserved	48,671	64,974	35,803							
Nonspendable <sup>1</sup>				\$ 4,089	\$ 3,315	\$ 2,720	\$ 3,848	\$ 5,278	\$ 4,053	\$ 2,931
Restricted				522	336	333				
Committed										
Assigned				3,093	357	118	158	181	194	201
Unassigned				73,837	73,547	77,596	56,526	42,731	47,878	77,550
Total General Fund	<u>57,560</u>	<u>70,389</u>	<u>40,166</u>	<u>81,541</u>	<u>77,555</u>	<u>80,767</u>	<u>60,532</u>	<u>48,190</u>	<u>52,125</u>	<u>80,682</u>
All other governmental funds										
Reserved	13,999	17,094	39,139							
Unreserved, reported in:										
Special revenue funds	69,773	77,451	86,121							
Nonspendable <sup>1</sup>				2,011	2,011	1,550	1,939	1,894	2,515	2,323
Restricted				82,957	94,567	105,468	76,570	60,984	53,155	57,141
Committed				15,305	37,978	10,264	7,746	6,308	6,320	6,962
Assigned				3,221	4,368	16,682	23,784	4,204	3,769	3,289
Unassigned				(5,793)	(9,180)	(9,013)	(8,385)	(6,536)	(4,770)	(9,097)
Capital projects funds	89,328	152,643	126,821							
Nonspendable <sup>1</sup>				18	12					
Restricted				124,830	112,668	157,688	187,855	145,256	126,827	104,274
Committed				1,487	6,639	7,234	6,958	3,836	3,065	1,508
Assigned				52						195
Unassigned				(227)	(791)	(3,553)	(83)	(80)	(57)	
Debt service: Assigned				40,868	35,903	28,298	25,640	7,848	8,424	6,656
Total other governmental funds	<u>\$ 173,100</u>	<u>\$ 247,188</u>	<u>\$ 252,081</u>	<u>\$ 264,729</u>	<u>\$ 284,175</u>	<u>\$ 314,618</u>	<u>\$ 322,024</u>	<u>\$ 223,714</u>	<u>\$ 199,248</u>	<u>\$ 173,251</u>

Note:

<sup>1</sup> Due to implementation of GASB 54 in FY 2009-10 categories regarding fund balances have been redefined. See Note 1, page 53 for details. See Note 4, page 61 for purpose details.

Source:

Pima County Finance & Risk Management

**PIMA COUNTY, ARIZONA**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(in thousands)**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 348,700	\$ 381,862	\$ 396,241	\$ 423,443	\$ 421,623	\$ 407,711	\$ 391,630	\$ 385,829	\$ 431,371	\$ 450,054
Special assessments	521	556	441	536	330	245				
Licenses and permits	7,132	7,710	6,989	7,791	8,494	8,155	8,371	8,275	8,456	8,824
Intergovernmental	303,392	312,634	292,236	296,004	308,219	327,939	301,223	292,082	296,628	314,918
Charges for services	63,508	58,890	55,346	60,376	54,491	56,881	53,521	57,826	60,222	62,258
Fines and forfeits	6,550	6,480	6,283	8,443	6,786	10,249	9,904	8,652	9,509	8,420
Investment earnings	13,988	14,218	5,335	4,612	1,723	2,286	2,282	1,737	1,155	1,812
Miscellaneous	17,544	21,752	22,414	17,442	14,162	24,796	22,182	17,464	15,680	16,835
<b>Total revenues</b>	<b>761,335</b>	<b>804,102</b>	<b>785,285</b>	<b>818,647</b>	<b>815,828</b>	<b>838,262</b>	<b>789,113</b>	<b>771,865</b>	<b>823,021</b>	<b>863,121</b>
<b>Expenditures</b>										
General government	222,434	237,640	222,309	221,144	223,611	236,020	238,582	247,507	256,331	255,639
Public safety	132,930	149,475	144,617	136,744	136,709	145,711	152,373	157,572	161,484	169,292
Highways and streets	42,683	43,741	38,132	34,274	34,614	33,651	35,866	37,772	39,664	45,625
Sanitation	6,766	8,310	6,666	5,637	5,375	6,317	5,328	2,521	2,403	2,237
Health	32,311	34,352	31,626	32,737	36,511	46,672	35,581	35,357	37,787	38,390
Welfare	97,168	106,607	115,481	87,089	90,572	94,360	95,339	93,193	93,418	88,436
Culture and recreation	45,197	50,509	51,657	50,198	49,986	52,103	55,691	56,745	68,987	58,710
Education and economic opportunity	38,474	42,286	42,299	48,402	50,432	47,798	44,299	34,196	34,280	35,121
Capital outlay	202,659	139,539	146,334	162,306	153,203	149,612	174,976	135,746	100,788	70,473
Debt service - principal	53,733	59,719	100,384	87,307	76,361	78,688	68,342	113,337	81,933	86,957
- interest	18,965	22,639	26,849	26,414	26,086	24,762	23,904	26,777	26,439	26,279
- miscellaneous	12	330	24	433	21	1,179	1,654	1,030	863	488
<b>Total expenditures</b>	<b>893,332</b>	<b>895,147</b>	<b>926,378</b>	<b>892,685</b>	<b>883,481</b>	<b>916,873</b>	<b>931,935</b>	<b>941,753</b>	<b>904,377</b>	<b>877,647</b>
<b>Deficiency of revenues under expenditures</b>	<b>(131,997)</b>	<b>(91,045)</b>	<b>(141,093)</b>	<b>(74,038)</b>	<b>(67,653)</b>	<b>(78,611)</b>	<b>(142,822)</b>	<b>(169,888)</b>	<b>(81,356)</b>	<b>(14,526)</b>
<b>Other financing sources (uses):</b>										
Issuance of refunding debts				31,955		30,745	51,280	8,805	13,685	9,640
Premium on bonds	1,429	1,964	675	1,909	3,276	7,349	11,959	9,488	5,949	2,552
Payments to escrow agents				(32,361)		(33,013)	(55,423)	(10,131)	(15,250)	(11,010)
Capital leases/Installment notes		312				894	764	239	11,500	149
Proceeds from sale of capital assets	1,426	27	876	1,118	59	1,938	31	360	119	89
Face amount of long-term debt	146,320	175,000	109,400	125,000	75,000	78,425	130,175	78,160	72,025	34,295
Transfers in	86,089	128,406	171,186	98,800	109,715	141,924	113,227	162,683	121,497	114,358
Transfers (out)	(86,688)	(127,692)	(166,319)	(98,355)	(105,007)	(115,914)	(122,244)	(190,140)	(148,744)	(132,865)
<b>Total other financing sources (uses)</b>	<b>148,576</b>	<b>178,017</b>	<b>115,818</b>	<b>128,066</b>	<b>83,043</b>	<b>112,348</b>	<b>129,769</b>	<b>59,464</b>	<b>60,781</b>	<b>17,208</b>
<b>Change in reserves - net</b>	<b>(211)</b>	<b>(55)</b>	<b>(55)</b>		<b>70</b>	<b>(27)</b>				
<b>Net change in fund balances</b>	<b>\$ 16,368</b>	<b>\$ 86,917</b>	<b>\$ (25,330)</b>	<b>\$ 54,028</b>	<b>\$ 15,460</b>	<b>\$ 33,710</b>	<b>\$ (13,053)</b>	<b>\$ (110,424)</b>	<b>\$ (20,575)</b>	<b>\$ 2,682</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>9.88%</b>	<b>10.43%</b>	<b>15.88%</b>	<b>15.24%</b>	<b>13.54%</b>	<b>13.35%</b>	<b>11.67%</b>	<b>16.44%</b>	<b>13.51%</b>	<b>13.41%</b>

Source:  
Pima County Finance & Risk Management

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## STATISTICAL SECTION

### **REVENUE CAPACITY:**

The revenue capacity information is intended to assist users to understand and assess the factors affecting a government's ability to generate its own-source revenues. The presentation here is not limited to property tax revenues, but certain other revenues are presented to comply with debt disclosure requirements, e.g., hotel taxes, car rental and RV taxes, and street and highway revenues.

PIMA COUNTY, ARIZONA  
 Taxable Assessed Value and Estimated Actual Value of Property  
 Last Ten Tax Years  
 (in thousands)

Tax Year	Commercial Property	Residential Property	Vacant Land	Other	Taxable Assessed Value	Total Direct Tax Rate	Estimated Limited Value	Assessed Value as a Percentage of Limited Value
2007	\$2,204,072	\$4,689,972	\$428,486	\$30,802	\$7,353,332	5.0674	\$64,347,659	11.43%
2008	2,358,259	5,352,916	493,055	35,442	8,239,672	4.6702	73,122,499	11.27%
2009	2,568,203	5,853,947	525,779	37,783	8,985,712	4.5917	80,593,121	11.15%
2010	2,473,320	5,889,572	536,958	39,797	8,939,647	4.6798	82,348,215	10.86%
2011	2,436,692	5,332,608	500,836	39,984	8,310,120	4.8491	78,036,208	10.65%
2012	2,514,310	5,036,810	472,558	50,260	8,073,938	4.8520	76,085,641	10.61%
2013	2,375,969	4,701,881	429,967	51,312	7,559,129	5.1309	73,262,703	10.32%
2014	2,308,924	4,752,612	407,857	49,090	7,518,482	5.7639	74,402,882	10.11%
2015	2,230,175	4,952,757	385,043	52,386	7,620,361	5.9632	76,489,654	9.96%
2016	2,246,501	5,172,564	345,099	52,536	7,816,700	5.8852	78,911,345	9.91%

Notes:

Property in Pima County is assessed annually with values being set by either the County Assessor or the Arizona Department of Revenue. The values are the basis for Primary Taxes and annual changes therein are restricted by the State Constitution. Assessment ratios are set by the legislature for individual property types. The taxable assessed value is arrived at by multiplying an assessment ratio that has varied from ten percent for residential property to twenty-five percent for commercial property. Tax rates are per \$100 of assessed value.

Source:

Pima County Finance & Risk Management

**PIMA COUNTY, ARIZONA**  
**Direct and Overlapping Property Tax Rates**  
(per \$100 of assessed value)

**County Direct Rates**

Tax Year	County Primary	County Secondary	Flood Control District <sup>1</sup>	County Library District	Fire District Assistance	Total
2007	3.6020	0.6850	0.3446	0.3975	0.0383	5.0674
2008	3.3913	0.6050	0.2935	0.3393	0.0411	4.6702
2009	3.3133	0.7100	0.2635	0.2643	0.0406	4.5917
2010	3.3133	0.7500	0.2635	0.3100	0.0430	4.6798
2011	3.4178	0.7800	0.2635	0.3460	0.0418	4.8491
2012	3.4178	0.7800	0.2635	0.3460	0.0447	4.8520
2013	3.6665	0.7800	0.2635	0.3753	0.0456	5.1309
2014	4.2779	0.7000	0.3035	0.4353	0.0472	5.7639
2015	4.3877	0.7000	0.3135	0.5153	0.0467	5.9632
2016	4.2896	0.7000	0.3335	0.5153	0.0468	5.8852

**Overlapping Rates**

Tax Year	State of Arizona	Education Assistance	Community College District	City of Tucson	City of South Tucson	Street Lighting District	Central AZ Water Conservation District	Flowing Wells Irrigation District <sup>2</sup>	Silverbell Irrigation District <sup>2</sup>	Cortaro-Marana Irrigation District <sup>2</sup>	Mobile Home Relocation District <sup>3</sup>	Gladden Farms Community Facilities District	Vanderbilt Farms Community Facilities District	Quail Creek Community Facilities District	Gladden Farms Phase II Community Facilities District	Saguaro Springs Community Facilities District
2007	0.0000	0.0000	1.1845	1.1321	0.2258		0.1000	12.9000	3.0000	65.0000		2.8000	0.3000	3.3000		
2008	0.0000	0.0000	1.1355	0.9601	0.2143		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000		
2009	0.0000	0.3306	1.0770	0.9344	0.2035		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000		
2010	0.0000	0.3564	1.0848	0.9550	0.1999		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000	0.3000	0.3000
2011	0.0000	0.4259	1.1094	1.1621	2.6603		0.1000	19.3500	3.0000	66.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2012	0.0000	0.4717	1.1741	1.2639	2.7640	9.6038	0.1000	19.3500	3.0000	66.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2013	0.0000	0.5123	1.2933	1.4304	2.9776	10.1900	0.1400	19.3500	3.0000	69.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2014	0.0000	0.5089	1.3344	1.4606	0.2528	12.0787	0.1400	19.3500	3.0000	69.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2015	0.0000	0.5054	1.3689	1.5960	0.2528	12.3345	0.1400	19.3500	3.0000	72.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2016	0.0000	0.5010	1.3733	1.5982	0.2528	12.4384	0.1400	19.3500	3.0000	75.0000	0.0000	2.8000	0.3000	3.3000	0.3000	0.3000

Notes:  
Primary and secondary tax rates (per \$100 of net assessed value) are set by the County Board of Supervisors or the governing boards of other taxing jurisdictions. The Towns of Marana, Oro Valley and Sahuarita do not currently levy a property tax. The Tucson Business Improvement District levy (on a per-business basis) is not shown.

<sup>1</sup>The Pima County Flood Control District tax levy applies only to real property.  
<sup>2</sup>Irrigation Districts' tax rates shown are levied on a per acre basis.  
<sup>3</sup>Mobile Home Relocation levy applies only to unsecured mobile homes.

Source:  
Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Direct and Overlapping Property Tax Rates - School Districts  
 Last Ten Tax Years  
 (per \$100 of assessed value)

Exhibit D-6a

School District	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tucson Unified (#1)	7.0500	6.5659	6.0701	6.2976	6.9480	7.3187	7.4319	7.5094	7.3425	7.1258
Marana Unified (#6)	5.7887	5.4815	4.9286	4.6995	5.2047	5.5863	6.0085	6.2288	6.3370	6.3871
Flowing Wells Unified (#8)	6.5674	6.2665	6.1239	6.0407	5.9689	5.9778	6.7146	6.6135	6.6292	6.8971
Amphitheater Unified (#10)	5.4964	4.8589	4.6112	5.0511	5.4033	5.5539	5.9226	5.8044	5.6725	5.4917
Sunnyside Unified (#12)	8.1490	7.8009	7.0899	6.9680	6.9415	6.3154	5.0003	6.0364	3.9987	5.5498
Tanque Verde Unified (#13)	5.1033	4.3682	3.1837	3.3545	3.8042	4.1538	5.0012	5.0329	5.3069	5.2329
Ajo Unified (#15)	4.8627	4.5964	4.3158	4.9069	5.6740	3.5338	3.8882	4.8452	4.5540	4.7673
Catalina Foothills Unified (#16)	6.3942	6.1053	4.9970	4.2154	4.2095	4.7472	4.8264	4.7066	4.9985	5.9893
Vail Elementary (#20)	6.0327	5.5360	5.2016	4.8839	4.6550	5.9120	7.1703	7.3000	7.0189	7.0523
Sahuarita Unified (#30)	6.1807	5.9176	5.4230	6.5753	5.4067	5.5183	6.6341	7.2885	7.2847	7.3670
San Fernando Elementary (#35)	3.7900	3.7920	4.5954	3.6883	4.8541	4.0331	5.7831	5.8244	5.9538	4.4826
Empire Elementary (#37)	7.5703	4.9021	2.9383	2.9195	2.7531	1.2484	1.1287	2.1687	1.7677	2.4363
Continental Elementary (#39)	1.8970	1.7343	1.6122	1.6945	2.0258	1.5729	1.7027	2.6146	2.6512	2.4626
Redington Elementary (#44)	4.8952	7.4720	7.6340	7.0689	6.7630	5.9198	4.8200	4.7711	4.5901	8.9614
Altar Valley Elementary (#51)	5.8086	5.7451	6.0506	6.2500	6.5675	6.4355	6.2676	6.7381	7.6184	5.9857
Unorganized <sup>1</sup>	1.6020	1.4622	1.3726	1.4797	1.7682	1.9585	2.1265	2.1123	2.0977	2.0793

Notes:

<sup>1</sup>County Education District; Only applies to those geographical areas within Pima County not part of formal school districting

Source:

Pima County Finance & Risk Management

**PIMA COUNTY, ARIZONA**  
**Principal Property Taxpayers**  
**Last Ten Fiscal Years**  
(in thousands)

Exhibit D-7

Taxpayer	2007			2008			2009			2010			2011		
	Estimated Assessed Value <sup>1</sup>	Rank	Percent of Total Assessed Value	Estimated Assessed Value <sup>1</sup>	Rank	Percent of Total Assessed Value	Estimated Assessed Value <sup>1</sup>	Rank	Percent of Total Assessed Value	Estimated Assessed Value <sup>1</sup>	Rank	Percent of Total Assessed Value	Estimated Assessed Value <sup>1</sup>	Rank	Percent of Total Assessed Value
Unisource/Tucson Electric Power Co.	\$ 150,771	1	1.8%	\$ 153,431	2	1.6%	\$ 158,764	2	1.6%	\$ 164,363	1	1.8%	\$ 168,510	1	2.0%
Phelps Dodge Corporation - Sierrita Mine	93,656	3	1.1%	156,780	1	1.6%	198,694	1	2.0%	89,289	2	1.0%	99,048	2	1.2%
Southwest Gas Corporation	62,919	4	0.8%	63,698	4	0.7%	64,775	4	0.7%	65,879	3	0.7%	64,533	3	0.8%
ASARCO LLC - Mission Mine	-		0.0%	-		0.0%	20,042	8	0.2%	28,878	5	0.3%	58,585	4	0.7%
QWEST Corporation	94,300	2	1.1%	87,000	3	0.9%	74,646	3	0.8%	55,076	4	0.6%	51,942	5	0.6%
Trico Electric Co-Op Inc.	18,044	8	0.2%	18,816	9	0.2%	21,029	7	0.2%	21,208	6	0.2%	-		0.0%
Northwest Hospital LLC	-		0.0%	-		0.0%	-		0.0%	17,097	8	0.2%	17,390	9	0.2%
DND Neffson Co. (Tucson Mall)	19,897	7	0.2%	21,013	8	0.2%	18,888	10	0.2%	17,715	7	0.2%	17,931	7	0.2%
Starr Pass Resort Developments LLC	15,280	10	0.2%	15,889	10	0.2%	19,384	9	0.2%	16,582	10	0.2%	-		0.0%
Arizona Portland Cement	23,468	6	0.3%	23,593	7	0.2%	27,561	6	0.3%	16,635	9	0.2%	21,217	6	0.3%
ASARCO Mining	-		0.0%	44,047	5	0.5%	63,572	5	0.6%	-		0.0%	16,153	10	0.2%
Raytheon	58,987	5	0.7%	33,833	6	0.4%	-		0.0%	-		0.0%	-		0.0%
Westin La Paloma	15,959	9	0.2%	-		0.0%	-		0.0%	-		0.0%	17,519	8	0.2%
<b>Total Top Ten</b>	<b>\$ 553,281</b>		<b>6.7%</b>	<b>\$ 618,100</b>		<b>6.4%</b>	<b>\$ 667,355</b>		<b>6.8%</b>	<b>\$ 492,722</b>		<b>5.3%</b>	<b>\$ 532,828</b>		<b>6.3%</b>

Notes: \$8,220,396 \$9,594,862 \$9,860,981 \$9,342,561 \$8,448,282

<sup>1</sup>Secondary Assessed Valuation for Tax Year

Source:  
Pima County Assessor's Office  
Arizona Department of Revenue

(continued)



PIMA COUNTY, ARIZONA  
Real Property Tax Levies and Collections  
Last Ten Fiscal Years  
(in thousands)

Exhibit D-8

Fiscal Year	Primary Property Tax Levy and Secondary Property Tax Levy for Debt Service		Secondary Property Tax Levy for Flood Control and Library District		Original Real Property Tax Levy	Tax Roll Corrections	Real Property Tax Levy (Adjusted)	Collected to June 30, End of Tax Fiscal Year <sup>1</sup>		Collections in Subsequent Years	Collected to June 30, 2016 <sup>1</sup>		Delinquent Taxes Receivable <sup>2</sup>
	Amount	Levy	Amount	Levy				Amount	Levy		Amount	Levy	
2006-07	\$ 283,253		\$ 46,987		\$ 330,240	\$ (322)	\$ 329,918	\$ 318,520	96.45%	\$ 11,298	\$ 329,818	99.97%	\$ 100
2007-08	305,699		56,836		362,535	(622)	361,913	348,741	96.20%	12,946	361,687	99.94%	226
2008-09	322,902		56,772		379,674	(360)	379,314	363,624	95.77%	15,416	379,040	99.93%	274
2009-10	353,594		48,468		402,062	(106)	401,956	384,983	95.75%	16,679	401,662	99.93%	294
2010-11	352,276		50,256		402,532	(384)	402,148	383,978	95.39%	16,295	400,273	99.53%	1,875
2011-12	335,467		48,242		383,709		383,709	369,100	96.19%	13,041	382,141	99.59%	1,568
2012-13	324,786		46,136		370,922		370,922	357,556	96.40%	11,845	369,401	99.59%	1,521
2013-14	323,026		45,287		368,313		368,313	355,338	96.48%	11,597	366,935	99.63%	1,378
2014-15	359,298		52,186		411,484		411,484	397,670	96.64%	12,795	410,465	99.75%	1,019
2015-16	374,101		59,448		433,549		433,549	418,716	96.58%		418,716	96.58%	14,833

Note:

<sup>1</sup> Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.

<sup>2</sup> Represents the difference between the adjusted levy and collected to June 30, 2016.

Source:

Pima County Finance & Risk Management  
Pima County Treasurer's Office

PIMA COUNTY, ARIZONA

Exhibit D-9

Assessed, Limited and Full Cash (Secondary) Value of Taxable Property  
Last Ten Fiscal Years  
(in thousands)

Fiscal Year		Net Assessed Value	Limited and Full Cash Value <sup>1</sup>	Ratio of Net Assessed to Full Cash Value
2006-07	Primary	\$ 6,467,202	\$ 56,437,790	11.46%
2006-07	Secondary	6,869,955	59,890,229	11.47%
2007-08	Primary	7,353,331	64,347,659	11.43%
2007-08	Secondary	8,220,396	72,101,321	11.40%
2008-09	Primary	8,230,967	73,122,499	11.26%
2008-09	Secondary	9,594,862	85,993,246	11.16%
2009-10	Primary	8,985,712	80,593,121	11.15%
2009-10	Secondary	9,860,981	88,095,754	11.19%
2010-11	Primary	8,939,647	82,348,221	10.86%
2010-11	Secondary	9,342,561	86,228,902	10.83%
2011-12	Primary	8,310,120	78,036,208	10.65%
2011-12	Secondary	8,448,282	80,152,473	10.54%
2012-13	Primary	8,073,938	76,085,641	10.61%
2012-13	Secondary	8,171,212	77,731,086	10.51%
2013-14	Primary	7,559,129	73,262,703	10.32%
2013-14	Secondary	7,623,691	74,590,067	10.22%
2014-15	Primary	7,518,482	74,402,882	10.11%
2014-15	Secondary	7,579,899	75,389,155	10.05%
2015-16	Primary	7,620,361	76,489,654	9.96%
2015-16	Secondary	7,906,190	79,550,159	9.94%

Notes:

<sup>1</sup>Limited value is the basis for primary taxes and annual changes therein are restricted by statute; Full Cash Value or Secondary Value approximates market value.

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Comparative Net Valuations and Tax Rates  
 (per \$100 assessed value)  
 (in thousands)

Exhibit D-10

Jurisdiction	FY 2015-16 (Tax Year 2015)		FY 2016-17 (Tax Year 2016)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 7,620,361	0	\$ 7,816,700	0
<u>Pima County</u>				
General Fund - Primary	7,620,361	4.3877	7,816,700	4.2896
Debt Service - Secondary	7,620,361	0.7000	7,816,700	0.7000
Free Library - Secondary	7,620,361	0.5153	7,816,700	0.5153
Total County - Primary	7,620,361	4.3877	7,816,700	4.2896
Total County - Secondary		1.2153		1.2153
Grand Total		<u>5.6030</u>		<u>5.5049</u>
<u>Education Assistance</u>	7,620,361	0.5054	7,816,700	0.5010
<u>Flood Control District - Secondary</u>	6,917,201	0.3135	7,089,460	0.3335
<u>Fire District Assistance - Secondary</u>	7,620,361	0.0467	7,816,700	0.0468
<u>Pima Community College District</u>				
Primary	7,620,361	1.3689	7,816,700	1.3733
Secondary	0	0	0	0
Total		<u>1.3689</u>		<u>1.3733</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	7,620,361	0.1400	7,816,700	0.1400
<u>Cities &amp; Towns</u>				
City of Tucson				
Primary	3,123,670	0.5326	3,185,432	0.5348
Secondary	3,123,670	1.0634	3,185,432	1.0634
Total		<u>1.5960</u>		<u>1.5982</u>
City of South Tucson				
Primary	20,334	0.2528	20,403	0.2528
Secondary	0	0	0	0
Total		<u>0.2528</u>		<u>0.2528</u>
<u>School Districts</u>				
Unorganized - Primary	18,270	2.0977	17,382	2.0793
Tucson Unified (District #1)				
Primary	3,026,615	6.5217	3,081,170	6.3831
Secondary	3,026,615	0.8208	3,081,170	0.7427
Total		<u>7.3425</u>		<u>7.1258</u>

Source:

Pima County Finance & Risk Management

(continued)

PIMA COUNTY, ARIZONA  
 Comparative Net Valuations and Tax Rates  
 (per \$100 assessed value)  
 (in thousands)

Exhibit D-10

(continued)

Jurisdiction	FY 2015-16 (Tax Year 2015)		FY 2016-17 (Tax Year 2016)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	\$ 736,011	4.4563	\$ 766,203	4.5020
Secondary	736,011	1.8807	766,203	1.8851
Total		<u>6.3370</u>		<u>6.3871</u>
Flowing Wells Unified (District #8)				
Primary	183,908	4.3164	187,116	4.3124
Secondary	183,908	2.3128	187,116	2.5847
Total		<u>6.6292</u>		<u>6.8971</u>
Amphitheater Unified (District #10)				
Primary	1,403,631	4.2501	1,438,176	4.1145
Secondary	1,403,631	1.4224	1,438,176	1.3772
Total		<u>5.6725</u>		<u>5.4917</u>
Sunnyside Unified (District #12)				
Primary	405,451	2.7746	412,271	4.3228
Secondary	405,451	1.2241	418,271	1.2270
Total		<u>3.9987</u>		<u>5.5498</u>
Tanque Verde Unified (District #13)				
Primary	173,314	3.7233	180,680	4.2195
Secondary	173,314	1.5836	180,680	1.0134
Total		<u>5.3069</u>		<u>5.2329</u>
Ajo Unified (District #15)				
Primary	18,506	4.5540	17,773	4.7673
Secondary	18,506	0	17,773	0
Total		<u>4.5540</u>		<u>4.7673</u>
Catalina Foothills Unified (District #16)				
Primary	572,819	3.4551	589,872	4.4418
Secondary	572,819	1.5434	589,872	1.5475
Total		<u>4.9985</u>		<u>5.9893</u>
Vail Elementary (District #20)				
Primary	429,134	4.5425	440,846	4.5047
Secondary	429,134	2.4764	440,846	2.5476
Total		<u>7.0189</u>		<u>7.0523</u>

Source:

Pima County Finance & Risk Management

(continued)

PIMA COUNTY, ARIZONA  
 Comparative Net Valuations and Tax Rates  
 (per \$100 assessed value)  
 (in thousands)

Exhibit D-10

(continued)

Jurisdiction	FY 2015-16 (Tax Year 2015)		FY 2016-17 (Tax Year 2016)	
	Valuation	Rate	Valuation	Rate
<b>Sahuarita Unified (District #30)</b>				
Primary	\$ 299,027	4.6088	\$ 295,126	4.4380
Secondary	299,027	2.6759	295,126	2.9290
Total		<u>7.2847</u>		<u>7.3670</u>
<b>San Fernando Elementary (District #35)</b>				
Primary	1,260	5.9538	11,403	4.4826
Secondary	1,260	0	11,403	0
Total		<u>5.9538</u>		<u>4.4826</u>
<b>Empire Elementary (District #37)</b>				
Primary	7,673	1.7677	7,180	2.4363
Secondary	7,673	0	7,180	0
Total		<u>1.7677</u>		<u>2.4363</u>
<b>Continental Elementary (District #39)</b>				
Primary	312,442	2.1799	320,271	2.0077
Secondary	312,442	0.4713	320,271	0.4549
Total		<u>2.6512</u>		<u>2.4626</u>
<b>Baboquivari Unified School (District #40)</b>				
Primary	2,108	0	1,804	0
Secondary	2,108	0	1,804	0
Total		<u>0</u>		<u>0</u>
<b>Redington Elementary (District #44)</b>				
Primary	1,327	4.5901	1,312	8.9614
Secondary	1,327	0	1,312	0
Total		<u>4.5901</u>		<u>8.9614</u>
<b>Altar Valley Elementary (District #51)</b>				
Primary	28,867	6.1119	48,244	5.0522
Secondary	28,867	1.5065	48,244	0.9335
Total		<u>7.6184</u>		<u>5.9857</u>

Source:  
 Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Historical Collections - Hotel Excise Tax  
 Car Rental Surcharge and Recreational Vehicle Tax  
 Last Ten Fiscal Years  
 (in thousands)

Exhibit D-11

Fiscal Year	Hotel Excise Tax <sup>1</sup>	Car Rental Surcharges <sup>2</sup>	Recreational Vehicle Tax <sup>3</sup>
2006-07	\$ 7,796	\$ 1,357	\$ 210
2007-08	6,901	1,732	222
2008-09	5,628	1,389	159
2009-10	5,637	1,521	181
2010-11	5,887	1,538	165
2011-12	6,626	1,464	146
2012-13	6,286	1,399	136
2013-14	6,276	1,390	122
2014-15	6,105	1,384	137
2015-16	6,534	1,468	146

Notes:

<sup>1</sup> Tax increased from 1% to 2% January 1, 1997; the additional 1% can only be used for County sports facilities. In January of 2006, the tax increased from 2% to 6%, of which only 34% can be used for sports facilities.

<sup>2</sup> Car rental surcharges increased from \$2.50 to \$3.50 per rental contract July 1, 1996. Usage is restricted to County sports facilities.

<sup>3</sup> Recreational vehicle taxes apply at the rate of \$0.50 per vehicle per night and became effective July 1, 1997. Usage of this tax is limited to athletic activities.

Source:

Pima County Finance and Risk Management Department

PIMA COUNTY, ARIZONA  
Streets and Highways Revenues  
Last Ten Fiscal Years  
(in thousands)

Fiscal Year	Amount	Highway User Revenue	Vehicle License Tax
2006-07	\$ 58,638	\$ 44,607	\$ 14,031
2007-08	57,847	44,060	13,787
2008-09	53,907	41,210	12,697
2009-10	50,535	38,739	11,796
2010-11	50,460	38,974	11,486
2011-12	44,890	33,665	11,225
2012-13	47,449	36,860	10,589
2013-14	49,212	37,500	11,712
2014-15	53,212	40,762	12,450
2015-16	56,006	42,543	13,463

Source:  
Pima County Finance and Risk Management Department

## STATISTICAL SECTION

### **DEBT CAPACITY:**

The debt capacity information is intended to assist users to understand and assess a government's debt burden and ability to issue debt. Debt capacity information is cited as being very useful for assessing economic condition as frequently as revenue or tax capacity. Five of the schedules presented provide ten-year comparisons.

Certain schedules, for example, leases, lease-purchase installment notes payable, and purchase agreements, are provided to comply with debt disclosure requirements.

PIMA COUNTY, ARIZONA

Ratios of Outstanding Debt by Type to Personal Income and Per Capita  
Last Ten Fiscal Years  
(in thousands)

Fiscal Year	Governmental Activities								Business-Type Activities				
	General Obligation Bonds	Flood Control Bonds	Transportation Revenue Bonds	Special Assessment Bonds	Certificates of Participation	Transportation Loans	Capital Leases	Installment Note Payable	Sewer Revenue Bonds	Sewer Revenue Obligations	Regional Wastewater Loans Payable	Contracts and Notes	Total Primary Government
2006-07	\$ 290,150	\$ 1,470	\$ 136,541		\$ 31,731	\$ 3,714	\$ 24,736		\$ 94,356		\$ 76,111	\$ 5,280	\$ 664,089
2007-08	349,542	725	149,801		81,612	1,000	23,223		163,701		70,426	5,842	845,872
2008-09	388,032	725	139,683		74,554		21,327		183,389		64,489	6,481	878,680
2009-10	420,261		142,226		72,638		19,387		166,935	\$ 165,000	66,210	6,305	1,058,962
2010-11	455,856		131,375		48,235		17,775		184,782	176,849	27,390	4,657	1,046,919
2011-12	461,557		141,536		39,772		16,431		171,022	379,418	23,719	15,365	1,248,820
2012-13	467,368		128,604		134,494		298	\$ 605	155,514	510,975	21,169	12,645	1,431,672
2013-14	416,006		133,081		149,703			640	138,431	540,288	19,680	7,942	1,405,771
2014-15	391,298		118,770		177,771			11,912	120,361	510,763	18,145	1,098	1,350,118
2015-16	350,135		103,961		179,054		136	8,733	104,153	481,027	16,563	1,577	1,245,339

Fiscal Year	Total Primary Government	Personal Income <sup>1</sup>	Percentage of Personal Income	Population at July 1 <sup>1</sup>	Debt per Capita
2006-07	\$ 664,089	\$ 33,641,312	1.97%	977,258	\$ 681
2007-08	845,872	35,320,737	2.39%	984,032	860
2008-09	878,680	33,713,976	2.61%	984,274	893
2009-10	1,058,962	33,883,172	3.13%	981,168	1,079
2010-11	1,046,919	35,132,468	2.98%	986,081	1,062
2011-12	1,248,820	36,412,855	3.43%	990,380	1,261
2012-13	1,431,672	36,935,363	3.88%	996,046	1,437
2013-14	1,405,771	38,025,100	3.70%	1,007,162	1,396
2014-15	1,350,118	39,106,000	3.45%	1,022,079	1,321
2015-16	1,245,339	40,359,300	3.09%	1,016,743	1,225

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 66-76.

<sup>1</sup>Personal income and population statistics are based on calendar year. Prior years' statistics updated based on current data.

Source:

Pima County Finance & Risk Management  
UA Economic and Business Research Center, Eller College of Management

PIMA COUNTY, ARIZONA  
 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita  
 Last Ten Fiscal Years  
 (in thousands)

Fiscal Year	General Obligation Bond Debt	Flood Control General Obligation Bond Debt	Debt Service Funds Available for Principal	Net General Bond Debt	Secondary Net Assessed Value	Percent Net General Bond Debt to Assessed Value	Population at July 1 <sup>1</sup>	Net General Bond Debt per Capita <sup>2</sup>
2006-07	\$ 290,150	\$ 1,470	\$ 7,431	\$ 284,189	\$ 6,869,955	4.14%	977,258	\$ 291
2007-08	349,542	725	10,241	340,026	8,220,396	4.14%	984,032	346
2008-09	388,032	725	10,523	378,234	9,594,862	3.94%	984,274	384
2009-10	420,261		11,396	408,865	9,860,981	4.15%	981,168	417
2010-11	455,856		27,904	427,952	9,342,561	4.58%	986,081	434
2011-12	461,557		22,602	438,955	8,448,282	5.20%	990,380	443
2012-13	467,368		22,900	444,468	8,171,212	5.44%	996,046	447
2013-14	416,006		5,326	410,680	7,623,691	5.39%	1,007,162	408
2014-15	391,298		6,037	385,261	7,579,899	5.08%	1,022,079	377
2015-16	350,135		5,606	344,529	7,906,190	4.36%	1,016,743	339

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 66-76.

<sup>1</sup>Population statistics are based on calendar year. Prior years' statistics updated to reflect current data.

<sup>2</sup>Debt per Capita is shown in actual dollars and not in thousands.

Source:

Pima County Finance & Risk Management  
 UA Economic and Business Research Center, Eller College of Management

PIMA COUNTY, ARIZONA  
Ratio of Direct and Overlapping Debt to Property Values and Per Capita  
Last Ten Fiscal Years  
(dollar amounts in thousands)

Fiscal Year	Total Overlapping Debt	Secondary Net Assessed Value	Percentage of Assessed Value	Population at July 1 <sup>1</sup>	Debt per Capita <sup>2</sup>
2006-07	\$ 1,107,662	\$ 6,869,955	16.12%	977,258	\$ 1,133
2007-08	1,137,114	8,220,396	13.83%	984,032	1,156
2008-09	1,213,050	9,594,862	12.64%	984,274	1,232
2009-10	1,302,802	9,860,981	13.21%	981,168	1,328
2010-11	1,335,431	9,342,561	14.29%	986,081	1,353
2011-12	1,284,219	8,448,282	15.20%	990,380	1,297
2012-13	1,311,417	8,171,212	16.05%	996,046	1,317
2013-14	1,153,220	7,623,691	15.13%	1,007,162	1,145
2014-15	1,501,691	7,579,899	19.81%	1,022,079	1,469
2015-16	1,445,104	7,906,190	18.28%	1,016,743	1,421

Notes:

Overlapping governments are those that coincide (at least in part), with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Pima County. When considering the County's ability to issue and repay long-term debt, the process should recognize the entire debt burden borne by the residents and businesses therein. However, this does not imply that every taxpayer is a resident and is responsible for the repayment of debt of each overlapping government.

<sup>1</sup>Population statistics are based on calendar year.  
<sup>2</sup>Debt per Capita is shown in actual dollars and not in thousands.

Source:

Pima County Finance & Risk Management  
UA Economic and Business Research Center, Eller College of Management

PIMA COUNTY, ARIZONA  
 Computation of Direct and Overlapping  
 Governmental Activities Debt Outstanding  
 At June 30, 2016  
 (in thousands)

Exhibit D-15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Amount Overlapping</u>
Debt repaid with property tax:		
School Districts	\$ 594,225	\$ 594,225
City of Tucson	208,860	<u>208,860</u>
Total overlapping		<u>\$ 803,085</u>
Debt repaid with property tax Direct:		
Pima County*	\$ 350,135	<u>\$ 350,135</u>
Total direct		<u>\$ 350,135</u>
Other Debt:		
Certificates of participation	\$ 179,054	\$ 179,054
Installment note payable	8,733	8,733
Capital Lease Payable	136	136
Transportation bonds	103,961	<u>103,961</u>
Total other debt		<u>\$ 291,884</u>
Total direct and overlapping debt		<u><u>\$ 1,445,104</u></u>

Notes:

Overlapping governments are those that coincide with the geographic boundaries of the County. All overlapping governments are 100% within the County's boundaries. This schedule estimates the portion of the outstanding debt borne by the residents and businesses of Pima County. When considering the county's ability to issue and repay long-term debt, the process should recognize the entire debt burden borne by the residents and businesses therein. However, this does not imply that every taxpayer is a resident of each government and is responsible for the repayment of debt of each overlapping government.

\*Excludes improvement districts.

Source:

Pima County Finance & Risk Management  
 City of Tucson Finance Department  
 Pima Community College District Finance Office

**PIMA COUNTY, ARIZONA Legal Debt Margin**  
**Last Ten Fiscal Years**  
(dollar amounts in thousands)

Exhibit D-16

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Full Cash Net Assessed Value</b>	\$ 6,869,955	\$ 8,220,396	\$ 9,594,862	\$ 9,860,981	\$ 9,342,561	\$ 8,448,282	\$ 8,171,212	\$ 7,623,691	\$ 7,579,899	\$ 7,906,190
<b>Legal Debt Margin</b>										
Debt limit (15% of assessed value)	1,030,493	1,233,059	1,439,229	1,479,147	1,401,384	1,267,242	1,225,682	1,143,554	1,136,985	1,185,929
Debt applicable to limit:										
General obligation bonds	289,590	348,335	386,845	417,995	452,750	456,145	456,690	407,275	383,935	344,620
Less: Net assets reserved for repayment of general obligation debt	<u>(7,431)</u>	<u>(10,241)</u>	<u>(10,523)</u>	<u>(11,396)</u>	<u>(27,904)</u>	<u>(22,602)</u>	<u>(22,900)</u>	<u>(5,326)</u>	<u>(6,037)</u>	<u>(5,606)</u>
Total net debt applicable to the limit	<u>282,159</u>	<u>338,094</u>	<u>376,322</u>	<u>406,599</u>	<u>424,846</u>	<u>433,543</u>	<u>433,790</u>	<u>401,949</u>	<u>377,898</u>	<u>339,014</u>
Legal debt margin	<u>\$ 748,334</u>	<u>\$ 894,965</u>	<u>\$ 1,062,907</u>	<u>\$ 1,072,548</u>	<u>\$ 976,538</u>	<u>\$ 833,699</u>	<u>\$ 791,892</u>	<u>\$ 741,605</u>	<u>\$ 759,087</u>	<u>\$ 846,915</u>
Total net debt applicable to the limit as a percentage of debt limit.	27.38%	27.42%	26.15%	27.49%	30.32%	34.21%	35.39%	35.15%	33.24%	28.59%

Please see Note 7 to the Financial Statements, pages 76 for additional details on calculation of the legal debt margin for the current year.

Source:  
Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Regional Wastewater Reclamation Pledged Sewer Revenue Debt Coverage  
 Last Ten Fiscal Years  
 (dollar amounts in thousands)

Fiscal Year	Sewer User Revenues <sup>1</sup>	Less: Operating Expense <sup>2</sup>	Available Net Revenue	Plus:		Debt Service <sup>6</sup>			Coverage Ratio <sup>4,5</sup>
				Ending cash Balances of Prior Fiscal Year (unrestricted)	Pledged Revenues <sup>3</sup>	Principal	Interest	Total	
2006-07	\$ 103,959	\$ 69,597	\$ 34,362			\$ 13,957	\$ 6,340	\$ 20,297	1.69
2007-08	109,264	78,521	30,743			13,325	7,221	20,546	1.50
2008-09	105,987	73,186	32,801			14,187	9,469	23,656	1.39
2009-10	128,067	69,904	58,163	\$ 20,163	\$ 78,326	16,952	9,838	26,790	2.92
2010-11	151,212	74,638	76,574	11,260	87,834	17,110	17,047	34,157	2.57
2011-12	158,397	73,241	85,156	32,806	117,962	20,895	21,658	42,553	2.77
2012-13	163,512	73,577	89,935	99,491	189,426	29,759	28,243	58,002	3.27
2013-14	181,553	77,893	103,660	128,735	232,395	37,025	30,386	67,411	3.45
2014-15	182,118	84,492	97,626	121,426	219,052	41,026	30,306	71,332	3.07
2015-16	176,974	83,423	93,551	110,741	204,292	40,320	28,529	68,849	2.97

Notes:

<sup>1</sup>Includes sewer connection fees.

<sup>2</sup>Excludes grants, depreciation, interest expense and amortization.

<sup>3</sup>Pledged revenues defined by BOS Resolution 2010-50.

<sup>4</sup>Sewer revenue debt rate covenants require minimum coverage of 120%.

<sup>5</sup>For fiscal year 2009-2010, a new Debt Coverage calculation was implemented.

<sup>6</sup>Debt service requirements include principal and interest payable during the Bond Fiscal Year. Per the bond resolution, Bond Fiscal Year is defined as 7/2/20XX to 7/1/20XX.

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Transportation Revenue Bonds - Pledged Revenue Bond Coverage  
 Last Ten Fiscal Years  
 (dollar amounts in thousands)

Fiscal Year	Transportation Revenue	Less: Operating Expense	Available Net Revenue	Debt Service <sup>1</sup>		Coverage Ratio
				Principal	Interest	
2006-07	\$ 64,781	\$ 42,639	\$ 22,142	\$ 11,745	\$ 5,659	1.27
2007-08	65,009	43,490	21,519	12,365	6,147	1.16
2008-09	58,891	38,082	20,809	15,145	6,203	0.97
2009-10	54,897	34,214	20,683	10,530	5,709	1.27
2010-11	52,711	34,552	18,159	11,015	5,244	1.12
2011-12	46,834	33,335	13,499	12,055	5,537	0.77
2012-13	49,874	35,041	14,833	12,425	4,969	0.85
2013-14	50,997	37,295	13,702	13,685	5,197	0.73
2014-15	55,466	39,022	16,444	13,210	4,711	0.92
2015-16	57,976	39,798	18,178	14,585	4,146	0.97

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 69-70.

Operating expenditures do not include interest, depreciation or amortization.

<sup>1</sup>Debt Service requirements include principal and interest payable in the 12 months following each fiscal year.

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
 Lease, Lease-Purchase, Installment Note Payable and Purchase Agreements  
 Scheduled Payments  
 (dollar amounts in thousands)

Function/Department	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Clerk of Superior Court - Equipment	\$ 82	\$ 131	\$ 111	\$ 37			\$ 63	\$ 84	\$ 96	\$ 73
Jail <sup>1</sup>	5,920	3,027	3,007	3,004	\$ 3,004	\$ 3,427				
Sheriff - Equipment						160	160	160	160	160
Solid Waste - Equipment					298	298	298			
County Administration - Culture & Recreation									3,625	2,722
	<u>\$ 6,002</u>	<u>\$ 3,158</u>	<u>\$ 3,118</u>	<u>\$ 3,041</u>	<u>\$ 3,302</u>	<u>\$ 3,885</u>	<u>\$ 521</u>	<u>\$ 244</u>	<u>\$ 3,881</u>	<u>\$ 2,955</u>

Notes:

<sup>1</sup>Funds derived from a sale/leaseback of the County's Adult Corrections Facility provided funding for construction of Kino Veteran's Memorial Sportspark & Tucson Electric Park Stadium.

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA  
Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years  
(dollar amounts in thousands)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service To General Expenditures
2006-07	50,940	17,672	68,612	689,968	9.9%
2007-08	56,459	19,757	76,216	755,413	10.1%
2008-09	96,751	24,322	121,073	780,044	15.5%
2009-10	83,565	24,097	107,662	730,379	14.7%
2010-11	72,525	23,945	96,470	730,278	13.2%
2011-12	78,390	24,762	103,152	767,261	13.4%
2012-13	67,885	23,903	91,788	756,959	12.1%
2013-14	112,835	26,758	139,593	806,007	17.3%
2014-15	81,705	26,424	108,129	803,590	13.5%
2015-16	83,765	25,515	109,280	807,174	13.5%

\*Includes General, Special Revenue and Debt Service Funds, while excluding Capital Projects Fund.

Source:

Pima County Finance & Risk Management

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## STATISTICAL SECTION

### **DEMOGRAPHIC AND ECONOMIC INFORMATION:**

The dual objectives of the demographic and economic information are to assist users in understanding certain aspects of the environment in which a government operates and to provide information that facilitates the comparisons of financial statement data over time and across governments.

Information of this type can help readers assess a government's condition by providing information about community expansion, average age increases or decreases and changes in personal income and unemployment. This type of data is important to readers in assessing economic condition.

PIMA COUNTY, ARIZONA  
Demographic and Economic Statistics  
Last Ten Years

Exhibit D-20

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	977,258	\$ 33,641,312	\$ 34,424	3.6%
2008	984,032	35,320,737	35,894	5.7%
2009	984,274	33,713,976	34,253	9.0%
2010	981,168	33,883,172	34,534	9.4%
2011	986,081	35,132,468	35,628	8.5%
2012	990,380	36,412,855	36,767	7.4%
2013	996,046	36,935,363	37,082	7.0%
2014	1,007,162	38,025,100	37,755	6.4%
2015	1,022,079	39,106,000	38,261	5.6%
2016	1,016,743	40,359,300	39,695	5.0%

Sources:

Arizona Department of Administration, Office of Employment & Population Statistics  
UA Economic and Business Research Center, Eller College of Management

PIMA COUNTY, ARIZONA  
Principal Employers  
Current Year and Nine Years Ago

Employer	2007			2008			2009			2010			2011		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
University of Arizona	10,354	2	2.3%	10,535	3	2.3%	10,575	2	2.2%	10,363	2	2.1%	10,481	2	2.2%
Raytheon	11,184	1	2.5%	12,515	1	2.7%	11,539	1	2.4%	12,140	1	2.5%	10,500	1	2.2%
State of Arizona	9,927	3	2.2%	10,754	2	2.3%	9,329	3	1.9%	8,708	3	1.8%	8,866	3	1.8%
Davis-Monthan AFB	8,233	5	1.8%	7,701	5	1.7%	7,509	4	1.5%	7,755	4	1.6%	8,462	4	1.7%
Tucson Unified School District	7,419	6	1.6%	8,018	4	1.7%	7,227	5	1.5%	7,012	6	1.4%	6,709	6	1.4%
Pima County Government	7,290	7	1.6%	6,954	6	1.5%	6,235	8	1.3%	6,511	7	1.3%	6,403	7	1.3%
UA Healthcare Network													5,982	9	1.2%
Freeport-McMoran Copper				5,840	9	1.3%	5,987	9	1.2%						
Wal-Mart Stores, Inc.	5,625	9	1.2%	5,805	10	1.3%	6,715	6	1.4%	7,192	5	1.5%	7,308	5	1.5%
Fort Huachuca <sup>1</sup>	9,119	4		6,701	7		6,463	7		6,236	8		6,225	8	
City of Tucson	5,848	8	1.3%	5,848	8	1.3%	5,635	10	1.2%	5,399	9	1.1%	4,930	10	1.0%
Carondelet Health Network										4,566	10	0.9%			
Phelps Dodge	4,900	10	1.1%												
<b>Total</b>	<u>79,899</u>		17.6%	<u>80,671</u>		17.6%	<u>77,214</u>		15.9%	<u>75,882</u>		15.6%	<u>75,866</u>		14.3%
<b>Total Work Force</b>			453,500			459,200			486,400			488,500			485,800

Notes:

<sup>1</sup>Fort Huachuca is located in Cochise County but is listed here due to its role as a large regional employer.

Sources:

UA Economic and Business Research Center, Eller College of Management  
Data is obtained from www.tucson.com/star200, a website of the Arizona Daily Star.

(continued)

PIMA COUNTY, ARIZONA  
Principal Employers  
Current Year and Nine Years Ago

(continued)

Employer	2012			2013			2014			2015			2016		
	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment	Employees	Rank	Percent of Total County Employment
University of Arizona	10,681	1	2.3%	10,846	1	2.4%	11,047	1	2.4%	11,235	1	2.4%	11,251	1	2.4%
Raytheon	10,500	2	2.3%	10,300	2	2.3%	9,933	2	2.2%	9,600	2	2.1%	9,600	2	2.1%
State of Arizona	9,061	3	2.0%	8,807	4	1.9%	9,439	3	2.1%	8,524	3	1.8%	8,580	3	1.8%
Davis-Monthan AFB	8,566	4	1.9%	9,100	3	2.0%	8,933	4	2.0%	8,335	4	1.8%	8,406	4	1.8%
Pima County Government	6,170	8	1.4%	6,076	9	1.3%	7,328	5	1.6%	7,023	6	1.5%	7,023	5	1.5%
Tucson Unified School District	6,674	6	1.5%	6,790	6	1.5%	6,525	6	1.4%	7,134	5	1.5%	6,770	6	1.4%
Banner Healthcare - UMC	5,594	10	1.2%	6,099	8	1.3%	6,329	7	1.4%	6,542	7	1.4%	6,272	7	1.3%
U.S. Customs & Border Protection	6,000	9	1.3%	6,500	7	1.4%	4,135		0.9%	6,470	8	1.4%	5,739	8	1.2%
Freeport-McMoran Inc.				5,463	10	1.2%	5,600	9	1.2%	5,800	9	1.2%	5,530	9	1.2%
Wal-Mart Stores, Inc.	7,300	5	1.6%	7,450	5	1.6%	5,200	10	1.1%	5,400	10	1.2%	5,500	10	1.2%
Fort Huachuca <sup>1</sup>	6,198	7		6,198			5,717	8		5,314			5,477		
City of Tucson				4,585		1.0%	4,845		1.1%	4,882			4,595		
<b>Total</b>	<b>70,546</b>		<b>15.5%</b>	<b>77,431</b>		<b>17.1%</b>	<b>74,469</b>		<b>16.5%</b>	<b>76,063</b>		<b>16.3%</b>	<b>74,671</b>		<b>16.0%</b>
Total County Work Force			455,900			453,200			452,429			467,438			467,438

Notes:

<sup>1</sup>Fort Huachuca is located in Cochise County but is listed here due to its role as a large regional employer.

Sources:

UA Economic and Business Research Center, Eller College of Management  
Data is obtained from www.tucson.com/star200, a website of the Arizona Daily Star.

PIMA COUNTY, ARIZONA  
Population and Employment  
Last Ten Calendar Years

Exhibit D-22

Year	Population	Civilian Labor Force	Total Unemployment Rate	EMPLOYMENT				
				Mining	Construction	Manufacturing	Transportation & Utilities	Financial Activities
2007	977,258	454,854	3.6%	1,800	26,600	27,400	64,800	18,000
2008	984,032	473,344	5.7%	1,900	22,900	27,100	63,100	16,900
2009	984,274	486,040	9.0%	1,700	16,700	24,900	58,600	17,100
2010	981,168	479,879	9.4%	1,800	15,100	23,800	57,200	17,200
2011	986,081	465,640	8.5%	1,900	14,500	23,300	58,000	16,900
2012	990,380	459,349	7.4%	2,100	14,400	23,200	58,000	16,900
2013	996,046	449,958	7.0%	2,300	15,400	23,000	59,200	17,300
2014	1,007,162	452,429	6.4%	2,300	14,800	22,500	60,600	17,500
2015	1,022,079	467,438	5.6%	2,300	14,600	22,600	60,600	17,600
2016	1,016,743	476,578	5.0%	2,200	14,300	23,500	60,700	19,600

174

Notes:  
All Employment data presented is not seasonally adjusted. Labor Force, Unemployment and Sector Employment for 2016 represent the average through July 2016.  
Prior year's employment statistics are revised with updated data.

Sources:  
UA Economic and Business Research Center, Eller College of Management  
Bureau of Labor Statistics

PIMA COUNTY, ARIZONA  
 Transportation and Real Estate  
 Last Ten Fiscal Years

Fiscal Year	Transportation				Real Estate		
	Aircraft Movements	No. of Air Passengers	Bus Ridership	Riders Per Mile	Residential Bldg. Permits	Multiple Listings	Sales Volume (In thousands)
2007	263,910	4,374,371	17,857,865	2.21	6,265	13,821	\$ 3,757,536
2008	240,329	4,395,205	19,491,376	2.27	4,171	10,718	2,810,383
2009	190,445	3,669,924	21,648,350	2.46	2,364	10,472	2,245,644
2010	169,780	3,709,178	20,483,709	2.22	2,340	12,471	2,457,147
2011	164,152	3,676,894	19,746,774	2.18	2,400	11,545	2,033,702
2012	145,967	3,649,783	19,971,230	2.15	2,062	13,436	2,211,369
2013	138,263	3,308,620	20,352,101	2.16	3,713	13,587	2,528,609
2014	139,420	3,239,849	19,713,449	2.06	2,040	13,379	2,648,443
2015	141,422	3,181,901	19,657,931	2.06	3,250	13,692	2,856,957
2016	139,555	3,228,389	15,743,501	1.84	2,428	13,795	3,313,078

Note:

Tucson International Airport follows the Federal fiscal calendar.

Sources:

- UA Economic and Business Research Center, Eller College of Management
- Tucson Airport Authority
- Pima Association of Governments
- Tucson Association of Realtors, Multiple Listing Service, Inc.

PIMA COUNTY, ARIZONA  
Economic Indicators by Calendar Year  
Last Ten Years  
(dollar amounts in thousands)

Exhibit D-24

Fiscal Year	Retail Sales <sup>1</sup>	No. of Dwelling Units Awarded <sup>2</sup>	Change in Real Estate Sales Volume	Commercial Bank Deposits
2007	\$ 11,530,620	8,522	-19%	\$ 10,497,000
2008	11,865,697	5,237	-34%	10,765,000
2009	11,583,359	3,221	-25%	10,855,000
2010	10,439,448	2,129	9%	11,134,000
2011	10,640,207	1,938	-21%	11,265,000
2012	11,440,377	2,242	8%	11,501,822
2013	12,010,672	2,841	13%	12,173,345
2014	12,317,085	3,491	5%	12,980,645
2015	12,555,553	3,250	7%	13,760,260
2016	8,443,626	2,428	14%	14,654,142

Notes:

<sup>1</sup>Prior to FY 2016, Retail Sales statistics were calculated in the aggregate, which included total taxable sales from the following categories: Retail, Restaurant & Bar, Food and Gasoline. As of FY 2016, only retail sales (not including food and fuel) are shown.

<sup>2</sup>Beginning with calendar year 2011, the number of dwelling units awarded includes both single family and multiple family unit structures combined.

Sources:

UA Economic and Business Research Center, Eller College of Management  
Tucson Association of Realtors, Multiple Listing Service, Inc.  
Federal Deposit Insurance Corporation

PIMA COUNTY, ARIZONA  
Population Statistics  
June 30, 2016

ESTIMATED POPULATION BY AGE

<u>Age Group</u>	<u>Population</u>
0-4	60,408
5-9	61,972
10-14	62,058
15-19	72,505
20-24	79,285
25-29	68,736
30-34	62,533
35-39	59,645
40-44	57,613
45-49	57,279
50-54	62,013
55-59	67,070
60-64	64,129
65-69	60,156
70-74	44,411
75+	76,930
Total	<u><u>1,016,743</u></u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2017	1,025,044
2020	1,051,451
2025	1,093,043
2035	1,160,603
2045	1,209,547

Source:

Arizona Department of Administration, Office of Employment & Population Statistics

PIMA COUNTY, ARIZONA  
Average Annual Jail Population  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Average Jail Population</u>
2007	2,008
2008	1,913
2009	1,888
2010	1,724
2011	1,640
2012	1,802
2013	2,000
2014	2,061
2015	1,863
2016	1,862

Source:  
Pima County Sheriff's Department, Corrections Bureau

## STATISTICAL SECTION

### **OPERATING INFORMATION:**

The objective of the operating information is to provide contextual information about a government's operations and resources to assist users in using financial information to understand and assess a government's economic condition. Two types of information are considered important:

1. Basic information about infrastructure assets, utilities, and public works; in essence, the capital resources at the government's disposal. Examples include miles of streets and sewers and wastewater treatment volume.
2. Descriptive service information, which would help to evaluate the size of the government. This would include types of services, the related demand and volume, and the non-financial resources employed to provide the services.

PIMA COUNTY, ARIZONA  
Employees by Function  
Last Ten Fiscal Years

Exhibit D-27

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
General government	2,776	2,860	2,684	2,870	2,850	2,473	2,321	2,805	2,832	2,753
Public safety	1,442	1,560	1,491	1,488	1,529	1,540	1,468	1,525	1,387	1,418
Highways and streets	334	330	311	264	262	274	265	258	248	253
Sanitation	41	40	34	33	23	24	3	31	33	32
Health	408	404	397	422	412	404	174	319	282	322
Welfare	22	26	29	32	27	377	397	8	7	9
Culture and recreation	466	485	480	467	461	652	331	442	434	453
Education and economic opportunity	179	186	184	174	170	133	144	112	111	116
Total governmental activities	5,668	5,891	5,610	5,750	5,734	5,877	5,103	5,500	5,334	5,356
Business-type activities										
Regional Wastewater Reclamation	472	508	507	488	481	531	413	438	387	406
Pima Health System & Services <sup>1</sup>	559	563	451	422	421	0	0	0	0	0
Development Services	153	128	73	66	66	59	52	60	56	52
Parking Garages	3	3	3	2	2	3	3	3	5	4
Total business-type activities	1,187	1,202	1,034	978	970	593	468	501	448	462
Total	6,855	7,093	6,644	6,728	6,704	6,470	5,571	6,001	5,782	5,818

Notes:

<sup>1</sup>Variances can be noted in the Business Activities categories due to the closure of Kino Hospital which resulted in the absorption of some Kino employees into Pima Health System & Services.

PIMA COUNTY, ARIZONA  
Operating Indicators by Program  
Last Ten Fiscal Years

Exhibit D-28

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Program:										
Sheriff										
Physical arrests	33,929	32,796	33,571	27,946	24,108	24,841	25,451	24,394	21,233	21,627
Traffic violations/citations										
Criminal	3,927	5,967	6,422	6,417	4,304	4,205	4,291	5,691	8,743	9,026
Civil	30,204	41,542	49,817	41,800	32,270	32,445	33,837	34,466	30,656	24,855
Total violations/citations	<u>34,131</u>	<u>47,509</u>	<u>56,239</u>	<u>48,217</u>	<u>36,574</u>	<u>36,650</u>	<u>38,128</u>	<u>40,157</u>	<u>39,399</u>	<u>33,881</u>
Wastewater										
Avg. daily sewage treated (MGD) <sup>1</sup>	68.5	67.3	67.8	65.4	62.7	62.3	60.9	60.2	60.3	59.5
New connections	8,734	4,452	1,477	1,950	1,412	1,355	1,856	1,804	1,427	1,986
Cultural and Recreational <sup>2,3</sup>										
Spring training attendance	142,773	160,626	103,407	84,520	N/A	20,850	21,944	N/A	N/A	N/A
Sidewinders attendance	153,595	143,611	58,879	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Soccer attendance	N/A	N/A	N/A	N/A	N/A	36,001	21,942	36,723	41,259	40,804
Parks & Recreation										
Athletic field permits issued	141	147	149	168	161	228	263	326	280	267
Community center admissions	438,051	445,137	403,887	351,692	339,550	347,379	306,841	327,257	318,524	303,293
Volunteer hours	25,700	19,622	25,756	14,321	12,168	10,787	8,213	11,366	12,108	10,512
Library										
Volumes in collection	1,395,849	1,429,365	1,425,235	1,427,089	1,414,928	1,326,375	1,257,821	1,193,357	1,139,730	1,237,281
Total volumes borrowed	6,371,480	6,874,888	7,409,820	7,517,692	7,199,809	7,557,865	6,098,216	4,521,039	5,484,961	6,131,049
Number of cardholders	492,973	554,339	516,780	526,170	452,400	434,841	405,419	405,507	379,631	385,945
Capital Projects										
Land	\$ 37,402,683	\$ 18,619,333	\$ 59,922,798	\$ 36,953,802	\$ 5,655,264	\$ 13,075,719	\$ 6,947	\$ 4,335,540	\$ 10,746,469	\$ 4,230,852
Buildings	66,095,100	17,591,833	14,336,536	11,994,142	57,876,009	5,008,707	33,313,996	8,595,432	107,899,620	6,367,369
Improvements	21,944,399	4,673,301	9,028,251	1,921,052	6,366,258	4,287,186	12,837,873	20,436,143	3,763,811	25,101,285
Infrastructure	29,146,482	72,925,857	22,733,535	14,160,620	24,259,854	46,463,053	13,291,580	108,053,960	41,041,250	58,338,363
Total Completed	<u>\$ 154,588,664</u>	<u>\$ 113,810,324</u>	<u>\$ 106,021,120</u>	<u>\$ 65,029,616</u>	<u>\$ 94,157,385</u>	<u>\$ 68,834,665</u>	<u>\$ 59,450,396</u>	<u>\$ 141,421,075</u>	<u>\$ 163,451,150</u>	<u>\$ 94,037,869</u>

Notes:

<sup>1</sup>MGD: Millions of Gallons per Day

<sup>2</sup>Sidewinders attendance 7/08 through 9/08; beginning in fiscal year 2008-09, the team is no longer in Tucson

<sup>3</sup>For fiscal year 2010-11 there were no Spring Training games in Tucson

PIMA COUNTY, ARIZONA  
Capital Assets & Infrastructure by Program  
Last Ten Fiscal Years

Exhibit D-29

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Program:										
Sheriff										
Stations	7	7	7	7	7	7	7	7	7	7
Zone offices	4	4	4	4	4	4	2	2	2	2
Patrol units	302	324	323	361	355	358	305	354	371	362
Transportation (streets and highways)										
Streets (miles) <sup>1</sup>	1,801	1,893	1,893	1,893	1,892	1,897	1,905	1,854	1,854	1,870
Pothole repair <sup>2</sup>	\$ 1,150,950	\$ 1,321,034	\$ 1,257,087		\$ 2,822,770	\$ 1,493,531	\$ 1,462,810	\$ 1,767,246	\$ 2,715,481	\$ 2,340,060
Flood Control										
Bank protection (miles) <sup>3</sup>	139	140	140	140	141			175	195	200
Flood plain / drainage way (acres) <sup>4</sup>	10,840	10,999	11,053	11,966	12,027	13,210	13,645	16,538	16,806	26,000
Parks & Recreation										
Urban parks (acres)	2,932	2,991	2,881	2,881	2,898	3,012	3,143	3,147	3,489	3,736
Playgrounds	41	41	38	38	39	40	40	41	38	37
Baseball/softball diamonds	84	90	85	85	86	86	87	89	91	94
Soccer/football fields	16	17	17	17	18	18	18	20	21	24
Community centers	9	11	8	8	11	11	11	11	11	11
Swimming pools / Splashpads	9	9	9	9	10	10	10	10	10	10
Wastewater										
Sanitary sewers (miles)	3,464	3,492	3,462	3,472	3,476	3,440	3,448	3,462	3,466	3,470
Treatment capacity (MGD) <sup>5</sup>	92.45	90.00	91.50	94.26	97.76	97.06	97.04	95.04	95.03	95.04
Libraries <sup>6</sup>										
County	25	26	26	26	26	26	26	27	27	27
City	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Open Space Acquisitions										
Properties added	18	9	5	9	4	6	1	3	2	3
Acres	3,668	757	14,753	5,390	275	595	1,416	823	389	676
Cumulative acreage	36,616	37,373	52,126	57,516	57,791	58,386	59,802	60,625	61,014	61,690
Total properties	67	76	81	90	94	100	101	104	106	109

Notes:

<sup>1</sup>Annexation by other jurisdictions resulted in a decrease of Transportation (Streets and Highways).

<sup>2</sup>Pothole repair figures were unavailable in FY 2009-10.

<sup>3</sup>No soil cement bank protection projects in 2012 and 2013.

<sup>4</sup>Regional Flood Control District maintained acreage only.

<sup>5</sup>On Jan. 3, 2012 capacity was reduced when the Town of Marana obtained ownership of the Marana Wastewater Treatment Facility.

<sup>6</sup>On July 1, 2006, the Pima County Library District assumed control of the operations of all County libraries.

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