



2018

Comprehensive Annual **FINANCIAL REPORT**



Pima County, Arizona • For the Fiscal Year Ended June 30, 2018

**PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

BOARD OF SUPERVISORS

	Richard Elías Chair District #5	
Ramón Valadez Vice Chair District #2		Ally Miller District #1
Sharon Bronson District #3		Steve Christy District #4

COUNTY ADMINISTRATOR

C. H. Huckelberry

Deputy County Administrator for Administration

Tom Burke

Prepared by the Department of Finance and Risk Management

Michelle Campagne, CPA
Director

Meridith Litton, CPA
Deputy Director

Sam Correa
Deputy Director

Robert W. Johnson
Deputy Director

Andy Welch, Division Manager
Financial Control & Reporting

Supervisors

Emilia Eveningred

Pete Rodriguez

Blanca Rossetti

Accountants

Len Baldazo
Valentin R. Dominguez, CPA
Brenda Escarcega
Jessica Espinoza
William Hayes, MBA
Linda House
Yvette M. Hurley, CPA

Chih-Yu Lee, CPA
Lorraine Nuñez
Elizabeth Partlow
Alex C. Ramires
Jennifer Serrano
Jennifer Sia, MBA
James D. Weingart, CGFM, CMA

PIMA COUNTY, ARIZONA
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
I. INTRODUCTORY SECTION		
Letter of Transmittal		1 - 7
Certificate of Achievement for Excellence in Financial Reporting		8
Organizational Chart		9
II. FINANCIAL SECTION		
Independent Auditors' Report		11 - 13
A. MANAGEMENT'S DISCUSSION AND ANALYSIS		
(required supplementary information)		15 - 33
B. BASIC FINANCIAL STATEMENTS		
Government-Wide Financial Statements		
Statement of Net Position	A-1	35
Statement of Activities	A-2	36 - 37
Governmental Fund Financial Statements (Major and Other)		
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
Proprietary Fund Financial Statements (Major and Other)		
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
Fiduciary Fund Financial Statements		
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, 2018

Table of Contents (continued)

	<u>Exhibit</u>	<u>Page</u>
Notes to Financial Statements		
Note 1: Summary of Significant Accounting Policies		48 - 54
Note 2: Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment		55
Note 3: Cash and Investments		56 - 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 - 65
Note 7: Long-Term Liabilities		66 - 76
Note 8: Landfill Liabilities		77
Note 9: Operating Leases		78
Note 10: Pension and Other Postemployment Benefits		79 - 94
Note 11: Due from Other Governments		95
Note 12: Interfund Transactions		96
Note 13: Construction and Other Significant Commitments		97
Note 14: Deficit Fund Balances/Net Position		97
 C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS		
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	B-1	99
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund		100
Schedule of the County's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans	B-2	101
Schedule of Changes in the County's Net Pension Liability and Related Ratios – Agent Pension Plans		102 - 103
Schedule of County Pension Contributions		104
Notes to Pension Plan Schedules		105
 D. COMBINING STATEMENTS AND OTHER SCHEDULES		
Other (Nonmajor) Governmental Funds		
Combining Balance Sheet - Nonmajor Governmental Funds	C-1	108 - 109
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	C-2	110 - 111
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Other Governmental Funds		
Capital Projects Fund	C-3	113
Debt Service Fund	C-4	114
Transportation - Special Revenue Fund	C-5	115
Health - Special Revenue Fund	C-6	116
Regional Flood Control District - Special Revenue Fund	C-7	117
Other - Special Revenue Fund	C-8	118
Other Grants - Special Revenue Fund	C-9	119
Wireless Integrated Network – Special Revenue Fund	C-10	120
School Reserve - Special Revenue Fund	C-11	121
Environmental Quality - Special Revenue Fund	C-12	122
Waste Tire - Special Revenue Fund	C-13	123
Library District - Special Revenue Fund	C-14	124
Stadium District - Special Revenue Fund	C-15	125
Street Lighting Districts - Special Revenue Fund	C-16	126
Rocking K South Community Facilities District - Special Revenue Fund	C-17	127

PIMA COUNTY, ARIZONA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2018

Table of Contents (continued)

	<u>Exhibit</u>	<u>Page</u>
Other (Nonmajor) Enterprise Funds		
Combining Statement of Net Position	C-18	129
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	C-19	130
Combining Statement of Cash Flows	C-20	131 - 132
Internal Service Funds		
Combining Statement of Net Position	C-21	133
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	C-22	134
Combining Statement of Cash Flows	C-23	135 - 136
Fiduciary Funds		
Combining Statement of Fiduciary Net Position - Investment Trust Funds	C-24	137
Combining Statement of Changes in Fiduciary Net Position - Investment Trust Funds	C-25	138
Combining Statement of Fiduciary Net Position - Agency Funds	C-26	139
Combining Statement of Changes in Fiduciary Net Position - Agency Funds	C-27	140
III. STATISTICAL SECTION		
Financial Trends Information		
Net Position by Component	D-1 through 4	141 - 145
Changes in Net Position		
Fund Balances - Governmental Funds		
Changes in Fund Balances - Governmental Funds		
Revenue Capacity Information		
Taxable Assessed Value and Estimated Actual Value of Property	D-5 through 12	147 - 158
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, 2018

Table of Contents (continued)

	<u>Exhibit</u>	<u>Page</u>
Debt Capacity Information	D-13 through 19	159 - 167
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		
 Demographic and Economic Information	 D-20 through 26	 169 - 176
Demographic and Economic Statistics		
Principal Employers		
Population and Employment		
Transportation and Real Estate		
Economic Indicators by Calendar Year		
Population Statistics		
Average Annual Jail Population		
 Operating Information	 D-27 through 29	 177 - 179
Employees by Function		
Operating Indicators by Program		
Capital Assets and Infrastructure by Program		



2018

Comprehensive Annual
FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018

INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting
- Organizational Chart

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, FLOOR 10, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

December 19, 2018

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, 2018. 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, 2018. 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.

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 1,033,781 in 2018, 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; County Administrator; Elections; Facilities Management; Finance and Risk Management; Fleet Services; General Government Services Administration; Human Resources; Information Technology; Non Departmental; Office of Emergency Management & Homeland Security; Procurement; Recorder; Treasurer and Wireless Integrated Network.
- *Community Resources* provides educational, cultural, social, economic development and recreational programs to the public. The departments in this functional area are Attractions and Tourism; Communications Office; Community and Economic Development Administration; Community Development and Neighborhood Conservation; Community Services, Employment and Training; County Free Library; Grants Management and Innovation; Kino Sports Complex; Rocking K South Community Facilities District; School Superintendent; and the Stadium District.
- *Justice and Law Enforcement* 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; 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; Health; Medical Examiner; and Pima Animal Care Center.
- *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; Environmental Quality; Natural Resources, Parks and Recreation; Office of Sustainability and Conservation; Public Works Administration; 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*, the *Rocking K South Community Facilities 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, Caterpillar, and several aerospace and aircraft companies including Raytheon Missile Systems, Bombardier Aerospace, Sargent Aerospace and Defense, 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 continually declined on an annual basis to 4.5% in 2017, after reaching a peak of 9.3% in 2010. The decline in Pima County's unemployment rate has been slightly less than the decrease in the national unemployment rate, which was 9.6% in 2010 and has fallen to 4.4% in 2017. 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 \$2.90 billion (12.8% of Arizona direct travel spending) in 2017. This direct travel spending generated 25,500 direct jobs, \$756 million in direct earnings and \$201 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 that 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.

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 2018-2019 includes \$208.1 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 \$87.3 million
- Regional Wastewater Reclamation, with a budget of \$41.4 million
- Facilities Management, with a budget of \$43.2 million
- Regional Flood Control District, with a budget of \$19.4 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 four major projects included in the fiscal year 2018-2019 budget:

- Local Roads – Pavement Repair & Rehabilitation is budgeted for \$8.7 million
- Valencia Road/Wade Road to Ajo Highway is budgeted for \$12.8 million
- Broadway Blvd., Euclid to Country Club is budgeted for \$12.0 million
- Valencia Road/Houghton to Old Spanish Trail is budgeted for \$12.0 million

Regional Wastewater Reclamation – The Regional Wastewater Reclamation Department (RWRD) projects are predominantly funded by Sewer Revenue Obligations. RWRD has a total fiscal year 2018-2019 budget of \$41.4 million with the following major projects included:

- Minor Rehabilitation Projects are budgeted for \$10.0 million
- Old Nogales Augmentation project is budgeted for \$6.8 million
- Tres Rios WRF Biogas Cleaning and Utilization project is budgeted for \$5.3 million
- Tres Rios WRF Nutrient Recovery project is budgeted for \$4.4 million

Facilities Management –Facilities Management has active projects with a total budget of \$43.2 million. Two of the major projects included in the fiscal year 2018-2019 are the following:

- Historic Courthouse – Renovations & Tenant Improvements is budgeted for \$15.6 million
- West Congress Building Exterior Façade project is budgeted for \$4.2 million

Regional Flood Control District – The Regional Flood Control District has active projects with a total budget of \$19.4 million. Major projects include:

- El Corazon de los Tres Rios del Norte is budgeted for \$3.7 million
- Urban Drainage is budgeted for \$2.0 million
- Santa Cruz River Maintenance is budgeted for \$2.0 million

Debt Management

Bond ratings for Pima County, given by Fitch and Standard & Poor’s, range from AA- to AAA. 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 and 2014. At June 30, 2018, \$62.4 million from the November 4, 1997 election for Street and Highway Revenue is the only authorization that remains 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 and debt issuances anticipated for fiscal year 2018-2019 include \$25 million of Sewer Obligations, \$35 million of Certificates of Participation, and \$25 million of Street and Highway Revenue 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, 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 2017-2018, the constitutional debt limit was \$1.3 billion. The actual bonded indebtedness was \$276 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 2017-2018 are expected to be under the limit of \$559.4 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 the fiscal year ended June 30, 2017 can be found at:

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

The Single Audit for Pima County for the fiscal year ended June 30, 2018 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, 2017. Pima County has received this prestigious award for thirty-one years from fiscal years ended June 30, 1984 through 2017, 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 2017-2018 budget document. This was the twentieth 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

Michelle Campagne
Director, Finance and Risk Management



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Pima County
Arizona

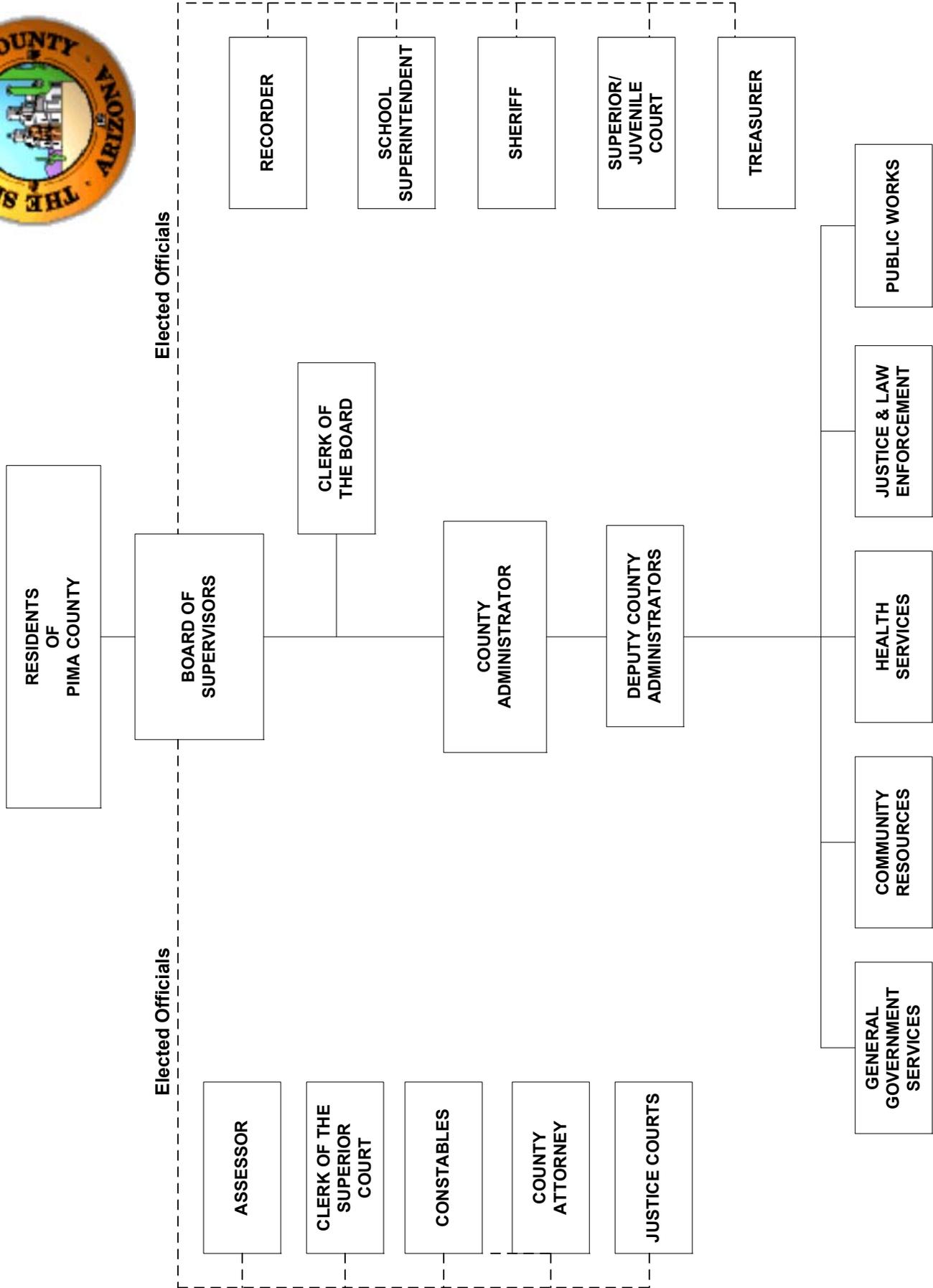
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

PIMA COUNTY ORGANIZATIONAL CHART



(This page is intentionally left blank)



2018

Comprehensive Annual
FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

INTRODUCTORY SECTION

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
-

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.



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
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, 2018, 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 discretely presented 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.

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
<u>Government-wide statements</u>				
Governmental activities:				
Stadium District	1.51%	0.43%	1.13%	1.06%
School Reserve Fund	0.04%	0.14%	0.21%	0.25%
Wireless Integrated Network	0.09%	0.02%	0.34%	0.32%
Self-Insurance Trust	3.05%	2.47%	2.03%	1.84%
Health Benefit Trust	1.55%	0.38%	7.58%	7.32%
Business-type activities:				
Regional Wastewater Reclamation Department	98.10%	98.94%	94.20%	94.69%
Development Services	0.41%	0.96%	4.56%	3.47%
Discretely presented component unit:				
Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
<u>Fund statements</u>				
Major enterprise fund:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
Aggregate remaining fund information:				
Stadium District	0.11%	2.20%	0.31%	0.34%
School Reserve Fund	0.11%	0.26%	0.07%	0.10%
Wireless Integrated Network	0.38%	0.13%	0.13%	0.11%
Development Services	0.95%	3.28%	0.37%	0.26%
Self-Insurance Trust	12.84%	19.94%	0.77%	0.66%
Health Benefit Trust	6.51%	3.08%	2.88%	2.62%

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, 2018, 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.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 33, budgetary comparison schedules on pages 99 and 100, schedule of the County's proportionate share of the net pension liability—cost-sharing plans on page 101, schedule of changes in the County's net pension liability and related ratios—agent plans on pages 102 and 103, and schedule of county pension contributions on page 104, 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 comply with the authorized transportation purposes, insofar as they relate to accounting matters, for highway user revenue fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. 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 authorized transportation purposes referred to above, 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.

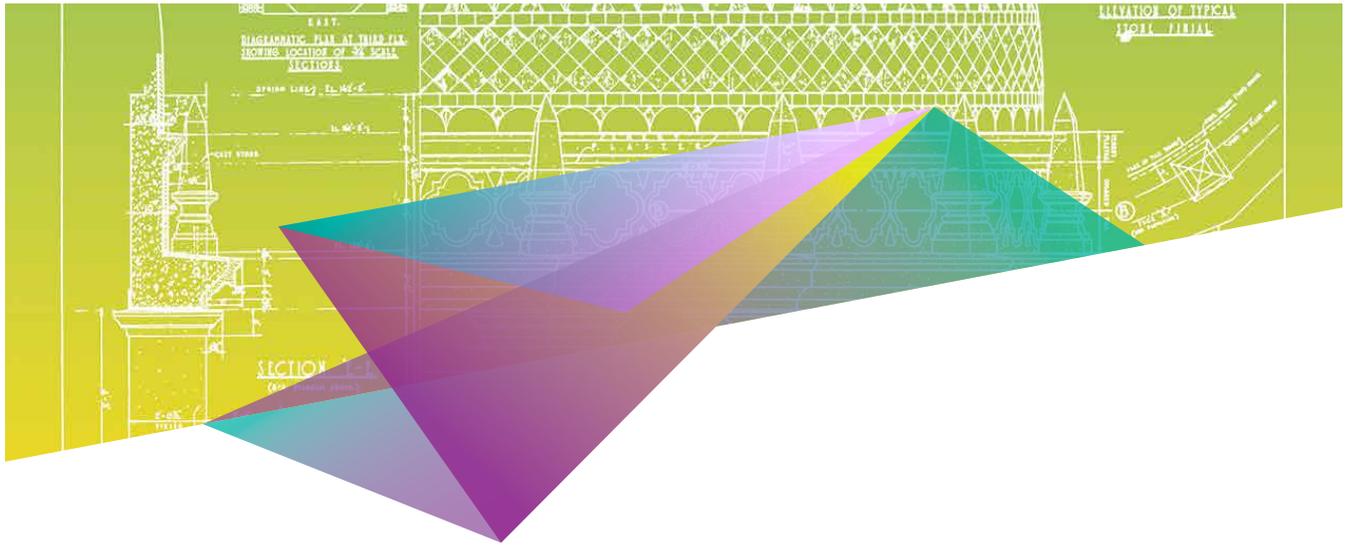
Other reporting required by *Government Auditing Standards*

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 solely 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 the effectiveness of the County's 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.

Lindsey Perry, CPA, CFE
Auditor General

December 19, 2018

(This page is intentionally left blank)



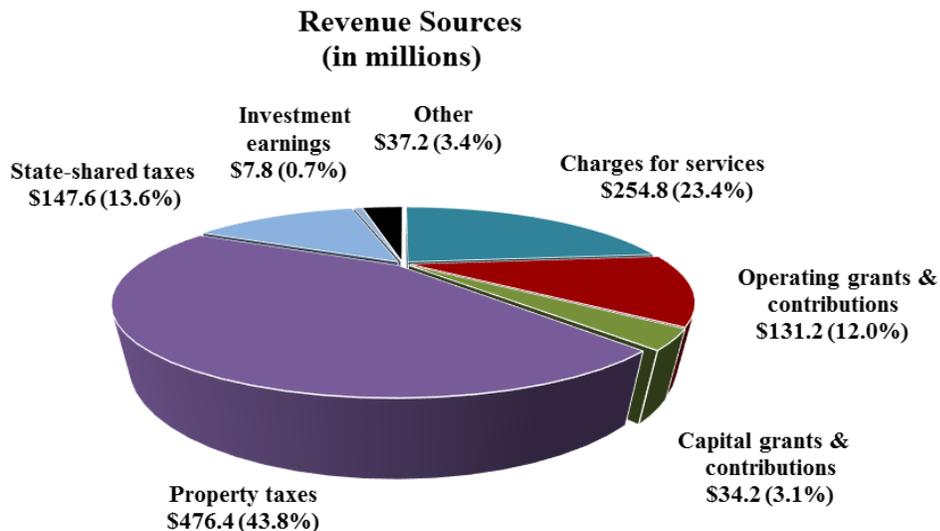
MANAGEMENT'S DISCUSSION AND ANALYSIS

Pima County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2018

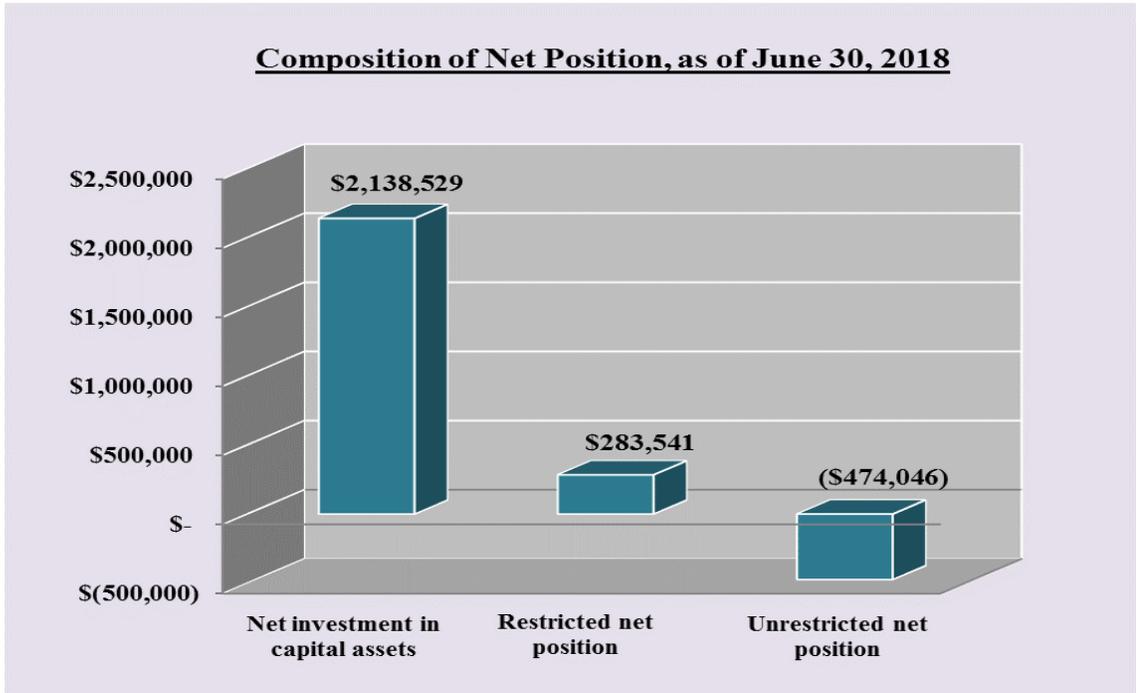
Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2018. Please read it in conjunction with the transmittal letter, which begins on page 1 and the County's basic financial statements, which begin on page 35. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

Financial Highlights

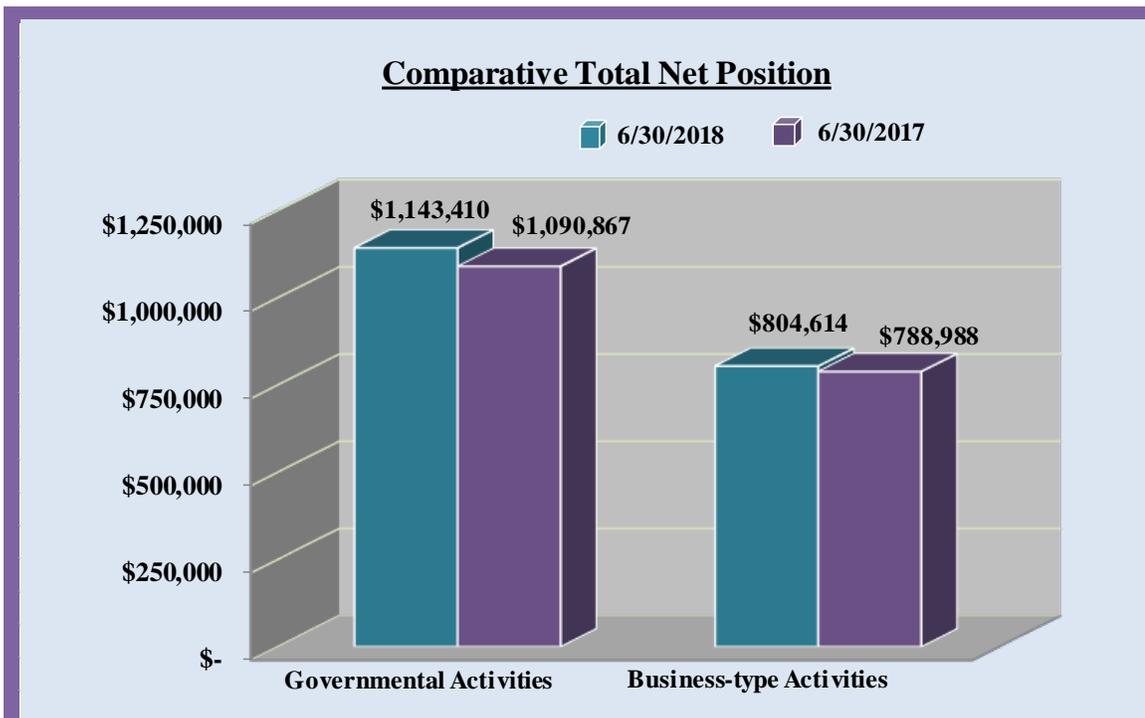
- The County restated the prior year's total net position to \$1,879,855 due to a change in accounting principle and a correction of a misstatement. The change in accounting principle was due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a \$58 increase in total net position. The correction of a misstatement was due to land, infrastructure, and other improvements assets that were contributed to other governments in prior years, which resulted in a \$23,568 decrease in governmental activities net position. For additional information refer to page 55, Note 2, Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment. The comparisons to prior year financials within this discussion and analysis will be based on these restated amounts.
- The County's total net position increased \$68,169; an increase of \$18,550 when compared to the prior year's restated change in net position of \$49,619; primarily due to property tax revenues of \$20,089 from a Board of Supervisors approved property tax specific to transportation that was in place only for fiscal year 2018.
- During the current year, the County issued \$11,000 in Transportation Revenue Bonds to fund various street and highways improvements and \$38,205 in Sewer Revenue Obligations to finance the construction, expansion, and improvement of sewer treatment facilities and conveyance systems. In addition, the County issued \$62,660 in Certificates of Participation for various road improvements and other capital projects.
- The County's primary sources of revenue come from property taxes, charges for services, state shared taxes, and grants and contributions as displayed below:



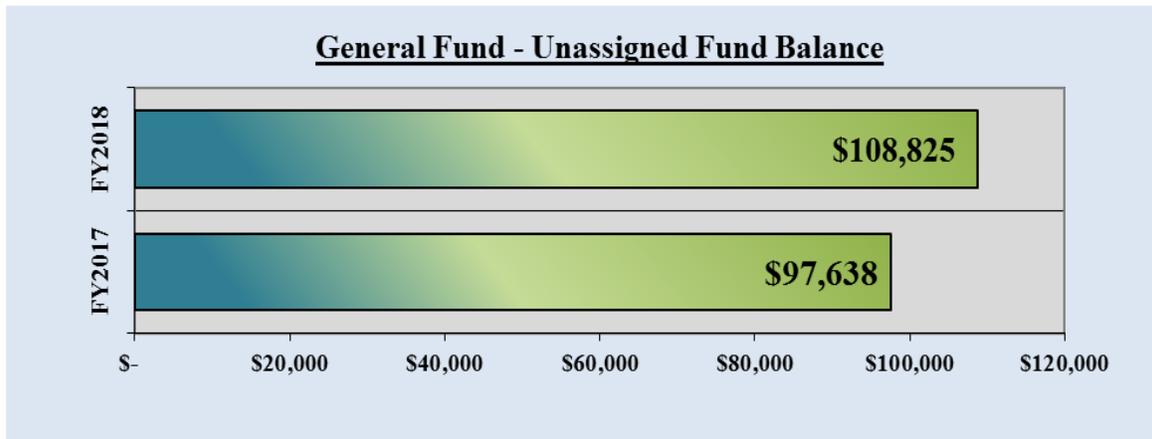
- The composition of the County's total net position at June 30, 2018, \$1,948,024, is illustrated in the following chart.



- Governmental Activities total net position at June 30, 2018, is \$1,143,410, representing an increase of \$52,543 (4.8%) from the prior fiscal year's restated net position, primarily due to increases of \$23,361 in property taxes revenues, \$7,952 in State-shared tax revenues, and \$5,247 in net transfers. Business-type Activities total net position of \$804,614, increased by \$15,626 (2.0%) in the current fiscal year, primarily due to an increase of \$6,693 in charges for services revenues and a decrease of \$6,846 in Regional Wastewater Reclamation (RWR) expenses.



- The current fiscal year's General Fund unassigned fund balance of \$108,825 is an increase of \$11,187 (11.5%) from \$97,638 in the prior fiscal year. The unassigned fund balance comprises 95.9% of the total fund balance of \$113,492. Refer to the analysis of the General Fund provided on page 27 for additional details about the fund's financial activities during the 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, deferred inflows of resources, and net position. 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, 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 sixteen individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds 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 108-111.

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, 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 129-136.

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 **48-97**.

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, and the Schedule of County Pension Contributions. Required supplementary information can be found on pages **99-105**.

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 **108-140**.

Government-Wide Financial Analysis

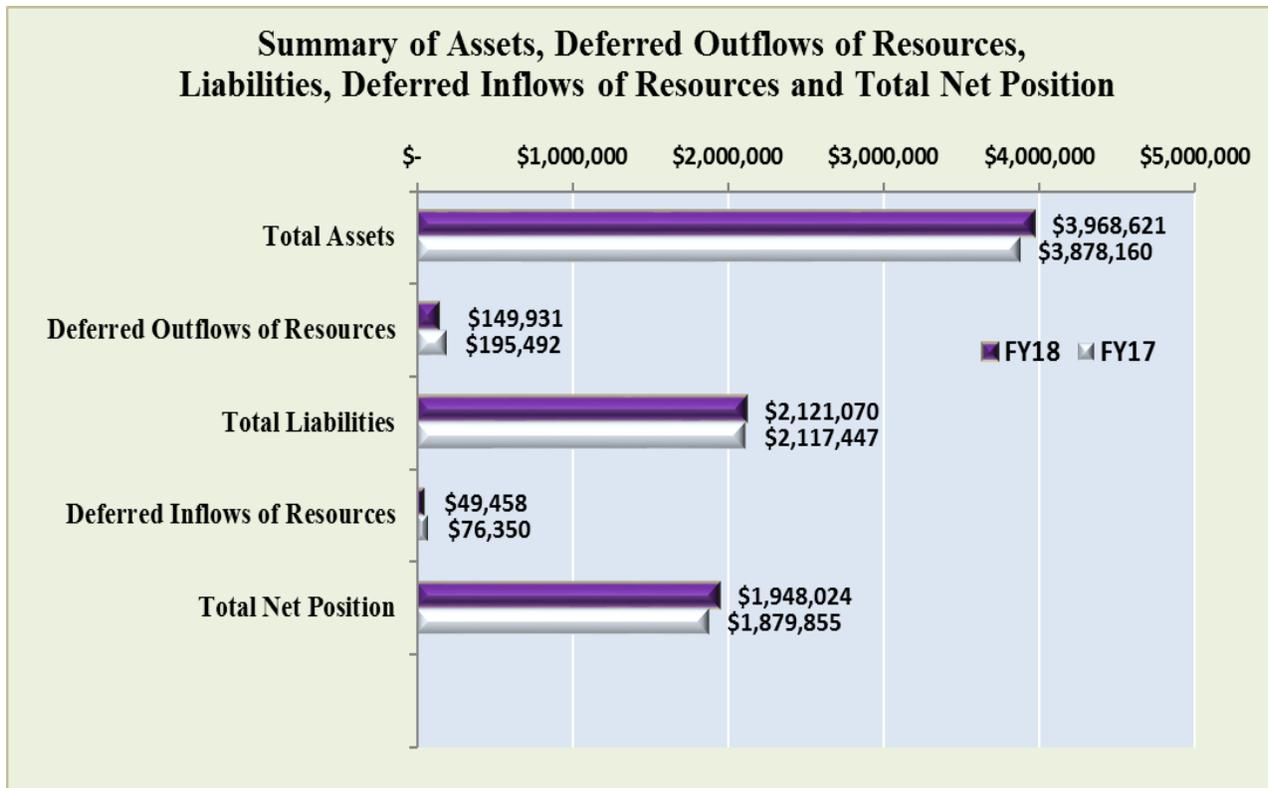
As noted earlier, net position may serve as a useful indicator of a government’s financial position over time. An analysis of the results of operations is also useful. The schedule below identifies variances in the results of operations.

Schedule of Results of Operations and Net Position For the Years Ended June 30, 2018 and 2017			
	2018	2017 (as restated)	Variance
Charges for services	\$ 254,803	\$ 247,714	\$ 7,089
Operating grants and contributions	131,222	130,049	1,173
Capital grants and contributions	34,196	42,621	(8,425)
Total program revenues	<u>420,221</u>	<u>420,384</u>	<u>(163)</u>
Total general revenues and transfers	<u>668,992</u>	<u>636,106</u>	<u>32,886</u>
Total program and general revenues	<u>1,089,213</u>	<u>1,056,490</u>	<u>32,723</u>
Total expenses	1,021,044	1,006,871	14,173
Change in net position	<u>\$ 68,169</u>	<u>\$ 49,619</u>	<u>\$ 18,550</u>

Total general revenues and transfers increased by \$32,886, mainly due to a \$23,361 increase in property tax revenues and a \$7,952 increase in State-shared tax revenues within governmental activities. Total expenses increased by \$14,173, primarily due to increases of \$19,483 and \$4,554 in general government and welfare expenses, respectively, within governmental activities, partially offset by a \$4,017 decrease in interest on long-term debt within governmental activities and a \$7,432 decrease in total business-type activities expenses. These variances resulted in an \$18,550 increase in the change in net position, to \$68,169.

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, 2018, and June 30, 2017.



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.

The total of County assets at June 30, 2018, was \$3,968,621, an increase of \$90,461 (2.3%) from the prior year, while total liabilities increased by \$3,623 (0.2%) from the prior year, ending at a balance of \$2,121,070. Deferred outflows of resources related to pensions and other postemployment benefits decreased by \$39,156, and deferred outflows of resources related to deferred charges on refunding decreased by \$6,405, for a total decrease in deferred outflows of resources of \$45,561 (23.3%). Deferred inflows of resources decreased \$26,892 (35.2%) from the prior year, ending at a balance of \$49,458.

The result of these changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources was an increase in net position of \$68,169 (3.6%), to \$1,948,024 in the current fiscal year, from \$1,879,855 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, 2018, net investment in capital assets totaled \$2,138,529, an increase of \$78,322 (3.8%) from the prior year, due to the increase of \$46,072 (3.3%) for governmental activities and the increase of \$32,250 (4.9%) 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 \$283,541, which is an increase of \$34,751 (14.0%) from the prior year and represents approximately 14.6% 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.

Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position At June 30, 2018 and 2017									
	Governmental Activities			Business-type Activities			Total		
	FY2018	FY2017 (as restated)	Variance	FY2018	FY2017 (as restated)	Variance	FY2018	FY2017 (as restated)	Variance
Current and other assets	\$ 621,056	\$ 503,733	\$ 117,323	\$ 195,914	\$ 196,947	\$ (1,033)	\$ 816,970	\$ 700,680	\$ 116,290
Capital assets (net):									
Land, buildings, equipment, infrastructure & other assets	1,918,766	1,946,587	(27,821)	1,232,885	1,230,893	1,992	3,151,651	3,177,480	(25,829)
Total assets	<u>2,539,822</u>	<u>2,450,320</u>	<u>89,502</u>	<u>1,428,799</u>	<u>1,427,840</u>	<u>959</u>	<u>3,968,621</u>	<u>3,878,160</u>	<u>90,461</u>
Deferred outflows of resources									
Pension and OPEB	121,311	157,382	(36,071)	5,086	8,171	(3,085)	126,397	165,553	(39,156)
Deferred charges on refunding	8,003	10,808	(2,805)	15,531	19,131	(3,600)	23,534	29,939	(6,405)
Total deferred outflows of resources	<u>129,314</u>	<u>168,190</u>	<u>(38,876)</u>	<u>20,617</u>	<u>27,302</u>	<u>(6,685)</u>	<u>149,931</u>	<u>195,492</u>	<u>(45,561)</u>
Current and other liabilities	69,707	61,383	8,324	23,534	10,499	13,035	93,241	71,882	21,359
Long-term liabilities	1,410,156	1,396,643	13,513	617,673	648,922	(31,249)	2,027,829	2,045,565	(17,736)
Total liabilities	<u>1,479,863</u>	<u>1,458,026</u>	<u>21,837</u>	<u>641,207</u>	<u>659,421</u>	<u>(18,214)</u>	<u>2,121,070</u>	<u>2,117,447</u>	<u>3,623</u>
Deferred inflows of resources									
Pension and OPEB	45,863	69,617	(23,754)	3,595	6,733	(3,138)	49,458	76,350	(26,892)
Total deferred inflows of resources	<u>45,863</u>	<u>69,617</u>	<u>(23,754)</u>	<u>3,595</u>	<u>6,733</u>	<u>(3,138)</u>	<u>49,458</u>	<u>76,350</u>	<u>(26,892)</u>
Net position:									
Net investment in capital assets	1,452,111	1,406,039	46,072	686,418	654,168	32,250	2,138,529	2,060,207	78,322
Restricted	221,652	189,208	32,444	61,889	59,582	2,307	283,541	248,790	34,751
Unrestricted (deficit)	(530,353)	(504,380)	(25,973)	56,307	75,238	(18,931)	(474,046)	(429,142)	(44,904)
Total net position	<u>\$ 1,143,410</u>	<u>\$ 1,090,867</u>	<u>\$ 52,543</u>	<u>\$ 804,614</u>	<u>\$ 788,988</u>	<u>\$ 15,626</u>	<u>\$1,948,024</u>	<u>\$1,879,855</u>	<u>\$ 68,169</u>

Analysis of Net Position for Governmental Activities

The current and other assets total of \$621,056 in the current fiscal year is an increase of \$117,323 (23.3%) over the prior year total of \$503,733. This increase is primarily due to an increase of \$100,014 in the cash and cash equivalents mainly from the \$51,826 increase in the Capital Projects Fund from unspent bond and COPs proceeds, a \$23,147 increase in Other Governmental Funds primarily from new property tax revenues in the Transportation Fund, and a \$13,882 increase in the General Fund from excess revenues over expenditures in the prior and current year.

Total liabilities increased \$21,837 (1.5%) to \$1,479,863 due to a \$13,513 increase in long-term liabilities and an \$8,324 increase in current and other liabilities. The increase in long-term liabilities is due to the \$42,680 increase in the pension and OPEB liabilities resulting from the changes in actuarial estimates related to the net pension and OPEB liabilities for the various retirement plans that the County contributes to for its employees. These increases were partially offset by a net \$27,530 decrease in outstanding debt associated with general obligation bonds, transportation revenue bonds, and COPs due to current year payments on these debts, in addition to a \$1,519 decrease in the installment note payable for a land purchase in prior years.

The deferred outflows decrease of \$38,876 (23.1%) from the prior year total of \$168,190, is mainly due to the decrease of \$36,071 (22.9%) in pension and OPEB. Similarly, the decrease of \$23,754 (34.1%) in deferred inflows of resources is due to the deferred inflows in pensions and OPEB. These variances in deferred outflows and deferred inflows are due to changes in actuarial estimates related to the net pension and OPEB liabilities mentioned above. These changes resulted in an overall increase of \$52,543 (4.8%) in the current year's governmental activities total net position of \$1,143,410.

Analysis of Net Position for Business-type Activities

Total assets of \$1,428,799 in the current fiscal year increased slightly by \$959 (0.1%) from the prior year total of \$1,427,840, resulting from a \$1,992 (0.2%) increase in capital assets and a \$1,033 (0.5%) decrease in current and other assets. The increase was the result of an \$8,040 increase in restricted cash and cash equivalents in RWR, a \$2,662 increase in RWR capital assets from the completion of projects in the current year, and a \$1,757 increase in cash and cash equivalents in the Other Enterprise Funds, primarily from the increased cash position in the Development Services Fund. This was offset primarily by an \$11,124 decrease in cash and cash equivalents in the RWR fund resulting from the cash in-substance defeasance of Sewer Revenue Bonds series 2008 for \$16,320.

Total liabilities decreased \$18,214 (2.8%) in the current year to \$641,207, primarily due to a decrease of \$17,407 in total liabilities of the RWR fund as a result of the cash in-substance defeasance of Sewer Revenue Bonds Series 2008 for \$16,320 mentioned above.

Current year's total deferred outflows of resources related to pensions and OPEB, \$5,086, decreased by \$3,085 (37.8%) from the prior year, while deferred inflows of resources related to pensions and OPEB decreased by \$3,138 (46.6%) to \$3,595 this year. These decreases are primarily due to changes in actuarial estimates related to the net pension liability for the Arizona State Retirement System plan to which the County contributes for its employees within the business-type activities.

The changes in total assets, liabilities, deferred outflows and deferred inflows of resources resulted in a total net position increase of \$15,626 (2%), which ended at a balance of \$804,614.

Governmental Activities

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

Governmental Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2018 and 2017				
	FY2018	FY2017	Variance	
		(as restated)	Amount	Percent
Program revenues:				
Charges for services	\$ 67,380	\$ 66,984	\$ 396	0.6%
Operating grants and contributions	131,222	130,049	1,173	0.9%
Capital grants and contributions	26,842	37,502	(10,660)	-28.4%
Total program revenues	225,444	234,535	(9,091)	-3.9%
General revenues:				
Property taxes	476,365	453,004	23,361	5.2%
State-shared taxes	147,635	139,683	7,952	5.7%
Investment earnings	5,549	3,297	2,252	68.3%
Other general revenues	36,452	37,260	(808)	-2.2%
Total general revenues	666,001	633,244	32,757	5.2%
Total revenues	891,445	867,779	23,666	2.7%
Expenses:				
General government	279,678	260,195	19,483	7.5%
Public safety	214,460	214,648	(188)	-0.1%
Highways and streets	110,159	110,454	(295)	-0.3%
Sanitation	2,683	5,195	(2,512)	-48.4%
Health	38,186	39,454	(1,268)	-3.2%
Welfare	94,567	90,013	4,554	5.1%
Culture and recreation	65,827	68,350	(2,523)	-3.7%
Education and economic opportunity	43,492	36,663	6,829	18.6%
Amortization	(7,806)	(9,348)	1,542	-16.5%
Interest on long-term debt	23,049	27,066	(4,017)	-14.8%
Total expenses	864,295	842,690	21,605	2.6%
Excess before transfers	27,150	25,089	2,061	8.2%
Transfers in	25,393	20,146	5,247	26.0%
Change in net position	52,543	45,235	7,308	16.2%
Beginning net position as restated *	1,090,867	1,045,632	45,235	4.3%
Ending net position	\$ 1,143,410	\$ 1,090,867	\$ 52,543	4.8%

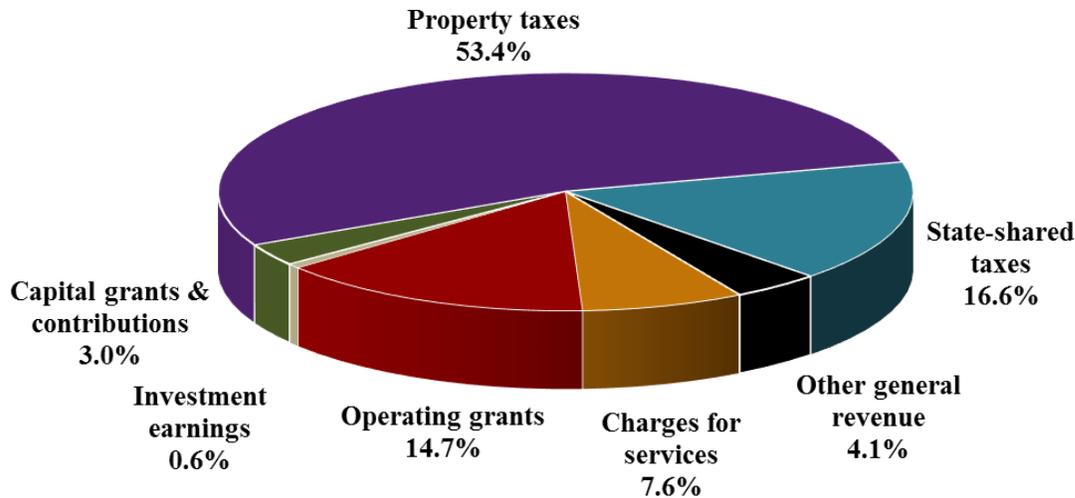
*Beginning net position as restated July 1, 2017, due to the provisions of GASB 75

Revenues

Total revenues of \$891,445 increased \$23,666 (2.7%) from the prior year, primarily due to an increase of \$23,361 in property taxes that mainly resulted from the previously mentioned transportation property tax, and an increase of \$7,952 in State-shared taxes mainly attributable to a \$6,780 increase in the unrestricted share of state sales tax. These increases were offset by a decrease of \$10,660 in capital grants and contributions, resulting from decreased Regional Transportation Sales Tax Roadway funding in the current 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, state-shared taxes, and operating grants account for approximately 84.7% of the County's revenues.

General and Program Revenues - Governmental Activities

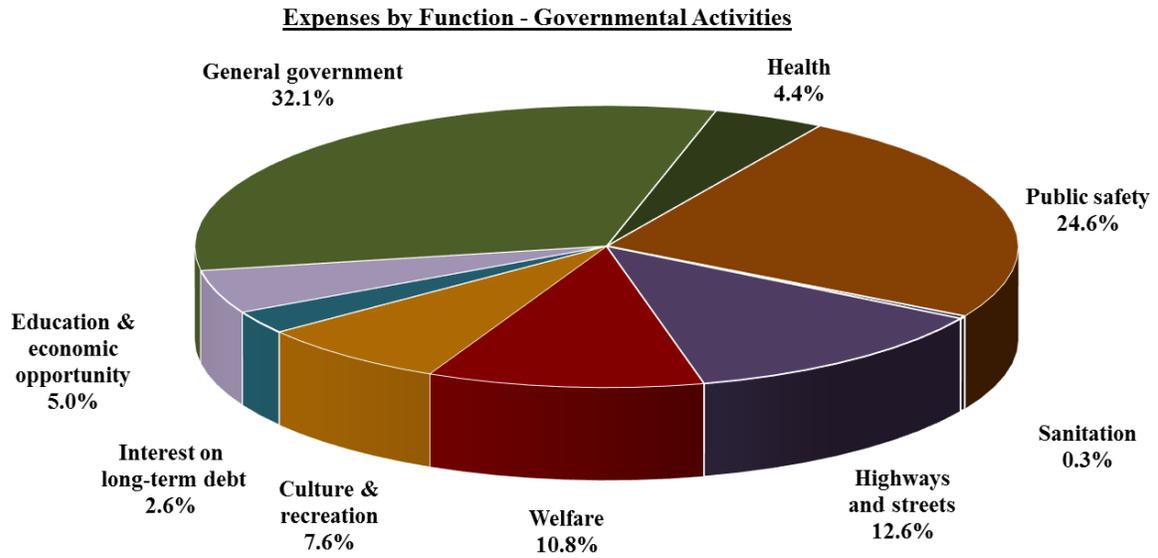


Expenses

Total expenses increased \$21,605 (2.6%) from the prior year, primarily due to an increase of \$19,483 (7.5%) in general government expenses, an increase of \$6,829 (18.6%) in education and economic opportunity expenses and a decrease of \$4,017 (14.8%) in interest on long-term debt. The explanations for these increases and decreases are as follows:

- The general government increase is due in part to an \$11,736 increase in expenses from the internal service funds, specifically \$6,522 in the Self-Insurance Trust fund and \$3,326 in the Other Internal Services fund for Information Technology. The increase in the Self-Insurance Trust fund was primarily due to the change in actuarial estimates for future losses and the increase in the Other Internal Services fund was mainly due to purchases of computer hardware and new software licenses. In addition, there was also a \$7,418 increase in expenses as a result of the increase in the share of the County's total net pension liability attributed to general government.
- The increase in education and economic opportunities is mainly due to a \$1,813 increase in expenditures for the Low Income Housing Energy Assistance Federal grant program, \$1,056 for the Workforce Investment and Opportunity Act Federal grant program, and a collection of increases in other Federal grant programs.
- The decrease in long-term debt is due to lower interest expenses, primarily due to debt refundings completed in the prior year and a reduction of \$48,772 in total outstanding general obligation bonds for the current year. The lower interest costs are a direct result of the significant decrease in the outstanding liability from these bonds. Please refer to Note 7 on page 66 for additional information on long-term liabilities.

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



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.

Business-type Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2018, and 2017				
	FY2018	FY2017 (as restated)	Variance	
			Amount	Percent
Program revenues:				
Charges for services	\$ 187,423	\$ 180,730	\$ 6,693	3.7%
Capital grants and contributions	7,354	5,119	2,235	43.7%
Total program revenues	194,777	185,849	8,928	4.8%
General revenues:				
Investment earnings	2,228	1,512	716	47.4%
Other general revenues	763	1,350	(587)	-43.5%
Total general revenues	2,991	2,862	129	4.5%
Total revenues	197,768	188,711	9,057	4.8%
Expenses:				
Regional Wastewater Reclamation	148,405	155,251	(6,846)	-4.4%
Development Services	5,523	6,090	(567)	-9.3%
Parking Garages	2,821	2,840	(19)	-0.7%
Total expenses	156,749	164,181	(7,432)	-4.5%
Excess before transfers	41,019	24,530	16,489	67.2%
Transfers out	(25,393)	(20,146)	(5,247)	26.0%
Change in net position	15,626	4,384	11,242	256.4%
Beginning net position, as restated *	788,988	784,604	4,384	0.6%
Ending net position	\$ 804,614	\$ 788,988	\$ 15,626	2.0%

**Beginning net position as restated July 1, 2017, due to the provisions of GASB 75*

Revenues

Total revenues for business-type activities increased \$9,057 (4.8%), mainly due to an increase of \$5,281 in charges for services in the RWR fund, resulting from a Board of Supervisors approved rate increase of 3% effective June 1, 2017, and an increase of \$2,235 (43.7%) in capital grants and contributions of public sewer facilities constructed by developers and accepted by the County in the RWR fund for continuous maintenance and operations.

Expenses

Total expenses for the business-type activities decreased by \$7,432 (4.5%), primarily due to an overall decrease of \$6,846 (4.4%) in the RWR fund. This decrease was mostly due to a \$ 6,065 drop in nonoperating expenses, including a decrease of \$3,266 in losses from asset retirements, \$1,506 from lower debt issuance costs, and \$1,569 in interest expense savings.

Financial Analysis of the County's Funds

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, Stadium, and Rocking K South Community Facilities 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 tax revenues for the General Fund increased \$368 (0.1%), reflecting the net impact of higher property valuations and a lower property tax rate. Intergovernmental revenues increased \$3,512 (2.3%), primarily due to increases in the State-shared sales tax and State-shared vehicle license tax associated with a continued gradual recovery in the local economy. Charges for services decreased \$5,758 (12.2%), mostly from a decrease in revenues received for administrative overhead cost recovery from other County funds due to lower central administrative support costs in the current year. Overall, revenues for the General Fund decreased by \$3,180 (0.6%) and totaled \$554,810 for the current year.

General fund expenditures totaled \$501,674, a decrease of \$3,350 (0.7%) from the prior year, primarily due to:

- A decrease of \$1,150 in general government expenditures, primarily from Elections activities due to the November 2017 election being all mail-in instead of polling sites.
- A decrease of \$5,863 in debt service principal payments, due to the final payment of \$5,758 towards the Stardust land purchase in the prior year.
- An increase of \$5,209 in Arizona Long Term Care System (ALTCS) mandated payments from prior year.

Transfers out totaled \$46,084, an increase of \$8,061 (21.2%) over the prior year, primarily due to the \$9,030 transfers to Capital Projects Fund related to the Historic Courthouse projects and a \$331 transfer to Capital Projects Fund related to the Silverbell Archaeology project.

Transfers in decreased \$2,018 (31.5%) from last year's total of \$6,411, mainly due to rent revenues from external tenants moving to the Other Special Revenue fund in the current fiscal year.

The \$3,180 decrease in revenues, the \$3,350 decrease in expenditures, and a total net increase of \$10,068 in other financing uses, yielded a decrease of \$9,898 in net change in fund balance, which ended the year at \$113,492.

Budget and Actual Comparison for the General Fund

Overall, actual revenues were higher than budgeted revenues by \$4,757 primarily due to the higher than budgeted State-shared tax revenue collections mentioned above and actual expenditures were less than budgeted expenditures by \$74,561. Actual expenditures for the General Fund were less than budgeted, primarily because the County did not need to spend \$50,319 of the amount budgeted for contingencies within General government – County Administration.

No variances between the budget and 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 or assigned for capital outlays to acquire or construct capital assets.

Total revenues of \$19,767 for the Capital Projects Fund represent a decrease of \$7,573 (27.7%) from the prior year, primarily due to a decrease in Intergovernmental revenues from the State for the Sunset Road project which was received in the prior year.

Total capital outlay expenditures of \$78,370 in the current year is an increase of \$4,448 (6.0%) over the prior year, primarily due to \$2,100 in expenditures related to the Tangerine Road widening project, and \$1,900 in expenditures related to pavement preservation projects 2018.

The Capital Projects fund's other financing sources of \$73,660 represents the current year's issuance of \$11,000 of Street and Highway Revenue Bonds Series 2018 to finance a variety of transportation projects, the issuance of \$23,265 of Certificates of Participation (COPs) Series 2018A to finance the costs to renovate, construct, and equip the Historic Courthouse facility and \$39,395 of COPs Series 2018B to finance various road improvement and other capital projects.

Transfers out totaled \$571, a decrease of \$6,931 (92.4%) from the prior year, mainly due to the decrease of \$7,060 in certificates of participation funding that was transferred to the RWR fund in the prior year for improvements to the sewer conveyance system.

Transfers in totaled \$35,063, an increase of \$16,199 (85.9%) over the prior year's total of \$18,864. The increase is primarily due to a \$10,249 increase of transfers from the General Fund for various projects and a \$7,530 increase of transfers from the Other Special Revenue fund for facility renewal projects.

The above detailed financial activities yielded an increase of \$49,944 in the Capital Projects fund's net change in fund balance, which ended the year at \$146,381.

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 increased \$1,533 primarily as a result of higher property valuations, while the secondary property tax rate remained the same as the prior year.

Expenditures for the Debt Service Fund decreased \$2,558 primarily due to a decrease in interest payments of \$3,221 as a result of debt refundings in the prior year, offset by an increase in principal payments of \$1,310.

Premiums on bonds and COPs decreased to \$2,621 as the premiums consisted of \$1,684, and \$937 from the issuance of Transportation revenue bonds (HURF) Series 2018, and COPS Series 2018A respectively. Only \$2,226 of this total pertained to the Debt Service Fund, while the remaining \$395 pertained to the Capital Projects Fund.

The \$1,533 increase in revenues, the \$2,558 decrease in expenditures and an increase of \$1,315 in other financing sources yielded an increase in fund balance of \$5,406 in net change in fund balance, which ended the year at \$5,004.

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 an increase in the sewer utility service and sewer connection revenues of \$5,281, and a decrease in non-operating expenses of \$6,065.

The increase in the sewer utility service and sewer connection revenues is primarily due to the Board of Supervisors approved 3% rate increase going into effect on June 1, 2017.

The decrease in non-operating expenses is mainly associated with interest savings from the in-substance defeasance of Sewer Revenue Bonds Series 2008, and a reduction in losses from asset retirements compared to the prior year.

The net position increased by \$13,827 in the current fiscal year, resulting in a total net position of \$783,829 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:

Governmental and Business-type Activities									
Capital Assets									
As of June 30, 2018 and 2017									
	Governmental Activities			Business-type Activities			Total		
	FY2018	FY2017	Variance	FY2018	FY2017	Variance	FY2018	FY2017	Variance
Land	\$ 537,388	\$ 532,583	\$ 4,805	\$ 15,472	\$ 14,998	\$ 474	\$ 552,860	\$ 547,581	\$ 5,279
Construction in progress	42,895	57,280	(14,385)	74,158	70,705	3,453	117,053	127,985	(10,932)
Buildings and improvements	597,429	590,068	7,361	551,802	577,434	(25,632)	1,149,231	1,167,502	(18,271)
Infrastructure	635,594	659,237	(23,643)				635,594	659,237	(23,643)
Sewage conveyance systems				505,220	477,212	28,008	505,220	477,212	28,008
Equipment	105,460	107,419	(1,959)	86,233	90,544	(4,311)	191,693	197,963	(6,270)
Total	\$ 1,918,766	\$ 1,946,587	\$ (27,821)	\$ 1,232,885	\$ 1,230,893	\$ 1,992	\$ 3,151,651	\$ 3,177,480	\$ (25,829)

The County's capital assets total is \$3,151,651 in the current year, a decrease of approximately 0.8% or \$25,829 from the prior year's total of \$3,177,480. Significant changes in capital assets of Governmental Activities and Business-type Activities are discussed in further detail in the following sections.

Governmental Activities

The current year's total assets of \$1,918,766 is a net decrease of \$27,821 from the prior year. Total assets of \$1,946,587 for the prior year includes a restatement removing \$23,568 (1.2%) of land, infrastructure and other improvements assets contributed to other governments. The net decrease of \$14,385 in construction in progress is due to decreases in capital outlays as projects reach conclusion and are capitalized, and offset by increases in capital expenses in new and continuing projects.

Some of the more significant projects capitalized in the fiscal year include:

- The new Pima Animal Care Center project totaling \$19,560.
- The Sunset Road bridge and roadway improvements from Silverbell Road to I-10 project totaling \$15,304.
- The Pantano Wash bank protection project from Ft. Lowell Park to Tanque Verde Road totaling \$7,622.
- The Tangerine Road widening project totaling \$2,890.

Business-type Activities

Capital assets of business-type activities increased \$1,992 (0.2%), due to increases of \$28,008 (5.9%) in sewage conveyance systems, \$3,453 (4.9%) in construction in progress, and \$474 (3.2%) in land, partially offset by decreases of \$25,632 (4.4%) in buildings and improvements and \$4,311 (4.8%) in equipment, resulting from the factors detailed below.

Capital assets for the RWR fund increased by \$2,662 (0.22%) over the prior year, mainly due to an increase of \$28,008 (5.9%) in sewage conveyance systems and an increase of \$3,453 (4.9%) in construction in progress. The increase in sewage conveyance systems is primarily due to the major projects that are completed and capitalized in the current year. Major completed conveyance systems include sewer system rehabilitation and North Rillito interceptor rehabilitation projects.

These increases are offset by a decrease of \$25,632 (4.4%) in buildings and improvements is primarily due to the large volume of projects that were completed and capitalized in the prior year, resulting in higher depreciation expense in the current year.

Additional information regarding capital assets activity can be found in Note 5 of the financial statements, Capital Assets, on pages 62-63.

Long-term Debt

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

Long-Term Debt Issued Within Fiscal Year For the Years Ended June 30, 2018 and 2017		
	<u>2018</u>	<u>2017</u>
Bonds issued (at face value):		
General Obligation		\$ 147,750
Street and Highway Revenue	\$ 11,000	28,315
Sewer System Revenue Obligations	38,205	256,595
Certificates of Participation (COPs)	62,660	
Capital leases		
Installment note payable		1,700
Total	\$ 111,865	\$ 434,360

During the year, the County issued Street and Highway Revenue Bonds Series 2018 for \$11,000 to finance various street and highway improvements.

The County also issued Sewer Revenue Obligations Series 2018 for \$38,205 to expand and improve the County’s sewer treatment facilities and conveyance systems.

In addition, the County issued Certificates of Participation (COPs) Series 2018A for \$23,265 to finance the costs to renovate, construct and equip the Historic Courthouse facility. The County also issued Certificates of Participation (COPs) Series 2018B for \$39,395 for various road improvements and other capital projects.

The most recent ratings for Pima County’s bonds, COPs, and obligations are:

Credit Ratings				
	Standard & Poor's		Fitch Ratings	
	Rating	Date	Rating	Date
Certificates of Participation (COPs)	AA-	March-2018	AA	March-2018
General Obligation Bonds	AA	March-2018	AAA	March-2018
Street and Highway Revenue Bonds	AA	March-2018	AA	March-2018
Sewer Revenue Bonds	AA	March-2018	AA	March-2018
Sewer Revenue Obligations	AA	March-2018	AA-	March-2018

Pima County’s efforts in maintaining a strong budget reserve over the past several years has contributed, in part, to the County earning a General Obligation Bond Rating of AAA from Fitch Ratings, a national bond ratings company that rates Pima County debt issuances. The AA ratings for the Certificates of Participation (COPs), Street and Highway Revenue bonds, and Sewer Revenue bonds also reflect the County’s ability to maintain a sound financial profile.

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 County’s outstanding general obligation bonds amount of \$275,990 at the end of the current fiscal year is significantly below the current debt limitation of \$1,276,349.

Additional information regarding the County’s debt can be found in Note 7 of the financial statements, Long-term Liabilities, on pages **66-76**.

Economic Factors and Next Year's Budget

The current fiscal year 2018-19 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 \$85 million of fiscal year 2018-19 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 2018-19 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 2018-19.

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 \$85 million for fiscal year 2018-19, or nearly 26% of Pima County's primary property tax levy.

Property Taxes

In fiscal year 2017-18 the Board of Supervisors enacted a new \$0.2500 Transportation primary property road tax. The proceeds of this tax were used exclusively for preservation and repair of local streets and roads.

In the fiscal year 2018-19 Adopted Budget, the Board of Supervisors repealed the Transportation property road tax rate by \$0.2500. In addition, the budget includes an additional \$0.1400 decrease in the County's regular primary property tax rate for General Government, a \$0.0200 increase in the Regional Flood Control District secondary property tax rate, a \$0.0100 increase in the Library District's secondary tax rate, and a \$0.0100 decrease in the Debt Service secondary property tax rate from the fiscal year 2017-18 rate. The total property tax rate for Pima County (excluding the State mandated Fire District Assistance Tax) decreased from \$5.9784 to \$5.6084 per \$100 of net taxable value, a net decrease of \$0.3700.

State Shared Revenues

State shared sales tax revenue is projected to increase by \$5.8 million in fiscal year 2018-19. 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 2018-19 totals over \$151 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 Public Safety and other retirement contributions plus other benefit costs. Fiscal Year 2018-19 aggregate benefits will increase by \$1.9 million over fiscal year 2017-18. 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. For fiscal year 2018-19 both employer and employee medical premium costs will decrease by 5.68 percent from fiscal year 2017-18. It is anticipated that the rate of medical cost increases will continue the trend of being better controlled in future fiscal years.

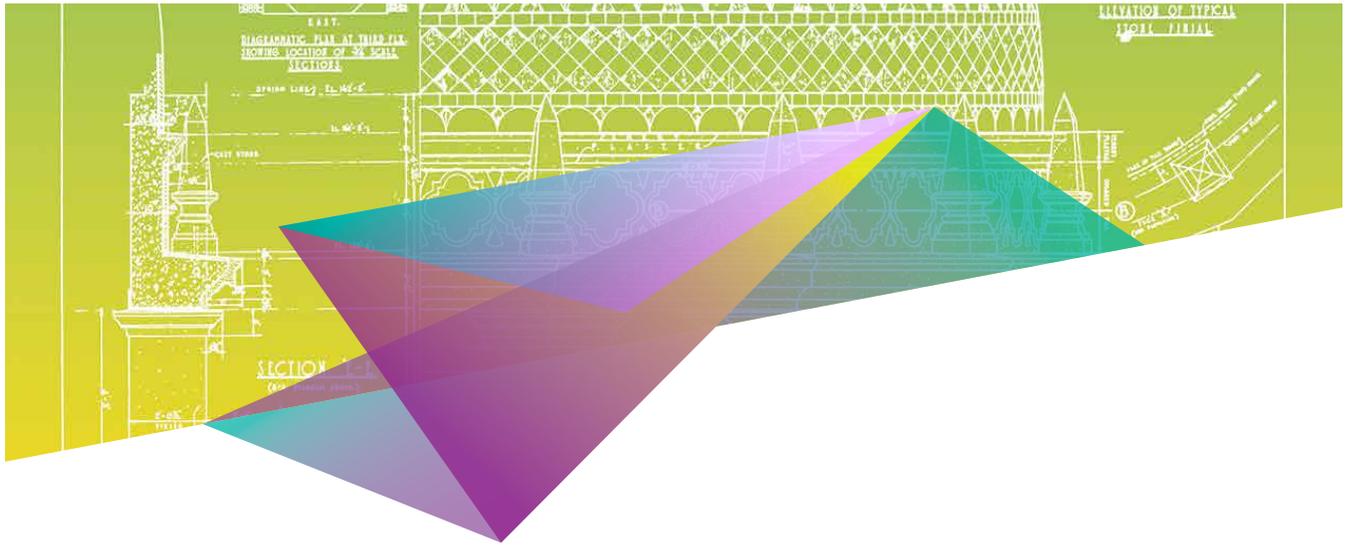
Rainy Day Funds

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 debt. 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 2018-19 totals \$40.3 million. This reserve represents 7.3% of projected revenues for fiscal year 2018-19. The reserve 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 2018-19.

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, 6th Floor, Tucson, AZ, 85701.

(This page is intentionally blank)



BASIC FINANCIAL STATEMENTS

PIMA COUNTY, ARIZONA

Exhibit A-1

Statement of Net Position

June 30, 2018

(in thousands)

	Primary Government			Component Unit SW Fair Commission
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 524,595	\$ 85,363	\$ 609,958	\$ 1,705
Property taxes receivable (net)	11,776		11,776	
Interest receivable	649	221	870	
Internal balances	87	(87)		
Due from other governments	50,691	3	50,694	
Accounts receivable (net)	7,140	17,403	24,543	
Inventories	2,500	2,691	5,191	36
Prepays	16,310	424	16,734	75
Restricted assets:				
Cash and cash equivalents	1,129	89,750	90,879	1,000
Loans receivable	2,886		2,886	
Net other postemployment benefits asset	3,293	146	3,439	
Capital assets not being depreciated:				
Land	537,388	15,472	552,860	
Construction in progress	42,895	74,158	117,053	
Capital assets being depreciated (net):				
Buildings and improvements	597,429	551,802	1,149,231	5,150
Sewage conveyance system		505,220	505,220	
Equipment	105,460	86,233	191,693	358
Infrastructure	635,594		635,594	
Total assets	2,539,822	1,428,799	3,968,621	8,324
Deferred outflows of resources				
Pension and other postemployment benefits	121,311	5,086	126,397	
Deferred charge on debt refunding	8,003	15,531	23,534	
Total deferred outflows of resources	129,314	20,617	149,931	
Liabilities				
Accounts payable	53,616	18,468	72,084	301
Interest payable	12		12	
Contract retentions	901		901	
Employee compensation	8,410	667	9,077	
Due to other governments	171	3,742	3,913	
Deposits and rebates	1,307		1,307	50
Unearned revenue	5,290	657	5,947	9
Noncurrent liabilities:				
Due within one year	168,020	59,743	227,763	
Due in more than one year	1,242,136	557,930	1,800,066	28
Total liabilities	1,479,863	641,207	2,121,070	388
Deferred inflows of resources				
Pension and other postemployment benefits	45,863	3,595	49,458	
Total deferred inflows of resources	45,863	3,595	49,458	
Net Position				
Net investment in capital assets	1,452,111	686,418	2,138,529	5,508
Restricted for:				
Facilities, justice, library, community development, and tax stabilization	68,636		68,636	
Highways and streets	28,365		28,365	
Debt service		40,271	40,271	
Capital projects	80,619	2,267	82,886	
Regional wastewater		19,351	19,351	
Healthcare	44,032		44,032	
Unrestricted (deficit)	(530,353)	56,307	(474,046)	2,428
Total net position	\$ 1,143,410	\$ 804,614	\$ 1,948,024	\$ 7,936

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2018
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 279,678	\$ 27,713	\$ 27,474	\$ 408
Public safety	214,460	13,737	5,836	1,207
Highways and streets	110,159	8,356	61,884	23,094
Sanitation	2,683		1,267	
Health	38,186	13,727	10,292	137
Welfare	94,567		234	
Culture and recreation	65,827	3,266	985	947
Education and economic opportunity	43,492	581	23,250	1,049
Amortization - unallocated	(7,806)			
Interest on long-term debt	23,049			
Total governmental activities	864,295	67,380	131,222	26,842
Business-type activities:				
Regional Wastewater Reclamation	148,405	176,108		7,354
Development Services	5,523	8,791		
Parking Garages	2,821	2,524		
Total business-type activities	156,749	187,423		7,354
Total primary government	\$ 1,021,044	\$ 254,803	\$ 131,222	\$ 34,196
Component unit:				
Southwestern Fair Commission	7,281	7,474	120	
Total component unit	\$ 7,281	\$ 7,474	\$ 120	
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				
Property taxes, levied for transportation				
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**

Primary Government			Component Unit SW Fair Commission
Governmental Activities	Business-type Activities	Total	
\$ (224,083)		\$ (224,083)	
(193,680)		(193,680)	
(16,825)		(16,825)	
(1,416)		(1,416)	
(14,030)		(14,030)	
(94,333)		(94,333)	
(60,629)		(60,629)	
(18,612)		(18,612)	
7,806		7,806	
(23,049)		(23,049)	
<u>(638,851)</u>		<u>(638,851)</u>	
	\$ 35,057	35,057	
	3,268	3,268	
	(297)	(297)	
	<u>38,028</u>	<u>38,028</u>	
<u>(638,851)</u>	<u>38,028</u>	<u>(600,823)</u>	
			<u>313</u>
			<u>\$ 313</u>
337,010		337,010	
22,832		22,832	
40,429		40,429	
56,005		56,005	
20,089		20,089	
6,569		6,569	
1,612		1,612	
118,702		118,702	
28,933		28,933	
4,733		4,733	
5,157		5,157	
5,549	2,228	7,777	20
18,381	763	19,144	148
25,393	(25,393)		
<u>691,394</u>	<u>(22,402)</u>	<u>668,992</u>	<u>168</u>
52,543	15,626	68,169	481
1,090,867	788,988	1,879,855	7,455
<u>\$ 1,143,410</u>	<u>\$ 804,614</u>	<u>\$ 1,948,024</u>	<u>\$ 7,936</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
- Property taxes, levied for transportation
- 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

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2018
(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>
Assets					
Cash and cash equivalents	\$ 110,655	\$ 158,595	\$ 4,545	\$ 97,751	\$ 371,546
Property taxes receivable (net)	8,354		1,388	2,034	11,776
Interest receivable	208	83	111	169	571
Due from other funds	6,834	185		511	7,530
Due from other governments	21,471	13,298		15,916	50,685
Accounts receivable	1,715	76		4,965	6,756
Inventory				1,564	1,564
Prepaid expenditures	4,550			1,067	5,617
Loan receivable	1,291			1,595	2,886
Restricted cash and cash equivalents		1,084		45	1,129
Total assets	<u>\$ 155,078</u>	<u>\$ 173,321</u>	<u>\$ 6,044</u>	<u>\$ 125,617</u>	<u>\$ 460,060</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 13,530	\$ 22,831		\$ 9,683	\$ 46,044
Interest payable				12	12
Contract retentions		901			901
Employee compensation	6,071			2,116	8,187
Due to other funds	344			6,992	7,336
Due to other governments	7	1		163	171
Deposits and rebates	218	1,084		5	1,307
Unearned revenue	450			4,838	5,288
Total liabilities	<u>20,620</u>	<u>24,817</u>		<u>23,809</u>	<u>69,246</u>
Deferred inflows of resources					
Unavailable revenue - intergovernmental	13,028	2,067		6,156	21,251
Unavailable revenue - property taxes	6,264		\$ 1,040	1,509	8,813
Unavailable revenue - other	1,674	56		1,514	3,244
Total deferred inflows of resources	<u>20,966</u>	<u>2,123</u>	<u>1,040</u>	<u>9,179</u>	<u>33,308</u>
Total liabilities and deferred inflows of resources	<u>41,586</u>	<u>26,940</u>	<u>1,040</u>	<u>32,988</u>	<u>102,554</u>
Fund balances					
Nonspendable	4,566			2,676	7,242
Restricted		136,889		90,924	227,813
Committed				1,972	1,972
Assigned	101	9,492	5,004	4,747	19,344
Unassigned	108,825			(7,690)	101,135
Total fund balances	<u>113,492</u>	<u>146,381</u>	<u>5,004</u>	<u>92,629</u>	<u>357,506</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 155,078</u>	<u>\$ 173,321</u>	<u>\$ 6,044</u>	<u>\$ 125,617</u>	<u>\$ 460,060</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, 2018
(in thousands)

Exhibit A - 4

Fund balances - total governmental funds		\$ 357,506
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 3,061,499	
Less accumulated depreciation	<u>(1,195,492)</u>	1,866,007
<p>Some liabilities, such as pension and other postemployment benefits (OPEB) liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bonds payable	(373,690)	
Certificates of participation payable	(166,617)	
Notes and leases payable	(2,116)	
Pollution remediation	(236)	
Landfill closure liability	(9,978)	
Net pension/OPEB liability	(771,955)	
Compensated absences liability	<u>(32,775)</u>	(1,357,367)
<p>Net OPEB assets held in trust for future benefits are not available resources for county operations and, therefore, are not reported in the funds.</p>		
Net OPEB asset		3,249
<p>Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges on debt refunding are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources related to pensions/OPEB	117,814	
Deferred inflows of resources related to pensions/OPEB	(44,790)	
Deferred outflows for bond refunding	<u>8,003</u>	81,027
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		33,308
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		159,680
Net position of governmental activities		<u><u>\$ 1,143,410</u></u>

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, 2018
 (in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 342,036		\$ 56,004	\$ 83,182	\$ 481,222
Licenses and permits	3,281			6,625	9,906
Intergovernmental	157,776	\$ 11,010	13	133,869	302,668
Charges for services	41,314	7,046		15,557	63,917
Fines and forfeits	3,532			3,994	7,526
Investment earnings	1,203	1,347	477	995	4,022
Miscellaneous	5,668	364		13,909	19,941
Total revenues	554,810	19,767	56,494	258,131	889,202
Expenditures:					
Current:					
General government	223,344			34,167	257,511
Public safety	146,832			25,864	172,696
Highways and streets				42,038	42,038
Sanitation	1,214			1,100	2,314
Health	3,763			35,419	39,182
Welfare	94,594				94,594
Culture and recreation	17,973			44,097	62,070
Education and economic opportunity	12,893			27,209	40,102
Capital outlay		78,370			78,370
Debt Service - principal	952		96,005	617	97,574
- interest	109		20,133	2	20,244
- miscellaneous			729		729
Total expenditures	501,674	78,370	116,867	210,513	907,424
Excess (deficiency) of revenues over (under) expenditures	53,136	(58,603)	(60,373)	47,618	(18,222)
Other financing sources (uses):					
Premium on bonds		395	2,226		2,621
Face amount of long-term debt issued		73,660			73,660
Proceeds from sale of capital assets	11			555	566
Transfers in	4,393	35,063	60,024	22,330	121,810
Transfers (out)	(46,084)	(571)		(47,869)	(94,524)
Total other financing sources (uses)	(41,680)	108,547	62,250	(24,984)	104,133
Net change in fund balances	11,456	49,944	1,877	22,634	85,911
Fund balances at beginning of year	102,036	96,437	3,127	69,995	271,595
Fund balances at end of year	\$ 113,492	\$ 146,381	\$ 5,004	\$ 92,629	\$ 357,506

See accompanying notes to financial statements

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, 2018
(in thousands)

Net change in fund balances - total governmental funds \$ 85,911

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	\$ 49,917	
Less current year depreciation	<u>(76,335)</u>	(26,418)

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	(73,660)	
Premium on bonds	(2,621)	
Debt service - principal payments	97,574	
Amortization of premiums/discounts	7,806	
Amortization of deferred charge on refunding	<u>(2,805)</u>	26,294

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.

Donations of capital assets	11,051	
Intergovernmental	5,176	
Property tax revenues	300	
Other	<u>414</u>	16,941

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	(95)	
Change in landfill liability	(191)	
Change in pollution remediation liability	360	
Net book value of capital asset disposals	(15,608)	
Judgments and claims	<u>6,410</u>	(9,124)

County pension/OPEB 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/OPEB liability is
measured a year before the County's report date. Pension/OPEB expense, which is
the change in the net pension/OPEB liability adjusted for changes in deferred outflows and
inflows of resources related to pensions/OPEB is reported in the Statement of Activities.

Pension/OPEB contributions	52,045	
Pension/OPEB expense	<u>(104,221)</u>	(52,176)

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.

		<u>11,115</u>
Change in net position of governmental activities	\$	<u>52,543</u>

PIMA COUNTY, ARIZONA
Statement of Net Position - Proprietary Funds
June 30, 2018
(in thousands)

Exhibit A- 7

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 78,192	\$ 7,171	\$ 85,363	\$ 153,049
Restricted cash and cash equivalents	35,396		35,396	
Interest receivable	209	12	221	78
Due from other funds		23	23	
Due from other governments	3		3	6
Accounts receivable	17,262	141	17,403	384
Inventory	2,691		2,691	936
Prepaid expense	415	9	424	10,693
Total current assets	<u>134,168</u>	<u>7,356</u>	<u>141,524</u>	<u>165,146</u>
Noncurrent assets:				
Restricted cash and cash equivalents	54,354		54,354	
Net other postemployment benefits asset	127	19	146	44
Capital assets:				
Land	13,704	1,768	15,472	449
Buildings and improvements	742,791	27,608	770,399	21,880
Sewage conveyance system	839,257		839,257	
Equipment	152,987	2,374	155,361	64,085
Less accumulated depreciation	(609,667)	(12,095)	(621,762)	(34,252)
Construction in progress	74,158		74,158	597
Total capital assets (net)	<u>1,213,230</u>	<u>19,655</u>	<u>1,232,885</u>	<u>52,759</u>
Total noncurrent assets	<u>1,267,711</u>	<u>19,674</u>	<u>1,287,385</u>	<u>52,803</u>
Total assets	<u>1,401,879</u>	<u>27,030</u>	<u>1,428,909</u>	<u>217,949</u>
Deferred outflows of resources				
Pension/OPEB	4,413	673	5,086	3,497
Deferred charge on refunding	15,531		15,531	
Total deferred outflows of resources	<u>19,944</u>	<u>673</u>	<u>20,617</u>	<u>3,497</u>
Liabilities				
Current liabilities:				
Accounts payable	18,070	398	18,468	7,572
Employee compensation	565	102	667	223
Due to other funds	110		110	107
Due to other governments	3,690	52	3,742	
Unearned revenue	651	6	657	2
Current compensated absences	1,747	268	2,015	546
Current sewer revenue bonds and obligations payable	57,171		57,171	
Current portion of wastewater loans payable	557		557	
Current portion reported but unpaid losses				4,502
Current portion incurred but not reported losses				6,050
Total current liabilities	<u>82,561</u>	<u>826</u>	<u>83,387</u>	<u>19,002</u>
Noncurrent liabilities:				
Compensated absences payable	1,026	114	1,140	257
Contracts and notes payable	763		763	
Sewer revenue bonds and obligations payable	511,400		511,400	
Wastewater loans payable	2,998		2,998	
Reported but unpaid losses				17,275
Incurred but not reported losses				11,730
Net pension/OPEB liability	36,126	5,503	41,629	12,429
Total noncurrent liabilities	<u>552,313</u>	<u>5,617</u>	<u>557,930</u>	<u>41,691</u>
Total liabilities	<u>634,874</u>	<u>6,443</u>	<u>641,317</u>	<u>60,693</u>
Deferred inflows of resources				
Pension/OPEB	3,120	475	3,595	1,073
Total deferred inflows of resources	<u>3,120</u>	<u>475</u>	<u>3,595</u>	<u>1,073</u>
Net position				
Net investment in capital assets	666,763	19,655	686,418	52,759
Restricted for:				
Debt service	40,271		40,271	
Capital projects	2,267		2,267	
Healthcare				35,458
Regional wastewater reclamation	19,351		19,351	
Unrestricted	<u>55,177</u>	<u>1,130</u>	<u>56,307</u>	<u>71,463</u>
Total net position	<u>\$ 783,829</u>	<u>\$ 20,785</u>	<u>\$ 804,614</u>	<u>\$ 159,680</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, 2018
 (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	\$ 162,420	\$ 11,315	\$ 173,735	\$ 129,654
Other	718	45	763	2,762
Total operating revenues	<u>163,138</u>	<u>11,360</u>	<u>174,498</u>	<u>132,416</u>
Operating expenses:				
Employee compensation	28,287	4,011	32,298	12,736
Operating supplies and services	8,035	133	8,168	10,149
Utilities	6,219		6,219	
Sludge and refuse disposal	1,787		1,787	
Repair and maintenance	6,906	225	7,131	1,837
Incurred losses				60,031
Insurance premiums				9,936
General and administrative	14,318	2,926	17,244	13,756
Consultants and professional services	11,758	258	12,016	6,822
Depreciation	53,399	791	54,190	5,989
Total operating expenses	<u>130,709</u>	<u>8,344</u>	<u>139,053</u>	<u>121,256</u>
Operating income	<u>32,429</u>	<u>3,016</u>	<u>35,445</u>	<u>11,160</u>
Nonoperating revenues (expenses):				
Investment earnings	2,107	121	2,228	1,517
Sewer connection fees	13,688		13,688	
Interest expense	(16,177)		(16,177)	
Debt issuance cost	(438)		(438)	
Loss on disposal of capital assets	(805)		(805)	56
Loss on debt defeasance	(276)		(276)	
Total nonoperating revenues (expenses)	<u>(1,901)</u>	<u>121</u>	<u>(1,780)</u>	<u>1,573</u>
Income before contributions and transfers	30,528	3,137	33,665	12,733
Capital contributions	7,354		7,354	275
Transfers in	14	97	111	568
Transfers (out)	<u>(24,069)</u>	<u>(1,435)</u>	<u>(25,504)</u>	<u>(2,461)</u>
Change in net position	13,827	1,799	15,626	11,115
Net position at beginning of year, as restated	<u>770,002</u>	<u>18,986</u>	<u>788,988</u>	<u>148,565</u>
Net position at end of year	<u>\$ 783,829</u>	<u>\$ 20,785</u>	<u>\$ 804,614</u>	<u>\$ 159,680</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 9

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service 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				\$ 129,654
Cash received from customers for goods and services provided	\$ 162,570	\$ 11,383	\$ 173,953	
Cash received from miscellaneous operations	718		718	2,486
Cash payments to suppliers for goods and services	(29,611)	(1,764)	(31,375)	(36,098)
Cash payments to other funds for goods and services	(15,214)	(1,719)	(16,933)	(5,329)
Cash payments for incurred losses				(60,145)
Cash payments to employees for services	(30,630)	(4,823)	(35,453)	(11,968)
Net cash provided by operating activities	<u>87,833</u>	<u>3,077</u>	<u>90,910</u>	<u>18,600</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds	14	97	111	568
Cash transfers out to other funds	(24,069)	(1,435)	(25,504)	(2,362)
Loans with other funds	85	26	111	4
Net cash used for noncapital financing activities	<u>(23,970)</u>	<u>(1,312)</u>	<u>(25,282)</u>	<u>(1,790)</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(61,284)		(61,284)	
Interest paid on bonds and loans	(24,290)		(24,290)	
Proceeds from issuance of sewer revenue obligations, including premium	44,977		44,977	
Sewer connection fees	13,351		13,351	
Proceeds from sale of capital assets	8		8	151
Purchase and construction of capital assets	(41,438)	(121)	(41,559)	(8,964)
Loss on debt defeasance	(276)		(276)	
Net cash used for capital and related financing activities	<u>(68,952)</u>	<u>(121)</u>	<u>(69,073)</u>	<u>(8,813)</u>
Cash flows from investing activities:				
Interest received on cash and investments	2,005	113	2,118	1,478
Net cash provided by investing activities	<u>2,005</u>	<u>113</u>	<u>2,118</u>	<u>1,478</u>
Net increase (decrease) in cash and cash equivalents	(3,084)	1,757	(1,327)	9,475
Cash and cash equivalents at beginning of year	<u>171,026</u>	<u>5,414</u>	<u>176,440</u>	<u>143,574</u>
Cash and cash equivalents at end of year	<u>\$ 167,942</u>	<u>\$ 7,171</u>	<u>\$ 175,113</u>	<u>\$ 153,049</u>

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 9.1

(continued)

Reconciliation of operating income to net cash provided by operating activities	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
	\$ 32,429	\$ 3,016	\$ 35,445	
Operating income	\$ 32,429	\$ 3,016	\$ 35,445	\$ 11,160
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	53,399	791	54,190	5,989
Changes in assets and deferred outflows of resources:				
Decrease (increase) in assets:				
Accounts receivable	150	12	162	(275)
Due from other governments		6	6	(1)
Inventory and other assets	(78)		(78)	(207)
Prepaid expense	(237)	(2)	(239)	64
Net OPEB asset	(127)	(19)	(146)	(44)
Increase in deferred outflows of resources:				
Pension/OPEB plans	2,590	494	3,084	2,582
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in liabilities:				
Accounts payable	826	108	934	1,216
Due to other governments	3,687	(47)	3,640	
Reported but unpaid losses				(1,509)
Incurred but not reported losses				1,395
Net Pension/OPEB liability	(2,029)	(861)	(2,890)	(932)
Other liabilities	(127)	67	(60)	108
Decrease in deferred inflows of resources:				
Pension/OPEB plans	(2,650)	(488)	(3,138)	(946)
Net cash provided by operating activities	\$ 87,833	\$ 3,077	\$ 90,910	\$ 18,600

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2018:

Regional Wastewater Reclamation Enterprise Fund received developer-built conveyance systems with an estimated fair value of \$7,134. The Fund also received a donated sewer easement with an estimated fair value of \$220. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation Enterprise Fund disposed of capital assets with a net book value of \$814.

Internal Service Funds sold capital assets with a net book value of \$95, received capital contributions with a value of \$19 from General Government, received a transfer of capital assets with a net book value of \$132 from General Government and received a donation of capital assets with a net book value of \$35.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2018
(in thousands)

Exhibit A - 10

	Investment Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 172,239	\$ 85,309
Interest receivable	192	
Due from other governments		1,611
Total assets	172,431	86,920
<u>Liabilities</u>		
Employee compensation		2,869
Due to other governments		56,613
Deposits and rebates		27,438
Total liabilities		\$ 86,920
<u>Net position</u>		
Held in trust for pool participants	\$ 172,431	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit A - 11

	Investment Trust Funds
Additions	
Contributions from participants	\$ 1,984,834
Total contributions	1,984,834
Investment earnings	2,968
Total investment earnings	2,968
Total additions	1,987,802
Deductions	
Distributions to participants	2,024,688
Total deductions	2,024,688
Change in net position	(36,886)
Net position held in trust July 1, 2017	209,317
Net position held in trust June 30, 2018	\$ 172,431

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(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, 2018, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. The County also implemented the provisions of GASB Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 established requirements for increased consistency in accounting and financial reporting for in-substance defeasance of debt. Statement No. 86 also requires an additional disclosure for all in-substance defeasance transactions.

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 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 Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the 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.

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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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 Rocking K South Community Facilities District is a legally separate entity that is utilized to finance the design and construction of arterial and collector roadways, public sewer transmission mains, public regional parks and any other public infrastructure required for the planned Rocking K South community. The Pima County Board of Supervisors serves as its Board of Directors and has operational responsibility for the District. The Rocking K South Community Facilities 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 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 overall government's financial activities except for fiduciary activities. The statements also distinguish between the

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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.

The County reports the following major enterprise fund:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis.

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, pension/OPEB, 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 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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 Wireless Integrated Network Fund using the purchase method. Inventories of the Wireless Integrated Network 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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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. Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

J. 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.

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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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.

K. Investment Earnings

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

L. Compensated Absences

Compensated absences payable 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 service, 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. A liability for these amounts is reported in the governmental funds' financial statements under Employee Compensation only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 2: Change in Accounting Principle and Correction of a Misstatement – Prior Period Adjustment

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. In addition, governmental activities net position at July 1, 2017, has been restated for land, infrastructure, and other improvements assets that were contributed to other governments in prior years, but were still reported in the County’s asset amounts in error.

	(in thousands)				
	Governmental Activities	Business- type Activities	Major Enterprise Fund	Nonmajor Enterprise Funds	Internal Service Funds
Net Position as previously reported at June 30, 2017	\$ 1,114,384	\$ 788,981	\$ 769,996	\$ 18,985	\$ 148,564
Prior period adjustment					
Implementation of GASB 75:					
Net OPEB asset (measurement date as of June 30, 2016)	1,131				
Net OPEB liability (measurement date as of June 30, 2016)	(2,755)	(177)	(152)	(25)	(54)
Deferred outflows-county contributions made during fiscal year 2017	1,675	184	158	26	55
Other:					
Cost of land, infrastructure & other improvements contributed to other governments	(43,391)				
Accumulated depreciation	19,823				
Total prior period adjustment	(23,517)	7	6	1	1
Net position as restated, July 1, 2017	\$ 1,090,867	\$ 788,988	\$ 770,002	\$ 18,986	\$ 148,565

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

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. Specified 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.

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, 2018, the carrying amount of the County's deposits was \$92,007, and the bank balance was \$101,395.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

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, 2018, \$4,266 of the County’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments—At June 30, 2018, the County’s investments consisted of \$375,880 invested in marketable securities and \$490,451 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.

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, 2018, credit risk for the County’s investments was as follows:

Investment Type	Fair Value	Not Rated	Standard & Poor's/Moody's Rating			
			AAA/Aaa	AA/Aa	A/A	BBB/Baa
Corporate bonds	\$ 139,875		\$ 9,982	\$ 18,953	\$ 103,446	\$ 7,494
Federal agency securities	201,651			201,651		
Money market mutual fund	34,354		34,354			
State Treasurer's Pool 5	239,852		239,852			
State Treasurer's Pool 500	167,017	\$ 167,017				
State Treasurer's Pool 7	83,582	83,582				
Total	\$ 866,331	\$ 250,599	\$ 284,188	\$ 220,604	\$ 103,446	\$ 7,494

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 \$866,331 of investments, \$341,526, consisting of the corporate bonds and federal agency securities, are 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 had investments at June 30, 2018 of 5% or more in Federal Home Loan Mortgage Corporation and Federal Home Loan Bank. These investments were 10% and 8%, respectively, of the County’s total investments.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(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, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u> <u>(Years)</u>
State Treasurer Investment Pool 5	\$ 239,852	0.08
State Treasurer Investment Pool 500	167,017	3.19
State Treasurer Investment Pool 7	83,582	0.09
Corporate bonds	139,875	0.77
Federal Farm Credit Bank	29,851	1.51
Federal Home Loan Bank	67,586	1.66
Federal Home Loan Mortgage Corporation	89,861	3.13
Federal National Mortgage Association	14,353	1.34
Money market mutual fund	34,354	0.07
	<u>\$ 866,331</u>	

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

	<u>Cash on</u> <u>Hand</u>	<u>Amount of</u> <u>Deposits</u>	<u>Amount of</u> <u>Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 47	\$ 92,007	\$ 866,331	\$ 958,385

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Investment</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>	<u>Totals</u>
Statement of Net Position					
Cash and cash equivalents	\$ 524,595	\$ 85,363	\$ 172,239	\$ 85,309	\$ 867,506
Restricted cash and cash equivalents	1,129	89,750			90,879
Total	<u>\$ 525,724</u>	<u>\$ 175,113</u>	<u>\$ 172,239</u>	<u>\$ 85,309</u>	<u>\$ 958,385</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

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 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>
Corporate bonds	\$ 139,538	1.00-5.13%	07/18-03/20	\$ 139,875
Federal Farm Credit Bank	30,000	1.20-2.70%	12/18-12/20	29,851
Federal Home Loan Bank	68,000	0.88-2.38%	11/18-02/22	67,586
Federal Home Loan Mortgage Corporation	90,000	1.10-3.75%	02/19-03/23	89,861
Federal National Mortgage Association	14,496	1.13-1.95%	10/18-11/20	14,353
State Treasurer Investment Pool 5	144,030	N/A	N/A	144,030
Deposits	54,126	N/A	N/A	54,126
Interest receivable	192	N/A	N/A	192
Total assets				\$ 539,874

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	\$ 466,945
External participants	72,929
Total assets	539,874
Total liabilities	
Total net position held in trust	\$ 539,874

Statement of Changes in Net Position

Total additions	\$ 5,757,192
Total deductions	(5,749,812)
Net increase	7,380
Net position held in trust:	
July 1, 2017	532,494
June 30, 2018	\$ 539,874

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 3: Cash and Investments (continued)

Fair Value Measurement—The County’s investments at June 30, 2018, 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>Significant other observable inputs (Level 2)</u>
Corporate bonds	139,875	\$ 106,933	\$ 32,942
Federal Farm Credit Bank	29,851		29,851
Federal Home Loan Bank	67,586	27,894	39,692
Federal Home Loan Mortgage Corporation	89,861	5,103	84,758
Federal National Mortgage Association	14,353		14,353
Money market mutual fund	34,354	34,354	
Total investments by fair value level	<u>\$ 375,880</u>	<u>\$ 174,284</u>	<u>\$ 201,596</u>
External investment pools measured at fair value			
State Treasurer’s investment pools	490,451		
Total investments measured at fair value	<u>\$ 866,331</u>		

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 prices quoted for those investments in markets that are not active.

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, 2018
(in thousands)

Note 4: Fund Balance Classification 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>Total</u>
Fund Balance:					
Nonspendable:					
Inventory				\$ 1,564	\$ 1,564
Prepaid expenditures	\$ 4,550			1,067	5,617
Loan receivable	16				16
Permanent fund principal				45	45
Total nonspendable	<u>4,566</u>			<u>2,676</u>	<u>7,242</u>
Restricted for:					
Community and economic development		\$ 1,029		1,795	2,824
Flood Control District		10,049		9,119	19,168
Health				7,871	7,871
Judicial activities				21,025	21,025
Law enforcement				4,693	4,693
Library District		1,012		14,494	15,506
Municipal facilities		19,971			19,971
Parks and recreation		295		997	1,292
Pima animal care		1,869		1,926	3,795
Sanitation		918		1,710	2,628
School reserve				256	256
Sports promotion (Stadium)		1,124			1,124
Streets and highways		99,405		26,293	125,698
Other purposes		1,217		745	1,962
Total restricted		<u>136,889</u>		<u>90,924</u>	<u>227,813</u>
Committed to:					
Parks and recreation				1,520	1,520
School reserve				239	239
Sports promotion (Stadium)				213	213
Total committed				<u>1,972</u>	<u>1,972</u>
Assigned to:					
Community and economic development				558	558
Debt service reserve			\$ 5,004		5,004
Judicial activities				93	93
Health				1,474	1,474
Law enforcement	99				99
Municipal facilities		9,031		255	9,286
Parks and recreation	2			1,977	1,979
Other purposes		461		390	851
Total assigned	<u>101</u>	<u>9,492</u>	<u>5,004</u>	<u>4,747</u>	<u>19,344</u>
Unassigned:					
	<u>108,825</u>			<u>(7,690)</u>	<u>101,135</u>
Total Fund Balance	<u>\$ 113,492</u>	<u>\$ 146,381</u>	<u>\$ 5,004</u>	<u>\$ 92,629</u>	<u>\$ 357,506</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance 7/1/2017*	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 532,583	\$ 9,834	\$ (5,029)	\$ 537,388
Construction in progress	57,280	78,837	(93,222)	42,895
Total capital assets not being depreciated	<u>589,863</u>	<u>88,671</u>	<u>(98,251)</u>	<u>580,283</u>
Capital assets being depreciated:				
Buildings and improvements	874,573	33,436	(768)	907,241
Infrastructure	1,424,175	26,444	(15,867)	1,434,752
Equipment	223,249	17,179	(14,194)	226,234
Total capital assets being depreciated	<u>2,521,997</u>	<u>77,059</u>	<u>(30,829)</u>	<u>2,568,227</u>
Less accumulated depreciation for:				
Buildings and improvements	(284,505)	(25,602)	295	(309,812)
Infrastructure	(764,938)	(40,323)	6,103	(799,158)
Equipment	(115,830)	(16,399)	11,455	(120,774)
Total accumulated depreciation	<u>(1,165,273)</u>	<u>(82,324)</u>	<u>17,853</u>	<u>(1,229,744)</u>
Total capital assets being depreciated, net	<u>1,356,724</u>	<u>(5,265)</u>	<u>(12,976)</u>	<u>1,338,483</u>
Governmental activities capital assets, net	<u>\$ 1,946,587</u>	<u>\$ 83,406</u>	<u>\$ (111,227)</u>	<u>\$ 1,918,766</u>

*Beginning balances were restated to remove land, infrastructure, and other improvements that were contributed to other governments in a prior year (see Note 2).

	Balance 7/1/2017	Increases	Decreases	Balance June 30, 2018
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 14,998	\$ 474		\$ 15,472
Construction in progress	70,705	49,396	\$ (45,943)	74,158
Total capital assets not being depreciated	<u>85,703</u>	<u>49,870</u>	<u>(45,943)</u>	<u>89,630</u>
Capital assets being depreciated:				
Buildings and improvements	768,844	1,630	(75)	770,399
Sewage conveyance systems	798,450	44,705	(3,898)	839,257
Equipment	149,785	6,734	(1,158)	155,361
Total capital assets being depreciated	<u>1,717,079</u>	<u>53,069</u>	<u>(5,131)</u>	<u>1,765,017</u>
Less accumulated depreciation for:				
Buildings and improvements	(191,410)	(27,262)	75	(218,597)
Sewage conveyance systems	(321,238)	(16,163)	3,364	(334,037)
Equipment	(59,241)	(10,765)	878	(69,128)
Total accumulated depreciation	<u>(571,889)</u>	<u>(54,190)</u>	<u>4,317</u>	<u>(621,762)</u>
Total capital assets being depreciated, net	<u>1,145,190</u>	<u>(1,121)</u>	<u>(814)</u>	<u>1,143,255</u>
Business-type activities capital assets, net	<u>\$ 1,230,893</u>	<u>\$ 48,749</u>	<u>\$ (46,757)</u>	<u>\$ 1,232,885</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	17,709
Public safety		12,806
Highways and streets		36,953
Sanitation		415
Health		430
Welfare		16
Culture and recreation		7,173
Education and economic opportunity		833
Internal service funds		5,989
Total governmental activities depreciation expense	\$	<u>82,324</u>

Business-type activities:

Parking Garages	\$	791
Regional Wastewater Reclamation Department		53,399
Total business-type activities depreciation expense	\$	<u>54,190</u>

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	\$ 9		\$ (9)	
Total capital assets not being depreciated	<u>9</u>		<u>(9)</u>	
Capital assets being depreciated:				
Buildings and improvements	9,290	\$ 843	(76)	\$ 10,057
Equipment	2,658	130	(155)	2,633
Total capital assets being depreciated	<u>11,948</u>	<u>973</u>	<u>(231)</u>	<u>12,690</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,502)	(481)	76	(4,907)
Equipment	(2,321)	(109)	155	(2,275)
Total accumulated depreciation	<u>(6,823)</u>	<u>(590)</u>	<u>231</u>	<u>(7,182)</u>
Total capital assets being depreciated, net	<u>5,125</u>	<u>383</u>		<u>5,508</u>
SFC capital assets, net	<u>\$ 5,134</u>	<u>\$ 383</u>	<u>\$ (9)</u>	<u>\$ 5,508</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(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. The County purchases commercial insurance for claims in excess of the self-insurance retention provided by the SIT Fund. Settled claims have not exceeded insurance coverage in any of the last three fiscal years. Any current unemployment claims and environmental claims are self-funded.

All of the County's departments participate in the SIT Fund. Charges are based on actuarial estimates, loss history, and other factors as appropriate to determine amounts needed to pay prior and current year claims.

At June 30, 2018, claims liabilities for each insurable category are as follows:

Auto liability	\$	191
General liability		15,467
Workers' compensation		17,789
Medical malpractice		110
Environmental liability		1,500
		\$ 35,057

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
2016-17	\$ 41,124	\$ 626	\$ (6,279)	\$ 35,471
2017-18	35,471	7,139	(7,553)	35,057

Health Benefits Trust Fund (HBT Fund)

The HBT Fund, an internal service fund, accounts 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 options, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA), or an HDHP without an HSA. The County purchases commercial stop-loss insurance coverage for claims in excess of coverage provided by the HBT Fund.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

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

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, 2018, are primarily for the HDHP plans and include an actuarially estimated residual liability related to the former PPO plan. The liability amounts for each plan option are as follows:

High-Deductible Health Plan:	
Medical	\$ 3,112
Pharmacy	1,378
Preferred Provider Organization Plan:	
Medical	5
Pharmacy	5
	\$ 4,500

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
2016-17	\$ 4,600	\$ 51,353	\$ (51,753)	\$ 4,200
2017-18	4,200	52,892	(52,592)	4,500

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 \$236 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 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activities for the year ended June 30, 2018.

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>1 year</u>
Governmental activities:					
General obligation bonds	\$ 321,285		\$ 45,295	\$ 275,990	\$ 48,655
Unamortized premium/discount	15,669		3,477	12,192	2,955
Total general obligation bonds	<u>336,954</u>		<u>48,772</u>	<u>288,182</u>	<u>51,610</u>
Transportation revenue bonds	84,435	\$ 11,000	15,105	80,330	14,820
Unamortized premium/discount	5,254	1,684	1,760	5,178	1,542
Total transportation revenue bonds	<u>89,689</u>	<u>12,684</u>	<u>16,865</u>	<u>85,508</u>	<u>16,362</u>
Certificates of participation	134,205	62,660	35,605	161,260	64,875
Unamortized premium/discount	6,989	937	2,569	5,357	1,915
Total certificates of participation	<u>141,194</u>	<u>63,597</u>	<u>38,174</u>	<u>166,617</u>	<u>66,790</u>
Capital lease payable	88		50	38	38
Installment note payable	3,597		1,519	2,078	1,511
Net pension/OPEB liabilities (Note 10) *	741,704	42,680		784,384	
Reported but unpaid losses (Note 6)	23,286	221	1,730	21,777	4,502
Incurred but not reported losses (Note 6)	16,385	2,740	1,345	17,780	6,050
Landfill closure and post-closure care costs (Note 8)	9,787	191		9,978	
Pollution remediation (Note 6)	596		360	236	
Compensated absences payable	33,363	754	539	33,578	21,157
Total governmental activities long-term liabilities	<u>\$ 1,396,643</u>	<u>\$ 122,867</u>	<u>\$ 109,354</u>	<u>\$ 1,410,156</u>	<u>\$ 168,020</u>

* There was a restatement of net position as a result of the implementation of GASB Statement No. 75 (see Note 2).

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Business-type activities:					
Sewer revenue bonds	\$ 20,505		\$ 17,645	\$ 2,860	\$ 1,395
Unamortized premium/discount	30		27	3	3
Total revenue bonds payable	<u>20,535</u>		<u>17,672</u>	<u>2,863</u>	<u>1,398</u>
Sewer revenue obligations	513,430	\$ 38,205	42,565	509,070	44,585
Unamortized premium/discount	61,056	7,210	11,628	56,638	11,188
Total revenue obligations payable	<u>574,486</u>	<u>45,415</u>	<u>54,193</u>	<u>565,708</u>	<u>55,773</u>
Regional Wastewater Reclamation					
Loan payable	4,630		1,075	3,555	557
Total loan payable	<u>4,630</u>		<u>1,075</u>	<u>3,555</u>	<u>557</u>
Net pension and other postemployment benefits liability (Note 10) *	44,520		2,891	41,629	
Contracts and notes	1,564	1,420	2,221	763	
Compensated absences payable	3,187	45	77	3,155	2,015
Total business-type activities long-term liabilities	<u>\$ 648,922</u>	<u>\$ 46,880</u>	<u>\$ 78,129</u>	<u>\$ 617,673</u>	<u>\$ 59,743</u>

* There was a restatement of net position as a result of the implementation of GASB Statement No. 75 (see Note 2).

The County's debt consists of various issues of general obligation bonds, transportation revenue bonds, certificates of participation, and sewer revenue bonds, loan, 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. Transportation 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, obligations, and loan 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, 2018, consisted of the outstanding general obligation bonds presented below.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(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, 2018</u>
Series of 2008	\$ 100,000	4.00%	2019	July 1, 2018	\$ 7,500
Series of 2009	75,000	3.75 - 4.00%	2019-20	July 1, 2019	6,000
Series of 2009A	90,000	3.50%	2019-21	July 1, 2019	19,195
Series of 2011	75,000	3.00 - 5.00%	2019-22	July 1, 2021	14,360
Series of 2012A	60,000	3.00 - 4.00%	2019-27	July 1, 2022	32,880
Series of 2013A	50,000	2.00 - 4.00%	2019-28	July 1, 2023	35,175
Series of 2013B Refunding	38,575	3.00%	2019-20		10,400
Series of 2014	10,000	1.50 - 5.00%	2019-28	July 1, 2023	7,390
Series of 2015	15,000	2.25 - 4.00%	2019-29	July 1, 2025	9,690
Series of 2016 Refunding	122,070	2.00 - 4.00%	2019-26		114,005
Series of 2017	25,680	1.83%	2019-21		19,395
G.O. bonds outstanding					275,990
Plus unamortized premium/discount:					12,192
			Total G.O. bonds outstanding		<u>\$ 288,182</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 48,655	\$ 9,471
2020	52,425	8,093
2021	40,945	6,647
2022	40,350	5,173
2023	28,810	3,561
2024-2028	63,820	6,170
2029	985	30
Total	<u>\$ 275,990</u>	<u>\$ 39,145</u>

During fiscal year 2016-17, the County issued General Obligation Refunding Bonds, Series 2016 to defease certain General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of the defeased debts. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2018, \$22,185 of General Obligation Bonds Series 2009, \$21,600 of Series 2009A, and \$17,380 of Series 2011 were considered defeased.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(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, \$62,375 from the November 4, 1997 bond election remains unissued.

On April 12, 2018, the County issued Transportation Bonds, Series 2018 for \$11,000 to finance various street and highway improvements within the County.

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, 2018</u>
Series of 2008	\$ 25,000	4.25%	2019	July 1, 2018	\$ 2,600
Series of 2009	15,000	4.00%	2019-20	July 1, 2019	3,445
Series of 2009 Refunding	8,420	4.00%	2019-20	July 1, 2019	1,610
Series of 2012	18,425	3.00 - 4.00%	2019-27	July 1, 2022	12,275
Series of 2014	16,000	3.00 - 5.00%	2019-28	July 1, 2023	12,500
Series of 2015 Refunding	13,685	5.00%	2019-20		10,250
Series of 2016 Refunding	28,315	1.75 - 5.00%	2019-24		26,650
Series of 2018	11,000	2.00 - 5.00%	2019-33	July 1, 2028	11,000
Transportation bonds outstanding					80,330
Plus unamortized premium/discount:					5,178
Total transportation bonds outstanding					<u>\$ 85,508</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 14,820	\$ 3,354
2020	14,405	2,749
2021	11,200	2,079
2022	10,605	1,544
2023	6,095	1,027
2024-2028	19,040	2,776
2029-2033	4,165	645
Total	<u>\$ 80,330</u>	<u>\$ 14,174</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

Pima County has pledged future street and highway revenues, to repay \$80,330 in transportation revenue bonds issued between 2008 and 2018. 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 2033. Total principal and interest remaining to be paid on the bonds is \$94,504. It is expected that approximately 10 percent of total future 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, and total current year street and highway revenues were \$18,703 and \$61,552, respectively.

During fiscal year 2016-17, the County issued Transportation Bonds, Series 2016 to defease certain Transportation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. At June 30, 2018, \$11,385 of Transportation Bonds Series 2009 were considered defeased.

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 April 4, 2018, the County issued Certificates of Participation Series 2018A for \$23,265 to finance the costs to renovate, construct and equip the Historic Courthouse facility of the County. The County also issued Certificates of Participation Series 2018B for \$39,395 for various road improvements and other capital projects in the county.

The following schedule details outstanding Certificates of Participation payable at June 30, 2018.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2010	\$ 20,000	4.13%	2019		\$ 2,625
Series of 2013A	80,175	5.00%	2019-23		13,150
Series of 2014	52,160	5.00%	2019-29	December 1, 2023	42,315
Series of 2015	57,025	5.00%	2019		12,025
Series of 2016A	19,110	5.00%	2019		5,610
Series of 2016A Refunding	9,640	5.00%	2019-22		9,135
Series of 2016B	15,185	1.73 - 4.04%	2019-31	June 1, 2026	13,740
Series of 2018A	23,265	3.00 - 5.00%	2019-21		23,265
Taxable Series 2018B	39,395	2.35 - 2.70%	2019-21		39,395
Certificates of participation outstanding					161,260
Plus unamortized premium/discount:					5,357
Total certificates of participation outstanding					\$ 166,617

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(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, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 64,875	\$ 5,678
2020	21,960	3,845
2021	22,080	2,924
2022	9,995	2,203
2023	7,370	1,792
2024-2028	26,410	5,148
2029-2031	8,570	345
Total	<u>\$ 161,260</u>	<u>\$ 21,935</u>

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 new enterprise system will serve 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.

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.

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. 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

INSTALLMENT NOTE PAYABLE
Governmental Activities

In prior years, the County acquired Painted Hills property under contract agreements at a total purchase price of \$7,500 and acquired the open space generally in the area of Greasewood Road and West 36th Street under contract agreements at a total purchase price of \$2,075. The following schedule details debt service requirements to maturity for the County's installment note payable at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Land</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,511	\$ 54
2020	567	
Total	<u>\$ 2,078</u>	<u>\$ 54</u>

CAPITAL LEASE
Governmental Activities

In prior years, 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 \$82 of equipment.

The debt service requirement to maturity for the County's capital lease payable at June 30, 2018 was \$38, payable in fiscal year 2019.

SEWER REVENUE BONDS, OBLIGATIONS AND LOAN
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.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2009	\$ 18,940	3.75%	2019-20	July 1, 2019	\$ 2,860
Sewer revenue bonds outstanding					2,860
Plus unamortized premium/discount:					3
Total sewer revenue bonds outstanding					<u>\$ 2,863</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,395	\$ 107
2020	<u>1,465</u>	<u>55</u>
Total	<u>\$ 2,860</u>	<u>\$ 162</u>

During the year ended June 30, 2018, the County defeased \$16,320 of Sewer Revenue Bonds, Series 2008 with existing resources to reduce the debt service costs and help eliminate the need for future sewer rate increases. Accordingly, the related liabilities are not included in the County's financial statements. The County placed \$16,637 of existing cash in an irrevocable trust to provide resources for the future debt service payments of \$16,646 on the defeased debt.

On June 17, 2010, Pima County issued Sewer Revenue Obligations Series 2010 for \$165,000 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.

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.

In February 2017, the County issued Sewer Revenue Obligations Series 2017 for \$45,000. 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.

In April 2018, the County issued Sewer Revenue Obligations Series 2018 for \$38,205. 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.

In prior years, the County defeased certain Sewer Revenue Bonds and Sewer Revenue Obligations by placing the proceeds of Sewer Revenue Refunding Obligations Series 2016 in an irrevocable trust to provide for all future debt service payments on the defeased debts. Accordingly, the trust account assets and the liability for these defeased bonds and obligations are not included in the County's financial statements. At June 30, 2018, \$6,725 of Sewer Revenue Bonds Series 2009, \$85,495 of Sewer Revenue Obligations Series 2010, and \$71,000 of Sewer Revenue Obligations Series 2011B were considered defeased.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following table presents amounts outstanding for sewer revenue obligations by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2018</u>
Series of 2010	\$ 165,000	3.75 - 5.00%	2019-21	July 1, 2020	\$ 43,830
Series of 2011B	189,160	5.00%	2019-22	July 1, 2021	48,920
Series of 2012A	128,795	2.00 - 5.00%	2019-27	July 1, 2022	88,550
Series of 2014	48,500	5.00%	2019-28	July 1, 2023	37,740
Series 2016 Refunding	211,595	5.00%	2019-26		209,500
Series 2017	45,000	2.77%	2019-31		42,325
Series 2018	38,205	5.00%	2026-33	July 1, 2028	38,205
Sewer revenue obligations outstanding					509,070
Plus unamortized premium/discount:					56,638
Total sewer revenue obligations outstanding					<u>\$ 565,708</u>

The following schedule details sewer revenue obligation debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 44,585	\$ 24,281
2020	54,565	22,116
2021	57,600	19,516
2022	59,840	16,781
2023	62,805	13,936
2024-2028	192,940	29,709
2029-2033	36,735	4,587
Total	<u>\$ 509,070</u>	<u>\$ 130,926</u>

In October 2009, the County entered into a 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.

The following table presents the loan payable outstanding amount.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2018</u>
2009 Loan payable	\$ 8,002	0.96%	2019-24	\$ 3,555
Total loan payable				<u>\$ 3,555</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details loan payable debt service requirements to maturity at June 30, 2018.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 557	\$ 88
2020	571	74
2021	585	60
2022	599	45
2023	614	31
2024	629	15
Total	<u>\$ 3,555</u>	<u>\$ 313</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$2,860 in sewer revenue bonds issued in 2009, \$509,070 in sewer revenue obligations issued between 2010 and 2018, and \$3,555 in sewer revenue loan issued in 2009. Proceeds from the bonds, obligations and loan provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds, obligations and loan are payable from total customer net revenues and are payable through fiscal year 2033. It is expected that approximately 74 percent of total customer net revenues will be used to pay annual principal and interest payments on the bonds and obligations and approximately 2 percent of total customer net revenues will be used to pay annual principal and interest on the loan. Total principal and interest remaining to be paid on the bonds, obligations and loan are \$3,022, \$639,996 and \$3,868, respectively. Principal and interest paid in the current year on the bonds and obligations, and on the loan, and total customer net revenues were \$69,160 \$1,232, and \$101,622, 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, 2018 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, 2018
(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, 2018, is as follows:

Net assessed valuation	\$	8,508,990
<u>Debt limit (15% of net assessed valuation):</u>	\$	1,276,349
<u>Less amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$	275,990
Less fund balance in debt service fund available for payment of general obligation bond principal		273,079
		<u>(2,911)</u>
Legal debt margin available		<u><u>\$ 1,003,270</u></u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

NOTE 8: 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 \$9,978 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 \$4,175 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, 2018; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2018</u>	<u>Estimated Remaining Service Life</u>
Ajo	75%	35 Years
Sahuarita*	59%	25 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 County plans to fund the estimated closure and post-closure care costs with General Fund monies.

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 \$11,608 when closure occurs and plans to fund the costs with General Fund monies. 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 landfill 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, 2018
(in thousands)

Note 9: Operating Leases

The County leases land, buildings, parking spaces, machinery, 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 \$10,018 for the year ended June 30, 2018. These operating leases have remaining lease terms from one to thirty-seven years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future estimated maximum rental payments under these operating leases as of June 30, 2018, are as follows:

Year ending June 30	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2019	\$ 15,505	\$ 200
2020	4,596	200
2021	1,178	200
2022	831	200
2023	337	200
2024-28	126	1,000
2029-33	42	1,000
2034-38		1,000
2039-43		1,000
2044-48		1,000
2049-53		1,000
2054-55		350
Total maximum lease payments	<u>\$ 22,615</u>	<u>\$ 7,350</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - 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, 2018, the County reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of net position and statement of activities	Governmental activities	Business-type activities	Total
Net OPEB asset	\$ 3,293	\$ 146	\$ 3,439
Net pension and OPEB liability	784,384	41,629	826,013
Deferred outflows of resources related to pensions and OPEB	121,311	5,086	126,397
Deferred inflows of resources related to pensions and OPEB	45,863	3,595	49,458
Pension and OPEB expense	107,019	(106)	106,913

The County’s accrued payroll and employee benefits includes \$3,227 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the County reported \$52,045 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS - Pima County Sheriffs, and EORP pension plans are described below. The PSPRS, Pima County - County Attorney Investigators pension plan and all (OPEB) plans 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. 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Benefits provided—The ASRS provides retirement 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:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.34 percent for retirement of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 10.9 percent for retirement of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.26 percent for retirement 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, 2018, were \$25,552.

During fiscal year 2018, the County paid for ASRS pension contributions as follows: 60 percent from the General Fund, 9 percent from major funds, and 31 percent from other funds.

Liability—At June 30, 2018, the County reported the following liability for its proportionate share of the ASRS' net pension liability.

ASRS	Net pension liability
Pension	\$375,197

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The net pension liability was measured as of June 30, 2017. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

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, 2017. The County's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

ASRS	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	2.41	(0.03)

The net pension liability measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net liability as a result of these changes is not known.

Expense—For the year ended June 30, 2018, the County recognized the following pension expense.

ASRS	Pension expense
Pension	\$4,958

Deferred outflows/inflows of resources— At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 11,250
Changes of assumptions or other inputs	\$ 16,296	11,219
Net difference between projected and actual earnings on pension plan investments	2,693	
Changes in proportion and differences between county contributions and proportionate share of contributions	24	8,455
County contributions subsequent to the measurement date	25,552	
Total	\$ 44,565	\$ 30,924

The \$25,552 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 liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as expense as follows:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Year ending June 30	
2019	\$ (20,999)
2020	13,402
2021	4,316
2022	(8,630)

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

ASRS	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
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, 2016, 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 8.70 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:

ASRS		Long-term expected arithmetic real rate of return
Asset class	Target allocation	
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
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 8.70 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, 2018
(in thousands)

Note 10 - 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	\$ 481,572	\$ 375,197	\$ 286,313

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. A nine-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 for county detention officers and a cost-sharing multiple-employer defined benefit pension plan for AOC officers. 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 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.

Benefits provided—The PSPRS and CORP provide retirement 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 and before July 1, 2017
Retirement		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
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%	1.5% to 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	
Survivor Benefit		
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	
CORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement		
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, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

CORP	<u>Initial membership date:</u>
	<u>Before January 1, 2012</u> <u>On or after January 1, 2012</u>
Ordinary disability retirement	2.5% per year of credited service
Survivor benefit	
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. The adjustments are based on inflation for PSPRS and excess investment earnings for CORP. In addition, 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, 2018, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Sheriff</u>	<u>CORP Detention</u>
Inactive employees or beneficiaries currently receiving benefits	394	198
Inactive employees entitled to but not yet receiving benefits	115	143
Active employees	462	487
Total	<u>971</u>	<u>828</u>

Contributions—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. 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, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active member— pension</u>	<u>County—pension</u>
PSPRS Sheriff	7.65% - 11.65%	63.07%
CORP Detention	8.41%	24.86%
CORP AOC	8.41%	22.51%

In addition, statute required the County to contribute at the actuarially determined rate indicated below 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

	<u>Pension</u>
PSPRS Sheriff	46.18%
CORP Detention	18.15%
CORP AOC	15.27%

The County's contributions to the plans for the ended June 30, 2018, were:

	<u>Pension</u>
PSPRS Sheriff	\$18,771
CORP Detention	5,155
CORP AOC	3,003

During fiscal year 2018, the County paid for PSPRS and CORP pension contributions as follows: 94 percent from the General Fund and 6 percent from other non-major funds.

Liability —At June 30, 2018, the County reported the following liabilities:

	<u>Net pension liability</u>
PSPRS Sheriff	\$ 231,783
CORP Detention	76,705
CORP AOC (County's proportionate share)	47,929

The net pension liabilities were measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for CORP and CORP AOC also reflect changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees who became members before July 20, 2011. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price Inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS and CORP plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

PSPRS and CORP	Long-term expected	
<u>Asset class</u>	<u>Target allocation</u>	<u>geometric real rate of return</u>
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rates— At June 30, 2017, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rate 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 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 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, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Changes in the net pension liability PSPRS – Sheriff	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability / (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2017	\$ 355,423	\$ 136,979	\$ 218,444
Changes for the year:			
Service cost	8,078		8,078
Interest on the total pension liability	26,186		26,186
Changes of benefit terms	4,033		4,033
Differences between expected and actual experience in the measurement of the pension liability	(1,177)		(1,177)
Changes of assumptions or other inputs	12,797		12,797
Contributions—employer		16,871	(16,871)
Contributions—employee		3,900	(3,900)
Net investment income		16,189	(16,189)
Benefit payments, including refunds of employee contributions	(20,634)	(20,634)	
Administrative expense		(144)	144
Other changes		(238)	238
Net changes	29,283	15,944	13,339
Balances at June 30, 2018	\$ 384,706	\$ 152,923	\$ 231,783
CORP – Detention	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability / (asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2017	\$ 109,504	\$ 49,774	\$ 59,730
Changes for the year:			
Service cost	3,235		3,235
Interest on the total pension liability	8,091		8,091
Changes of benefit terms	15,675		15,675
Differences between expected and actual experience in the measurement of the pension liability	(1,044)		(1,044)
Changes of assumptions or other inputs	3,566		3,566
Contributions—employer		4,871	(4,871)
Contributions—employee		1,814	(1,814)
Net investment income		5,953	(5,953)
Benefit payments, including refunds of employee contributions	(6,489)	(6,489)	
Administrative expense		(52)	52
Other changes		(38)	38
Net changes	23,034	6,059	16,975
Balances at June 30, 2018	\$ 132,538	\$ 55,833	\$ 76,705

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

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, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

CORP AOC	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	11.95	(0.47)

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 7.4 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 (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease (6.4%)</u>	<u>Current discount Rate (7.4%)</u>	<u>1% Increase (8.4%)</u>
PSPRS Sheriff			
Net pension liability	\$ 281,801	\$ 231,783	\$ 190,732
CORP Detention			
Net pension liability	\$ 96,171	\$ 76,705	\$ 61,009
CORP AOC			
County's proportionate share of the net pension liability	\$ 61,954	\$ 47,929	\$ 36,587

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, 2018, the County recognized the following pension expense:

	<u>Pension Expense</u>
PSPRS Sheriff	\$ 33,082
CORP Detention	23,940
CORP AOC (County's proportionate share)	18,812

Pension deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS – Sheriff	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 8,223
Changes of assumptions or other inputs	\$ 29,163	
Net difference between projected and actual earnings on pension plan investments	2,153	
County contributions subsequent to the measurement date	18,771	
Total	<u>\$ 50,087</u>	<u>\$ 8,223</u>
CORP – Detention	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience		\$ 3,391
Changes of assumptions or other inputs	\$ 8,387	
Net difference between projected and actual earnings on pension plan investments	668	
County contributions subsequent to the measurement date	5,155	
Total	<u>\$ 14,210</u>	<u>\$ 3,391</u>
CORP – AOC	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 439	\$ 1,646
Changes of assumptions or other inputs	4,654	
Net difference between projected and actual earnings on pension plan investments	571	
Changes in proportion and differences between county contributions and proportionate share of contributions	21	917
County contributions subsequent to the measurement date	3,003	
Total	<u>\$ 8,688</u>	<u>\$ 2,563</u>

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSPRS Sheriff	CORP Detention	CORP AOC
Year ending June 30			
2019	\$ 8,577	\$ 2,400	\$ 1,526
2020	9,188	2,024	1,411
2021	3,307	936	452
2022	1,521	233	(267)
2023	500	71	
	<u>\$ 23,093</u>	<u>\$ 5,664</u>	<u>\$ 3,122</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - 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). EORP administers a cost-sharing multiple-employer defined benefit pension plan for elected officials and judges who were members of the plan on December 31, 2013. This EORP pension 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 financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at www.psprs.com.

Benefits provided—The EORP provides retirement 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:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
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
Survivor Benefit		
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, 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, 2018
(in thousands)

Note 10 - 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, 2018, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 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, statute required the County to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2018, was \$1,508.

During fiscal year 2018, the County paid for EORP pension contributions entirely from the General Fund.

Liability—At June 30, 2018, 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	\$ 90,478
State's proportionate share of the EORP net pension liability associated with the County	29,292
Total	\$ 119,770

The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes-of-benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's net pension liability as a result of the refunds is not known.

The County's proportion of the net pension liability was based on the County's actual contributions to the pension plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2017. The County's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

EORP	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	7.42	(0.48)

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Expense—For the year ended June 30, 2018, the County recognized pension expense for EORP of \$24,557 and revenue of \$4,111 for the County's proportionate share of the State's appropriation to EORP and the designated court fees.

Deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 784
Changes of assumptions or other inputs	\$ 3,532	
Net difference between projected and actual earnings on pension plan investments	555	
Changes in proportion and differences between county contributions and proportionate share of contributions	931	340
County contributions subsequent to the measurement date	1,508	
Total	\$ 6,526	\$ 1,124

The amounts 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 liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30	
2019	\$ 3,152
2020	774
2021	147
2022	(179)

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

EORP	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5%
Price inflation	2.5%
Permanent benefit increase	Included
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The long-term expected rate of return on EORP plan investments was determined to be 7.4 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%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

Discount rates—At June 30, 2017, the discount rates used to measure the EORP total pension liability was 3.91 percent, which was an increase of 0.23 from the discount rates used as of June 30, 2016. The projection of cash flows used to determine the discount rates 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 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026.

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 rates noted above, 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 or 1 percentage point higher than the current rate:

EORP	1% Decrease (2.91%)	Current Discount Rate (3.91%)	1% Increase (4.91%)
County’s proportionate share of the net pension liability	\$ 106,878	\$ 90,478	\$ 77,102

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, 2018
(in thousands)

Note 11: Due from Other Governments

Governmental activities:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
Federal government:					
Grants and contributions	\$ 57		\$ 3,964		\$ 4,021
State of Arizona:					
Taxes and shared revenues	20,132	\$ 4,888	5,457		30,477
Grants and contributions			5,461		5,461
Cities:					
Reimbursement for services	1,177	8,227	1,016	\$ 4	10,424
Other governments:					
Reimbursement for services	105	183	18	2	308
Total due from other governments fund based statements	<u>\$ 21,471</u>	<u>\$ 13,298</u>	<u>\$ 15,916</u>	<u>\$ 6</u>	<u>\$ 50,691</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2018
(in thousands)

Note 12: 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 to:				
	<i>General</i>	<i>Other Governmental</i>	<i>Regional Wastewater Reclamation</i>	<i>Internal Services</i>	<i>Total</i>
General	\$ 6,828	\$ 6		\$	6,834
Capital Projects		120	65		185
Other Governmental	\$ 344	32	28	\$ 107	511
Other Enterprise		12	11		23
Total	\$ 344	\$ 6,992	\$ 110	\$ 107	\$ 7,553

Amounts recorded as due from:

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 out:						
	<i>General</i>	<i>Capital Projects</i>	<i>Other Governmental</i>	<i>Regional Wastewater Reclamation</i>	<i>Other Enterprise</i>	<i>Internal Services</i>	<i>Total</i>
General	\$ 16	\$ 3,357	\$ 236	\$ 750	\$ 34	\$	4,393
Capital Projects	\$ 10,896	24,102			15	50	35,063
Debt Service	14,104	395	19,075	23,553	654	2,243	60,024
Other Governmental	20,516	160	1,335	183	2	134	22,330
Regional Wastewater Reclamation					14		14
Other Enterprise				97			97
Internal Service	568						568
Total	\$ 46,084	\$ 571	\$ 47,869	\$ 24,069	\$ 1,435	\$ 2,461	\$ 122,489

Amounts recorded as transfers in:

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, 2018
(in thousands)

Note 13: Construction and Other Significant Commitments

At June 30, 2018, Pima County had the following major contractual commitments:

Community Services

The Community Services Department had contractual commitments related to service contracts of \$16,259. Funding for these expenditures will be provided from reimbursements on intergovernmental grant awards, including federal and state entities.

Facilities Management

The Facilities Management Department had construction contractual commitments of \$12,028 and other contractual commitments related to service contracts of \$9,998. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

General Government

The Office of Medical Services had commitments related to service contracts of \$32,292. Funding for these expenditures will be provided from general fund revenues.

Natural Resources, Parks and Recreation

The Natural Resources, Parks and Recreation Department had construction contractual commitments of \$6,292 and other contractual commitments related to service contracts of \$3,032. Funding for these expenditures will be provided from general fund revenues.

Regional Wastewater Reclamation

The Regional Wastewater Reclamation enterprise fund had construction contractual commitments of \$24,682 and other contractual commitments related to services of \$23,585. Funding for these expenses will be primarily from the Sewer Revenue Obligations and sewer user fees.

Transportation

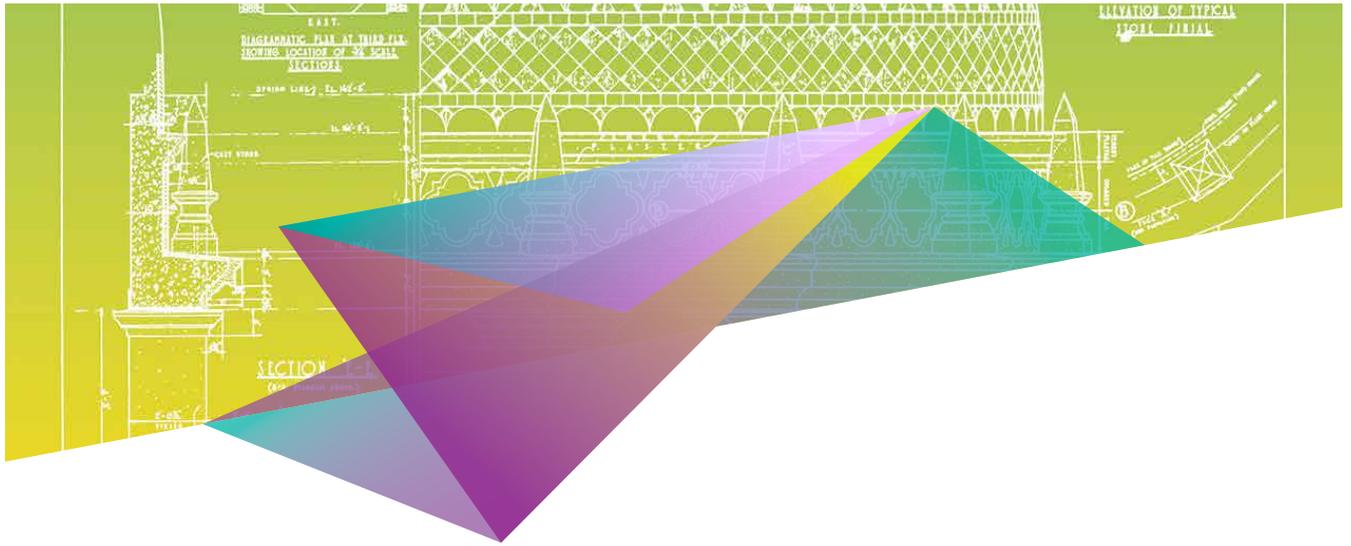
The Transportation Department had construction commitments of \$95,090 and other contractual commitments related to services of \$2,085. Funding for these expenditures will be primarily provided from Transportation Revenue bonds, federal grants funding and state Highway User Tax Revenue, which is the primary source of revenue for the Transportation Department.

Note 14: Deficit Fund Balances/Net Position

At June 30, 2018, the following nonmajor funds reported deficits in fund balance or net position:

Fund	Deficit
Governmental Funds:	
Other Grants	\$ 3,447
Stadium District	3,487
Proprietary funds:	
Development Services	\$ 175

(This page is intentionally blank)



REQUIRED SUPPLEMENTARY INFORMATION

Other Than Management's Discussion & Analysis

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2018
(in thousands)

Exhibit B - 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 342,308	\$ 342,308	\$ 342,036	\$ (272)
Licenses and permits	3,425	3,425	3,281	(144)
Intergovernmental	155,290	155,290	157,776	2,486
Charges for services	41,167	41,167	41,314	147
Fines and forfeits	3,738	3,738	3,532	(206)
Investment earnings	563	563	1,203	640
Miscellaneous	3,562	3,562	5,668	2,106
Total revenues	550,053	550,053	554,810	4,757
Expenditures:				
General government				
Assessor	8,722	8,722	7,556	1,166
Board of Supervisors	2,406	2,406	2,080	326
Clerk of Superior Court	10,857	10,857	10,702	155
Constables	1,335	1,335	1,330	5
County Administration	112,359	112,359	54,497	57,862
County Attorney	23,485	23,485	23,502	(17)
Justice Courts	8,411	8,411	8,354	57
Juvenile Courts	23,545	23,545	23,148	397
Justice & Law Enforcement	32,449	32,449	31,229	1,220
Public Works (Facilities Management)	25,572	25,572	23,540	2,032
Recorder	2,899	2,899	3,278	(379)
Superior Court	30,231	30,231	30,360	(129)
Superior Court Mandated Services	1,764	1,764	1,723	41
Treasurer	2,589	2,589	2,045	544
Public safety				
Sheriff	151,949	151,949	146,457	5,492
Office of Emergency Management & Homeland Security	454	454	375	79
Sanitation				
Environmental Quality	1,361	1,361	1,214	147
Health				
Forensic Science Center	3,847	3,847	3,763	84
Welfare				
County Admin - Welfare	57,227	57,227	58,583	(1,356)
Office of Medical Services	40,816	40,816	36,011	4,805
Culture and recreation				
Public Works (Parks and Recreation)	18,561	18,561	17,973	588
Education and economic opportunity				
Community & Economic Development	12,622	12,622	11,281	1,341
School Superintendent	1,713	1,713	1,612	101
Debt Service - principal				
- interest	109	109	109	
Total expenditures	576,235	576,235	501,674	74,561
Excess (deficiency) of revenues over (under) expenditures	(26,182)	(26,182)	53,136	79,318
Other financing sources (uses):				
Proceeds from sale of capital assets			11	11
Transfers in	4,381	4,381	4,393	12
Transfers (out)	(45,194)	(45,194)	(46,084)	(890)
Total other financing uses	(40,813)	(40,813)	(41,680)	(867)
Net change in fund balances	(66,995)	(66,995)	11,456	78,451
Fund balances at beginning of year	66,995	66,995	102,036	35,041
Fund balances at end of year	\$	\$	\$ 113,492	\$ 113,492

Notes to Schedule of Revenues, Expenditures and Changes in
 Fund Balance – Budget and Actual – General Fund
 June 30, 2018
 (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, 2018, 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:

Function/Department	Excess
General government:	
County Attorney	\$ 17
Recorder	379
Superior Court	129
Total general government:	<u>525</u>
Welfare:	
County Admin - Welfare	1,356
Total welfare	<u>\$ 1,356</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, 2018
 (in thousands)

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)				2014 thru 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	2.41%	2.44%	2.51%	2.56%	Information not available
County's proportionate share of the net pension liability	\$ 375,197	\$ 393,174	\$ 391,629	\$ 379,139	
County's covered payroll	\$ 235,375	\$ 228,129	\$ 231,570	\$ 229,907	
County's proportionate share of the net pension liability as a percentage of its covered payroll	159.40%	172.35%	169.12%	164.91%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts	Reporting Fiscal Year (Measurement Date)				2014 thru 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	11.95%	12.42%	12.45%	12.43%	Information not available
County's proportionate share of the net pension liability	\$ 47,929	\$ 35,046	\$ 30,274	\$ 27,888	
County's covered payroll	\$ 13,400	\$ 13,681	\$ 13,857	\$ 13,114	
County's proportionate share of the net pension liability as a percentage of its covered payroll	357.68%	256.17%	218.47%	212.66%	
Plan fiduciary net position as a percentage of the total pension liability	49.21%	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)				2014 thru 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
County's proportion of the net pension liability	7.42%	7.90%	7.55%	7.64%	Information not available
County's proportionate share of the net pension liability	\$ 90,478	\$ 74,615	\$ 59,037	\$ 51,259	
State's proportionate share of the net pension liability associated with the County Total	29,292	15,406	18,405	15,717	
	<u>\$ 119,770</u>	<u>\$ 90,021</u>	<u>\$ 77,442</u>	<u>\$ 66,976</u>	
County's covered payroll	\$ 7,050	\$ 6,617	\$ 6,391	\$ 6,932	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1283.38%	1127.63%	923.75%	739.45%	
Plan fiduciary net position as a percentage of the total pension liability	19.66%	23.42%	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, 2018
(in thousands)

Exhibit B - 2

Public Safety Personnel Retirement System - Sheriff

	Reporting Fiscal Year (Measurement Date)				2014 thru 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					
Service cost	\$ 8,078	\$ 6,068	\$ 6,421	\$ 6,346	
Interest on the total pension liability	26,186	25,444	24,997	21,060	
Changes of benefit terms	4,033	9,540		7,336	
Differences between expected and actual experience in the measurement of the pension liability	(1,177)	(7,713)	(4,579)	(462)	
Changes of assumptions or other inputs	12,797	12,356		34,338	
Benefit payments, including refunds of employee contributions	(20,634)	(22,727)	(19,209)	(17,811)	
Net change in total pension liability	29,283	22,968	7,630	50,807	
Total pension liability - beginning	355,423	332,455	324,825	274,018	
Total pension liability - ending (a)	<u>\$ 384,706</u>	<u>\$ 355,423</u>	<u>\$ 332,455</u>	<u>\$ 324,825</u>	
Plan fiduciary net position					
Contributions - employer	\$ 16,871	\$ 15,122	\$ 11,490	\$ 10,627	Information not available
Contributions - employee	3,900	3,877	3,505	3,415	
Net investment income	16,189	808	5,053	17,221	
Benefit payments, including refunds of employee contributions	(20,634)	\$ (22,727)	(19,209)	(17,811)	
Administrative expense	(144)	(117)	(124)	(139)	
Other changes	(238)	(397)	(148)	(92)	
Net change in plan fiduciary net position	15,944	(3,434)	567	13,221	
Plan fiduciary net position - beginning	136,979	140,413	139,846	126,625	
Plan fiduciary net position - ending (b)	<u>\$ 152,923</u>	<u>\$ 136,979</u>	<u>\$ 140,413</u>	<u>\$ 139,846</u>	
County's net pension liability - ending (a) - (b)	\$ 231,783	\$ 218,444	\$ 192,042	\$ 184,979	
Plan fiduciary net position as a percentage of the total pension liability	39.75%	38.54%	42.24%	43.05%	
Covered payroll	\$ 32,156	\$ 30,384	\$ 31,515	\$ 31,543	
County's net pension liability as a percentage of covered payroll	720.81%	718.94%	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, 2018
(in thousands)

Exhibit B - 2

Corrections Officer Retirement Plan - Detention	Reporting Fiscal Year (Measurement Date)				2014 thru 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					
Service cost	\$ 3,235	\$ 2,893	\$ 2,798	\$ 2,852	
Interest on the total pension liability	8,091	7,911	7,751	6,623	
Changes of benefit terms	15,675	181		1,459	
Differences between expected and actual experience in the measurement of the pension liability	(1,044)	(1,930)	(2,557)	(609)	
Changes of assumptions or other inputs	3,566	4,125		10,555	
Benefit payments, including refunds of employee contributions	(6,489)	(6,013)	(5,988)	(6,975)	
Net change in total pension liability	23,034	7,167	2,004	13,905	
Total pension liability - beginning	109,504	102,337	100,333	86,428	
Total pension liability - ending (a)	<u>\$ 132,538</u>	<u>\$ 109,504</u>	<u>\$ 102,337</u>	<u>\$ 100,333</u>	
Plan fiduciary net position					Information not available
Contributions - employer	\$ 4,871	\$ 4,634	\$ 3,441	\$ 2,970	
Contributions - employee	1,814	1,730	1,737	1,686	
Net investment income	5,953	302	1,765	6,030	
Benefit payments, including refunds of employee contributions	(6,489)	(6,013)	(5,988)	(6,975)	
Administrative expense	(52)	(43)	(44)	(48)	
Other changes	(38)	(38)	(69)	11	
Net change in plan fiduciary net position	6,059	572	842	3,674	
Plan fiduciary net position - beginning	49,774	49,202	48,360	44,686	
Plan fiduciary net position - ending (b)	<u>\$ 55,833</u>	<u>\$ 49,774</u>	<u>\$ 49,202</u>	<u>\$ 48,360</u>	
County's net pension liability - ending (a) - (b)	\$ 76,705	\$ 59,730	\$ 53,135	\$ 51,973	
Plan fiduciary net position as a percentage of the total pension liability	42.13%	45.45%	48.08%	48.20%	
Covered payroll	\$ 21,574	\$ 20,263	\$ 20,816	\$ 20,051	
County's net pension liability as a percentage of covered payroll	355.55%	294.77%	255.26%	259.20%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA
Schedule of County Pension Contributions
June 30, 2018
(in thousands)

Exhibit B - 2

	Reporting Fiscal Year					2013 thru 2009
	2018	2017	2016	2015	2014	
Arizona State Retirement System						
Statutorily required contribution	\$ 25,552	\$ 25,320	\$ 24,752	\$ 25,218	\$ 24,600	Information not available
County's contributions in relation to the statutorily required contribution	25,552	25,320	24,752	25,218	24,600	
County's contribution deficiency (excess)	-	-	-	-	-	
County's covered payroll	\$ 233,929	\$ 235,375	\$ 228,129	\$ 231,570	\$ 229,907	
County's contributions as a percentage of covered payroll	10.92%	10.76%	10.85%	10.89%	10.70%	

	Reporting Fiscal Year					2013 thru 2009
	2018	2017	2016	2015	2014	
Corrections Officer Retirement Plan - Administrative Office of the Courts						
Statutorily required contribution	\$ 3,003	\$ 2,691	\$ 2,613	\$ 2,062	\$ 1,933	Information not available
County's contributions in relation to the statutorily required contribution	3,003	2,691	2,613	2,062	1,933	
County's contribution deficiency (excess)	-	-	-	-	-	
County's covered payroll	\$ 13,346	\$ 13,400	\$ 13,681	\$ 13,857	\$ 13,114	
County's contributions as a percentage of covered payroll	22.50%	20.08%	19.10%	14.88%	14.74%	

	Reporting Fiscal Year					2013 thru 2008
	2018	2017	2016	2015	2014	
Elected Officials Retirement Plan						
Statutorily required contribution	\$ 1,508	\$ 1,566	\$ 1,555	\$ 1,502	\$ 1,629	Information not available
County's contributions in relation to the statutorily required contribution	460	1,566	1,555	1,502	1,629	
County's contribution deficiency (excess)	1,048	-	-	-	-	
County's covered payroll	\$ 6,984	\$ 7,050	\$ 6,617	\$ 6,391	\$ 6,932	
County's contributions as a percentage of covered payroll	6.59%	22.21%	23.50%	23.50%	23.50%	

	Reporting Fiscal Year					2013 thru 2009
	2018	2017	2016	2015	2014	
Public Safety Personnel Retirement System - Sheriff						
Actuarially determined contribution	\$ 18,771	\$ 16,861	\$ 15,119	\$ 11,490	\$ 10,627	Information not available
County's contributions in relation to the actuarially determined contribution	14,407	16,861	15,119	11,490	10,627	
County's contribution deficiency (excess)	4,364	-	-	-	-	
County's covered payroll	\$ 29,261	\$ 32,156	\$ 30,384	\$ 31,515	\$ 31,543	
County's contributions as a percentage of covered payroll	49.24%	52.44%	49.76%	36.46%	33.69%	

	Reporting Fiscal Year					2013 thru 2009
	2018	2017	2016	2015	2014	
Corrections Officer Retirement Plan - Detention						
Actuarially determined contribution	\$ 5,155	\$ 4,872	\$ 4,618	\$ 3,441	\$ 2,970	Information not available
County's contributions in relation to the actuarially determined contribution	5,155	4,872	4,618	3,441	2,970	
County's contribution deficiency (excess)	-	-	-	-	-	
County's covered payroll	\$ 20,738	\$ 21,574	\$ 20,263	\$ 20,816	\$ 20,051	
County's contributions as a percentage of covered payroll	24.86%	22.58%	22.79%	16.53%	14.81%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA
Notes to Pension Plan Schedules
June 30, 2018
(in thousands)

Note 1 – Actuarially Determined Contribution Rates

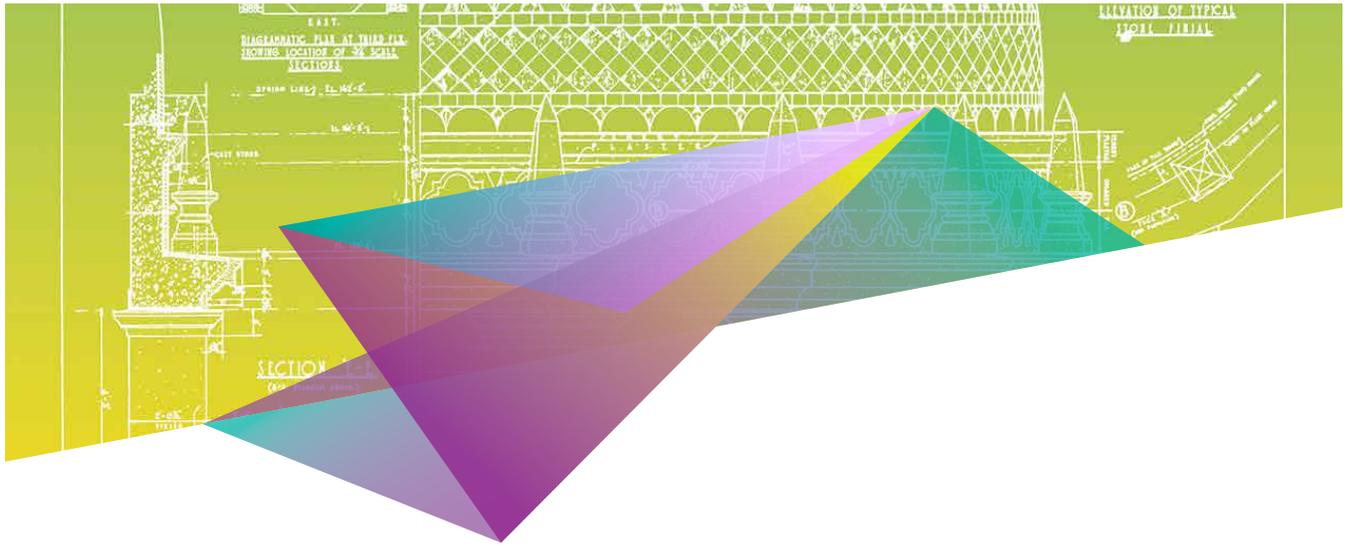
Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	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	PSPRS members with initial membership date before July 1, 2017, and CORP members with initial membership date before July 1, 2018: In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%. PSPRS members with initial membership on or after July 1, 2017: 7%
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)

Note 2 – Factors that affect trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS, CORP, CORP–AOC, and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS, CORP, and CORP–AOC required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS, CORP, and CORP–AOC required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the County refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.

(This page is intentionally blank)



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.

Wireless Integrated Network 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.

Rocking K South CFD Fund – to account for the purchase of eligible infrastructure of the Rocking K South master plan development through the issuance of bonds, and to fund the operation, maintenance and administration of the District through the levy of ad valorem tax on property in the District.

(This page is intentionally blank)

PIMA COUNTY, ARIZONA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	Wireless Integrated Network
Assets						
Cash and cash equivalents	\$ 22,748	\$ 8,502	\$ 9,555	\$ 33,823		\$ 2,245
Property taxes receivable (net)	524		506			
Interest receivable	44	14	13	57		5
Due from other funds		1	7	101	\$ 89	1
Due from other governments	4,816	968	11	88	9,072	31
Accounts receivable	198	114	14	2,154	1,628	
Inventory	1,443					121
Prepaid expenditures	26	48	22	211	249	15
Loan receivable	1,581			14		
Restricted cash equivalents						
Total assets	<u>\$ 31,380</u>	<u>\$ 9,647</u>	<u>\$ 10,128</u>	<u>\$ 36,448</u>	<u>\$ 11,038</u>	<u>\$ 2,418</u>
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$ 962	\$ 770	\$ 455	\$ 1,922	\$ 3,594	\$ 7
Interest payable					6	
Employee compensation	455	300	145	401	299	16
Due to other funds	10			1	3,329	
Due to other governments	2	2		2	1	91
Deposits and rebates	2		2	1		
Unearned revenue	1,584		3	1,293	1,751	135
Total liabilities	<u>3,015</u>	<u>1,072</u>	<u>605</u>	<u>3,620</u>	<u>8,980</u>	<u>249</u>
Deferred inflows of resources						
Unavailable revenue - intergovernmental	19	587	11	7	5,069	
Unavailable revenue - property taxes	400		357			
Unavailable revenue - other	184	5	14	687	436	
Total deferred inflows of resources	<u>603</u>	<u>592</u>	<u>382</u>	<u>694</u>	<u>5,505</u>	
Total liabilities and deferred inflows of resources	<u>3,618</u>	<u>1,664</u>	<u>987</u>	<u>4,314</u>	<u>14,485</u>	<u>249</u>
Fund balances						
Nonspendable	1,469	48	22	211	249	136
Restricted	26,293	7,935	9,119	27,130		2,033
Committed				1,520		
Assigned				3,273		
Unassigned					(3,696)	
Total fund balances (deficit)	<u>27,762</u>	<u>7,983</u>	<u>9,141</u>	<u>32,134</u>	<u>(3,447)</u>	<u>2,169</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 31,380</u>	<u>\$ 9,647</u>	<u>\$ 10,128</u>	<u>\$ 36,448</u>	<u>\$ 11,038</u>	<u>\$ 2,418</u>

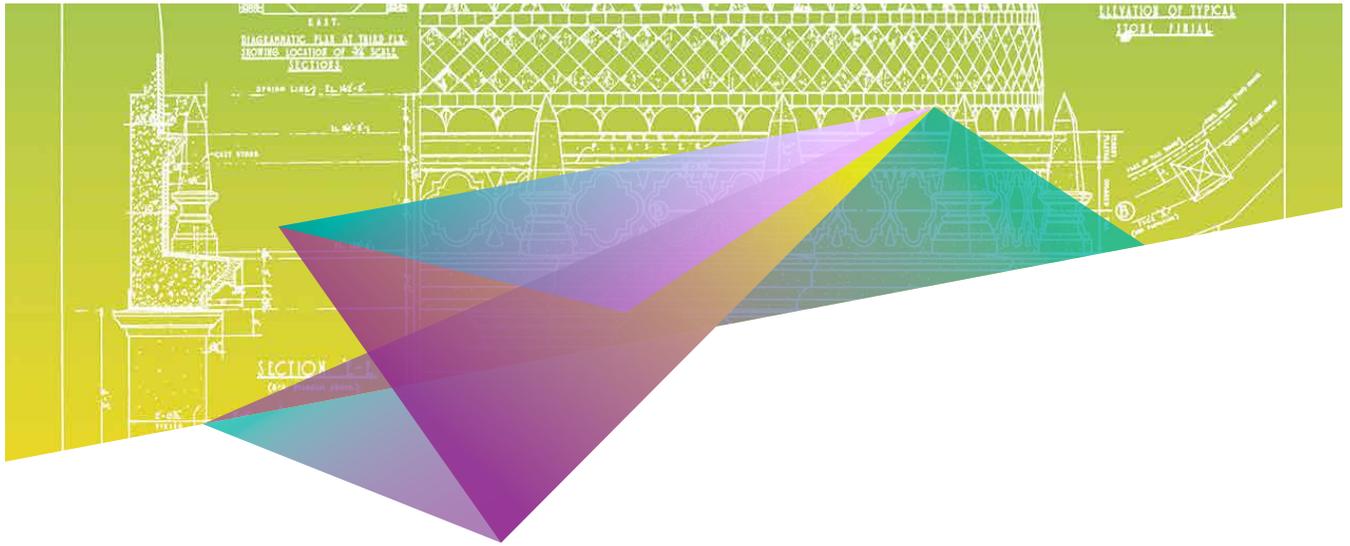
Special Revenue Funds							Total Other Governmental Funds
School Reserve	Environmental Quality	Waste Tire	Library District	Stadium District	Street Lighting Districts	Rocking K South CFD	
\$ 254	\$ 3,239	\$ 1,683	\$ 15,610		\$ 71	\$ 21	\$ 97,751
	5	3	1,003		1		2,034
	6		28	\$ 306			169
337		297		296			511
107	231		452	67			15,916
	6		488	2			4,965
			45				1,564
							1,067
							1,595
							45
<u>\$ 698</u>	<u>\$ 3,487</u>	<u>\$ 1,983</u>	<u>\$ 17,626</u>	<u>\$ 671</u>	<u>\$ 72</u>	<u>\$ 21</u>	<u>\$ 125,617</u>
\$ 85	\$ 37	\$ 273	\$ 1,282	\$ 295	\$ 1	\$	\$ 9,683
80	43		336	6			12
	25			41			2,116
				3,627			6,992
			64	1			163
			44	28			5
							4,838
<u>165</u>	<u>105</u>	<u>273</u>	<u>1,726</u>	<u>3,998</u>	<u>1</u>		<u>23,809</u>
330			19	114			6,156
			752				1,509
	40		102	46			1,514
<u>330</u>	<u>40</u>		<u>873</u>	<u>160</u>			<u>9,179</u>
<u>495</u>	<u>145</u>	<u>273</u>	<u>2,599</u>	<u>4,158</u>	<u>1</u>		<u>32,988</u>
	6		533	2			2,676
256	1,862	1,710	14,494		71	21	90,924
239				213			1,972
	1,474						4,747
(292)				(3,702)			(7,690)
<u>203</u>	<u>3,342</u>	<u>1,710</u>	<u>15,027</u>	<u>(3,487)</u>	<u>71</u>	<u>21</u>	<u>92,629</u>
<u>\$ 698</u>	<u>\$ 3,487</u>	<u>\$ 1,983</u>	<u>\$ 17,626</u>	<u>\$ 671</u>	<u>\$ 72</u>	<u>\$ 21</u>	<u>\$ 125,617</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2018
(in thousands)

	Special Revenue Funds					Wireless Integrated Network
	Transportation	Health	Regional Flood Control District	Other	Other Grants	
Revenues:						
Property taxes	\$ 19,689		\$ 22,907			
Licenses and permits	1,128	\$ 2,895	1	\$ 1		
Intergovernmental	61,923	4,881	79	22,107	\$ 40,144	
Charges for services	168	2,444	461	7,963		\$ 2,997
Fines and forfeits	5	63	2	3,416		
Investment earnings	173	83	104	386	22	31
Miscellaneous	207	708	92	8,826	3,410	70
Total revenues	83,293	11,074	23,646	42,699	43,576	3,098
Expenditures:						
General government				28,101	5,872	
Public safety			15,237	2,984	4,919	2,724
Highways and streets	41,801				237	
Sanitation						
Health		21,804		33	10,558	
Culture and recreation				827	155	
Education and economic opportunity				3,001	21,876	
Debt service - principal				617		
- interest				2		
Total expenditures	41,801	21,804	15,237	35,565	43,617	2,724
Excess (deficiency) of revenues over (under) expenditures	41,492	(10,730)	8,409	7,134	(41)	374
Other financing sources (uses):						
Proceeds from sale of capital assets	33		1	520		
Transfers in	121	12,972	7	1,757	2,085	7
Transfers (out)	(19,063)	(1,491)	(8,748)	(9,417)	(2,557)	
Total other financing sources (uses)	(18,909)	11,481	(8,740)	(7,140)	(472)	7
Net change in fund balances	22,583	751	(331)	(6)	(513)	381
Fund balances at beginning of year	5,179	7,232	9,472	32,140	(2,934)	1,788
Fund balances at end of year	\$ 27,762	\$ 7,983	\$ 9,141	\$ 32,134	\$ (3,447)	\$ 2,169

Special Revenue Funds							Total Other Governmental Funds
School Reserve	Environmental Quality	Waste Tire	Library District	Stadium District	Street Lighting Districts	Rocking K South CFD	
			\$ 40,437		\$ 149		\$ 83,182
\$ 1,706	\$ 2,600	\$ 1,267	161	\$ 1,601			6,625
	1		282	1,241			133,869
	8		500				15,557
	35	18	140	2	1		3,994
	14		575	7			995
<u>1,706</u>	<u>2,658</u>	<u>1,285</u>	<u>42,095</u>	<u>2,851</u>	<u>150</u>		<u>13,909</u>
					194		34,167
							25,864
		1,100					42,038
	3,024		37,708	5,407			1,100
2,324						\$ 8	35,419
							44,097
							27,209
							617
							2
<u>2,324</u>	<u>3,024</u>	<u>1,100</u>	<u>37,708</u>	<u>5,407</u>	<u>194</u>	<u>8</u>	<u>210,513</u>
(618)	(366)	185	4,387	(2,556)	(44)	(8)	47,618
				1			555
	709			4,642		30	22,330
			(3,728)	(2,865)			(47,869)
	709		(3,728)	1,778		30	(24,984)
(618)	343	185	659	(778)	(44)	22	22,634
821	2,999	1,525	14,368	(2,709)	115	(1)	69,995
<u>\$ 203</u>	<u>\$ 3,342</u>	<u>\$ 1,710</u>	<u>\$ 15,027</u>	<u>\$ (3,487)</u>	<u>\$ 71</u>	<u>\$ 21</u>	<u>\$ 92,629</u>

(This page is intentionally blank)



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, 2018
(in thousands)

Exhibit C - 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 16,325	\$ 11,010	\$ (5,315)
Charges for services	3,552	7,046	3,494
Investment earnings	382	1,347	965
Miscellaneous	305	364	59
Total revenues	<u>20,564</u>	<u>19,767</u>	<u>(797)</u>
Expenditures:			
Capital outlay	131,288	78,370	52,918
Total expenditures	<u>131,288</u>	<u>78,370</u>	<u>52,918</u>
Deficiency of revenues under expenditures	<u>(110,724)</u>	<u>(58,603)</u>	<u>52,121</u>
Other financing sources (uses):			
Premium on bonds		395	395
Face amount of long-term debt issued	70,000	73,660	3,660
Transfers in	42,221	35,063	(7,158)
Transfers (out)	(160)	(571)	(411)
Total other financing sources	<u>112,061</u>	<u>108,547</u>	<u>(3,514)</u>
Net change in fund balance	1,337	49,944	48,607
Fund balance at beginning of year	37,445	96,437	58,992
Fund balance at end of year	<u>\$ 38,782</u>	<u>\$ 146,381</u>	<u>\$ 107,599</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, 2018
(in thousands)

Exhibit C - 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 55,923	\$ 56,004	\$ 81
Intergovernmental		13	13
Investment earnings	215	477	262
Total revenues	<u>56,138</u>	<u>56,494</u>	<u>356</u>
Expenditures:			
Debt service - principal	113,005	96,005	17,000
- interest	21,768	20,133	1,635
- miscellaneous	17	729	(712)
Total expenditures	<u>134,790</u>	<u>116,867</u>	<u>17,923</u>
Deficiency of revenues under expenditures	<u>(78,652)</u>	<u>(60,373)</u>	<u>18,279</u>
Other financing sources (uses):			
Premium on bonds		2,226	2,226
Transfers in	81,112	60,024	(21,088)
Total other financing sources	<u>81,112</u>	<u>62,250</u>	<u>(18,862)</u>
Net change in fund balance	2,460	1,877	(583)
Fund balance at beginning of year	<u>2,262</u>	<u>3,127</u>	<u>865</u>
Fund balance at end of year	<u>\$ 4,722</u>	<u>\$ 5,004</u>	<u>\$ 282</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Transportation - Special Revenue Fund
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 19,527	\$ 19,689	\$ 162
Licenses and permits	1,151	1,128	(23)
Intergovernmental	60,451	61,923	1,472
Charges for services	205	168	(37)
Fines and forfeits		5	5
Investment earnings		173	173
Miscellaneous	208	207	(1)
Total revenues	<u>81,542</u>	<u>83,293</u>	<u>1,751</u>
Expenditures:			
Highways and streets	43,494	41,801	1,693
Total expenditures	<u>43,494</u>	<u>41,801</u>	<u>1,693</u>
Excess of revenues over expenditures	<u>38,048</u>	<u>41,492</u>	<u>3,444</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		33	33
Transfers in	122	121	(1)
Transfers (out)	(39,343)	(19,063)	20,280
Total other financing uses	<u>(39,221)</u>	<u>(18,909)</u>	<u>20,312</u>
Net change in fund balance	(1,173)	22,583	23,756
Fund balance at beginning of year	2,513	5,179	2,666
Fund balance at end of year	<u>\$ 1,340</u>	<u>\$ 27,762</u>	<u>\$ 26,422</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, 2018
(in thousands)

Exhibit C - 6

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,277	\$ 2,895	\$ 618
Intergovernmental	5,212	4,881	(331)
Charges for services	2,870	2,444	(426)
Fines and forfeits	73	63	(10)
Investment earnings	4	83	79
Miscellaneous	691	708	17
Total revenues	<u>11,127</u>	<u>11,074</u>	<u>(53)</u>
Expenditures:			
Health	25,322	21,804	3,518
Total expenditures	<u>25,322</u>	<u>21,804</u>	<u>3,518</u>
Deficiency of revenues under expenditures	<u>(14,195)</u>	<u>(10,730)</u>	<u>3,465</u>
Other financing sources (uses):			
Transfers in	12,482	12,972	490
Transfers (out)	(2,314)	(1,491)	823
Total other financing sources	<u>10,168</u>	<u>11,481</u>	<u>1,313</u>
Net change in fund balance	(4,027)	751	4,778
Fund balance at beginning of year	<u>3,870</u>	<u>7,232</u>	<u>3,362</u>
Fund balance at end of year	<u>\$ (157)</u>	<u>\$ 7,983</u>	<u>\$ 8,140</u>

PIMA COUNTY, ARIZONA
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, 2018

Exhibit C - 7

(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 22,916	\$ 22,907	\$ (9)
Licenses and permits	1	1	
Intergovernmental	50	79	29
Charges for services	1,070	461	(609)
Fines and forfeits		2	2
Investment earnings	45	104	59
Miscellaneous	74	92	18
Total revenues	<u>24,156</u>	<u>23,646</u>	<u>(510)</u>
Expenditures:			
Flood control	17,389	15,237	2,152
Total expenditures	<u>17,389</u>	<u>15,237</u>	<u>2,152</u>
Excess of revenues over expenditures	<u>6,767</u>	<u>8,409</u>	<u>1,642</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		1	1
Transfers in		7	7
Transfers (out)	(8,804)	(8,748)	56
Total other financing uses	<u>(8,804)</u>	<u>(8,740)</u>	<u>64</u>
Net change in fund balance	(2,037)	(331)	1,706
Fund balance at beginning of year	6,891	9,472	2,581
Fund balance at end of year	<u>\$ 4,854</u>	<u>\$ 9,141</u>	<u>\$ 4,287</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Other - Special Revenue Fund
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 8

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits		\$ 1	\$ 1
Intergovernmental	\$ 24,451	22,107	(2,344)
Charges for services	7,963	7,963	
Fines and forfeits	3,089	3,416	327
Investment earnings	157	386	229
Miscellaneous	7,462	8,826	1,364
Total revenues	<u>43,122</u>	<u>42,699</u>	<u>(423)</u>
Expenditures:			
General government	42,739	28,101	14,638
Public safety	5,462	2,984	2,478
Health	65	33	32
Culture and recreation	1,872	827	1,045
Education and economic opportunity	3,283	3,001	282
Debt service - principal	616	617	(1)
- interest	2	2	
Total expenditures	<u>54,039</u>	<u>35,565</u>	<u>18,474</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,917)</u>	<u>7,134</u>	<u>18,051</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		520	520
Transfers in	1,513	1,757	244
Transfers (out)	(9,200)	(9,417)	(217)
Total other financing uses	<u>(7,687)</u>	<u>(7,140)</u>	<u>547</u>
Net change in fund balance	(18,604)	(6)	18,598
Fund balance at beginning of year	19,308	32,140	12,832
Fund balance at end of year	<u>\$ 704</u>	<u>\$ 32,134</u>	<u>\$ 31,430</u>

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, 2018
(in thousands)

Exhibit C - 9

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 60,484	\$ 40,144	\$ (20,340)
Investment earnings	2	22	20
Miscellaneous	3,656	3,410	(246)
Total revenues	64,142	43,576	(20,566)
Expenditures:			
County Administration	1,236	727	509
Clerk of the Court		7	(7)
Community Development	7,547	4,034	3,513
Community & Economic Development	625	179	446
Community Services	19,253	17,662	1,591
County Attorney	5,673	2,848	2,825
Elections		96	(96)
Environmental Quality	1,289	928	361
Finance	6,025	58	5,967
Flood Control	107	79	28
Health	12,290	9,240	3,050
Justice Court	15	4	11
Juvenile Court	1,150	1,140	10
Natural Resources, Parks and Recreation	382	155	227
Office of Emergency Management	1,925	1,313	612
Pima Animal Care	867	390	477
Public Works Administration		145	(145)
Recorder		1	(1)
Sheriff	5,887	3,527	2,360
Superior Court	669	847	(178)
Transportation	322	237	85
Total expenditures	65,262	43,617	21,645
 Deficiency of revenues under expenditures	 (1,120)	 (41)	 1,079
 Other financing sources (uses):			
Transfers in	3,213	2,085	(1,128)
Transfers (out)	(10,698)	(2,557)	8,141
Total other financing uses	(7,485)	(472)	7,013
 Net change in fund balance	 (8,605)	 (513)	 8,092
 Fund balance at beginning of year	 1,807	 (2,934)	 (4,741)
Fund balance at end of year	\$ (6,798)	\$ (3,447)	\$ 3,351

PIMA COUNTY, ARIZONA

Exhibit C - 10

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Wireless Integrated Network - Special Revenue Fund
For the Year Ended June 30, 2018
(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Charges for services	\$ 2,931	\$ 2,997	\$ 66
Investment earnings	5	31	26
Miscellaneous	<u>67</u>	<u>70</u>	<u>3</u>
Total revenues	<u>3,003</u>	<u>3,098</u>	<u>95</u>
Expenditures:			
Public safety	<u>2,884</u>	<u>2,724</u>	<u>160</u>
Total expenditures	<u>2,884</u>	<u>2,724</u>	<u>160</u>
Excess of revenues over expenditures	<u>119</u>	<u>374</u>	<u>255</u>
Other financing sources			
Transfers in	<u>7</u>	<u>7</u>	<u>7</u>
Total other financing sources	<u>7</u>	<u>7</u>	<u>7</u>
Net change in fund balance	119	381	262
Fund balance at beginning of year	<u>690</u>	<u>1,788</u>	<u>1,098</u>
Fund balance at end of year	<u>\$ 809</u>	<u>\$ 2,169</u>	<u>\$ 1,360</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, 2018
(in thousands)

Exhibit C - 11

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,961	\$ 1,706	\$ (255)
Total revenues	<u>1,961</u>	<u>1,706</u>	<u>(255)</u>
Expenditures:			
School Reserve grants	1,961	2,324	(363)
Total expenditures	<u>1,961</u>	<u>2,324</u>	<u>(363)</u>
Deficiency of revenues under expenditures		<u>(618)</u>	<u>(618)</u>
Net change in fund balance		(618)	(618)
Fund balance at beginning of year	1,178	821	(357)
Fund balance at end of year	<u>\$ 1,178</u>	<u>\$ 203</u>	<u>\$ (975)</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, 2018
(in thousands)

Exhibit C - 12

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,193	\$ 2,600	\$ 407
Charges for services		1	1
Fines and forfeits		8	8
Investment earnings	19	35	16
Miscellaneous	31	14	(17)
Total revenues	<u>2,243</u>	<u>2,658</u>	<u>415</u>
Expenditures:			
Environmental Quality	<u>3,500</u>	<u>3,024</u>	<u>476</u>
Total expenditures	<u>3,500</u>	<u>3,024</u>	<u>476</u>
Deficiency of revenues under expenditures	<u>(1,257)</u>	<u>(366)</u>	<u>891</u>
Other financing sources			
Transfers in	<u>707</u>	<u>709</u>	<u>2</u>
Total other financing sources	<u>707</u>	<u>709</u>	<u>2</u>
Net change in fund balance	(550)	343	893
Fund balance at beginning of year	<u>2,735</u>	<u>2,999</u>	<u>264</u>
Fund balance at end of year	<u>\$ 2,185</u>	<u>\$ 3,342</u>	<u>\$ 1,157</u>

PIMA COUNTY, ARIZONA

Exhibit C - 13

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Waste Tire - Special Revenue Fund
 For the Year Ended June 30, 2018
 (in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,100	\$ 1,267	\$ 167
Investment earnings	8	18	10
Total revenues	<u>1,108</u>	<u>1,285</u>	<u>177</u>
Expenditures:			
Sanitation	<u>1,308</u>	<u>1,100</u>	<u>208</u>
Total expenditures	<u>1,308</u>	<u>1,100</u>	<u>208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200)</u>	<u>185</u>	<u>385</u>
Net change in fund balance	(200)	185	385
Fund balance at beginning of year	1,431	1,525	94
Fund balance at end of year	<u>\$ 1,231</u>	<u>\$ 1,710</u>	<u>\$ 479</u>

PIMA COUNTY, ARIZONA

Exhibit C - 14

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Library District - Special Revenue Fund
For the Year Ending June 30, 2018
(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 40,384	\$ 40,437	\$ 53
Intergovernmental	237	161	(76)
Charges for services	280	282	2
Fines and forfeits	600	500	(100)
Investment earnings	40	140	100
Miscellaneous	505	575	70
Total revenues	<u>42,046</u>	<u>42,095</u>	<u>49</u>
Expenditures:			
Culture and recreation	42,234	37,708	4,526
Total expenditures	<u>42,234</u>	<u>37,708</u>	<u>4,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(188)</u>	<u>4,387</u>	<u>4,575</u>
Other financing uses:			
Transfers (out)	(4,921)	(3,728)	1,193
Total other financing uses	<u>(4,921)</u>	<u>(3,728)</u>	<u>1,193</u>
Net change in fund balance	(5,109)	659	5,768
Fund balance at beginning of year	8,309	14,368	6,059
Fund balance at end of year	<u>\$ 3,200</u>	<u>\$ 15,027</u>	<u>\$ 11,827</u>

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, 2018
(in thousands)

Exhibit C - 15

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,537	\$ 1,601	\$ 64
Charges for services	845	1,241	396
Investment earnings	5	2	(3)
Miscellaneous	<u>7</u>	<u>7</u>	<u>7</u>
Total revenues	<u>2,387</u>	<u>2,851</u>	<u>464</u>
Expenditures:			
Culture and recreation	<u>5,612</u>	<u>5,407</u>	<u>205</u>
Total expenditures	<u>5,612</u>	<u>5,407</u>	<u>205</u>
Deficiency of revenues under expenditures	<u>(3,225)</u>	<u>(2,556)</u>	<u>669</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		1	1
Transfers in	4,820	4,642	(178)
Transfers (out)	<u>(2,865)</u>	<u>(2,865)</u>	<u></u>
Total other financing sources	<u>1,955</u>	<u>1,778</u>	<u>(177)</u>
Net change in fund balance	(1,270)	(778)	492
Fund balance at beginning of year	<u>(2,900)</u>	<u>(2,709)</u>	<u>191</u>
Fund balance at end of year	<u>\$ (4,170)</u>	<u>\$ (3,487)</u>	<u>\$ 683</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Street Lighting Districts - Special Revenue Fund
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 16

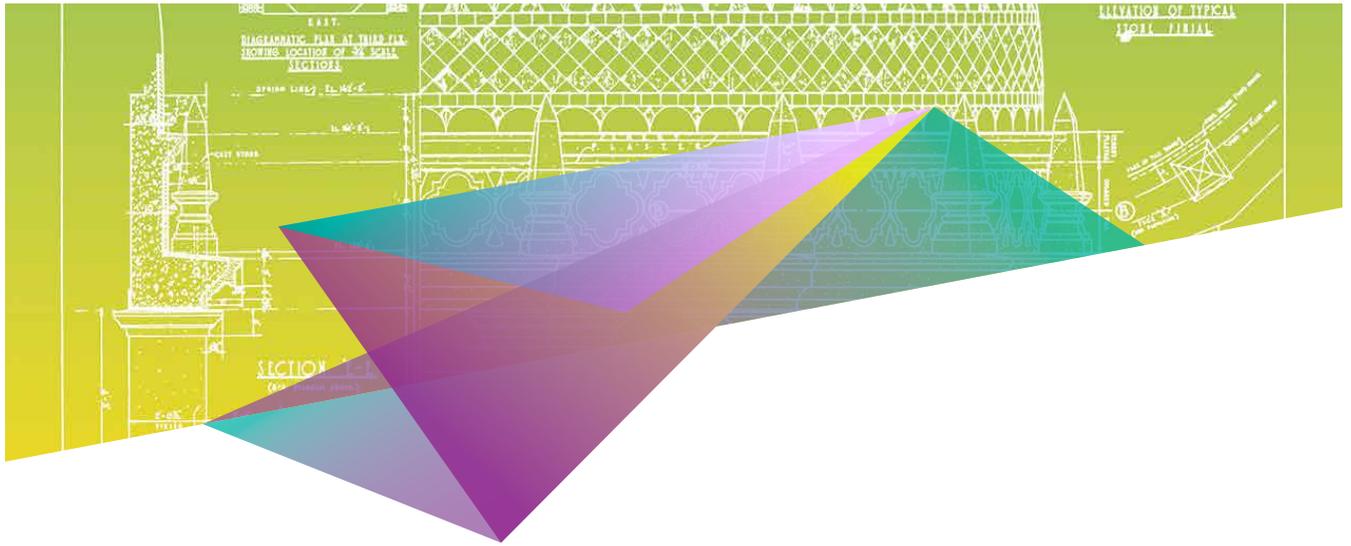
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 149	\$ 149	
Investment earnings		1	\$ 1
Total revenues	<u>149</u>	<u>150</u>	<u>1</u>
Expenditures:			
General government	170	194	(24)
Total expenditures	<u>170</u>	<u>194</u>	<u>(24)</u>
Deficiency of revenues under expenditures	<u>(21)</u>	<u>(44)</u>	<u>(23)</u>
Net change in fund balance	(21)	(44)	(23)
Fund balance at beginning of year		115	115
Fund balance at end of year	<u>\$ (21)</u>	<u>\$ 71</u>	<u>\$ 92</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Rocking K South CFD - Special Revenue Fund
For the Year Ending June 30, 2018
(in thousands)

Exhibit C - 17

	Budget	Actual	Variance
Revenues:			
Property taxes			
Investment earnings			
Miscellaneous			
Total revenues			
Expenditures:			
Education and economic opportunity	\$ 50	\$ 8	\$ 42
Total expenditures	50	8	42
Deficiency of revenues under expenditures	(50)	(8)	42
Other financing sources:			
Proceeds from sale of debt	100		(100)
Transfers in		30	30
Total other financing sources	100	30	(70)
Net change in fund balance	50	22	(28)
Fund balance at beginning of year		(1)	(1)
Fund balance at end of year	\$ 50	\$ 21	\$ (29)

(This page is intentionally blank)



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, 2018
(in thousands)

Exhibit C - 18

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,202	\$ 1,969	\$ 7,171
Interest receivable	9	3	12
Due from other funds	23		23
Accounts receivable	109	32	141
Prepaid expense	9		9
Total current assets	<u>5,352</u>	<u>2,004</u>	<u>7,356</u>
Noncurrent assets:			
Net other postemployment benefits asset:	18	1	19
Capital assets:			
Land		1,768	1,768
Buildings and improvements		27,608	27,608
Equipment	18	2,356	2,374
Less accumulated depreciation	(18)	(12,077)	(12,095)
Total capital assets (net)	<u> </u>	<u>19,655</u>	<u>19,655</u>
Total noncurrent assets	<u>18</u>	<u>19,656</u>	<u>19,674</u>
Total assets	<u>5,370</u>	<u>21,660</u>	<u>27,030</u>
Deferred outflows of resources			
Pension/OPEB	636	37	673
Total deferred outflows of resources	<u>636</u>	<u>37</u>	<u>673</u>
Liabilities			
Current liabilities:			
Accounts payable	61	337	398
Employee compensation	97	5	102
Due to other governments		52	52
Unearned revenue		6	6
Compensated absences payable	256	12	268
Total current liabilities	<u>414</u>	<u>412</u>	<u>826</u>
Noncurrent liabilities:			
Compensated absences payable	114		114
Net Pension/OPEB liability	5,204	299	5,503
Total noncurrent liabilities	<u>5,318</u>	<u>299</u>	<u>5,617</u>
Total liabilities	<u>5,732</u>	<u>711</u>	<u>6,443</u>
Deferred inflows of resources			
Pension/OPEB	449	26	475
Total deferred inflows of resources	<u>449</u>	<u>26</u>	<u>475</u>
Net position			
Net investment in capital assets		19,655	19,655
Unrestricted (deficit)	(175)	1,305	1,130
Total net position	<u>\$ (175)</u>	<u>\$ 20,960</u>	<u>\$ 20,785</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 19

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 8,791	\$ 2,524	\$ 11,315
Other	27	18	45
Total operating revenues	<u>8,818</u>	<u>2,542</u>	<u>11,360</u>
Operating expenses:			
Employee compensation	3,581	430	4,011
Operating supplies and services	32	101	133
Repair and maintenance	26	199	225
General and administrative	1,695	1,231	2,926
Consultants and professional services	189	69	258
Depreciation	791	791	791
Total operating expenses	<u>5,523</u>	<u>2,821</u>	<u>8,344</u>
Operating income (loss)	<u>3,295</u>	<u>(279)</u>	<u>3,016</u>
Nonoperating revenues:			
Investment earnings	100	21	121
Total nonoperating revenues	<u>100</u>	<u>21</u>	<u>121</u>
Income (loss) before transfers	3,395	(258)	3,137
Transfers in	97		97
Transfers (out)	<u>(796)</u>	<u>(639)</u>	<u>(1,435)</u>
Change in net position	2,696	(897)	1,799
Net position at beginning of year, as restated	<u>(2,871)</u>	<u>21,857</u>	<u>18,986</u>
Net position at end of year	<u>\$ (175)</u>	<u>\$ 20,960</u>	<u>\$ 20,785</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 20

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers for goods and services provided	\$ 8,832	\$ 2,551	\$ 11,383
Cash payments to suppliers for goods and services	(378)	(1,386)	(1,764)
Cash payments to other funds for goods and services	(1,560)	(159)	(1,719)
Cash payments to employees for services	(4,376)	(447)	(4,823)
Net cash provided by operating activities	2,518	559	3,077
Cash flows from noncapital financing activities:			
Cash transfers in from other funds	97		97
Cash transfers out to other funds	(796)	(639)	(1,435)
Loans with other funds	26		26
Net cash used for noncapital financing activities	(673)	(639)	(1,312)
Cash flows from capital and related financing activities:			
Purchase of capital assets		(121)	(121)
Net cash used for capital and related financing activities		(121)	(121)
Cash flows from investing activities:			
Interest received on cash and investments	93	20	113
Net cash provided by investing activities	93	20	113
Net increase (decrease) in cash and cash equivalents	1,938	(181)	1,757
Cash and cash equivalents at beginning of year	3,264	2,150	5,414
Cash and cash equivalents at end of year	\$ 5,202	\$ 1,969	\$ 7,171

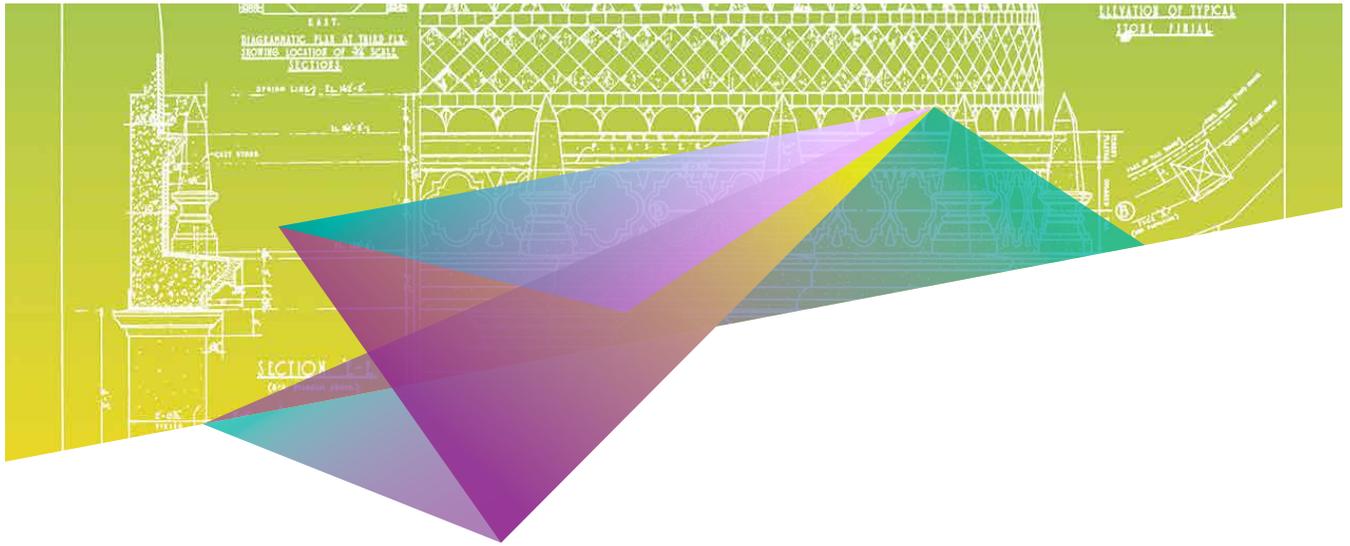
(continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 20.1

(continued)

Reconciliation of operating income (loss) to net cash provided by operating activities	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
	\$	\$	\$
Operating income (loss)	3,295	(279)	3,016
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		791	791
Changes in assets and deferred outflows of resources:			
Decrease (increase) in assets:			
Accounts receivable	14	(2)	12
Due from other governments		6	6
Prepaid expense	(2)		(2)
Net OPEB asset	(18)	(1)	(19)
Increase in deferred outflows of resources:			
Pension/OPEB plans	475	19	494
Changes in liabilities and deferred inflows of resources:			
Increase (decrease) in liabilities:			
Accounts payable	6	102	108
Due to other governments		(47)	(47)
Net Pension/OPEB liability	(847)	(14)	(861)
Other liabilities	61	6	67
Decrease in deferred inflows of resources:			
Pension/OPEB plans	(466)	(22)	(488)
Net cash provided by operating activities	\$ 2,518	\$ 559	\$ 3,077



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 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, 2018
(in thousands)

Exhibit C - 21

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 79,898	\$ 28,189	\$ 41,050	\$ 3,912	\$ 153,049
Interest receivable	33	10	27	8	78
Due from other governments				6	6
Accounts receivable	9	27	55	293	384
Inventory		615		321	936
Prepaid expense	785	14	13	9,881	10,693
Total current assets	<u>80,725</u>	<u>28,855</u>	<u>41,145</u>	<u>14,421</u>	<u>165,146</u>
Noncurrent assets:					
Net OPEB	6	13	4	21	44
Capital assets:					
Land	449				449
Buildings and improvements		21,656		224	21,880
Equipment	218	48,070		15,797	64,085
Less accumulated depreciation	(184)	(26,113)		(7,955)	(34,252)
Construction in progress		177		420	597
Total capital assets (net)	<u>483</u>	<u>43,790</u>	<u> </u>	<u>8,486</u>	<u>52,759</u>
Total noncurrent assets	<u>489</u>	<u>43,803</u>	<u>4</u>	<u>8,507</u>	<u>52,803</u>
Total assets	<u>81,214</u>	<u>72,658</u>	<u>41,149</u>	<u>22,928</u>	<u>217,949</u>
Deferred outflows of resources					
Pension/OPEB	220	439	123	2,715	3,497
Total deferred outflows of resources	<u>220</u>	<u>439</u>	<u>123</u>	<u>2,715</u>	<u>3,497</u>
Liabilities					
Current liabilities:					
Accounts payable	385	1,885	152	5,150	7,572
Employee compensation	30	63	17	113	223
Due to other funds	103			4	107
Unearned revenue	2				2
Compensated absences	75	146	43	282	546
Reported but unpaid losses	3,834		668		4,502
Incurred but not reported losses	2,263		3,787		6,050
Total current liabilities	<u>6,692</u>	<u>2,094</u>	<u>4,667</u>	<u>5,549</u>	<u>19,002</u>
Noncurrent liabilities:					
Compensated absences payable	6	108	4	139	257
Reported but unpaid losses	17,268		7		17,275
Incurred but not reported losses	11,692		38		11,730
Net Pension/OPEB liability	1,797	3,594	1,011	6,027	12,429
Total noncurrent liabilities	<u>30,763</u>	<u>3,702</u>	<u>1,060</u>	<u>6,166</u>	<u>41,691</u>
Total liabilities	<u>37,455</u>	<u>5,796</u>	<u>5,727</u>	<u>11,715</u>	<u>60,693</u>
Deferred inflows of resources					
Pension/OPEB	155	310	87	521	1,073
Total deferred inflows of resources	<u>155</u>	<u>310</u>	<u>87</u>	<u>521</u>	<u>1,073</u>
Net position					
Net investment in capital assets	483	43,790		8,486	52,759
Restricted for:					
Healthcare			35,458		35,458
Unrestricted	43,341	23,201		4,921	71,463
Total net position	<u>\$ 43,824</u>	<u>\$ 66,991</u>	<u>\$ 35,458</u>	<u>\$ 13,407</u>	<u>\$ 159,680</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 22

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 17,420	\$ 21,614	\$ 67,448	\$ 23,172	\$ 129,654
Other	357	131	1,700	574	2,762
Total operating revenues	<u>17,777</u>	<u>21,745</u>	<u>69,148</u>	<u>23,746</u>	<u>132,416</u>
Operating expenses:					
Employee compensation	1,985	3,192	916	6,643	12,736
Operating supplies and services	213	4,928	5	5,003	10,149
Incurred losses	7,139		52,892		60,031
Insurance premiums	3,662	1,193	5,051	30	9,936
General and administrative	1,480	1,645	649	9,982	13,756
Repair and maintenance	293	1,397		147	1,837
Consultants and professional services	899	54	3,714	2,155	6,822
Depreciation	9	4,571		1,409	5,989
Total operating expenses	<u>15,680</u>	<u>16,980</u>	<u>63,227</u>	<u>25,369</u>	<u>121,256</u>
Operating income (loss)	<u>2,097</u>	<u>4,765</u>	<u>5,921</u>	<u>(1,623)</u>	<u>11,160</u>
Nonoperating revenues					
Investment earnings	820	262	394	41	1,517
Gain on disposal of capital assets		56			56
Total nonoperating revenues	<u>820</u>	<u>318</u>	<u>394</u>	<u>41</u>	<u>1,573</u>
Income (loss) before contributions and transfers	2,917	5,083	6,315	(1,582)	12,733
Capital contributions		143		132	275
Transfers in				568	568
Transfers (out)	(242)	(2,206)		(13)	(2,461)
Change in net position	2,675	3,020	6,315	(895)	11,115
Net position at beginning of year, as restated	<u>41,149</u>	<u>63,971</u>	<u>29,143</u>	<u>14,302</u>	<u>148,565</u>
Net position at end of year	<u>\$ 43,824</u>	<u>\$ 66,991</u>	<u>\$ 35,458</u>	<u>\$ 13,407</u>	<u>\$ 159,680</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 23

	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	\$ 17,420	\$ 21,614	\$ 67,448	\$ 23,172	\$ 129,654
Cash received from miscellaneous operations	349	121	1,706	310	2,486
Cash payments to suppliers for goods and services	(6,614)	(6,371)	(9,412)	(13,701)	(36,098)
Cash payments to other funds for goods and services	(1,450)	(2,378)	(617)	(884)	(5,329)
Cash payments for incurred losses	(7,553)		(52,592)		(60,145)
Cash payments to employees for services	(2,078)	(3,304)	(849)	(5,737)	(11,968)
Net cash provided by operating activities	<u>74</u>	<u>9,682</u>	<u>5,684</u>	<u>3,160</u>	<u>18,600</u>
Cash flows from noncapital financing activities:					
Cash transfers in from other funds				568	568
Cash transfers out to other funds	(139)	(2,206)	(4)	(13)	(2,362)
Loans with other funds	3,400		(3,400)	4	4
Net cash provided by (used for) noncapital financing activities	<u>3,261</u>	<u>(2,206)</u>	<u>(3,404)</u>	<u>559</u>	<u>(1,790)</u>
Cash flows from capital and related financing activities:					
Proceeds from sale of capital assets		151			151
Purchase of capital assets		(6,590)		(2,374)	(8,964)
Net cash used for capital and related financing activities		<u>(6,439)</u>		<u>(2,374)</u>	<u>(8,813)</u>
Cash flows from investing activities:					
Interest received on cash and investments	805	259	380	34	1,478
Net cash provided by investing activities	<u>805</u>	<u>259</u>	<u>380</u>	<u>34</u>	<u>1,478</u>
Net increase in cash and cash equivalents	4,140	1,296	2,660	1,379	9,475
Cash and cash equivalents at beginning of year	75,758	26,893	38,390	2,533	143,574
Cash and cash equivalents at end of year	<u>\$ 79,898</u>	<u>\$ 28,189</u>	<u>\$ 41,050</u>	<u>\$ 3,912</u>	<u>\$ 153,049</u>

(continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 23.1

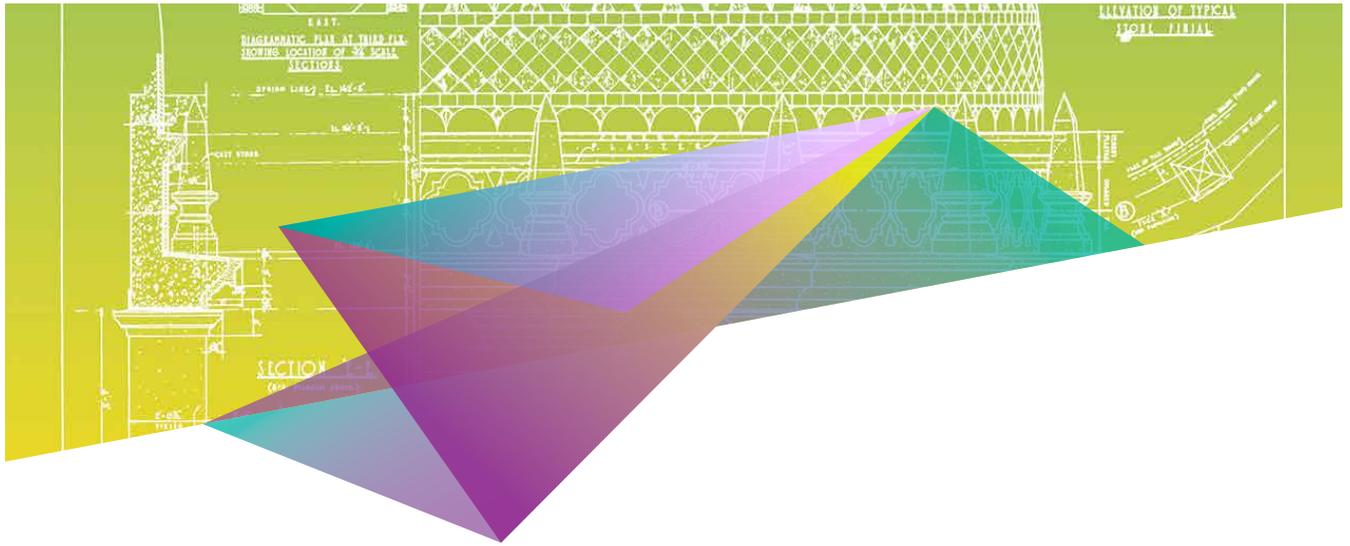
(continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
	<u>\$ 2,097</u>	<u>\$ 4,765</u>	<u>\$ 5,921</u>	<u>\$(1,623)</u>	<u>\$ 11,160</u>
Operating income (loss)					
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	9	4,571		1,409	5,989
Changes in assets and deferred outflows of resources:					
Decrease (increase) in assets:					
Accounts receivable	(8)	(10)	6	(263)	(275)
Due from other governments				(1)	(1)
Inventory and other assets		(132)		(75)	(207)
Prepaid expense	23	(8)		49	64
Net OPEB assets	(6)	(13)	(4)	(21)	(44)
Increase in deferred outflows of resources:					
Pension/OPEB plans	126	239	50	2,167	2,582
Changes in liabilities and deferred inflows of resources:					
Increase (decrease) in liabilities:					
Accounts payable	(1,540)	608	(610)	2,758	1,216
Reported but unpaid losses	(1,554)		45		(1,509)
Incurred but not reported losses	1,140		255		1,395
Net pension/OPEB liability	(90)	(100)	68	(810)	(932)
Other liabilities	7	10	8	83	108
Increase in deferred inflows of resources:					
Pension/OPEB plans	(130)	(248)	(55)	(513)	(946)
Net cash provided by operating activities	<u>\$ 74</u>	<u>\$ 9,682</u>	<u>\$ 5,684</u>	<u>\$ 3,160</u>	<u>\$ 18,600</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2018:

Fleet Services sold capital assets with a net book value of \$95, received capital contributions with a value of \$19 from General Government and received a donation of capital assets with a net book value of \$35.

Other Internal Services received a transfer of capital assets with a net book value of \$132 from General Government.



COMBINING STATEMENTS AND OTHER SCHEDULES

Fiduciary Funds

PIMA COUNTY, ARIZONA
 Combining Statement of Fiduciary Net Position
 Investment Trust Funds
 June 30, 2018
 (in thousands)

Exhibit C - 24

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 72,737	\$ 99,502	\$ 172,239
Interest receivable	192		192
Total assets	\$ 72,929	\$ 99,502	\$ 172,431
<u>Liabilities</u>			
Total liabilities			
<u>Net position</u>			
Held in trust for pool participants	\$ 72,929	\$ 99,502	\$ 172,431

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 25

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions			
Contributions from participants	\$ 1,878,025	\$ 106,809	\$ 1,984,834
Total contributions	<u>1,878,025</u>	<u>106,809</u>	<u>1,984,834</u>
Investment earnings	1,552	1,416	2,968
Total investment earnings	<u>1,552</u>	<u>1,416</u>	<u>2,968</u>
Total additions	<u>1,879,577</u>	<u>108,225</u>	<u>1,987,802</u>
Deductions			
Distributions to participants	1,917,416	107,272	2,024,688
Total deductions	<u>1,917,416</u>	<u>107,272</u>	<u>2,024,688</u>
Change in net position	(37,839)	953	(36,886)
Net position held in trust July 1, 2017	110,768	98,549	209,317
Net position held in trust June 30, 2018	<u>\$ 72,929</u>	<u>\$ 99,502</u>	<u>\$ 172,431</u>

PIMA COUNTY, ARIZONA
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2018
(in thousands)

Exhibit C - 26

	Payroll Clearing	Treasurer's Clearing	Other	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 2,869	\$ 4,287	\$ 78,153	\$ 85,309
Due from other governments		1,611		1,611
Total assets	2,869	5,898	78,153	86,920
<u>Liabilities</u>				
Employee compensation	2,869			2,869
Due to other governments			56,613	56,613
Deposits and rebates		5,898	21,540	27,438
Total liabilities	\$ 2,869	\$ 5,898	\$ 78,153	\$ 86,920

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Position
Agency Funds
For the Year Ended June 30, 2018
(in thousands)

Exhibit C - 27

	Balance 6/30/2017	Additions	Deductions	Balance 6/30/2018
Payroll Clearing				
Assets				
Cash and cash equivalents	\$ 1,237	\$ 315,766	\$ 314,134	\$ 2,869
Total assets	<u>1,237</u>	<u>315,766</u>	<u>314,134</u>	<u>2,869</u>
Liabilities				
Employee compensation	1,237	315,766	314,134	2,869
Total liabilities	<u>1,237</u>	<u>315,766</u>	<u>314,134</u>	<u>2,869</u>
Treasurer's Clearing				
Assets				
Cash and cash equivalents	3,530	1,992,139	1,991,382	4,287
Due from other governments	866	745		1,611
Total assets	<u>4,396</u>	<u>1,992,884</u>	<u>1,991,382</u>	<u>5,898</u>
Liabilities				
Due to other governments		1,421,561	1,421,561	
Deposits and rebates	4,396	571,323	569,821	5,898
Total liabilities	<u>4,396</u>	<u>1,992,884</u>	<u>1,991,382</u>	<u>5,898</u>
Other				
Assets				
Cash and cash equivalents	58,835	274,695	255,377	78,153
Total assets	<u>58,835</u>	<u>274,695</u>	<u>255,377</u>	<u>78,153</u>
Liabilities				
Due to other governments	34,141	235,296	212,824	56,613
Deposits and rebates	24,694	39,399	42,553	21,540
Total liabilities	<u>58,835</u>	<u>274,695</u>	<u>255,377</u>	<u>78,153</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	63,602	2,582,600	2,560,893	85,309
Due from other governments	866	745		1,611
Total assets	<u>64,468</u>	<u>2,583,345</u>	<u>2,560,893</u>	<u>86,920</u>
Liabilities				
Employee compensation	1,237	315,766	314,134	2,869
Due to other governments	34,141	1,656,857	1,634,385	56,613
Deposits and rebates	29,090	610,722	612,374	27,438
Total liabilities	<u>\$ 64,468</u>	<u>\$ 2,583,345</u>	<u>\$ 2,560,893</u>	<u>\$ 86,920</u>



INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

- Financial Trends Information
 - Revenue Capacity Information
 - Debt Capacity Information
 - Demographic and Economic Information
 - Operating Information
-



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)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 972,346	\$1,048,821	\$1,136,033	\$ 1,245,227	\$ 1,308,057	\$ 1,354,456	\$ 1,385,996	\$ 1,376,761	\$ 1,429,607	\$ 1,452,111
Restricted for:										
Special revenue	78,080	64,991	64,446	103,592	100,423	61,936	60,285	58,269	66,828	68,636
Highways and streets	21,349	25,749	32,906	32,322	27,033	10,988	8,039	8,269	5,416	28,365
Debt service	44,566									
Capital projects	59,945	57,939	60,381	30,224	9,853	66,885	64,612	62,386	76,278	80,619
Healthcare	34,850	3,405	4,074	1,360	1,163	3,591	28,610	34,342	40,686	44,032
Unrestricted (deficit)		149,966	164,606	157,315	145,618	84,514	(507,127)	(494,395)	(503,936)	(530,353)
Total governmental activities net position	\$ 1,211,136	\$1,350,871	\$1,462,446	\$ 1,570,040	\$ 1,592,147	\$ 1,582,370	\$ 1,040,415	\$ 1,045,632	\$ 1,114,879	\$ 1,143,410
Business-type activities										
Net investment in capital assets	539,718	550,540	575,525	564,561	531,945	586,868	592,351	636,369	654,168	686,418
Restricted for:										
Debt service	819	13,454	12,567	22,538	29,100	31,615	36,683	36,666	38,247	40,271
Capital projects	14,479	11,623	24,236	31,680	42,841	22,720	7,980	3,440	1,667	2,267
Regional Wastewater	5,883	16,110	17,161	18,449	17,785	18,820	19,419	19,223	19,668	19,351
Healthcare	9,017	15,943	23,562							
Unrestricted	34,477	29,914	33,448	66,470	101,759	117,425	87,010	88,906	75,231	56,307
Total business-type activities net position	\$ 604,393	\$ 637,584	\$ 686,499	\$ 703,698	\$ 723,430	\$ 777,448	\$ 743,443	\$ 784,604	\$ 788,981	\$ 804,614
Primary government										
Net investment in capital assets	1,512,064	1,599,361	1,711,558	1,809,788	1,840,002	1,941,324	1,978,347	2,013,130	2,083,775	2,138,529
Restricted for:										
Facilities, justice, library, tax stabilization and community development	78,080	64,991	64,446	103,592	100,423	61,936	60,285	58,269	66,828	68,636
Highways and streets	21,349	25,749	32,906	32,322	27,033	10,988	8,039	8,269	5,416	28,365
Debt service	45,385	13,454	12,567	22,538	29,100	31,615	36,683	36,666	38,247	40,271
Capital projects	74,424	69,562	84,617	61,904	52,694	89,605	72,592	65,826	77,945	82,886
Regional Wastewater	5,883	16,110	17,161	18,449	17,785	18,820	19,419	19,223	19,668	19,351
Healthcare	9,017	19,348	27,636	1,360	1,163	3,591	28,610	34,342	40,686	44,032
Unrestricted (deficit)	69,327	179,880	198,054	223,785	247,377	201,939	(420,117)	(405,489)	(428,705)	(474,046)
Total primary government net position	\$ 1,815,529	\$1,988,455	\$2,148,945	\$ 2,273,738	\$ 2,315,577	\$ 2,359,818	\$ 1,783,858	\$ 1,830,236	\$ 1,903,860	\$ 1,948,024

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
Changes in Net Position
Last Ten Fiscal Years
(in thousands)
(accrual basis of accounting)

Exhibit D-2

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 212,196	\$ 218,504	\$ 218,843	\$ 223,005	\$ 233,984	\$ 230,742	\$ 259,734	\$ 267,658	\$ 260,251	\$ 279,678
Public safety	149,253	145,697	146,395	150,349	166,476	188,782	188,189	201,759	214,648	214,460
Highways and streets	79,251	68,691	73,348	69,183	80,087	93,675	85,618	102,461	86,886	110,159
Sanitation	7,434	6,669	6,208	7,224	6,409	4,252	(4,882)	3,089	5,195	2,683
Health	31,541	33,086	36,475	47,248	36,540	36,085	38,219	38,386	39,454	38,186
Welfare	115,513	87,107	90,521	94,409	95,428	93,224	93,524	88,515	90,013	94,567
Culture and recreation	60,520	61,642	67,063	61,900	65,341	63,961	62,981	65,770	68,350	65,827
Education and economic opportunity	46,770	52,023	56,626	55,126	49,924	35,756	35,051	35,833	36,658	43,492
Amortization-allocated	(2,35)	428	(2,625)	805	(286)	(5,758)	(6,237)	(6,862)	(9,348)	(7,806)
Interest on long-term debt	26,780	26,403	26,078	24,776	23,915	27,994	27,696	27,464	27,066	23,049
Total governmental activities expenses	729,023	700,250	718,932	734,025	757,818	768,713	779,893	824,073	819,173	864,295
Business-type activities:										
Regional Wastewater Reclamation	105,139	110,618	113,495	117,774	144,085	145,117	184,884	155,566	155,257	148,405
Prima Health System & Services	224,959	204,619	200,305	58,773					6,091	5,523
Development Services	9,992	7,924	6,982	6,912	7,231	6,796	6,888	6,691	2,840	2,821
Parking Garages	1,696	1,906	1,538	1,988	1,825	1,877	1,814	2,350		
Total business-type activities expenses	341,786	325,067	322,320	185,447	153,141	153,790	193,586	164,607	164,188	156,749
Total primary government expenses	\$ 1,070,809	\$ 1,025,317	\$ 1,041,252	\$ 919,472	\$ 910,959	\$ 922,503	\$ 973,479	\$ 988,680	\$ 983,361	\$ 1,021,044
Program revenues										
Governmental activities:										
Changes for services										
General government	26,283	31,050	27,802	30,444	28,910	27,355	27,974	27,149	28,331	27,713
Public safety	10,386	10,218	9,034	12,047	10,238	14,846	12,883	12,733	13,657	13,737
Highways and streets	4,616	5,317	4,891	5,059	6,511	6,307	6,136	5,263	6,696	8,356
Sanitation	4,668	3,378	3,699	3,487	3,577	31				
Health	10,488	11,003	11,436	12,605	12,495	13,259	12,894	13,437	13,831	13,727
Welfare	2,754	2,532	2,191	2,254	320	80	200	50		
Culture and recreation	691	749	1,024	1,008	2,865	2,548	3,144	2,855	3,876	3,266
Education and economic opportunity	131,361	142,840	136,472	143,388	116,121	113,129	126,862	127,536	130,049	131,222
Operating grants and contributions	68,535	65,820	65,030	47,528	59,298	54,383	42,579	45,579	37,502	26,842
Capital grants and contributions	259,782	272,907	261,579	257,820	241,879	232,568	233,240	235,147	234,535	225,444
Subtotal governmental activities program revenues	\$ 259,782	\$ 272,907	\$ 261,579	\$ 257,820	\$ 241,879	\$ 232,568	\$ 233,240	\$ 235,147	\$ 234,535	\$ 225,444

(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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Business-type activities:										
Charges for services										
Regional Wastewater Reclamation	\$ 105,162	\$ 127,889	\$ 148,010	\$ 154,601	\$ 156,573	\$ 171,650	\$ 172,597	\$ 167,856	\$ 170,255	\$ 176,108
Pima Health System & Services	216,108	205,176	207,652	58,722						
Development Services	5,886	5,688	6,073	6,073	6,519	7,553	6,324	6,212	8,076	8,791
Parking Garages	1,676	1,985	2,071	2,083	2,073	2,362	2,271	2,209	2,399	2,524
Operating grants and contributions	4,626	4,421	4,691	1,275			35			
Capital grants and contributions	14,916	9,319	4,192	2,676	3,914	6,807	5,854	7,297	5,119	7,354
Total business-type activities program revenues	348,142	354,676	372,304	225,430	169,079	188,372	187,081	183,609	185,849	194,777
Total primary government program revenues	607,924	627,583	633,883	483,250	410,958	420,940	420,321	418,756	420,384	420,221
Net (expense) revenue										
Governmental activities	(469,241)	(427,343)	(457,353)	(476,205)	(515,939)	(536,145)	(546,653)	(588,926)	(584,638)	(638,851)
Business-type activities	6,356	29,609	49,984	39,983	15,938	34,582	(6,505)	19,002	21,661	38,028
Total governmental activities net expense	(462,885)	(397,734)	(407,369)	(436,222)	(500,001)	(501,563)	(553,158)	(569,924)	(562,977)	(600,823)
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	393,255	416,500	416,985	394,963	383,508	378,032	423,538	444,194	453,004	476,365
Hotel/motel taxes	6,591	5,688	5,591	6,285	6,076	6,262	6,155	6,620	6,885	6,569
Other taxes levied for stadium district	1,534	1,515	1,538	1,608	1,524	1,509	1,536	1,614	1,590	1,612
Shared sales tax	89,177	84,767	88,631	93,123	97,685	101,605	105,522	107,966	111,922	118,702
Shared vehicle licenses	25,869	24,203	23,173	23,537	22,043	23,899	24,976	26,302	27,761	28,933
Unrestricted grants and contributions	5,741	4,081	4,527	4,268	3,207	5,035	4,562	4,199	4,733	4,733
Interest and penalties on delinquent taxes	6,123	7,940	8,125	8,235	7,439	6,976	6,164	5,590	6,504	5,157
Investment earnings	5,875	5,266	2,153	3,416	2,627	2,955	1,931	3,268	3,297	5,549
Miscellaneous	21,323	16,579	13,555	22,676	21,267	16,810	16,889	15,712	17,731	18,381
Capital contributions	1,140									
Gain on sale of capital assets	4,005	538	4,650	25,688	(7,330)	(16,715)	(17,133)	(20,190)	20,146	25,393
Transfers	560,633	567,077	568,928	583,799	538,046	526,368	574,140	595,275	653,390	691,394
Total governmental activities	1,140	538	4,650	25,688	(7,330)	(16,715)	(17,133)	(20,190)	20,146	25,393
Business-type activities:										
Investment earnings	2,025	1,236	900	1,001	1,017	1,237	903	1,291	1,512	2,228
Miscellaneous	2,394	2,884	2,681	1,903	580	1,484	549	678	1,350	763
Capital contributions	(4,005)	(538)	(4,650)	(25,688)	7,330	16,715	17,133	20,190	(20,146)	(25,393)
Transfers	414	3,582	(1,069)	(22,784)	8,927	19,436	18,585	22,159	(17,284)	(22,402)
Total business-type activities	561,047	570,659	567,859	561,015	546,973	545,804	592,725	617,434	636,106	668,992
Total primary government	91,392	139,734	111,575	107,594	22,107	(9,777)	27,487	6,349	68,752	52,543
Change in net position:	6,770	33,191	48,915	17,199	24,865	54,018	12,080	41,161	4,377	15,626
Business-type activities	98,162	172,925	160,490	124,793	46,972	44,241	39,567	47,510	73,129	68,169
Total primary government	\$ 98,162	\$ 172,925	\$ 160,490	\$ 124,793	\$ 46,972	\$ 44,241	\$ 39,567	\$ 47,510	\$ 73,129	\$ 68,169

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 4,363									
Unreserved	35,803									
Nonspendable ¹		\$ 4,089	\$ 3,315	\$ 2,720	\$ 3,848	\$ 5,278	\$ 4,053	\$ 2,931	\$ 4,318	\$ 4,566
Restricted		522	336	333						
Committed										
Assigned		3,093	357	118	158	181	194	201	80	101
Unassigned		73,837	73,547	77,596	56,526	42,731	47,878	77,550	97,638	108,825
Total General Fund	<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>	<u>102,036</u>	<u>113,492</u>
All other governmental funds										
Reserved	39,139									
Unreserved, reported in:										
Special revenue funds	86,121									
Nonspendable ¹		2,011	2,011	1,550	1,939	1,894	2,515	2,323	2,496	2,676
Restricted		82,957	94,567	105,468	76,570	60,984	53,155	57,141	62,263	90,924
Committed		15,305	37,978	10,264	7,746	6,308	6,320	6,962	2,821	1,972
Assigned		3,221	4,368	16,682	23,784	4,204	3,769	3,289	9,421	4,747
Unassigned		(5,793)	(9,180)	(9,013)	(8,385)	(6,536)	(4,770)	(9,097)	(7,006)	(7,690)
Capital projects funds	126,821									
Nonspendable ¹		18	12							
Restricted		124,830	112,668	157,688	187,855	145,256	126,827	104,274	96,228	136,889
Committed		1,487	6,639	7,234	6,958	3,836	3,065	1,508	209	9,492
Assigned		52	(791)	(3,553)	(83)	(80)	(57)	195		
Unassigned		(227)								
Debt service: Assigned ¹		40,868	35,903	28,298	25,640	7,848	8,424	6,656	3,127	5,004
Total other governmental funds	<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>	<u>\$ 169,559</u>	<u>\$ 244,014</u>

Note:
¹ Due to implementation of GASB 54 in FY 2009-10 categories regarding fund balances have been redefined. See Note 1, page xx for details. See Note 4, page xx 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 396,241	\$ 423,443	\$ 421,623	\$ 407,711	\$ 391,630	\$ 385,829	\$ 431,371	\$ 450,054	\$ 460,312	\$ 481,222
Special assessments	441	536	330	245						
Licenses and permits	6,989	7,791	8,494	8,155	8,371	8,275	8,456	8,824	9,305	9,906
Intergovernmental	292,236	296,004	308,219	327,939	301,223	292,082	296,628	314,918	308,555	302,668
Charges for services	55,346	60,376	54,491	56,881	53,521	57,826	60,222	62,258	66,852	63,917
Fines and forfeits	6,283	8,443	6,786	10,249	9,904	8,652	9,509	8,420	8,110	7,526
Investment earnings	5,335	4,612	1,723	2,286	2,282	1,737	1,155	1,812	2,257	4,022
Miscellaneous	22,414	17,442	14,162	24,796	22,182	17,464	15,680	16,835	17,908	19,941
Total revenues	785,285	818,647	815,828	838,262	789,113	771,865	823,021	863,121	873,299	889,202
Expenditures										
General government	222,309	221,144	223,611	236,020	238,582	247,507	256,331	255,639	258,350	257,511
Public safety	144,617	136,744	136,709	145,711	152,373	157,572	161,484	169,292	174,105	172,696
Highways and streets	38,132	34,274	34,614	33,651	35,866	37,772	39,664	45,625	41,523	42,038
Sanitation	6,666	5,657	5,375	6,317	5,328	2,521	2,403	2,237	2,343	2,314
Health	31,626	32,737	36,511	46,672	35,581	35,357	37,787	38,390	39,263	39,182
Welfare	115,481	87,089	90,572	94,360	95,339	93,193	93,418	88,436	89,915	94,594
Culture and recreation	51,657	50,198	49,986	52,103	55,691	56,745	58,710	58,710	64,725	62,070
Education and economic opportunity	42,299	48,402	50,432	47,798	44,299	34,196	34,280	35,121	35,872	40,102
Capital outlay	146,334	162,306	133,203	149,612	174,976	135,746	100,788	70,473	73,922	78,370
Debt service - principal	87,307	76,361	78,688	68,342	81,933	86,957	81,933	86,957	101,579	97,574
- interest	26,849	26,414	26,086	24,762	23,904	26,777	26,439	26,279	23,920	20,244
- miscellaneous	24	433	21	1,179	1,654	1,030	863	488	1,376	729
Total expenditures	926,378	892,685	883,481	916,873	931,935	941,753	904,377	877,647	906,893	907,424
Deficiency of revenues under expenditures	(141,093)	(74,038)	(67,653)	(78,611)	(142,822)	(169,888)	(81,356)	(14,526)	(33,594)	(18,222)
Other financing sources (uses):										
Issuance of refunding debts		31,955		30,745	51,280	8,805	13,685	9,640	150,385	
Premium on bonds	675	1,909	3,276	7,349	11,959	9,488	5,949	2,552	17,661	2,621
Payments to escrow agents		(32,361)		(33,013)	(55,423)	(10,131)	(15,250)	(11,010)	(166,816)	
Capital leases/installment notes				894	764	239	11,500	149	1,700	
Proceeds from sale of capital assets	876	1,118	59	1,938	31	360	119	89	246	566
Face amount of long-term debt	109,400	125,000	75,000	78,425	130,175	78,160	72,025	34,295	25,680	73,660
Transfers in	171,186	98,800	109,715	141,924	113,227	162,683	121,497	114,358	110,044	121,810
Transfers (out)	(166,319)	(98,355)	(105,007)	(115,914)	(122,244)	(190,140)	(148,744)	(132,865)	(87,640)	(94,524)
Total other financing sources (uses)	115,818	128,066	83,043	112,348	129,769	59,464	60,781	17,208	51,260	104,133
Change in reserves - net	(55)		70	(27)						
Net change in fund balances	(25,330)	54,028	15,460	33,710	(13,053)	(110,424)	(20,575)	2,682	17,666	85,911
Debt service as a percentage of noncapital expenditures	15.88%	15.24%	13.54%	13.35%	11.67%	16.44%	13.51%	13.41%	14.94%	13.74%

Source: Pima County Finance & Risk Management

(This page is intentionally blank)

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
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%
2017	2,323,580	5,374,744	321,022	55,611	8,074,958	6.0243	80,459,900	10.04%
2018	2,316,227	5,634,554	323,278	59,834	8,333,893	5.6525	82,745,384	10.07%

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)

Tax Year	County Direct Rates				Total
	County Primary	County Secondary	Flood Control District ¹	County Library District Assistance	
2009	3.3133	0.7100	0.2635	0.0406	4.5917
2010	3.3133	0.7500	0.2635	0.0430	4.6798
2011	3.4178	0.7800	0.2635	0.0418	4.8491
2012	3.4178	0.7800	0.2635	0.0447	4.8520
2013	3.6665	0.7800	0.2635	0.0456	5.1309
2014	4.2779	0.7000	0.3035	0.0472	5.7639
2015	4.3877	0.7000	0.3135	0.0467	5.9632
2016	4.2896	0.7000	0.3335	0.0468	5.8852
2017	4.4596	0.7000	0.3135	0.0459	6.0243
2018	4.0696	0.6900	0.3335	0.0441	5.6525

Overlapping Rates

Tax Year	State of Arizona	City of Tucson	Community College District	City of Tucson	City of South Tucson	Street Lighting District	Central AZ		Flowing Wells Irrigation District ²	Silverbell Irrigation District ²	Cortaro-Marana Irrigation District ²	Mobile Home Relocation District ³		Quail Creek Community Facilities District	Gladden Farms Community Facilities District	Vanderbilt Farms Community Facilities District	Gladden Farms Community Facilities District	Phase II Community Facilities District	Saguaro Springs Community Facilities District
							Water Conservation District	Conservation District				Home Relocation District	Relocation District						
2009	0.0000	0.3306	1.0770	0.9344	0.2035		0.1000	19.3500	3.0000	3.0000	66.0000			3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2010	0.0000	0.3564	1.0848	0.9550	0.1999		0.1000	19.3500	3.0000	3.0000	66.0000		0.5000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2011	0.0000	0.4259	1.1094	1.1621	2.6603	9.6038	0.1000	19.3500	3.0000	3.0000	66.0000		0.5000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2012	0.0000	0.4717	1.1741	1.2639	2.7640	10.1900	0.1000	19.3500	3.0000	3.0000	69.0000		0.5000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2013	0.0000	0.5123	1.2933	1.4304	2.9776	12.0787	0.1400	19.3500	3.0000	3.0000	72.0000		0.5000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2014	0.0000	0.5089	1.3344	1.4606	0.2528	12.3345	0.1400	19.3500	3.0000	3.0000	75.0000		0.0000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2015	0.0000	0.5054	1.3689	1.5960	0.2528	12.4384	0.1400	19.3500	3.0000	3.0000	75.0000		0.0000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2016	0.0000	0.5010	1.3733	1.5982	0.2528	12.4505	0.1400	19.3500	3.0000	3.0000	78.0000		0.0000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2017	0.0000	0.4875	1.3890	1.4342	0.2487	15.3127	0.1400	19.3500	3.0000	3.0000	78.0000		0.0000	3.3000	2.8000	0.3000	2.8000	0.3000	0.3000
2018	0.0000	0.4741	1.3983	1.4819	0.2512		0.1400	19.3500	3.0000	3.0000	78.0000		0.0000	3.3000	2.4400	0.3000	2.4400	0.3000	2.8000

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.

¹The Pima County Flood Control District tax levy applies only to real property.

²Irrigation Districts' tax rates shown are levied on a per acre basis.

³Mobile 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)

School District	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Tucson Unified (#1)	6.0701	6.2976	6.9480	7.3187	7.4319	7.5094	7.3425	7.1258	6.9218	6.5554
Marana Unified (#6)	4.9286	4.6995	5.2047	5.5863	6.0085	6.2288	6.3370	6.3871	6.2334	6.0840
Flowing Wells Unified (#8)	6.1239	6.0407	5.9689	5.9778	6.7146	6.6135	6.6292	6.8971	6.7539	6.8860
Amphitheater Unified (#10)	4.6112	5.0511	5.4033	5.5539	5.9226	5.8044	5.6725	5.4917	5.6311	5.4919
Sunnyside Unified (#12)	7.0899	6.9680	6.9415	6.3154	5.0003	6.0364	3.9987	5.5498	5.7009	5.6636
Tanque Verde Unified (#13)	3.1837	3.3545	3.8042	4.1538	5.0012	5.0329	5.3069	5.2329	5.7574	5.4150
Ajo Unified (#15)	4.3158	4.9069	5.6740	3.5338	3.8882	4.8452	4.5540	4.7673	4.7107	4.5585
Catalina Foothills Unified (#16)	4.9970	4.2154	4.2095	4.7472	4.8264	4.7066	4.9985	5.9893	5.6661	5.4212
Vail Elementary (#20)	5.2016	4.8839	4.6550	5.9120	7.1703	7.3000	7.0189	7.0523	7.2630	7.1643
Sahuarita Unified (#30)	5.4230	6.5753	5.4067	5.5183	6.6341	7.2885	7.2847	7.3670	9.0399	8.4240
San Fernando Elementary (#35)	4.5954	3.6883	4.8541	4.0331	5.7831	5.8244	5.9538	4.4826	4.5003	4.3145
Empire Elementary (#37)	2.9383	2.9195	2.7531	1.2484	1.1287	2.1687	1.7677	2.4363	5.4021	6.4884
Continental Elementary (#39)	1.6122	1.6945	2.0258	1.5729	1.7027	2.6146	2.6512	2.4626	2.4991	2.5037
Redington Elementary (#44)	7.6340	7.0689	6.7630	5.9198	4.8200	4.7711	4.5901	8.9614	8.6853	8.6853
Altar Valley Elementary (#51)	6.0506	6.2500	6.5675	6.4355	6.2676	6.7381	7.6184	5.9857	5.7738	5.9852
Unorganized ¹	1.3726	1.4797	1.7682	1.9585	2.1265	2.1123	2.0977	2.0793	2.0234	1.9679

Notes:
¹County 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)

Taxpayer	2009			2010			2011			2012			2013		
	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value
Unisource/Tucson Electric Power Co.	\$ 158,764	2	1.6%	\$ 164,363	1	1.8%	\$ 168,510	1	2.0%	\$ 179,262	1	2.2%	\$ 200,706	1	2.6%
Southwest Gas Corporation	64,775	4	0.7%	65,879	3	0.7%	64,533	3	0.8%	61,718	4	0.8%	61,669	4	0.8%
Pheps Dodge Corporation - Sierrita Mine	198,694	1	2.0%	89,289	2	1.0%	99,048	2	1.2%	142,419	2	1.7%	136,947	2	1.8%
ASARCO LLC - Mission Mine	20,042	8	0.2%	28,878	5	0.3%	58,585	4	0.7%	83,778	3	1.0%	74,101	3	1.0%
QWEST Corporation	74,646	3	0.8%	55,076	4	0.7%	51,942	5	0.6%	53,225	5	0.7%	40,386	5	0.5%
Northwest Hospital LLC	-		0.0%	17,097	8	0.2%	17,390	9	0.2%	17,723	8	0.2%	16,980	7	0.2%
Sierrita Gas Pipeline LLC															
SMSJ Tucson Holdings, LLC															
DND Nefison Co. (Tucson Mall)	18,888	10	0.2%	17,715	7	0.2%	17,931	7	0.2%	17,998	7	0.2%	16,030	9	0.2%
Wal-Mart Stores, Inc.															
DDR Tucson Spectrum II, LLC															
Raytheon															
Trico Electric Co-Op Inc.	21,029	7	0.2%	21,208	6	0.3%				22,133	6	0.3%	21,713	6	0.3%
JW Marriott Starr Pass Resort															
Verizon Wireless															
Target Corporation															
Starr Pass Resort Developments LLC	19,384	9	0.2%	16,582	10	0.2%	-		0.0%						
Arizona Portland Cement	27,561	6	0.3%	16,635	9	0.2%	21,217	6	0.3%						
ASARCO Mining	63,572	5	0.7%	-		0.0%	16,153	10	0.2%						
Westin La Paloma							17,519	8	0.2%						
Total Top Ten	\$ 667,355		6.8%	\$ 492,722		5.3%	\$ 532,828		6.3%	\$ 608,128		7.4%	\$ 598,339		7.8%

Notes: \$9,860,981 \$8,448,282 \$8,171,212 \$7,623,691

¹Secondary Assessed Valuation for Tax Year

Source: Pima County Assessor's Office
Arizona Department of Revenue

(continued)

PIMA COUNTY, ARIZONA
Principal Property Taxpayers
Last Ten Fiscal Years
(in thousands)

Exhibit D-7

Taxpayer	2014			2015			2016			2017			2018		
	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value	Estimated Assessed Value ¹	Rank	Percent of Total Assessed Value
Unisource/Tucson Electric Power Co.	\$ 201,401	1	2.5%	\$ 200,344	1	2.4%	\$ 188,366	1	2.2%	215,359	1	2.5%	217,657	1	2.4%
Southwest Gas Corporation	66,789	3	0.8%	70,297	3	0.9%	36,696	4	0.4%	75,306	3	0.9%	85,118	2	0.9%
Phelps Dodge Corporation	95,186	2	1.2%	93,847	2	1.1%	81,988	2	1.0%	84,212	2	1.0%	70,987	3	0.8%
ASARCO, LLC	55,322	4	0.7%	48,496	4	0.6%	42,290	3	0.5%	43,258	4	0.5%	40,280	4	0.4%
Qwest Corporation	38,035	5	0.5%	37,877	5	0.5%	33,114	5	0.4%	35,990	5	0.4%	34,964	5	0.4%
Northwest Hospital, LLC	16,982	8	0.2%	17,058	7	0.2%	16,858	8	0.2%	31,995	6	0.4%	32,521	6	0.4%
Sierrita Gas Pipeline LLC										30,769	7	0.4%	29,920	7	0.3%
SMSJ Tucson Holdings, LLC										23,629	8	0.3%	29,729	8	0.3%
DND Neffson Co. (Tucson Mall)	16,037	9	0.2%	15,695	8	0.2%	15,668	9	0.2%	22,561	9	0.3%	22,667	9	0.3%
Wal-Mart Stores, Inc.	19,366	7	0.2%	18,494	6	0.2%	18,211	6	0.2%	21,809	10	0.3%	22,472	10	0.2%
DDR Tucson Spectrum II, LLC										17,471	7	0.2%			
Raytheon Company										12,499	10	0.1%			
Trico Electric Co-Op, Inc.	21,845	6	0.3%	14,131	10	0.2%									
JW Marriott Starr Pass Resort	12,298	10	0.2%												
Verizon Wireless															
Target Corporation															
Total Top Ten	\$ 543,261		7.2%	\$ 530,942		6.7%	\$ 463,161		5.6%	\$ 584,888		6.9%	\$ 586,315		6.5%

Notes:

¹Secondary Assessed Valuation for Tax Year

Source:
Pima County Assessor's Office
Arizona Department of Revenue

\$ 7,579,899

\$ 7,906,190

\$ 8,262,665

\$ 8,508,990

\$ 9,030,169

PIMA COUNTY, ARIZONA
Real Property Tax Levies and Collections
Last Ten Fiscal Years
 (in thousands)

Fiscal Year	Primary Property Tax Levy and Secondary Property Tax Levy for Debt Service		Secondary Property Tax Levy for Flood Control and Library District ³		Original Real Property Tax Levy		Tax Roll Corrections		Real Property Tax Levy (Adjusted)		Collected to June 30, End of Tax Fiscal Year ¹		Collected to June 30, 2018 ¹		Delinquent Taxes Receivable ²
	Amount	Percent of Original Levy	Amount	Percent of Original Levy	Amount	Percent of Original Levy	Amount	Percent of Original Levy	Amount	Percent of Original Levy	Amount	Percent of Adjusted Levy	Amount	Percent of Adjusted Levy	
2008-09	322,902	56.77%	56,772	95.77%	379,674	95.77%	(360)	95.77%	379,314	95.77%	363,624	95.77%	379,040	99.93%	274
2009-10	353,594	48.46%	48,468	95.75%	402,062	95.75%	(106)	95.75%	401,956	95.75%	384,983	95.75%	401,662	99.93%	294
2010-11	352,276	50.25%	50,256	95.39%	402,532	95.39%	(384)	95.39%	402,148	95.39%	383,978	95.39%	400,273	99.53%	1,875
2011-12	335,467	48.24%	48,242	96.19%	383,709	96.19%		96.19%	383,709	96.19%	369,100	96.19%	382,141	99.59%	1,568
2012-13	324,786	46.13%	46,136	96.40%	370,922	96.40%		96.40%	370,922	96.40%	357,556	96.40%	369,401	99.59%	1,521
2013-14	323,026	45.28%	45,287	96.48%	368,313	96.48%		96.48%	368,313	96.48%	355,338	96.48%	366,797	99.59%	1,516
2014-15	359,298	52.18%	52,186	96.64%	411,484	96.64%		96.64%	411,484	96.64%	397,670	96.64%	410,241	99.69%	1,271
2015-16	374,101	59.44%	59,448	97.67%	433,549	97.67%		97.67%	433,549	97.67%	418,716	97.67%	432,430	99.73%	1,157
2016-17	378,249	62.64%	62,645	97.73%	440,894	97.73%		97.73%	440,894	97.73%	430,628	97.73%	430,628	99.71%	1,284
2017-18	382,611	81.77%	81,772	97.73%	464,383	97.73%		97.73%	464,383	97.73%	453,822	97.73%	453,822	97.73%	10,561

Note:

¹ Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.

² Represents the difference between the adjusted levy and collected to June 30, 2018.

³ Fiscal Year 2017-18 includes Transportation road property.

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 ¹	Ratio of Net Assessed to Full Cash Value
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%
2016-17	Primary	7,816,700	78,911,345	9.91%
2016-17	Secondary	8,262,665	83,520,548	9.89%
2017-18	Primary	8,074,958	80,459,900	10.04%
2017-18	Secondary	8,508,990	84,772,588	10.04%

Notes:

¹Limited 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 2017-18 (Tax Year 2017)		FY 2018-19 (Tax Year 2018)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 8,074,958	0	\$ 8,333,893	0
<u>Pima County</u>				
General Fund - Primary	8,074,958	4.2096	8,333,893	4.0696
Transportation - Primary		0.2500	-	0.0000
Debt Service - Secondary	8,074,958	0.7000	8,333,893	0.6900
Free Library - Secondary	8,074,958	0.5053	8,333,893	0.5153
Total County - Primary	8,074,958	4.4596		4.0696
Total County - Secondary		1.2053		1.2053
Grand Total		<u>5.6649</u>		<u>5.2749</u>
<u>Education Assistance</u>	8,074,958	0.4875	8,333,893	0.4741
<u>Flood Control District - Secondary</u>	7,373,373	0.3135	7,576,148	0.3335
<u>Fire District Assistance - Secondary</u>	8,074,958	0.0459	8,333,893	0.0441
<u>Pima Community College District</u>				
Primary	8,074,958	1.3890	8,333,893	1.3983
Secondary	0	0		
Total		<u>1.3890</u>		<u>1.3983</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	8,074,958	0.1400	8,333,893	0.1400
<u>Cities & Towns</u>				
City of Tucson			3,414,161	
Primary	3,326,014	0.4581		0.5311
Secondary	3,326,014	0.9761		0.9508
Total		<u>1.4342</u>		<u>1.4819</u>
City of South Tucson				
Primary	21,944	0.2487	22,170	0.2512
Secondary	0	0	0	0
Total		<u>0.2487</u>		<u>0.2512</u>
<u>School Districts</u>				
Unorganized - Primary	17,896	2.0234	18,564	1.9679
Tucson Unified (District #1)				
Primary	3,215,768	6.3763	3,304,884	4.1022
Secondary	3,215,768	0.5455	3,304,884	2.4532
Total		<u>6.9218</u>		<u>6.5554</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 2017-18 (Tax Year 2017)		FY 2018-19 (Tax Year 2018)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	\$ 802,297	4.3830	\$ 837,560	4.1688
Secondary	802,297	1.8504	837,560	1.9152
Total		<u>6.2334</u>		<u>6.0840</u>
Flowing Wells Unified (District #8)				
Primary	191,101	4.2080	196,945	4.0835
Secondary	191,101	2.5459	196,945	2.8025
Total		<u>6.7539</u>		<u>6.8860</u>
Amphitheater Unified (District #10)				
Primary	1,474,077	4.2597	1,530,659	3.8795
Secondary	1,474,077	1.3714	1,530,659	1.6124
Total		<u>5.6311</u>		<u>5.4919</u>
Sunnyside Unified (District #12)				
Primary	425,183	4.2045	426,220	4.2050
Secondary	425,183	1.4964	426,220	1.4586
Total		<u>5.7009</u>		<u>5.6636</u>
Tanque Verde Unified (District #13)				
Primary	184,252	4.2300	190,910	3.9159
Secondary	184,252	1.5274	190,910	1.4991
Total		<u>5.7574</u>		<u>5.4150</u>
Ajo Unified (District #15)				
Primary	17,858	4.7107	18,120	4.5585
Secondary	17,858	0	18,120	0
Total		<u>4.7107</u>		<u>4.5585</u>
Catalina Foothills Unified (District #16)				
Primary	600,959	4.1180	613,624	3.9825
Secondary	600,959	1.5481	613,624	1.4387
Total		<u>5.6661</u>		<u>5.4212</u>
Vail Elementary (District #20)				
Primary	463,749	4.2742	492,663	4.1498
Secondary	463,749	2.9888	492,663	3.0145
Total		<u>7.2630</u>		<u>7.1643</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 2017-18 (Tax Year 2017)		FY 2018-19 (Tax Year 2018)	
	Valuation	Rate	Valuation	Rate
Sahuarita Unified (District #30)				
Primary	\$ 285,070	4.6949	\$ 295,179	4.4952
Secondary	285,070	4.3450	295,179	3.9288
Total		<u>9.0399</u>		<u>8.4240</u>
San Fernando Elementary (District #35)				
Primary	11,124	4.5003	10,725	4.3145
Secondary	11,124	0	10,725	0
Total		<u>4.5003</u>		<u>4.3145</u>
Empire Elementary (District #37)				
Primary	6,639	5.4021	6,862	6.4884
Secondary	6,639	0	6,862	0
Total		<u>5.4021</u>		<u>6.4884</u>
Continental Elementary (District #39)				
Primary	329,030	2.0613	342,029	2.0416
Secondary	329,030	0.4378	342,029	0.4621
Total		<u>2.4991</u>		<u>2.5037</u>
Baboquivari Unified School (District #40)				
Primary	1,908	0	2,139	0
Secondary	1,908	0	2,139	0
Total		<u>0</u>		<u>0</u>
Redington Elementary (District #44)				
Primary	1,358	8.6853	1,398	8.6853
Secondary	1,358	0	1,398	0
Total		<u>8.6853</u>		<u>8.6853</u>
Altar Valley Elementary (District #51)				
Primary	46,625	4.8629	45,414	5.0640
Secondary	46,625	0.9109	45,414	0.9212
Total		<u>5.7738</u>		<u>5.9852</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 ¹	Car Rental Surcharges ²	Recreational Vehicle Tax ^{3,4}
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
2016-17	6,958	1,446	161
2017-18	6,345	1,530	71

Notes:

¹ 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.

² Car rental surcharges increased from \$2.50 to \$3.50 per rental contract July 1, 1996. Usage is restricted to County sports facilities.

³ 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.

⁴ Recreational vehicle taxes expired on December 31, 2017

Source:

Pima County Finance and Risk Management Department

PIMA COUNTY, ARIZONA
Streets and Highways Revenues
Last Ten Fiscal Years
(in thousands)

Exhibit D-12

Fiscal Year	Amount	Highway User Revenue	Vehicle License Tax
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
2016-17	59,443	45,356	14,087
2017-18	61,552	46,553	14,999

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

Exhibit D-13

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	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
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
2016-17	336,954		89,689	141,194	88	3,597		20,535	574,486	4,630	1,564	1,172,737
2017-18	288,182		85,508	166,617	38	2,078		2,863	565,708	3,555	763	1,115,312

Fiscal Year	Total Primary Government	Personal Income ¹	Percentage of Personal Income	Population at July 1 ¹	Debt per Capita
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
2016-17	1,172,737	41,349,550	2.84%	1,025,044	1,144
2017-18	1,115,312	43,223,000	2.58%	1,033,781	1,079

Notes:
 Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 66-76.
¹Personal income and population statistics are based on calendar year.

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 ¹	Net General Bond Debt per Capita ²
						Value	%		
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	
2016-17	336,954		2,793	334,161	8,262,665	4.04%	1,025,044	326	
2017-18	288,182		2,911	285,271	8,508,990	3.35%	1,033,781	276	

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 66-76.

¹Population statistics are based on calendar year.

²Debt 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 ¹	Debt per Capita ²
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
2016-17	1,393,757	8,262,665	16.87%	1,025,044	1,360
2017-18	1,337,556	8,508,990	15.72%	1,033,781	1,294

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.

¹Population statistics are based on calendar year.

²Debt 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, 2018
 (in thousands)

Exhibit D-15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Amount Overlapping</u>
Debt repaid with property tax:		
School Districts	\$ 619,165	\$ 619,165
Pima Community College	\$ 1,328	\$ 1,328
City of Tucson	174,640	<u>174,640</u>
Total overlapping		<u>\$ 795,133</u>
Debt repaid with property tax Direct:		
Pima County*	\$ 288,182	<u>\$ 288,182</u>
Total direct repaid with property tax		<u>\$ 288,182</u>
Other Debt:		
Certificates of participation	\$ 166,617	\$ 166,617
Installment note payable	2,078	2,078
Capital Lease Payable	38	38
Transportation bonds	85,508	<u>85,508</u>
Total other debt		<u>\$ 254,241</u>
Total direct		<u>\$ 542,423</u>
Total direct and overlapping debt		<u><u>\$ 1,337,556</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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Full Cash Net Assessed Value	\$ 9,594,862	\$ 9,860,981	\$ 9,342,561	\$ 8,448,282	\$ 8,171,212	\$ 7,623,691	\$ 7,579,899	\$ 7,906,190	\$ 8,262,665	\$ 8,508,990
Legal Debt Margin										
Debt limit (15% of assessed value)	1,439,229	1,479,147	1,401,384	1,267,242	1,225,682	1,143,554	1,136,985	1,185,929	1,239,400	1,276,349
Debt applicable to limit:										
General obligation bonds	386,845	417,995	452,750	456,145	456,690	407,275	383,935	344,620	321,285	275,990
Less: Net assets reserved for repayment of general obligation debt	(10,523)	(11,396)	(27,904)	(22,602)	(22,900)	(5,326)	(6,037)	(5,606)	(2,793)	(2,911)
Total net debt applicable to the limit	376,322	406,599	424,846	433,543	433,790	401,949	377,898	339,014	318,492	273,079
Legal debt margin	\$ 1,062,907	\$ 1,072,548	\$ 976,538	\$ 833,699	\$ 791,892	\$ 741,605	\$ 759,087	\$ 846,915	\$ 920,908	\$ 1,003,270
Total net debt applicable to the limit as a percentage of debt limit.	26.15%	27.49%	30.32%	34.21%	35.39%	35.15%	33.24%	28.59%	25.70%	21.40%

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 ¹	Less: Operating Expense ²	Available Net Revenue	Plus: Ending cash Balances of Prior Fiscal Year (unrestricted)		Pledged Revenues ³	Debt Service ⁶		Coverage Ratio ^{4,5}	
				Fiscal Year	(unrestricted)		Principal	Interest		Total
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	\$	16,952	9,838	26,790	2.92
2010-11	151,212	74,638	76,574		11,260		17,110	17,047	34,157	2.57
2011-12	158,397	73,241	85,156		32,806		20,895	21,658	42,553	2.77
2012-13	163,512	73,577	89,935		99,491		29,759	28,243	58,002	3.27
2013-14	181,553	77,893	103,660		128,735		37,025	30,386	67,411	3.45
2014-15	182,118	84,492	97,626		121,426		41,026	30,306	71,332	3.07
2015-16	176,974	83,423	93,551		110,741		40,320	28,529	68,849	2.97
2016-17	181,545	80,165	101,380		110,451		47,951	26,621	74,572	2.84
2017-18	178,933	79,208	99,725		89,316		44,434	25,371	69,805	2.71

Notes:

- ¹ Includes sewer connection fees.
- ² Excludes grants, depreciation, interest expense and amortization.
- ³ Pledged revenues defined by BOS Resolution 2010-50.
- ⁴ Sewer revenue debt rate covenants require minimum coverage of 120%.
- ⁵ For fiscal year 2009-2010, a new Debt Coverage calculation was implemented.
- ⁶ 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:		Available Net Revenue	Debt Service ¹		Coverage Ratio
		Operating Expense			Principal	Interest	
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
2016-17	61,217	40,780		20,437	15,105	3,598	1.09
2017-18	63,604	41,801		21,803	14,820	3,354	1.20

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.

¹Debt 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 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19
Clerk of Superior Court - Equipment	\$ 111	\$ 37	\$ 3,004	\$ 3,427	\$ 63	\$ 84	\$ 96	\$ 73	\$ 51	\$ 38
Jail ¹	3,007	3,004								
Legal Services Building				160	160	160	160	160		
Sheriff - Equipment			298	298	298					
Solid Waste - Equipment								2,722	3,289	1,565
County Administration - Culture & Recreation							3,625	2,955	3,340	1,603
	<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>	<u>\$ 3,340</u>	<u>\$ 1,603</u>

Notes:
¹Funds derived from a sale/leaseback of the County's Adult Corrections Facility provided funding for construction of Kino Veteran's Memorial Sports park & 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
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%
2016-17	94,695	23,354	118,049	832,971	14.2%
2017-18	96,005	20,133	116,138	829,054	14.0%

*Includes General, Special Revenue and Debt Service Funds, while excluding Capital Projects Fund.

Source:
 Pima County Finance & Risk Management

(This page is intentionally blank)

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
2009	984,274	33,713,976	34,253	9.0%
2010	981,168	33,883,172	34,534	9.3%
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%
2017	1,025,044	41,349,550	40,339	4.5%
2018	1,033,781	43,223,000	41,811	4.3%

Sources:

Arizona Department of Administration, Office of Employment & Population Statistics (for population data only)
UA Economic and Business Research Center, Eller College of Management

PIMA COUNTY, ARIZONA
Principal Employers
Current Year and Nine Years Ago

Employer	2009			2010			2011			2012			2013		
	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	10,575	2	2.2%	10,363	2	2.1%	10,481	2	2.2%	10,681	1	2.3%	10,846	1	2.4%
Raytheon	11,539	1	2.4%	12,140	1	2.5%	10,500	1	2.2%	10,500	2	2.3%	10,300	2	2.3%
Davis-Monthan AFB	7,509	4	1.5%	7,755	4	1.6%	8,462	4	1.7%	8,566	4	1.9%	9,100	3	2.0%
State of Arizona	9,329	3	1.9%	8,708	3	1.8%	8,866	3	1.8%	9,061	3	2.0%	8,807	4	1.9%
Tucson Unified School District	7,227	5	1.5%	7,012	6	1.4%	6,709	6	1.4%	6,674	6	1.5%	6,790	6	1.5%
Banner Healthcare - UMC										5,594	10	1.2%	6,099	8	1.3%
Pima County Government	6,235	8	1.3%	6,511	7	1.3%	6,403	7	1.3%	6,170	8	1.4%	6,076	9	1.3%
Wal-Mart Stores, Inc.	6,715	6	1.4%	7,192	5	1.5%	7,308	5	1.5%	7,300	5	1.6%	7,450	5	1.6%
City of Tucson	5,635	10	1.2%	5,399	9	1.1%	4,930	10	1.0%				4,585		
Tucson Medical Center															
U.S. Customs & Border Protection										6,000	9	1.3%	6,500	7	1.4%
UA Healthcare Network										5,982	9	1.2%			
Freeport-McMoran Copper	5,987	9	1.2%										5,463	10	1.2%
Fort Huachuca ¹	6,463	7		6,236	8		6,225	8		6,198	7	1.4%	6,198		
Carondelet Health Network				4,566	10	0.9%									
Total	<u>77,214</u>		15.9%	<u>71,316</u>		14.8%	<u>75,866</u>		15.5%	<u>76,744</u>			<u>77,431</u>		17.1%
Total Work Force			486,400			488,500			485,800			455,900			453,200

Notes:

¹ 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 obtained from www.tucson.com/star200, a website of the Arizona Daily Star, 2009-2016
Data obtained from www.phoenixrelocationguide.com, 2017

(continued)

PIMA COUNTY, ARIZONA
Principal Employers
Current Year and Nine Years Ago

(continued)

Employer	2014			2015			2016			2017			2018		
	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	11,047	1	2.4%	11,235	1	2.4%	11,251	1	2.4%	10,846	1	2.3%	12,531	1	2.6%
Davis-Monthan AFB	8,933	4	2.0%	8,335	4	1.8%	8,406	4	1.8%	9,100	3	1.9%	11,769	2	2.4%
Raytheon	9,933	2	2.2%	9,600	2	2.1%	9,600	2	2.1%	10,300	2	2.2%	11,471	3	2.4%
State of Arizona	9,439	3	2.1%	8,524	3	1.8%	8,580	3	1.8%	8,807	4	1.8%	8,585	4	1.8%
Tucson Unified School District	6,525	6	1.4%	7,134	5	1.5%	6,770	6	1.4%	7,688	5	1.6%	6,879	5	1.4%
Banner Healthcare - UMC	6,329	7	1.4%	6,542	7	1.4%	6,272	7	1.3%	6,076	9	1.3%	6,476	6	1.3%
Pima County Government	7,328	5	1.6%	7,023	6	1.5%	7,023	5	1.5%	6,076	9	1.3%	5,921	7	1.2%
Wal-Mart Stores, Inc.	5,200	10	1.1%	5,400	10	1.2%	5,500	10	1.2%	7,450	6	1.6%	4,341	8	0.9%
City of Tucson	4,845			4,882			4,595						4,093	9	0.8%
Tucson Medical Center													4,051	10	0.8%
U.S. Customs & Border Protection	4,135			6,470	8	1.4%	5,739	8	1.2%	6,500	7	1.4%			
UA Healthcare Network										6,099	8	1.3%			
Freeport-McMoran Inc.	5,600	9	1.2%	5,800	9	1.2%	5,530	9	1.2%	5,463	10	1.1%			
Fort Huachuca ¹	5,717	8		5,314			5,477								
Total	76,051		16.8%	76,063		16.3%	74,671		16.0%	78,329		16.4%	76,117		15.8%
Total County Work Force			452,429			467,438			467,438			477,017			481,835

Notes:

¹Fort 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 obtained from www.tucson.com/star2001, a website of the Arizona Daily Star.
Data obtained from www.phoenixrelocationguide.com
Pima Association of Governments

PIMA COUNTY, ARIZONA
Population and Employment
Last Ten Calendar Years

Exhibit D-22

Year	EMPLOYMENT				Total Unemployment Rate	Civilian Labor Force	EMPLOYMENT				
	Population	Mining	Construction	Manufacturing			Transportation & Utilities	Financial Activities			
2009	984,274	1,700	16,700	24,900	9.0%	486,040	1,700	16,700	24,900	58,600	17,100
2010	981,168	1,800	15,100	23,800	9.4%	479,879	1,800	15,100	23,800	57,200	17,200
2011	986,081	1,900	14,500	23,300	8.5%	465,640	1,900	14,500	23,300	58,000	16,900
2012	990,380	2,100	14,400	23,200	7.4%	459,349	2,100	14,400	23,200	58,000	16,900
2013	996,046	2,300	15,400	23,000	7.0%	449,958	2,300	15,400	23,000	59,200	17,300
2014	1,007,162	2,300	14,800	22,500	6.4%	452,429	2,300	14,800	22,500	60,600	17,500
2015	1,022,079	2,300	14,600	22,600	5.6%	467,438	2,300	14,600	22,600	60,600	17,600
2016	1,016,743	2,200	14,300	23,500	5.0%	476,578	2,200	14,300	23,500	60,700	19,600
2017	1,025,044	1,600	14,900	23,600	4.6%	477,017	1,600	14,900	23,600	59,300	17,600
2018	1,033,781	1,700	16,700	24,600	4.3%	481,835	1,700	16,700	24,600	61,100	17,700

Notes:
All Employment data presented is not seasonally adjusted. Labor Force, Unemployment and Sector Employment for 2018 represent the average through July 2018.

Sources:
UA Economic and Business Research Center, Eller College of Management
Arizona Department of Administration, Office of Employment & Population Statistics (for population data only)

PIMA COUNTY, ARIZONA
Transportation and Real Estate
Last Ten Fiscal Years

Exhibit D-23

Fiscal Year	Transportation				Real Estate		
	Aircraft Movements	No. of Air Passengers	Bus Ridership	Riders Per Mile	Residential Bldg. Permits	Units Sold	Sales Volume (In thousands)
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
2017	132,867	3,413,451	16,388,315	1.71	2,466	15,172	3,488,123
2018	131,169	3,551,159	15,205,419	1.55	4,495	15,416	3,823,877

Note:
Tucson International Airport follows the Federal fiscal calendar.

Sources:
UA Economic and Business Research Center, Eller College of Management
Tucson Airport Authority
Sun Tran
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 ¹	No. of Dwelling Units Awarded ²	Change in Real Estate Sales Volume	Commercial Bank Deposits
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
2017	8,558,572	2,466	5%	15,226,977
2018	8,851,127	4,495	9%	15,716,917

Notes:

¹Prior 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.

²Beginning 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, 2018

Exhibit D-25

ESTIMATED POPULATION BY AGE

<u>Age Group</u>	<u>Population</u>
0-4	60,955
5-9	60,650
10-14	63,533
15-19	73,544
20-24	79,533
25-29	70,602
30-34	63,214
35-39	60,944
40-44	57,784
45-49	58,661
50-54	58,188
55-59	66,190
60-64	66,316
65-69	61,287
70-74	50,398
75+	81,982
Total	<u><u>1,033,781</u></u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2019	1,042,648
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>
2009	1,888
2010	1,724
2011	1,640
2012	1,802
2013	2,000
2014	2,061
2015	1,863
2016	1,862
2017	1,863
2018	1,868

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
General government	2,684	2,870	2,850	2,473	2,321	2,805	2,832	2,753	3,164	3,011
Public safety	1,491	1,488	1,529	1,540	1,468	1,525	1,387	1,418	1,431	1,335
Highways and streets	311	264	262	274	265	258	248	253	262	229
Sanitation	34	33	23	24	3	31	33	32	35	35
Health	397	422	412	404	174	319	282	322	237	223
Welfare	29	32	27	377	397	8	7	9	22	15
Culture and recreation	480	467	461	652	331	442	434	453	526	447
Education and economic opportunity	184	174	170	133	144	112	111	116	136	130
Total governmental activities	5,610	5,750	5,734	5,877	5,103	5,500	5,334	5,356	5,813	5,425
Business-type activities										
Regional Wastewater Reclamation	507	488	481	531	413	438	387	406	474	433
Pima Health System & Services ¹	451	422	421	0	0	0	0	0	0	0
Development Services	73	66	66	59	52	60	56	52	67	58
Parking Garages	3	2	2	3	3	3	5	4	4	5
Total business-type activities	1,034	978	970	593	468	501	448	462	545	496
Total	6,644	6,728	6,704	6,470	5,571	6,001	5,782	5,818	6,358	5,921

Notes:

¹ Pima Health Systems & Services was sold and the department closed.

PIMA COUNTY, ARIZONA
Operating Indicators by Program
Last Ten Fiscal Years

Exhibit D-28

Program:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Sheriff										
Physical arrests	33,571	27,946	24,108	24,841	25,451	24,394	21,233	21,627	16,134	15,944
Traffic violations/citations										
Criminal	6,422	6,417	4,304	4,205	4,291	5,691	8,743	9,026	7,508	7,468
Civil	49,817	41,800	32,270	32,445	33,837	34,466	30,656	24,855	23,725	27,346
Total violations/citations	56,239	48,217	36,574	36,650	38,128	40,157	39,399	33,881	31,233	34,814
Wastewater										
Avg. daily sewage treated (MGD) ¹	67.8	65.4	62.7	62.3	60.9	60.2	60.3	59.5	59.0	57.0
New connections	1,477	1,950	1,412	1,355	1,856	1,804	1,427	1,986	2,887	2,411
Cultural and Recreational^{2,3}										
Spring training attendance	103,407	84,520	N/A	20,850	21,944	N/A	N/A	N/A	N/A	N/A
Sidewinders attendance	58,879	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Soccer attendance	N/A	N/A	N/A	36,001	21,942	36,723	41,259	40,804	76,437	93,144
Parks & Recreation										
Athletic field permits issued ⁴	149	168	161	228	263	326	280	267	276	648
Community center admissions	403,887	351,692	339,550	347,379	306,841	327,257	318,524	303,293	302,821	282,616
Volunteer hours	25,756	14,321	12,168	10,787	8,213	11,366	12,108	10,512	11,094	9,483
Library										
Volumes in collection ⁵	1,425,235	1,427,089	1,414,928	1,326,375	1,257,821	1,193,357	1,139,730	1,237,281	1,167,135	1,230,771
Total volumes borrowed	7,409,820	7,517,692	7,199,809	7,557,865	6,098,216	4,521,039	5,484,961	6,131,049	4,808,467	5,592,306
Number of cardholders	516,780	526,170	452,400	434,841	405,419	405,507	379,631	385,945	374,293	383,777
Capital Projects										
Land	\$ 59,922,798	\$ 36,953,802	\$ 5,655,264	\$ 13,075,719	\$ 6,947	\$ 4,335,540	\$ 10,746,469	\$ 4,230,852	\$ 2,062,882	\$ 1,299,047
Buildings	14,336,536	11,994,142	57,876,009	5,008,707	33,313,996	8,595,432	107,899,620	6,367,369	17,107,423	24,749,318
Improvements	9,028,251	1,921,052	6,366,258	4,287,186	12,837,873	20,436,143	3,763,811	25,101,285	9,964,116	10,124,651
Infrastructure	22,733,535	14,160,620	24,259,854	46,463,053	13,291,580	108,053,960	41,041,250	58,338,363	19,323,191	61,677,576
Total Completed	\$ 106,021,120	\$ 65,029,616	\$ 94,157,385	\$ 68,834,665	\$ 59,450,396	\$ 141,421,075	\$ 163,451,150	\$ 94,037,869	\$ 48,457,612	\$ 97,850,592

Notes:

¹MGD: Millions of Gallons per Day

²Sidewinders attendance 7/08 through 9/08; beginning in fiscal year 2008-09, the team is no longer in Tucson

³For fiscal year 2010-11 there were no Spring Training games in Tucson

⁴Field permit totals increased due to ActiveNet creating a permit for each field rather than lumping multiple fields together

⁵Volumes include physical and digital copies

PIMA COUNTY, ARIZONA
Capital Assets & Infrastructure by Program
Last Ten Fiscal Years

Exhibit D-29

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Program:										
Sheriff										
Stations	7	7	7	7	7	7	7	7	7	7
Zone offices	4	4	4	4	2	2	2	2	2	2
Patrol units	323	361	355	358	305	354	371	362	344	354
Transportation (streets and highways)										
Streets (miles) ¹	1,893	1,893	1,892	1,897	1,905	1,854	1,854	1,870	1,866	1,891
Pothole repair ²	\$ 1,257,087		\$ 2,822,770	\$ 1,493,531	\$ 1,462,810	\$ 1,767,246	\$ 2,715,481	\$ 2,340,060	\$ 2,505,042	\$ 3,159,973
Flood Control										
Bank protection (miles) ³	140	140	141			175	195	200	201	202
Flood plain / drainage way (acres) ⁴	11,053	11,966	12,027	13,210	13,645	16,538	16,806	26,000	26,832	31,738
Parks & Recreation										
Urban parks (acres)	2,881	2,881	2,898	3,012	3,143	3,147	3,489	3,736	5,825	5,831
Playgrounds	38	38	39	40	40	41	38	37	38	41
Baseball/softball diamonds	85	85	86	86	87	89	91	94	94	71
Soccer/football fields	17	17	18	18	18	20	21	24	24	34
Community centers	8	8	11	11	11	11	11	11	11	11
Swimming pools / Splashpads	9	9	10	10	10	10	10	10	10	11
Wastewater										
Sanitary sewers (miles)	3,462	3,472	3,476	3,440	3,448	3,462	3,466	3,470	3,487	3,500
Treatment capacity (MGD) ⁵	91.50	94.26	97.76	97.06	97.04	95.04	95.03	95.04	92.00	95.00
Libraries ⁶										
County	26	26	26	26	26	27	27	27	27	27
Open Space Acquisitions										
Properties added	5	9	4	6	1	3	2	3	1	0
Acres	14,753	5,390	275	595	1,416	823	389	676	95	0
Cumulative acreage	52,126	57,516	57,791	58,386	59,802	60,625	61,014	61,690	61,785	61,785
Total properties	81	90	94	100	101	104	106	109	110	110

Notes:

¹Annexation by other jurisdictions resulted in a decrease of Transportation (Streets and Highways). +

²Pothole repair figures were unavailable in FY 2009-10.

³No soil cement bank protection projects in 2012 and 2013.

⁴Regional Flood Control District maintained acreage only.

⁵On Jan. 3, 2012 capacity was reduced when the Town of Marana obtained ownership of the Marana Wastewater Treatment Facility.

⁶On July 1, 2006, the Pima County Library District assumed control of the operations of all County libraries.

(This page is intentionally blank)