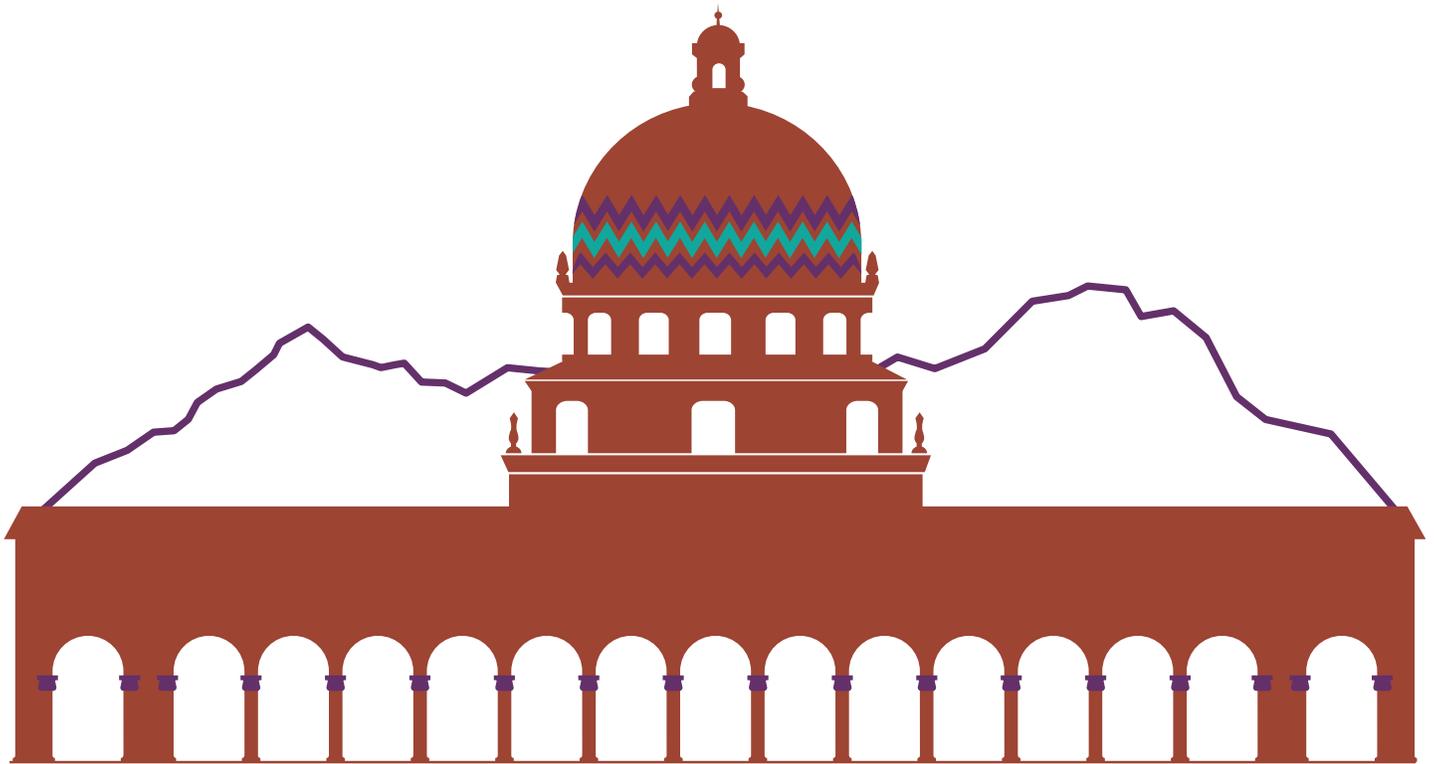


2013



Comprehensive Annual Financial Report

Pima County, Arizona

For the Fiscal Year Ended June 30, 2013

**PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

BOARD OF SUPERVISORS

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Chairman
District #2

Sharon Bronson
Vice Chair
District #3

Ally Miller
District #1

Ray Carroll
District #4

Richard Elfas
District #5

COUNTY ADMINISTRATOR

C. H. Huckelberry

Prepared by the Department of Finance and Risk Management

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Michelle Campagne, Deputy Director

Ellen Moulton, Deputy Director

Paul Guerrero, CPA, Division Manager
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Supervisors

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Jean Lee, CPA
Janet Mabon
Lorraine Nuñez
Janet Peete
Blanca Rossetti
Phil Schroeck
Jennifer Serrano
Phillip Summersett

PIMA COUNTY, ARIZONA
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2013

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PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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 12, 2013

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, 2013. 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, 2013. The Auditor General's report is located at the front of the financial section of this report.

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

The CAFR consists of three sections:

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

Pima County Profile

Covering an area of approximately 9,200 square miles, Pima County is one of the oldest continuously inhabited areas of the United States. It is situated in the southern part of Arizona with a portion of its southern boundary bordering Mexico. Created in 1864, Pima County includes a large portion of southern Arizona acquired from Mexico by the Gadsden Purchase of 1854. From a population of 395 in 1820, Pima County had an estimated population of slightly more than 992,000 in 2012, according to the U.S. Census Bureau. The population is projected to reach 1.4 million by 2041. 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. Pima County has purchased thousands of acres of open space and ranches to preserve and protect the stunning landscapes and historic and cultural sites.

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

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

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

- *General Government Services* primarily provides internal administrative and support services to County departments directly serving the public. The departments comprising this function include the Assessor; Board of Supervisors; Clerk of the Board; Communications Office; County Administrator; Elections; Facilities Management; Finance and Risk Management; Fleet Services; Human Resources; Information Technology; Office of Sustainability and Conservation; Procurement; Recorder; and Treasurer.
- *Community Resources* provides educational, cultural, social, economic development and recreational programs to the public. The departments in this functional area are Community and Economic Development Administration; Community Development and Neighborhood Conservation; Community Services, Employment and Training; County Free Library; Economic Development and Tourism; Kino Sports Complex; Natural Resources, Parks and Recreation; School Superintendent; and the Stadium District.
- *Justice and Law* provides public safety, felony and misdemeanor investigation, prosecution, and services for victims, witnesses and those needing fiduciary assistance. Services are also provided in the areas of indigent defense, civil representation, correctional housing, and juvenile detention. The departments within this area are the Clerk of the Superior Court; Constables; County Attorney; Forensic Science Center; Justice Courts; Juvenile Courts; Legal Defender; Office of Court Appointed Counsel; Public Defender; Public Fiduciary; 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 Environmental Quality; Health Department; Office of Medical Services; Pima Animal Care Center; and Solid Waste Management.
- *Public Works* provides construction, operations, and maintenance services related to the County infrastructure and related planning and environmental issues. The departments within this area are Capital

Projects; Development Services; 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.

Blended and discrete component units include:

- Activities for the *Pima County Stadium District*, the *Regional Flood Control District*, the *Library District*, and the *Street Lighting Districts* are reported as blended component units in special revenue funds in the accompanying financial statements.
- Activities for *Pima County Sports and Tourism Authority* and the *Southwestern Fair Commission* are reported as discrete component units of the County and are reported 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, and 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 the Tucson Regional Economic Opportunity, 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 from the County Administrator and public discussion of the Recommended Budget, the Board of Supervisors, on or before the third Monday in July, adopts a Tentative Budget which 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, Davis-Monthan Air Force Base, and the State of Arizona. Major manufacturers include IBM, Ventana Medical Systems and several aerospace and aircraft companies including Raytheon, Bombardier Aerospace, B/E Aerospace Inc., and Honeywell Aerospace. Employment by industry is led by government; trade, transportation and utilities; educational and health services; professional and business services; and leisure and hospitality. The Pima County unemployment rate has decreased from a five year high in 2010 of 9.4% to 7.3% in 2012. This is a greater decrease than the national unemployment rate which was 9.6% in 2010 and had fallen to 8.1% in 2012.

Like all governments in Arizona, Pima County has necessarily adjusted to reduced revenues and increased service demands during this economic recession. More than five years ago, at the beginning of the current recession, Pima County began taking actions in response to declining resources and an increasingly uncertain operating environment. Numerous initiatives were developed and implemented to address redundancy and waste. Internal services were centralized to increase efficiency and reduce cost. The workforce was reduced, primarily through natural attrition.

Priorities were re-evaluated and departmental budgets have been incrementally reduced over time pursuant to a managed, thoughtful process.

The fiscal year 2011-2012 primary property tax rate of \$3.4178 was increased 24.87 cents to \$3.6665 for fiscal year 2013-2014. The primary net assessed value of the County for fiscal year 2013-2014 decreased \$515 million or 6.38 percent from the current year. Because of the on-going reduction in the value of the County's property tax base, the primary levy has been reduced more than \$39 million over four years. A slight contraction of the property tax base is expected to continue into fiscal year 2014-2015 with the Net Assessed Value projected to decline by half of one percent.

In the local residential market, sales of existing homes are climbing, foreclosure notices are stabilizing, and new home starts are the highest since 2010. The national median home price showed the strongest annual growth in nearly eight years. In line with the national trend, the Tucson metropolitan area median sales price in June 2013 was \$160,000, a 14.3% increase over June 2012. At the same time, there were 1,399 unit sales, an increase of 10.2% over the prior year. The Tucson area experienced a one year appreciation of 18.3%, compared with 11.2% for the U.S.

A sunny, 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, in the combined counties of Cochise, Pima and Santa Cruz, direct travel spending generated \$3.3 billion (17.1% of Arizona direct travel spending) in 2012. This direct travel spending generated 28,000 direct jobs, \$700 million in direct earnings and \$190 million in local and state tax revenues. Unlike other industries, taxes generated by travel industry spending are paid by visitors rather than residents. These visitors bring new money into Pima County's economy and generate revenue in the County. Some of the best world-class attractions in Arizona are found in Pima County, such as the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. There are several signature events which draw many tourists to the area and have a significant economic impact on the County, including the following:

- The area's largest annual event is the two-week Tucson Gem, Mineral and Fossil Showcase, the largest event of its kind in the world, which generates \$76.5 million for the metropolitan Tucson area and almost \$6 million in state and local tax revenue.
- The annual El Tour de Tucson generally draws between 8,000 to 9,000 cyclists, with registration for the 2013 Tour estimated to be 8,600. A 2009 post-event survey for El Tour showed an average of \$706 spent per rider. El Tour's annual economic impact is estimated at almost \$80 million.

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

Capital Improvement Plan

The Adopted Budget for fiscal year 2013-2014 includes \$311 million for its Capital Improvement Plan (CIP). Under this plan, four departments comprise 84% of the total CIP budget as follows:

- Regional Wastewater Reclamation, with a budget of \$113 million
- Transportation, with a budget of \$80 million
- Facilities Management, with a budget of \$47 million
- Sheriff's Department, with a budget of \$20.5 million

Regional Wastewater Reclamation - The Regional Optimization Master Plan (ROMP) is a master plan to allow the Pima County's Regional Wastewater Reclamation Department (RWRD) to meet current environmental regulatory requirements mandated by the Arizona Department of Environmental Quality (ADEQ). ADEQ regulates activities and the way the community's sewage is conveyed and treated.

ROMP projects are primarily funded with obligations paid for with revenues generated mostly by user fees. One of these projects is nearing completion while the other projects have been completed and are in operation:

- **Agua Nueva Water Reclamation Facility**
The Agua Nueva Water Reclamation Facility (WRF) will replace the existing Roger Road WRF. The Agua Nueva WRF was scheduled to be fully operational in January 2015 but is ahead of schedule and will likely begin treating wastewater in February 2014. The project cost was originally budgeted at \$275 million, but it is anticipated the project will be completed for less than \$180 million. The capacity of the new facility is 32 million gallons a day (MGD), down from the Roger Road capacity of 41 MGD.
- **Tres Rios Water Reclamation Facility**
The Tres Rios WRF (formerly known as the Ina Road WRF) has been upgraded and expanded from 37.5 MGD to 50 MGD. Tres Rios WRF was substantially complete in October 2013, has met timeline requirements and has not exceeded the original budget.
- **Plant Interconnect**
In March 2011, RWRD received approval from the ADEQ to operate the plant interconnect, a five mile long gravity sanitary sewer that is to divert flows from the existing Roger Road WRF service area to the Tres Rios WRF. The plant interconnect was completed \$7 million under budget at \$34.1 million.

Transportation - The Department of Transportation projects are funded by the highway user revenues, the 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 2013-2014 budget:

- Valencia Road: Alvernon Way to Wilmot project is budgeted for \$13.1 million.
- Magee Road: La Canada Drive to Oracle Road project is budgeted for \$12.9 million.
- La Canada Drive: Ina Road to River Road project is budgeted for \$9.4 million.
- La Cholla Boulevard: Magee Road to Overton Road project is budgeted for \$9.0 million.

Facilities Management - A major budgeted project for fiscal year 2013-2014 includes \$34 million for construction of a new Public Service Center that will house the Pima County Justice Courts, the Recorder, the Assessor and the Treasurer. The project is funded with \$27.7 million from Certificates of Participation, and \$6.3 million from the General Fund. The new County building will open in early 2015.

Sheriff's Department - Another major budgeted project for fiscal year 2013-2014 includes \$20.6 million for the Regional Public Safety Communications System, funded with 2004 General Obligation Bonds.

Debt Management

The State Auditor General's Office completed a review in early 2013 of the 1997, 2004 and 2006 Pima County General Obligation Bond Programs and determined the bonds have been effectively managed and administered without bias. Pima County has an AA bond rating and maintains a sound financial profile, with healthy operating reserves. The County's 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 2006. At June 30, 2013, \$4.8 million from the May 20, 1997, \$23.2 million from the May 18, 2004, and \$0.7 million from the May 16, 2006 bond elections remained unissued at June 30, 2013. The County issues Certificates of Participation for building construction and Sewer Revenue Obligations to fund the construction and improvement of the County's wastewater conveyance systems and treatment facilities.

Bond sales anticipated for fiscal year 2013-2014 include \$10 million of general obligation debt, \$16 million of transportation bonds, \$55 million is sewer obligation bonds, and \$58 million of Certificate of Participation proceeds to fund the completion of the downtown court complex.

For several years, Pima County has been planning another bond election; however, the date has not yet been determined due to economic conditions. The County's conservative debt management principles play a critical role in the decision regarding when to issue new debt. The County has set an aggressive debt repayment schedule, retiring 90 percent of its debt within 11 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 2012-2013 the constitutional debt limit was \$1.2 billion. The actual bonded indebtedness was \$457 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 2012-2013 are expected to be under the limit of \$516.4 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.

As a part of the County's Single Audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs and whether the County has complied with applicable laws and regulations.

A complete Single Audit report for fiscal year 2011-2012 can be found at:

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

The Single Audit for Pima County for the fiscal year ended June 30, 2013 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, 2012. Pima County has received this prestigious award for twenty-five years from fiscal years ended June 30, 1984 through 2012, 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 2012-2013 budget document. This was the fifteenth 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
Director, Finance and Risk Management



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

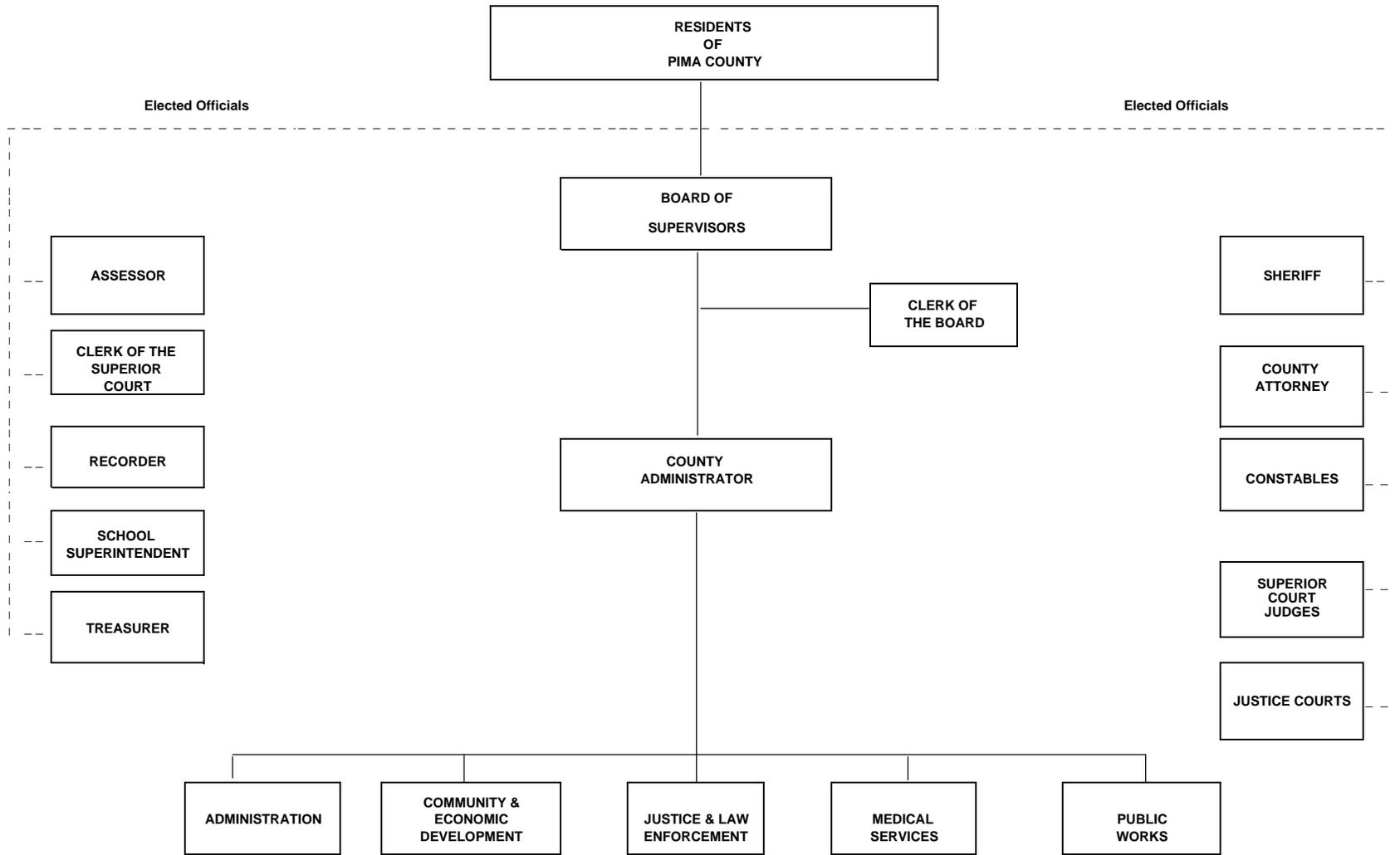
**Pima County
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

PIMA COUNTY ORGANIZATIONAL CHART



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PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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.



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2013, 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 one 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	1.29%	1.68%	0.95%	1.15%
School Reserve Fund	0.09%	0.01%	0.35%	0.39%
Self-Insurance Trust	2.73%	4.09%	2.13%	1.97%
Business-Type Activities:				
Regional Wastewater Reclamation Department	99.06%	99.87%	94.81%	92.25%
Development Services	0.24%	0.09%	4.45%	4.48%
Aggregate Discretely Presented Component Unit:				
Southwestern Fair Commission	100.00%	98.11%	99.85%	99.54%
<u>Fund Statements</u>				
Major Fund:				
Regional Wastewater Reclamation Department				
Enterprise Fund	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.11%	0.92%	0.28%	0.37%
School Reserve Fund	0.37%	0.06%	0.10%	0.11%
Development Services	0.66%	0.51%	0.28%	0.28%
Self-Insurance Trust	12.85%	27.62%	0.63%	0.56%

Those financial 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 reports of the other auditors. 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 of 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, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 15 through 33, the Budgetary Comparison Schedule on pages 85 and 86, and the Schedule of Agent Retirement Plans' Funding Progress on page 87 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 the responsibility of management and were derived from and related 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, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

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

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

Other Reporting Required by Government Auditing Standards

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

Debbie Davenport
Auditor General

December 12, 2013



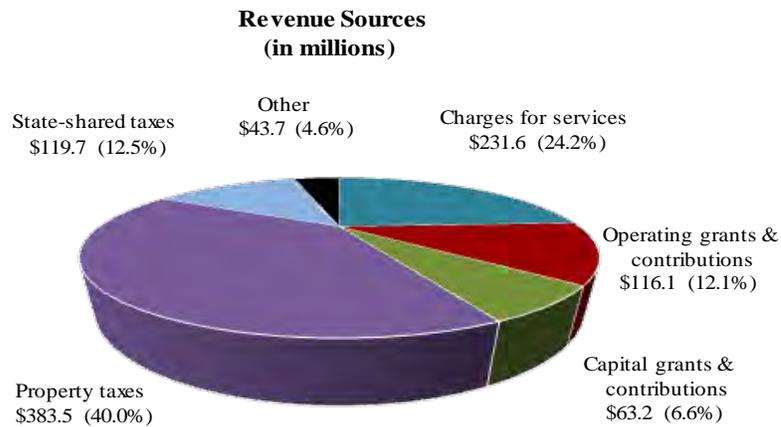
Management's Discussion and Analysis

Pima County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2013

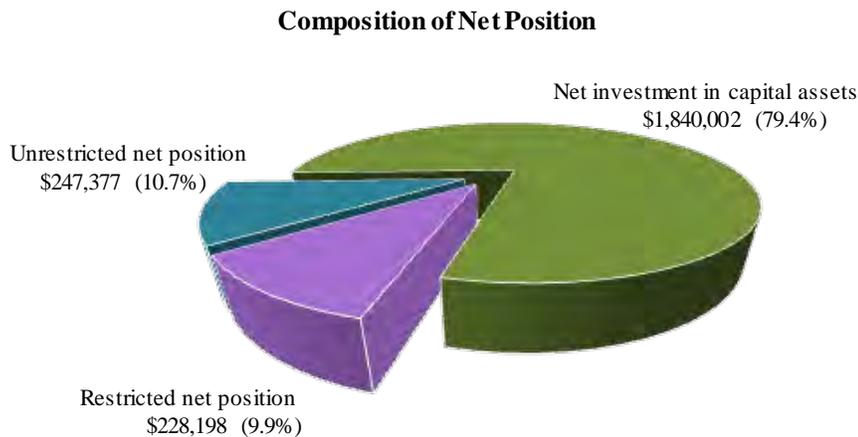
Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2013. Please read it in conjunction with the transmittal letter which begins on page 1 and the County's basic financial statements, which begin on page 35. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

Financial Highlights

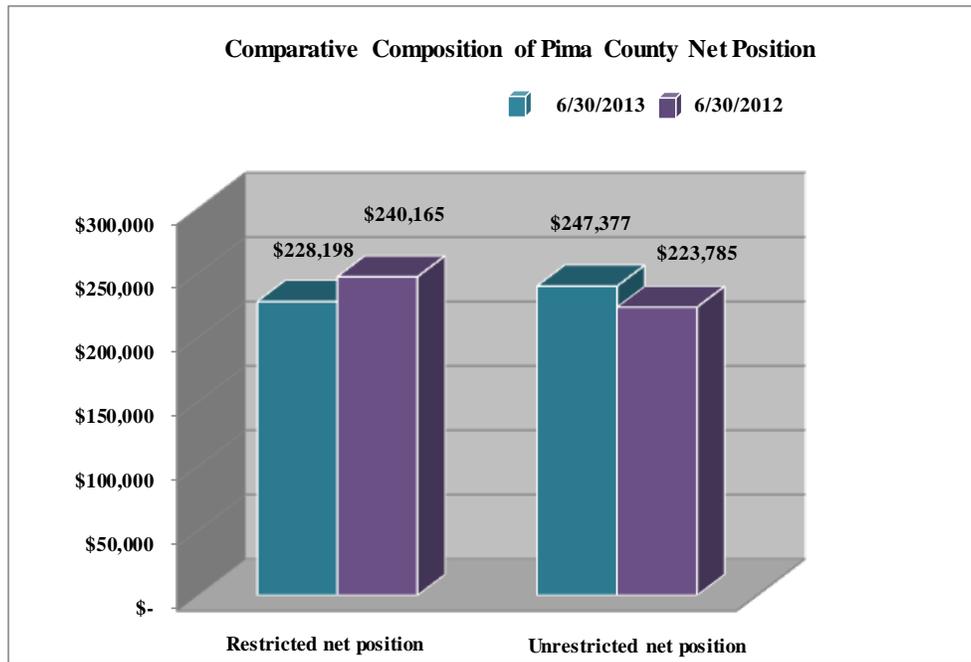
- The County's total net position increased \$46,972 in fiscal year 2012-13. This represents a 62.4% decrease when compared to the prior year's change in net position of \$124,793.
- The County's primary sources of revenue come from taxes, grants and contributions, and charges for services, as displayed below:



- The assets of the County exceeded its liabilities (net position) by \$ 2,315,577, an increase of 2.1% from the prior year. Of this amount, \$1,840,002 represents the net investment in capital assets, \$228,198 is restricted for specific purposes (*restricted net position*), and \$247,377 is available for general government expenditures (*unrestricted net position*).

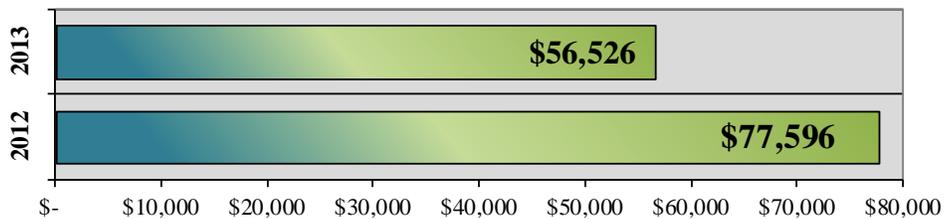


- Unrestricted net position for the County increased \$23,592 (or 10.5%), from \$223,785 to \$247,377 this fiscal year, while restricted net position decreased \$11,967 (or 5.0%). The chart below presents the composition of restricted and unrestricted net position for the current and prior years:



- County revenues decreased 8.3% (or \$86,334), from \$1,044,265 last year to \$957,931 in fiscal year 2012-13. This is primarily due to a decrease in property tax revenues affected by a decline in assessed property valuations, and a primary property tax rate that remained unchanged.
- The General Fund unassigned fund balance decreased to \$56,526 from \$77,596 in the prior year. The unassigned fund balance comprises 93.4% of the total fund balance of \$60,532.

General Fund - Unassigned Fund Balance



- The County continues to use debt to finance the construction of roads, streets, and buildings. Total capital assets for the year increased \$215,973 and long-term liabilities increased \$180,995.

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. Required supplementary information is included in addition to the basic financial statements.

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

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the two reported as 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.

Discretely presented component units are included in the basic financial statements. They consist of two legally separate entities for which the County is financially accountable. The County reports the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair, as a discretely presented component unit. The Pima County Sports and Tourism Authority (S&TA) is also reported as a discrete component unit. S&TA is a nonprofit municipal corporation established to promote professional and amateur sports events and other suitable activities for the benefit of the public.

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

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

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

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

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

The governmental fund financial statements can be found on pages 38-41. The combining statements for non-major governmental funds can be found on pages 90-93.

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 risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless and information technology network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, most 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 Regional Wastewater Reclamation 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 109-116.

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 50-83.

Required Supplementary Information (RSI) is presented concerning the County's General Fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 85-87.

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 90-120.

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, 2013 and 2012			
	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Charges for services	\$ 231,625	\$ 288,383	\$ (56,758)
Operating grants and contributions	116,121	144,663	(28,542)
Capital grants and contributions	63,212	50,204	13,008
Total program revenues	<u>410,958</u>	<u>483,250</u>	<u>(72,292)</u>
Total general revenues and transfers	<u>546,973</u>	<u>561,015</u>	<u>(14,042)</u>
Total program and general revenues	<u>957,931</u>	<u>1,044,265</u>	<u>(86,334)</u>
Total expenses	<u>910,959</u>	<u>919,472</u>	<u>(8,513)</u>
Change in net position	<u>\$ 46,972</u>	<u>\$ 124,793</u>	<u>\$ (77,821)</u>

As indicated above, the County experienced significant decreases in charges for services (\$56,758) as well as in operating grants and contributions (\$28,542). The only revenue source that increased was capital grants and contributions (\$13,008). In total, program revenues decreased \$72,292. In addition, general revenues and transfers decreased (\$14,042). However, expenses also decreased \$8,513 resulting in a decrease in the change in net position of \$77,821.

The detail of each of these changes is discussed in the governmental and business-type activities sections below.

The graph and schedule presented below illustrate at a summary level and detail level the changes in the elements of the Statement of Net Position.

The following graph presents a summary overview and comparison of the assets, deferred outflows of resources, liabilities, and components of net position for the County at June 30, 2013 and June 30, 2012.



* Note: The County implemented GASB 65 in fiscal year 2012-13, therefore, Deferred outflows of resources was not a required presentation in fiscal year 2011-12. The amount not presented is considered immaterial since it is less than 0.2% of total assets.

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

Total assets for the County were \$3,946,664, an increase of 5.4% (\$200,919) from the prior year and total liabilities were \$1,635,220, an increase of 11.1% (\$163,213) from the prior year.

The largest portion of the County’s net position reflects its net investment in capital assets (i.e. land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2013, net investment in capital assets totaled \$1,840,002, comprising approximately 79.4% of total net position. This represents an increase of \$30,214 from the prior year. 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.

Restricted net position represents resources that are subject to external restrictions on how they may be used. As of June 30, 2013, restricted net position totaled \$228,198 and comprised approximately 9.9% of total net position. This represents an \$11,967 decrease from the prior fiscal year.

The remaining balance of the County’s net position represents unrestricted net position, which may be used to meet the County’s ongoing obligations to citizens and creditors. As of June 30, 2013, unrestricted net position totaled \$247,377 and comprised approximately 10.7% of total net position. This represents a \$23,592 increase from the prior year.

The schedule below 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 and Net Position At June 30, 2013 and 2012						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$579,558	\$596,855	\$248,658	\$246,415	\$828,216	\$843,270
Capital assets (net):						
Land, buildings, equipment, infrastructure & other assets	1,908,895	1,809,998	1,209,553	1,092,477	3,118,448	2,902,475
Total assets	\$2,488,453	2,406,853	1,458,211	1,338,892	3,946,664	3,745,745
Deferred outflows of resources*						
Deferred charges on refunding	4,133	(See Note)		(See Note)	4,133	(See Note)
Current and other liabilities	110,838	120,443	34,478	42,655	145,316	163,098
Long-term liabilities	789,601	716,370	700,303	592,539	1,489,904	1,308,909
Total liabilities	900,439	836,813	734,781	635,194	1,635,220	1,472,007
Net position:						
Net investment in capital assets	1,308,057	1,245,227	531,945	564,561	1,840,002	1,809,788
Restricted	138,472	167,498	89,726	72,667	228,198	240,165
Unrestricted	145,618	157,315	101,759	66,470	247,377	223,785
Total net position	\$1,592,147	\$1,570,040	\$723,430	\$703,698	\$2,315,577	\$2,273,738

* Note: The County implemented GASB 65 in fiscal year 2012-13, therefore, Deferred outflows of resources was not a required presentation in fiscal year 2011-12. The amount not presented is considered immaterial since it is less than 0.2% of total assets.

Analysis of Governmental activities

Assets

Current and other assets decreased by \$17,297 between fiscal years. The primary reason for the change was a decrease of \$12,193 in amounts due from the federal government. Several major programs ended during the year, specifically: the American Recovery Reinvestment Act (ARRA) (\$6,405) and the Neighborhood Stabilization Program (NSP2) ARRA (\$3,511). Also, amounts due from the State of Arizona for Highway User Revenue Fees (HURF) and Vehicle License Tax (VLT) decreased by \$2,643 and \$389, respectively.

Capital assets increased \$98,897 primarily due to a \$48,949 increase in construction in progress and a \$37,916 increase in buildings and improvements. The Justice Court / Municipal Court Complex (\$33,400) and the Regional Public Safety Communication System (\$13,509) represented the largest increases within construction in progress activity. Several building and improvement projects were completed during the year, most notably the Pima Emergency Communications and Operations Center (PECOC) building improvements (\$19,038), the Superior Courts Building (\$10,484), and the Canyon Del Oro (CDO) Wash Linear Park: Thornydale to Magee Rd. (\$3,844).

Liabilities

Long-term debt increased \$73,231 during the fiscal year. The County issued several forms of long-term debt during the year, specifically \$92,880 in certificates of participation (COPS) consisting of \$80,175 of Series 2013A Certificates of Participation and \$12,705 Series 2013B Refunding Certificates of Participation. These increases in long-term debt were offset primarily by a \$16,335 decrease from refunding of Jail capital leases payable and principal payments reductions of \$12,055 for Transportation revenue bonds.

Net position

Net investment in capital assets increased 5.0% or \$62,830 primarily due to an increase in construction in progress of \$48,949 and an increase in buildings and improvements of \$37,916. Major construction in progress projects include the Justice Court Building and the Regional Public Safety Communication System (RPSCS) totaling \$46,909. The Pima Emergency Communications and Operations Center (PECOC) building for \$19,038 comprised the most significant increase in buildings and improvements.

Overall, restricted net position decreased 17.3% or \$29,026. Of this amount, the restriction for capital projects decreased \$20,371 due to the liquidation of cash restricted for capital projects. Restrictions related to Highways and streets decreased \$5,289 due to spending the cash from Transportation bonds during the year.

In summary, change in net position and unrestricted net position decreased by \$85,487 and \$11,697 respectively. This was primarily due to a decrease in total revenues of \$28,676, increases in expenses of \$23,793, and a decrease in transfers of \$33,018, as explained in previous paragraphs.

Analysis of Business-type activities

Assets

Capital assets increased \$117,076 primarily due to a \$158,853 increase in construction in progress. The majority of these costs were generated from the Regional Optimization Master Plan (ROMP) projects for approximately \$130 million. (Please see the transmittal letter, page 5 for further information on ROMP.)

Liabilities

Long-term liabilities increased \$107,764 primarily due to the issuance of Sewer Revenue Obligation Series 2012A for \$128,795 in December 2012.

Net position

Net investment in capital assets for business-type activities decreased 5.8% or \$32,616 primarily due to the conveyance by court order of the Marana Wastewater Reclamation Facility (MWRWF) to the Town of Marana resulting in an \$18,975 loss on disposal.

Business-type activities restricted net position increased 23.5% or \$17,059 primarily due to increases in restricted cash specifically for Regional Wastewater Reclamation capital projects.

Unrestricted net position increased 53.1% or \$35,289. The primary impact on unrestricted net position for business-type activities was the sale of the Marana Wastewater Reclamation Facility which decreased net investment in capital assets for business-type activities by \$19,279 and provided \$16,142 of unrestricted cash.

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Program revenues:				
Charges for services	\$ 66,460	\$ 66,904	\$ (444)	-0.7%
Operating grants and contributions	116,121	143,388	(27,267)	-19.0%
Capital grants and contributions	59,298	47,528	11,770	24.8%
Total program revenues	241,879	257,820	(15,941)	-6.2%
General revenues:				
Property taxes	383,508	394,963	(11,455)	-2.9%
State-shared taxes	119,728	116,660	3,068	2.6%
Investment earnings	2,627	3,416	(789)	-23.1%
Other general revenues	39,513	43,072	(3,559)	-8.3%
Total general revenues	545,376	558,111	(12,735)	-2.3%
Total revenues	787,255	815,931	(28,676)	-3.5%
Expenses:				
General government	233,984	223,005	10,979	4.9%
Public safety	166,476	150,349	16,127	10.7%
Highways and streets	80,087	69,183	10,904	15.8%
Sanitation	6,409	7,224	(815)	-11.3%
Health	36,540	47,248	(10,708)	-22.7%
Welfare	95,428	94,409	1,019	1.1%
Culture and recreation	65,341	61,900	3,441	5.6%
Education and economic opportunity	49,924	55,126	(5,202)	-9.4%
Amortization	(286)	805	(1,091)	-135.5%
Interest on long-term debt	23,915	24,776	(861)	-3.5%
Total expenses	757,818	734,025	23,793	3.2%
Excess before contributions and transfers	29,437	81,906	(52,469)	-64.1%
Transfers in (out)	(7,330)	25,688	(33,018)	-128.5%
Change in net position	22,107	107,594	(85,487)	-79.5%
Beginning net position	1,570,040	1,462,446	107,594	7.4%
Ending net position	\$ 1,592,147	\$ 1,570,040	\$ 22,107	1.4%

Revenues

Overall, governmental activities total revenues decreased \$28,676 or 3.5% from fiscal year 2011-12 due to decreases in both program revenues and general revenues.

The 6.2% decrease (\$15,941) in program revenues is primarily due to a 19.0% decrease (\$27,267) in operating grants and contributions offset by a 24.8% increase (\$11,770) in capital grants and contributions.

The decrease in operating grants and contributions resulted primarily from decreases in revenues in the following functions:

- Health – The \$16,112 decrease is mainly due to \$13,246 related to the ending of an American Recovery & Reinvestment Act (ARRA) program, more specifically the Communities Putting Prevention to Work – Obesity, Nutrition, and Physical Activity grant.
- Public safety – The \$3,165 decrease is primarily due to decreases in the following operating grants in the Sheriff’s Department: High Intensity Drug Trafficking Areas grant (\$985), the Border Crimes grant (\$549), the Operation Stonegarden 2010 grant (\$509), and the Pima Community College (PCC) Reciprocal Agreement grant (\$449).

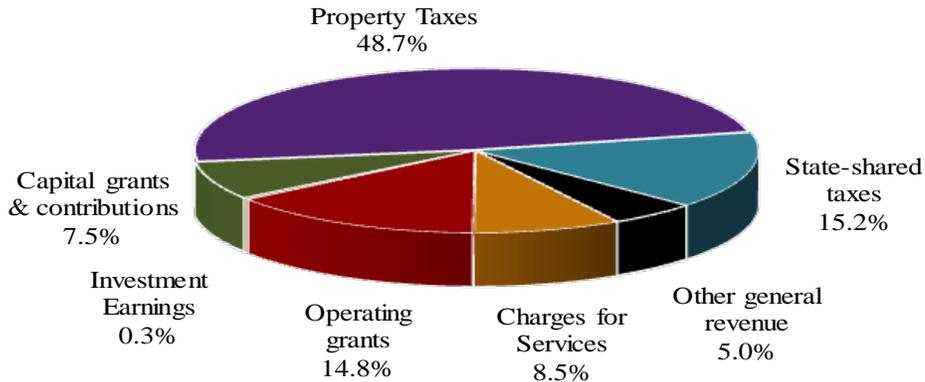
The \$11,770 increase in capital grants and contributions is primarily due to increases and decreases in the following functions:

- Highways and streets – The \$14,091 increase is primarily due to a \$6,408 increase in HURF/VLT revenues for the Transportation department. Also contributing to the increase were \$3,062 in capital contributions from various land donations.
- Culture and recreation – The \$4,914 increase includes increases in capital projects of \$1,890 in State funding for the Town of Oro Valley Tortolita Mountain Park Expansion and \$2,604 from capital land contributions.
- Public safety – The \$3,348 decrease is primarily due to the ending of two Arizona Department of Homeland Security - Pima County Wireless Integrated Network (PCWIN) grants: PCWIN Project grant (\$3,323) and PCWIN: Interoperable Communications grant (\$1,720).
- General government – The \$2,915 decrease in General government was primarily due to significant decreases in the following grants: Energy Efficiency Conservation Block grant (\$988), the Victim Compensation grant (\$479), Edward Byrne Memorial Justice Assistance grant (\$409), Drug/Border Prosecution grant (\$369), and the Drug Treatment Alternative Program – Substance Abuse and Mental Health Services Administration / Center for Substance Abuse Treatment grant (\$147).

General revenues decreased \$12,735 mainly due to an \$11,455 decrease in property taxes which includes a \$7,394 decrease in primary property taxes and a \$2,219 decrease in secondary property taxes levied for debt service. These decreases are a result of decreasing property valuations, while the primary property tax rate remained unchanged.

The chart below presents general and program revenues, as a percentage to total revenues. The amount provided from each revenue source for governmental activities, as a percentage to total revenue for governmental activities, has not changed significantly from the prior fiscal year. Property taxes, operating grants, and state-shared taxes continue to account for approximately 78.7% of the County’s revenues.

General and Program Revenues - Governmental Activities



Expenses

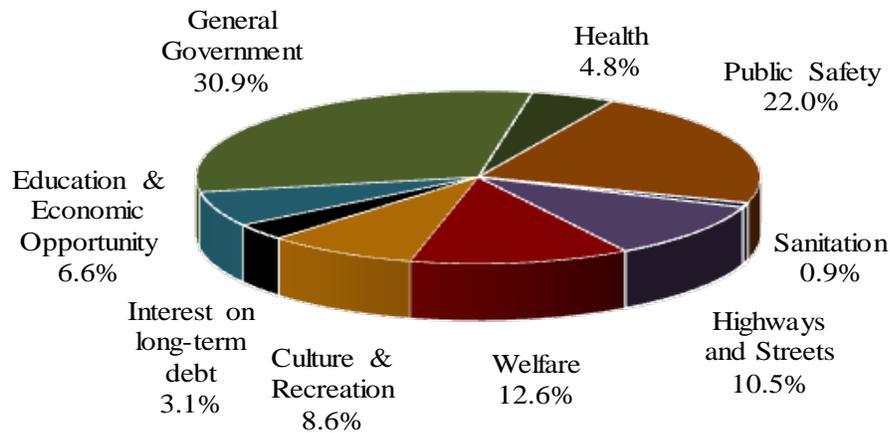
Expenses for governmental activities increased \$23,793 primarily due to increases and decreases in the following functions:

- General government – The \$10,979 increase was primarily due to an increase in non-capitalizable expenses in various general government capital projects. Many projects had increases, the most significant being: Replace Motors – Downtown Government Complex (\$905) and Jail Tower Kitchen and Freezer Replacement (\$637). Also contributing to the increase were increases in Pima Health Systems transition fund expenses primarily related to graduate medical education (\$4,171) and an increase in County Attorney expenses mainly for software maintenance and support, repairs and maintenance machinery and equipment services, and payments to agencies (\$1,140).
- Public safety – The \$16,127 increase in expenses is primarily due to increases in personnel (\$4,191) and increases in motor pool rates (\$2,339). Non-capitalizable expenses for public safety capital projects increased primarily due to increases in the following projects: Thomas O. Price Service Center Communications Center Expansion (\$3,322), Communications Emergency Operations Center (\$1,886), and Paseo de Las Iglesias Restoration (\$1,315).
- Highways and streets – The \$10,904 increase in non-capitalizable expenses for capital projects was primarily due to significant expense increases in the following projects: La Cholla Blvd Magee Rd to Overton Rd (\$4,670), Pavement Preservation Program (\$2,998), and ARRA Intersection Control & Crosswalk Renewal (\$1,236).
- Health – The primary reason for the \$10,708 decrease was the ending in December 2012 of the ARRA program Communities Putting Prevention to Work – Obesity, Nutrition, and Physical Activity grant (\$12,350).
- Education and economic opportunity – The \$5,202 decrease in expenses was primarily due to a decrease in two grants (\$2,484): the Neighborhood Stabilization Program 2 ARRA grant and the Housing and Urban Development (HUD) Community Development Block grant. Non-capitalizable expenses for several capital projects decreased, the most significant decreases being S. Tucson Youth Mission View & Ochoa (\$398), W. University Neighborhood Association (\$385), Barrio Centro Project (\$340), Dunbar Spring Project (\$305), and Barrio San Antonio (\$293).

Transfers in were significantly higher last fiscal year due to the transfer of final cash (\$26,436) from the closure of Pima Health Systems (PHS) Enterprise Fund. Current year transfers out were for Regional Wastewater Reclamation Fund's receipt of certificates of participation funding used for sewer system improvements (\$8,521).

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

Expenses by Function - Governmental Activities



The resulting change in net position was \$22,107 for fiscal year 2013 compared with a change in net position of \$107,594 for fiscal year 2012.

In summary, and as explained above, ending net position for governmental activities increased \$22,107 (1.4%). This year's change in net position decreased \$85,487 from last year, primarily due to a decrease in overall revenues of \$28,676 and an increase in expenses of \$23,793.

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Program revenues:				
Charges for services	\$ 165,165	\$ 221,479	\$ (56,314)	-25.4%
Operating grants and contributions		1,275	(1,275)	-100.0%
Capital grants and contributions	3,914	2,676	1,238	46.3%
Total program revenues	169,079	225,430	(56,351)	-25.0%
General revenues:				
Investment earnings	1,017	1,001	16	1.6%
Other general revenues	580	1,903	(1,323)	-69.5%
Total general revenues	1,597	2,904	(1,307)	-45.0%
Total revenues	170,676	228,334	(57,658)	-25.3%
Expenses:				
Regional Wastewater Reclamation	144,085	117,774	26,311	22.3%
Pima Health System & Services		58,773	(58,773)	-100.0%
Development Services	7,231	6,912	319	4.6%
Parking Garages	1,825	1,988	(163)	-8.2%
Total expenses	153,141	185,447	(32,306)	-17.4%
Excess before transfers	17,535	42,887	(25,352)	-59.1%
Transfers in (out)	7,330	(25,688)	33,018	-128.5%
Change in net position	24,865	17,199	7,666	44.6%
Beginning net position, as restated	698,565	686,499	12,066	1.8%
Ending net position	\$ 723,430	\$ 703,698	\$ 19,732	2.8%

Revenues

Revenues for business-type activities decreased \$57,658 primarily due to a decrease in charges for services (\$56,314). This decrease in charges for services is primarily due to the closure of Pima Health Systems and the loss of those revenues, which were \$58,722 in fiscal year 2012.

Expenses

Expenses for business-type activities decreased \$32,306 primarily due the closure of Pima Health Systems (which were \$58,773 in 2012) offset by a \$26,311 increase in expenses for the Regional Wastewater Reclamation Fund. The increase in the Regional Wastewater Reclamation Fund's expenses is primarily due to the loss of \$18,975 related to the conveyance by court order of the Marana Wastewater Reclamation Facility (MWRF) to the Town of Marana.

A significant change in transfers occurred due to fiscal year 2012 including a \$26,436 transfer out related to Pima Health Systems. Additionally, fiscal year 2013 included an \$8,645 transfers in from proceeds from certificates of participation.

The resulting excess before transfers of \$17,535 in fiscal year 2012-13 was primarily supplemented by \$8,521 of transfers in from proceeds from certificates of participation to yield a \$24,865 change in net position. The resulting net position at the end of the fiscal year was \$723,430.

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The County's general government functions are accounted for in the General, Capital Projects, Debt Service, and Special Revenue funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library and Stadium Districts). 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.

Revenues for the General Fund decreased \$14,147 primarily from a decrease of \$10,630 in property taxes as a result of lower property valuations due to economic conditions in fiscal year 2013 with the primary property tax rate remaining unchanged.

General Fund expenditures increased \$6,060 primarily due to \$7,851 of increases in the Sheriff's Department (Public safety) expenditures mainly from increased personnel costs (\$4,190) and an increase in motor pool rates (\$2,339). The Natural Resources – Parks and Recreation department also had a \$1,273 increase in expenditures as follows: additional costs for personnel, primarily for benefits; increased water and sewer, and motor pool rates; and an increase in motor vehicles. The increases in expenditures were partially offset by \$4,093 less in expenditures for general government due to fiscal year 2012 including a one-time \$6,776 payment to the State of Arizona for a transfer to the State General Fund.

The \$14,147 decrease in revenues and \$6,060 increase in expenditures is the primary basis for the \$20,235 decrease in the fund balance, which ended the year at \$60,532.

Capital Projects Fund

Revenues for the Capital Projects Fund decreased \$7,010 mainly due to a \$10,782 decrease in Intergovernmental revenues. Significant changes in Intergovernmental revenues were primarily due to a \$14,413 decrease in Regional Transportation Authority (RTA) – Sales tax revenues with an offsetting increase in State revenues of \$6,175. The largest decreases in RTA revenues were primarily within the following reimbursed projects: Magee Rd. Cortaro Farms Rd Mona Lisa to La Canada (\$7,829), La Canada Ina Rd to Calle Concordia (\$3,013), and Alvernon Way – Valencia Rd Intersection Improvements (\$2,448). The increase in State revenues is primarily due to funding for the following projects: Magee Rd Cortaro Farms Rd Thornydale Rd to Mona Lisa \$3,302, Town of Oro Valley Tortolia Mountain Park Expansion \$1,890, and Camino de Oeste Los Reales Valencia Rd \$1,323.

Expenditures (capital outlays) increased \$25,364. Increases in significant capital expenditures, by project, were: the Downtown Court Complex \$19,557, Pavement Preservation Program \$11,601, and La Cholla Blvd to Magee Rd to Overton Rd \$9,519. The largest decreases in capital projects that were either completed or nearly completed include the Communications Emergency Operations Center (\$8,639), Project Pimacore (\$6,626), and Raytheon Buffer Zone Acquisition (\$5,995).

The face amount of long-term debt was \$130,175, increasing \$51,750 in 2012-13. Proceeds received in fiscal year 2012-13 were \$50,000 from the issuance of general obligation bonds and \$80,175 from the issuance of certificates of participation. In contrast, proceeds received in fiscal year 2011-12 were \$60,000 for the issuance of general obligation bonds and \$18,425 from HURF. Transfers in have decreased to \$47,849 primarily due to the prior year reporting of a \$22,470 transfer in from the Other Special Revenue Fund related to the construction of the new Justice Court building. The main reasons for the increase in transfers out are: an \$8,521 transfer of proceeds from the General Fund certificates of participation to the Regional Wastewater Reclamation Fund and a \$1,768 transfer to the Fleet Services Fund for the new Fleet Services building.

The net result of all the activities was an increase in the net position of \$33,361, resulting in a fund balance at year-end of \$194,730.

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 decreased \$2,711 primarily due to a \$2,831 decrease in property tax revenues as a result of decreasing secondary net assessed values and taxes levied. Expenditures for the Debt Service Fund decreased \$10,882 mainly from a decrease in principal payments of \$10,505. This decrease is primarily due to changes in payment schedules as follows: a \$7,925 decrease in general obligation bond payments and a \$6,630 decrease in certificates of participation payments. Please see Note 7 beginning on page 66 for more information on bond and certificate of participation details. .

Proceeds from refunding debt were \$51,280, an increase of \$20,535. Fiscal year 2012-13 proceeds from refunding consisted of \$38,575 for General Obligation 2013 bond proceeds and \$12,705 COPS 2013 proceeds. These proceeds were used to refund part of the remaining debt of the 2004 and 2005 General Obligation bond series and part of the remaining debt of the 1999 and 2003 Certificate of Participation series.

Payments to escrow agents increased \$22,410 in fiscal year 2012-13 as a result of Certificates of Participation 2013 and General Obligation 2013 refundings and issuance costs being higher than HURF 2012 and General Obligation 2012 issuing costs. Another significant factor in the total decrease from other financing sources (a \$3,224 decrease) was transfers out to the Capital Projects Fund of \$5,700 related to the 2013A Certificates of Participation and 2012 HURF premium adjustments.

The resulting fund balance of \$25,640 reflects a \$2,658 decrease from fiscal year end 2012.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were more than budgeted revenues by \$10,932 and actual expenditures were less than budgeted expenditures by \$39,379.

Actual revenues for the General Fund were higher than budgeted primarily due to state shared sales tax being \$3,550 higher than budgeted and miscellaneous revenue being \$4,726 higher than budgeted. The higher amount of actual state shared sales tax reflects a recovery in consumer confidence and stronger corresponding retail activity than was anticipated last fiscal year. Actual miscellaneous revenue included unanticipated recovery funds from NCFE (National Century Financial Enterprises, Inc.) and Lehman Brothers for \$1,835 and \$937 for the NCFE bankruptcy.

Actual expenditures for the General Fund were less than budgeted primarily due to the County Administrator's maintenance of the unreserved contingency being \$30,252 less than budgeted. (The General Contingency is the Board of Supervisors' unreserved contingency that the board uses throughout the year to respond to changing needs or unforeseen circumstances.)

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

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets consists of land, buildings, 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, 2013 and 2012						
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 487,902	\$ 467,661	\$ 12,554	\$ 15,409	\$ 500,456	\$ 483,070
Construction in progress	297,266	248,317	500,964	342,111	798,230	590,428
Buildings and improvements	460,795	422,879	204,944	212,446	665,739	635,325
Infrastructure	590,961	607,049			590,961	607,049
Sewage conveyance systems			423,280	442,803	423,280	442,803
Equipment	71,971	64,092	67,811	79,708	139,782	143,800
Total	\$ 1,908,895	\$ 1,809,998	\$ 1,209,553	\$ 1,092,477	\$ 3,118,448	\$ 2,902,475

The County's total capital assets increased \$215,973 (7.4%). The most significant changes were: construction in progress increased \$207,802 (35.2%), buildings and improvements increased \$30,414 (4.8%), and sewage conveyance systems decreased \$19,523 (4.4%).

Major capital asset events during the current fiscal year are described below.

Governmental activities

The current fiscal year also had several important changes to the capital assets for governmental activities. Construction in progress experienced a 19.7% (\$48,949) increase over the prior year. The largest increases in construction in progress projects related to the Justice Court / Municipal Court Complex (\$33,400) and the Regional Public Safety Communication System (\$13,509). Buildings and improvements also had a substantial increase of 9.0% (\$37,916) over the prior year. This increase was primarily due to increases in the following projects:

PECOC Building Improvements	\$19,038
Superior Courts Building	\$10,484
CDO Wash Linear Park: Thornydale to Magee Rd.	\$ 3,844
First floor improvements Abrams Building	\$ 2,436
Retrofit Downtown Central Plant Chilled Water System	\$ 1,445
Demolition, Asbestos Abatement & Refireproofing Floors 1-3	\$ 1,374
1680 E Benson Highway, 1505 E Apache Park Place	\$ 1,120
Laguna Elementary: Sidewalks, Curbs, Landscaping	\$ 1,146
PCWIN – 12 workstations	\$ 1,024

Overall, governmental activities capital assets increased \$98,897 (5.5%) over the prior year.

Business-type activities

Construction in progress increased \$158,853 (a 46.4% increase) over the prior year primarily due to approximately \$130 million spent in Regional Optimization Master Planning (ROMP) projects. The \$117,076 increase in capital assets for business-type activities was partially offset by a \$35,117 decrease related to the conveyance by court order of the Marana Wastewater Reclamation Facility (MWRP) to the Town of Marana. The net effect of these and other changes was a 10.7% (\$117,076) increase in capital assets for business-type activities.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 62-64.

Long-term Debt

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

Long-Term Debt		
For the Years Ended June 30, 2013 and 2012		
	2013	2012
Bonds issued (at face value):		
General Obligation	\$88,575	\$76,225
Street and Highway Revenue		32,945
Sewer System Revenue Obligations	128,795	189,160
Certificates of Participation (COPs)	92,880	
Total	\$ 310,250	\$ 298,330

During the year, \$88,575 of general obligation bonds were issued consisting of \$50,000 of Series 2013A and \$38,575 of Series 2013B. The \$50,000 of new debt issued in Series 2013A was for the purpose of funding various capital projects in the County. The \$38,575 for Series 2013B was issued to refund the 2004 Series (maturities 7/1/2015 through 7/1/2019) and the 2005 Series (maturities 7/1/2017, 7/1/2018, and 7/1/2020).

In addition, the County issued \$80,175 in Certificates of Participation Series 2013A and received a premium of \$4,908. The County intends to use \$60,000 of the proceeds for: sewer system projects reported within the Regional Wastewater Reclamation Enterprise Fund, \$21,300 for the new Fleet Services building, and \$3,000 for various Facilities Management department capital projects.

The County also issued \$12,705 in Certificates of Participation Series 2013B for the purpose of refunding Certificates of Participation Series 1999 (maturity date 1/1/2014) and Series 2003 (maturities 1/1/2014 through 1/1/2018).

Regarding business-type activities, \$128,795 of sewer system revenue obligations were issued to finance additions and improvements to the sewer conveyance systems.

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

Credit Ratings				
	Standard & Poor's		Fitch Ratings	
	Rating	Date	Rating	Date
Certificates of Participation (COPs)	A+	Apr-2013	AA-	Apr-2013
General Obligation	AA-	Apr-2013	AA	Apr-2013
Street and Highway Revenue	AA	Apr-2012	AA	Apr-2012
Sewer Revenue Bonds*	AA-	Nov-2012	AA	Nov-2012
Sewer Revenue Obligations	A+	Nov-2012	AA-	Nov-2012

* This excludes the Sewer Revenue Refunding Bonds Series 2011A which have ratings equal to the Sewer Revenue Obligations.

The State of Arizona Constitution limits the amount of general obligation debt a governmental entity may issue to 6.0% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15.0%. The current debt limitation for Pima County is \$1,225,682, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on Pages 66-75.

Economic Factors and Next Year's Budget

As presented at the Economic Outlook 2013-14 at The University of Arizona's 32nd Annual Forecast Luncheon, various factors suggest an improving economy in Tucson and Pima County. Housing permits and home prices are gradually increasing along with retail sales and restaurant and bar sales. The labor market is also improving but at a slow pace. The following discussions identify significant activities expected to occur in fiscal year 2013-14.

Primary property taxes

The recession continues to impact the local economy, primarily evident by decreasing market values of existing property. The primary Net Assessed Value of the County for fiscal year 2013-14 decreased \$515 million or 6.38 percent from the current year. The contraction of the property tax base is expected to continue into fiscal year 2014-15 but only with the Net Assessed Value projected to decline by half a percent.

State shared revenues

An indication of increased consumer confidence and a gradual recovery in the local economy is evident by positive projections of state shared sales tax revenue. Current projections indicate a \$5.7 million increase in fiscal year 2013-14.

University of Arizona Medical Center – South Campus

The previous agreement with the Arizona Board of Regents (ABOR) on behalf of the University of Arizona College of Medicine to provide funding for the University of Arizona Medical Center – South Campus was extended. In May 2012 the Board of Supervisors approved another two year contract with ABOR with an annual funding of \$15 million for fiscal years 2013-14 and 2014-15.

Road Repair

In fiscal year 2012-13 the County appropriated County General Fund resources for the purpose of road repair and preservation. This program will continue in fiscal year 2013-14 when a \$5 million appropriation from the General Fund is budgeted to accelerate preservation and rehabilitation of 100 miles or 5.7% of paved County roads.

Medical Insurance

Due to employee medical insurance premiums increasing an average of 15 to 20 percent yearly over the last five years while using an independent provider, the County has moved to a self-insured medical plan run by a third party administrator, Aetna. Insurance costs for fiscal year 2013-14 are forecasted to increase by less than 7.0% from the fiscal year 2012-13 cost.

Solid Waste

Beginning June 1, 2013 a private contractor began providing solid waste services to the public instead of the direct service model Pima County had been using. This change is forecast to reduce costs by nearly \$4 million in fiscal year 2013-14.

Stadium District

The Stadium District has taken several steps since 2008 to diversify the use of the Kino Veterans Memorial Stadium in order to increase revenues and decrease costs after the departure of spring training for the Chicago White Sox and Arizona Diamondbacks. Steps undertaken include:

- Activating the Pima County Sports and Tourism Authority in order to potentially attract new major league baseball spring training teams and additional sports activities
- Re-negotiating gem show agreements to add services and increase rental rates
- Transferring operation of Kino Community Recreation Center to the YMCA of Southern Arizona to reduce costs and expand services
- Developing staff expertise for Stadium conversion to and from baseball events to other sporting events such as football, rugby, and soccer
- Collaborating with FC Tucson Soccer to attract Major League Soccer teams for training and tournaments
- Allocating a portion of the White Sox termination payment to begin repurposing the stadium complex for such other sporting events

Through these actions and others, the District's operating revenues have exceeded budgeted revenue by \$1,050 in fiscal year 2011-12 and \$245 in fiscal year 2012-13. However, since revenues are still less than revenue realized during the major league spring training period, a General Fund subsidy of \$1,500 which began in 2012-13 is also planned for 2013-2014.

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.

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Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Position
June 30, 2013
(in thousands)

Exhibit A - 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 506,110	\$ 136,786	\$ 642,896	\$ 1,085
Property taxes receivable (net)	13,262		13,262	
Interest receivable	139	68	207	
Internal balances	(8,524)	8,524		
Due from other governments	50,269	8	50,277	
Accounts receivable (net)	6,038	18,164	24,202	8
Inventories	2,123	3,097	5,220	36
Prepays	5,462	26	5,488	81
Other assets	1,018		1,018	
Restricted assets:				
Cash and cash equivalents	3,229	81,985	85,214	1,848
Loans receivable	432		432	
Capital assets not being depreciated:				
Land	487,902	12,554	500,456	
Construction in progress	297,266	500,964	798,230	
Capital assets being depreciated (net):				
Buildings and improvements	460,795	204,944	665,739	2,635
Sewage conveyance system		423,280	423,280	
Equipment	71,971	67,811	139,782	500
Infrastructure	590,961		590,961	
Total assets	2,488,453	1,458,211	3,946,664	6,193
Deferred outflows of resources				
Deferred charge on refunding	4,133		4,133	
Total deferred outflows of resources	4,133		4,133	
Liabilities				
Accounts payable	49,883	26,483	76,366	240
Interest payable	2	322	324	
Contract retentions	2,752		2,752	
Employee compensation	48,370	4,838	53,208	
Due to other governments	17	8	25	
Deposits and rebates	3,400		3,400	43
Unearned revenue	6,414	2,827	9,241	87
Noncurrent liabilities:				
Due within one year	110,779	36,979	147,758	
Due in more than one year	678,822	663,324	1,342,146	
Total liabilities	900,439	734,781	1,635,220	370
Net Position				
Net investment in capital assets	1,308,057	531,945	1,840,002	3,135
Restricted for:				
Facilities, justice, library, tax stabilization, and community development	100,423		100,423	
Highways and streets	27,033		27,033	
Debt service		29,100	29,100	
Capital projects	9,853	42,841	52,694	
Regional wastewater		17,785	17,785	
Healthcare	1,163		1,163	
Unrestricted	145,618	101,759	247,377	2,688
Total net position	\$ 1,592,147	\$ 723,430	\$ 2,315,577	\$ 5,823

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2013
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 233,984	\$ 28,910	\$ 26,042	\$ 1,215
Public safety	166,476	10,238	6,138	2,213
Highways and streets	80,087	6,511	45,750	49,342
Sanitation	6,409	3,577	1,146	
Health	36,540	12,495	8,718	985
Welfare	95,428	320	263	
Culture and recreation	65,341	2,865	652	5,175
Education and economic opportunity	49,924	1,544	27,412	368
Amortization - unallocated	(286)			
Interest on long-term debt	23,915			
Total governmental activities	757,818	66,460	116,121	59,298
Business-type activities:				
Regional Wastewater Reclamation	144,085	156,573		3,914
Development Services	7,231	6,519		
Parking Garages	1,825	2,073		
Total business-type activities	153,141	165,165		3,914
Total primary government	\$ 910,959	\$ 231,625	\$ 116,121	\$ 63,212
Component units:				
Sports & Tourism Authority	\$ 25	\$ 5	\$ 4	
Southwestern Fair Commission	5,399	5,665	120	
Total component units	\$ 5,424	\$ 5,670	\$ 124	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year, as restated				
Net position at end of year				

See accompanying notes to financial statements

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

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (177,817)		\$ (177,817)	
(147,887)		(147,887)	
21,516		21,516	
(1,686)		(1,686)	
(14,342)		(14,342)	
(94,845)		(94,845)	
(56,649)		(56,649)	
(20,600)		(20,600)	
286		286	
(23,915)		(23,915)	
(515,939)		(515,939)	
	\$ 16,402	16,402	
	(712)	(712)	
	248	248	
	15,938	15,938	
(515,939)	15,938	(500,001)	
			\$ (16)
			386
			\$ 370
273,191		273,191	
19,050		19,050	
28,114		28,114	
63,153		63,153	
6,076		6,076	
1,524		1,524	
97,685		97,685	
22,043		22,043	
3,207		3,207	
7,439		7,439	
2,627	1,017	3,644	
21,267	580	21,847	56
(7,330)	7,330		
538,046	8,927	546,973	56
22,107	24,865	46,972	426
1,570,040	698,565	2,268,605	5,397
\$ 1,592,147	\$ 723,430	\$ 2,315,577	\$ 5,823

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 units:

- Sports & Tourism Authority
- Southwestern Fair Commission

Total component units

General revenues:

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

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2013
(in thousands)

Exhibit A - 3

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 67,006	\$ 221,836	\$ 25,430	\$ 105,550	\$ 419,822
Property taxes receivable (net)	9,421		2,179	1,662	13,262
Interest receivable	33	23	35	41	132
Due from other funds	2,959	1,542		276	4,777
Due from other governments	21,973	8,098	6	20,089	50,166
Accounts receivable	1,158	2,006		2,498	5,662
Inventory	16			1,422	1,438
Prepaid expenditures	3,433			439	3,872
Loan receivable	399			33	432
Other assets				1,018	1,018
Restricted cash equivalents		3,184		45	3,229
Total assets	\$ 106,398	\$ 236,689	\$ 27,650	\$ 133,073	\$ 503,810
Liabilities, deferred inflows of resources and fund balances					
Liabilities:					
Accounts payable	\$ 12,538	\$ 21,126	\$ 17	\$ 11,999	\$ 45,680
Interest payable				2	2
Contract retentions		2,752			2,752
Employee compensation	12,775	23		4,491	17,289
Due to other funds	580	8,627		4,001	13,208
Due to other governments	3			14	17
Deposits and rebates	210	3,184		6	3,400
Unearned revenue	2,295	9		4,110	6,414
Total liabilities	28,401	35,721	17	24,623	88,762
Deferred inflows of resources:					
Unavailable revenue - intergovernmental	8,903	6,238		4,661	19,802
Unavailable revenue - property taxes	8,562		1,993	1,523	12,078
Unavailable revenue - other				612	612
Total deferred inflows of resources	17,465	6,238	1,993	6,796	32,492
Total liabilities and deferred inflows of resources	45,866	41,959	2,010	31,419	121,254
Fund balances					
Nonspendable	3,848			1,939	5,787
Restricted		187,855		76,570	264,425
Committed		6,958		7,746	14,704
Assigned	158		25,640	23,784	49,582
Unassigned	56,526	(83)		(8,385)	48,058
Total fund balances	60,532	194,730	25,640	101,654	382,556
Total liabilities, deferred inflows of resources and fund balances	\$ 106,398	\$ 236,689	\$ 27,650	\$ 133,073	\$ 503,810

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, 2013
 (in thousands)

Exhibit A - 4

Fund balances - total governmental funds		\$ 382,556
<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	\$ 2,771,695	
Less accumulated depreciation	<u>(890,568)</u>	1,881,127
<p>Some liabilities and their associated costs are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
Unamortized deferred outflow for bond refunding	4,133	
Bonds payable	(595,972)	
Certificates of participation payable	(134,494)	
Leases and notes payable	<u>(903)</u>	(727,236)
<p>Some compensated absences are not due and payable shortly after June 30, 2013, and therefore are not reported in the governmental funds</p>		
Employee compensation		(30,208)
<p>Some liabilities are not due and payable shortly after June 30, 2013, and are therefore not reported in the governmental funds</p>		
Landfill liability	(21,730)	
Pollution remediation liability	<u>(734)</u>	(22,464)
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds</p>		
		32,492
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position</p>		
		75,880
Net position of governmental activities		<u><u>\$ 1,592,147</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit A - 5

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 281,017		\$ 63,317	\$ 47,296	\$ 391,630
Licenses and permits	2,816			5,555	8,371
Intergovernmental	131,984	\$ 33,359	23	135,857	301,223
Charges for services	32,721	4,770		16,030	53,521
Fines and forfeits	4,799			5,105	9,904
Investment earnings	591	533	334	824	2,282
Miscellaneous	10,907	2,811	16	8,448	22,182
Total revenues	464,835	41,473	63,690	219,115	789,113
Expenditures:					
Current:					
General government	193,097			45,485	238,582
Public safety	131,087			21,286	152,373
Highways and streets				35,866	35,866
Sanitation				5,328	5,328
Health	3,320			32,261	35,581
Welfare	95,076			263	95,339
Culture and recreation	16,468			39,223	55,691
Education and economic opportunity	12,650			31,649	44,299
Capital outlay		174,976			174,976
Debt service - principal	159		67,885	298	68,342
- interest	1		23,903		23,904
- miscellaneous			1,654		1,654
Total expenditures	451,858	174,976	93,442	211,659	931,935
Excess (deficiency) of revenues over (under) expenditures	12,977	(133,503)	(29,752)	7,456	(142,822)
Other financing sources (uses):					
Installment note	764				764
Premium on bonds			11,959		11,959
Proceeds from refunding debt			51,280		51,280
Payments to escrow agent			(55,423)		(55,423)
Face amount of long-term debt issued		130,175			130,175
Proceeds from sale of capital assets				31	31
Transfers in	5,792	47,849	24,978	34,608	113,227
Transfers (out)	(39,768)	(11,160)	(5,700)	(65,616)	(122,244)
Total other financing sources (uses)	(33,212)	166,864	27,094	(30,977)	129,769
Net change in fund balances	(20,235)	33,361	(2,658)	(23,521)	(13,053)
Fund balances at beginning of year	80,767	161,369	28,298	124,951	395,385
Changes in nonspendable fund balance:					
Change in inventory				224	224
Fund balances at end of year	\$ 60,532	\$ 194,730	\$ 25,640	\$ 101,654	\$ 382,556

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, 2013
(in thousands)

Net change in fund balances - total governmental funds \$ (13,053)

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	\$ 145,456	
Less current year depreciation	<u>(58,163)</u>	87,293

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds but 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 deferred outflows of resources, 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	(130,175)	
Premium on bonds	(11,959)	
Proceeds from refunding bonds	(51,280)	
Debt service - principal payments	68,342	
Payments to escrow agent	55,423	
Installment note	(764)	
Amortization expense	<u>286</u>	(70,127)

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	6,387	
Property tax revenues	684	
Other	<u>1,287</u>	8,358

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	(1,070)	
Change in landfill liability	(858)	
Pollution remediation liability	71	
Net book value of capital asset disposals	(636)	
Other	<u>224</u>	(2,269)

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

11,905

Change in net position of governmental activities \$ 22,107

PIMA COUNTY, ARIZONA
Statement of Net Position - Proprietary Funds
June 30, 2013
(in thousands)

Exhibit A - 7

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 128,735	\$ 8,051	\$ 136,786	\$ 86,288
Restricted cash and cash equivalents	35,191		35,191	
Interest receivable	65	3	68	7
Due from other funds	8,597		8,597	67
Due from other governments	2	6	8	103
Accounts receivable (net)	18,013	151	18,164	376
Inventory	3,097		3,097	685
Prepaid expense	17	9	26	1,590
Total current assets	<u>193,717</u>	<u>8,220</u>	<u>201,937</u>	<u>89,116</u>
Noncurrent assets:				
Restricted cash and cash equivalents	46,794		46,794	
Capital assets:				
Land and other improvements	10,786	1,768	12,554	592
Buildings and improvements	382,320	12,927	395,247	967
Sewage conveyance system	693,048		693,048	
Equipment	105,890	1,146	107,036	43,000
Less accumulated depreciation	(489,030)	(10,266)	(499,296)	(20,089)
Construction in progress	500,964		500,964	3,298
Total capital assets (net of accumulated depreciation)	<u>1,203,978</u>	<u>5,575</u>	<u>1,209,553</u>	<u>27,768</u>
Total noncurrent assets	<u>1,250,772</u>	<u>5,575</u>	<u>1,256,347</u>	<u>27,768</u>
Total assets	<u>1,444,489</u>	<u>13,795</u>	<u>1,458,284</u>	<u>116,884</u>
Liabilities				
Current liabilities:				
Accounts payable	26,132	351	26,483	4,203
Employee compensation	4,172	666	4,838	873
Interest payable	322		322	
Due to other funds	73		73	160
Due to other governments	8		8	
Unearned revenue	2,826	1	2,827	
Current sewer revenue bonds and obligations payable	35,490		35,490	
Current portion of wastewater loans payable	1,489		1,489	
Current portion reported but unpaid losses				4,195
Current portion incurred but not reported losses				2,719
Total current liabilities	<u>70,512</u>	<u>1,018</u>	<u>71,530</u>	<u>12,150</u>
Noncurrent liabilities:				
Contracts and notes	12,645		12,645	
Sewer revenue bonds and obligations payable	630,999		630,999	
Wastewater loans payable	19,680		19,680	
Reported but unpaid losses				17,411
Incurred but not reported losses				11,443
Total noncurrent liabilities	<u>663,324</u>	<u></u>	<u>663,324</u>	<u>28,854</u>
Total liabilities	<u>733,836</u>	<u>1,018</u>	<u>734,854</u>	<u>41,004</u>
Net position				
Net investment in capital assets	526,370	5,575	531,945	27,768
Restricted for:				
Debt service	29,100		29,100	
Capital projects	42,841		42,841	
Regional wastewater reclamation	17,785		17,785	
Unrestricted	<u>94,557</u>	<u>7,202</u>	<u>101,759</u>	<u>48,112</u>
Total net position	<u>\$ 710,653</u>	<u>\$ 12,777</u>	<u>\$ 723,430</u>	<u>\$ 75,880</u>

See accompanying notes to financial statements

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2013
 (in thousands)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:				
Charges for services	\$ 145,190	\$ 8,751	\$ 153,941	\$ 45,575
Other	387	59	446	451
Total net operating revenues	<u>145,577</u>	<u>8,810</u>	<u>154,387</u>	<u>46,026</u>
Operating expenses:				
Employee compensation	34,964	5,385	40,349	7,519
Operating supplies and services	9,298	159	9,457	9,066
Sludge and refuse disposal	1,592		1,592	
Repair and maintenance	5,397	71	5,468	2,154
Incurred losses				7,676
Insurance premiums				4,565
General and administrative	14,544	2,496	17,040	3,044
Consultants and professional services	6,093	328	6,421	1,708
Depreciation	44,718	218	44,936	3,775
Total operating expenses	<u>116,606</u>	<u>8,657</u>	<u>125,263</u>	<u>39,507</u>
Operating income (loss)	<u>28,971</u>	<u>153</u>	<u>29,124</u>	<u>6,519</u>
Nonoperating revenues (expenses):				
Intergovernmental revenues	350		350	
Investment earnings	972	45	1,017	291
Sewer connection fees	11,358		11,358	
Interest expense	(3,467)		(3,467)	
Debt issuance cost	(1,189)		(1,189)	
Gain/(loss) on disposal of capital assets	(19,596)		(19,596)	38
Claim and judgment contingency losses	(419)		(419)	
Total nonoperating revenues	<u>(11,991)</u>	<u>45</u>	<u>(11,946)</u>	<u>329</u>
Income (loss) before contributions and transfers	16,980	198	17,178	6,848
Capital contributions	3,564		3,564	165
Transfers in	8,645	1,000	9,645	2,091
Transfers (out)	(1,300)	(1,015)	(2,315)	(404)
Change in net position	27,889	183	28,072	8,700
Net position at beginning of year, as restated	<u>682,764</u>	<u>12,594</u>	<u>695,358</u>	<u>67,180</u>
Net position at end of year	<u>\$ 710,653</u>	<u>\$ 12,777</u>	<u>\$ 723,430</u>	<u>\$ 75,880</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit A - 9

	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:				
Cash received from other funds for goods and services provided				\$ 45,628
Cash received from customers for goods and services provided	\$ 142,374	\$ 8,799	151,173	
Cash received from miscellaneous operations	387		387	459
Cash payments to suppliers for goods and services	(26,903)	(1,625)	(28,528)	(16,195)
Cash payments to other funds for goods and services	(10,266)	(2,025)	(12,291)	(3,448)
Cash payments for incurred losses	(3,000)		(3,000)	(7,305)
Cash payments to employees for services	(34,939)	(4,793)	(39,732)	(6,763)
Net cash provided by operating activities	<u>67,653</u>	<u>356</u>	<u>68,009</u>	<u>12,376</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds	7,451	1,000	8,451	1,986
Cash transfers out to other funds		(1,015)	(1,015)	(404)
Loans with other funds	(8,602)	3	(8,599)	59
Intergovernmental revenues	350		350	
Net cash provided by (used for) noncapital financing activities	<u>(801)</u>	<u>(12)</u>	<u>(813)</u>	<u>1,641</u>
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds and loans	128,795		128,795	
Principal paid on bonds and loans	(30,821)		(30,821)	
Interest paid on bonds and loans	(10,333)		(10,333)	
Issuance cost of new debt	(1,189)		(1,189)	
Proceeds from premium	22,413		22,413	
Sewer connection fees	11,553		11,553	
Proceeds from sale of capital assets	16,142		16,142	410
Purchase of capital assets	(205,423)		(205,423)	(9,732)
Net cash (used for) capital and related financing activities	<u>(68,863)</u>		<u>(68,863)</u>	<u>(9,322)</u>
Cash flows from investing activities:				
Interest received on cash and investments	998	46	1,044	302
Net cash provided by investing activities	<u>998</u>	<u>46</u>	<u>1,044</u>	<u>302</u>
Net increase/ (decrease) in cash and cash equivalents	(1,013)	390	(623)	4,997
Cash and cash equivalents at beginning of year	<u>211,733</u>	<u>7,661</u>	<u>219,394</u>	<u>81,291</u>
Cash and cash equivalents at end of year	<u>\$ 210,720</u>	<u>\$ 8,051</u>	<u>\$ 218,771</u>	<u>\$ 86,288</u>

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit A - 9.1

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
	\$	\$	\$	\$
Operating income	28,971	153	29,124	6,519
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	44,718	218	44,936	3,775
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	(2,815)	(6)	(2,821)	52
Due from other governments	(2)	(6)	(8)	9
Inventory and other assets	209		209	350
Prepaid expense	(11)	(4)	(15)	(132)
Increase (decrease) in liabilities:				
Accounts payable	(451)	28	(423)	1,514
Due to other governments	8		8	
Reported but unpaid losses				(1,849)
Incurred but not reported losses	(3,000)		(3,000)	2,220
Other current liabilities	26	(27)	(1)	(82)
Net cash provided by operating activities	\$ 67,653	\$ 356	\$ 68,009	\$ 12,376

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2013:

Regional Wastewater Reclamation Enterprise Fund received developer-built conveyance systems with an estimated fair value of \$3,564. This contribution was recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation Enterprise Fund retired capital assets with a net book value of \$35,733.

Regional Wastewater Reclamation Enterprise Fund transferred out assets with a value of \$105 to the County's Internal Service Fund.

Development Services Enterprise Fund retired fully depreciated assets with an original cost of \$63.

Internal Service Funds received a transfer in of capital assets from Regional Wastewater Reclamation Enterprise Fund with a net book value of \$105.

Internal Service Funds received capital contributions with a net book value of \$165 from the County's general government and sold capital assets with a net book value of \$372.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2013
(in thousands)

Exhibit A - 10

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 206,437	\$ 58,561
Interest receivable	52	
Due from other governments		1,391
Total assets	\$ 206,489	\$ 59,952
Liabilities		
Employee compensation		\$ 1,081
Due to other governments		35,755
Deposits and rebates		23,116
Total liabilities	\$	59,952
Net position		
Held in trust for pool participants	\$ 206,489	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit A - 11

	Investment Trust Funds
Additions	
Contributions from participants	\$ 2,354,917
Total contributions	2,354,917
Investment earnings	1,623
Total investment earnings	1,623
Total additions	2,356,540
Deductions	
Distributions to participants	2,447,871
Total deductions	2,447,871
Change in net position	(91,331)
Net position held in trust July 1, 2012	297,820
Net position held in trust June 30, 2013	\$ 206,489

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Combining Statement of Net Position
Component Units
June 30, 2013
(in thousands)

Exhibit A - 12

	Sports & Tourism Authority	Southwestern Fair Commission	Total
<u>Assets</u>			
Cash and cash equivalents	\$	1,085	\$ 1,085
Accounts receivable (net)		8	8
Inventories		36	36
Prepays		81	81
Restricted assets:			
Cash and cash equivalents		1,848	1,848
Capital assets (net):			
Buildings and improvements		2,635	2,635
Machinery and equipment		500	500
Total assets		6,193	6,193
 <u>Liabilities</u>			
Accounts payable	\$	7	233
Deposits and rebates			43
Unearned revenue			87
Total liabilities		7	370
 <u>Net Position</u>			
Net investment in capital assets		3,135	3,135
Unrestricted		(7)	2,688
Total net position	\$	(7)	\$ 5,830

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2013
(in thousands)

	Program Revenues			Net (Expense) Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	S&TA	SFC	Total
Sports & Tourism Authority (S&TA)						
Operations	\$ 25	\$ 5	\$ 4	\$ (16)		\$ (16)
Total S&TA	<u>25</u>	<u>5</u>	<u>4</u>	<u>(16)</u>		<u>(16)</u>
Southwestern Fair Commission (SFC)						
Operations	5,399	5,665	120	\$ 386		386
Total SFC	<u>5,399</u>	<u>5,665</u>	<u>120</u>	<u>386</u>		<u>386</u>
Total component units	<u>\$ 5,424</u>	<u>\$ 5,670</u>	<u>\$ 124</u>	<u>(16)</u>	<u>386</u>	<u>370</u>
General revenues:						
Miscellaneous					56	56
Total general revenues					<u>56</u>	<u>56</u>
Change in net position				(16)	442	426
Net position at beginning of year				9	5,388	5,397
Net position at end of year				<u>\$ (7)</u>	<u>\$ 5,830</u>	<u>\$ 5,823</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(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, 2013, the County implemented the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 62 incorporates certain accounting and financial reporting guidance in FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB's authoritative literature. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred inflows of resources or deferred outflows of resources.

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 are 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 originally created to provide regional leadership and fiscal resources to ensure the presence of major league baseball in Pima County. However, in 2008 and 2010, the Chicago White Sox and the Arizona Diamondbacks Major League Baseball teams terminated their agreements with the District and moved to newer, larger facilities in Maricopa County. Since their departure, the District has taken steps to repurpose and diversify the use of the Stadium and to decrease costs and increase revenue. Pima County plans on capitalizing on professional soccer as an emerging area of potential growth in the tourism market by converting five fields at Kino Sports Complex into six soccer fields and adding a 2,000-seat grandstand. The facility also 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 of 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 of 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, 2013
(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 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. SLDs are reported as a special revenue fund in these financial statements and meet substantively the same criteria as blended component units. Separate financial statements for the SLDs are not available.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation which manages and maintains the fairgrounds owned by the County and conducts annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Sports and Tourism Authority (S&TA) is a nonprofit municipal corporation established to promote professional and amateur sports events and other suitable activities for the benefit of the public and to increase opportunities for amateur youth sports in Pima County. S&TA members are appointed and can be removed at any time by the Board of Supervisors. Based on these factors, and because S&TA does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, S&TA is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for S&TA 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 usefulness of the information.

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 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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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 levied or imposed by the County, 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 generated by ancillary activities. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered to be 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 are 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 are from property taxes, proceeds from refunding debt, and transfers in.

The County reports the following major enterprise fund:

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

The County reports the following fund types:

Internal Service Funds account for fleet maintenance and operation, insurance, printing services, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis.

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 and liabilities 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 net position 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. Major revenue sources of governmental funds are taxes, intergovernmental, and charges for services. The County accrues property taxes as revenue if collected within 30 days after year end. 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 and charges for services are accrued and considered available if collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For purposes of its statements of cash flows, the County considers cash on hand, demand deposits, cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity period of 3 months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of 1 year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

E. Inventories

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 Health Fund using the purchase method. Inventories of the Health Department consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out method or average cost method.

Inventories of the Transportation Department are recorded as assets when purchased and expensed when used. Inventories in Transportation 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.

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 estimated fair 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 reported in the government-wide statements and proprietary funds are as follows (excluding component units):

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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, equipment, and infrastructure)	\$100	Straight Line	Varies

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(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 provided by the straight-line method over the assets' estimated useful life, which range from 5 to 40 years.

H. Fund Balance Classifications

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. 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 approved by the County's Board of Supervisors, which is the highest level of decision-making authority within the County. Constraints placed on committed fund balances must be approved by the Board of Supervisors at a regular supervisory meeting. Any modifications and/or rescissions must also be approved by the board.

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.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the County will 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.

I. Investment Earnings

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

J. Compensated Absences

Compensated absences payable consists of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at fiscal year-end are forfeited. Upon terminating employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon terminating employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements. However, employees who have accumulated greater than 240 hours of sick leave and are eligible to retire will receive some benefits. An estimate of those retirement payouts is accrued as a liability in government-wide and proprietary funds' financial statements in Employee Compensation. Compensated absences for the governmental funds is accrued based on vacation and sick leave paid within the first two pay periods after fiscal year-end. 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 be converted to annual leave on a predetermined conversion basis.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 2: Fund Balance Classifications of the Governmental Funds

The table below details the fund balance categories and classifications:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>CAFR Total</u>
Fund Balance:					
Non spendable:					
Inventory	\$ 16			\$ 1,422	\$ 1,438
Prepaid expenses	3,433			439	3,872
Loan receivable	399			33	432
Permanent fund principal				45	45
Total nonspendable	<u>3,848</u>			<u>1,939</u>	<u>5,787</u>
Restricted for:					
Capital Projects					
Streets and highways		\$ 32,480			32,480
Other		137,922			137,922
Justice Court Complex		4,677			4,677
Judicial activities				25,014	25,014
Flood Control District		12,776		8,191	20,967
Health				4,845	4,845
Law enforcement				2,207	2,207
Library District				9,761	9,761
Parks and recreation				26	26
School reserve				515	515
Social services				1,584	1,584
Streets and highways				21,577	21,577
Tire fund				1,224	1,224
Other purposes				1,626	1,626
Total restricted		<u>187,855</u>		<u>76,570</u>	<u>264,425</u>
Committed to:					
Judicial activities				123	123
Law enforcement				458	458
Parks and recreation		259		1,475	1,734
School reserve				315	315
Sports promotion (Stadium)				2,016	2,016
Other purposes		6,699		3,359	10,058
Total committed		<u>6,958</u>		<u>7,746</u>	<u>14,704</u>
Assigned to:					
Debt service reserve			\$ 25,640		25,640
Health				970	970
Landfill				1,874	1,874
Law enforcement	154				154
Parks and recreation	4				4
School reserve				1,039	1,039
Other purposes				19,901	19,901
Total assigned	<u>158</u>		<u>25,640</u>	<u>23,784</u>	<u>49,582</u>
Unassigned:					
Total unassigned	<u>56,526</u>	<u>(83)</u>		<u>(8,385)</u>	<u>48,058</u>
Total Fund Balance	<u>\$ 60,532</u>	<u>\$ 194,730</u>	<u>\$ 25,640</u>	<u>\$ 101,654</u>	<u>\$ 382,556</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 3: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; bonds or other evidences of indebtedness of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute; bonds of any county municipal district, municipal utility, or special taxing district of any state that are payable from revenues, earnings, or a special tax pledged for all payments on the obligations; and certain open-end and close-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States.

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

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures and notes must be rated within the top three ratings by a nationally recognized rating agency, as of the date 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 collateral for demand deposits and certificates of deposit at 101 percent of all deposits not covered by federal depository insurance.

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.

Deposits—At June 30, 2013, the carrying amount of the County's deposits was \$51,125 and the bank balance was \$59,560.

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, 2013, \$2,704 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 3: Cash and Investments (continued)

Investments—At June 30, 2013, the County’s investments consisted of \$370,227 invested in marketable securities and \$571,708 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, 2013, credit risk for the County’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Commercial paper	A 1+/P1	S&P / Moody's	\$ 2,301
Corporate bonds	BBB/Baa 1	S&P / Moody's	285,202
Municipal bonds	Unrated		10,715
Federal Farm Credit Bank	AA+/Aaa	S&P / Moody's	5,005
Federal Home Loan Bank	AA+/Aaa	S&P / Moody's	14,904
Money market mutual fund	AAAm/Aaa-mf	S&P / Moody's	26,642
		Marketable securities	<u>344,769</u>
State Treasurer Investment Pool 5	AAAf/S1+	S&P	364,864
State Treasurer Investment Pool 500	Unrated		99,979
State Treasurer Investment Pool 7	Unrated		106,865
		State Treasurer's Investment Pool	<u>571,708</u>
Total			<u>\$ 916,477</u>

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County’s \$941,935 of investments, \$343,585, consisting of the commercial paper, corporate bonds, municipal bonds, Federal Farm Credit Bank, Federal Home Loan Bank and U.S. Treasury notes, is uninsured and held by a counterparty in the County’s name in book entry form.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County’s exposure as of June 30, 2013 is less than 5% per issuer.

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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 3: Cash and Investments (continued)

As of June 30, 2013, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
State Treasurer Investment Pool 5	\$ 364,864	0.06
State Treasurer Investment Pool 500	99,979	7.14
State Treasurer Investment Pool 7	106,865	0.05
Commercial paper	2,301	0.00
Corporate bonds	285,202	1.47
Municipal bonds	10,715	2.88
Federal Farm Credit Bank	5,005	3.19
Federal Home Loan Bank	14,904	2.48
U.S. Treasury Notes	25,458	0.82
Money market mutual fund	26,642	0.14
Total	<u>\$ 941,935</u>	

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

	<u>Cash on Hand</u>	<u>Amount of Deposits</u>	<u>Amount of Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 48	\$ 51,125	\$ 941,935	\$ 993,108

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Totals</u>
Statement of Net Position:					
Cash and cash equivalents	\$ 506,110	\$ 136,786	\$ 206,437	\$ 58,561	\$ 907,894
Restricted cash and cash equivalents	3,229	81,985			85,214
Total	<u>\$ 509,339</u>	<u>\$ 218,771</u>	<u>\$ 206,437</u>	<u>\$ 58,561</u>	<u>\$ 993,108</u>

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 idle 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 3: Cash and Investments (continued)

The Pool's assets consist of the following:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Commercial paper	\$ 2,300	0.14%	07/13	\$ 2,301
Corporate bonds	284,812	0.45-7.13%	07/13-09/17	285,202
Municipal bonds	10,600	0.95-1.5%	07/13-07/17	10,715
Federal Farm Credit Bank	5,000	0.83%	08/16	5,005
Federal Home Loan Bank	15,000	0.5-3.13%	12/13-12/16	14,904
U.S. Treasury Notes	24,800	1.88-2.75%	10/13-07/14	25,458
State Treasurer Investment Pool 5	198,056	N/A	N/A	198,056
Deposits	27,698	N/A	N/A	27,698
Interest receivable	52	N/A	N/A	52
Total assets				<u><u>\$ 569,391</u></u>

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

Statement of Net Position

Assets held in trust for:	
Internal participants	\$ 469,767
External participants	99,624
Total assets	<u>569,391</u>
Total liabilities	
Total net position held in trust	<u><u>\$ 569,391</u></u>

Statement of Changes in Net Position

Total additions	\$ 6,415,571
Total deductions	<u>(6,483,565)</u>
Net decrease	(67,994)
Net position held in trust:	
July 1, 2012	<u>637,385</u>
June 30, 2013	<u><u>\$ 569,391</u></u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 4: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:						
Grants and contributions	\$ 119		\$ 6	\$ 4,141	\$ 1	\$ 4,267
State of Arizona:						
Taxes and shared revenues	18,410	\$ 2,240		5,137		25,787
Grants and contributions				8,655	2	8,657
Cities:						
Reimbursement for services	3,211	131		1,916	82	5,340
Other governments:						
Reimbursement for services	233	5,727		240	18	6,218
Total due from other governments fund based statements	<u>\$ 21,973</u>	<u>\$ 8,098</u>	<u>\$ 6</u>	<u>\$ 20,089</u>	<u>\$ 103</u>	<u>\$ 50,269</u>

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 467,661	\$ 20,420	\$ (179)	\$ 487,902
Construction in progress	248,317	122,524	(73,575)	297,266
Total capital assets not being depreciated	<u>715,978</u>	<u>142,944</u>	<u>(73,754)</u>	<u>785,168</u>
Capital assets being depreciated:				
Buildings and improvements	603,725	53,905	(469)	657,161
Infrastructure	1,203,067	18,570		1,221,637
Equipment	146,995	19,999	(11,408)	155,586
Total capital assets being depreciated	<u>1,953,787</u>	<u>92,474</u>	<u>(11,877)</u>	<u>2,034,384</u>
Less accumulated depreciation for:				
Buildings and improvements	(180,846)	(15,653)	133	(196,366)
Infrastructure	(596,018)	(34,658)		(630,676)
Equipment	(82,903)	(11,627)	10,915	(83,615)
Total accumulated depreciation	<u>(859,767)</u>	<u>(61,938)</u>	<u>11,048</u>	<u>(910,657)</u>
Total capital assets being depreciated, net	<u>1,094,020</u>	<u>30,536</u>	<u>(829)</u>	<u>1,123,727</u>
Governmental activities capital assets, net	<u>\$ 1,809,998</u>	<u>\$ 173,480</u>	<u>\$ (74,583)</u>	<u>\$ 1,908,895</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 5: Capital Assets (continued)

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 15,409		\$ (2,855)	\$ 12,554
Construction in progress	342,111	\$ 193,088	(34,235)	500,964
Total capital assets not being depreciated	<u>357,520</u>	<u>193,088</u>	<u>(37,090)</u>	<u>513,518</u>
Capital assets being depreciated:				
Buildings and improvements	386,674	23,532	(14,959)	395,247
Sewage conveyance systems	702,236	11,136	(20,324)	693,048
Equipment	113,508	4,334	(10,806)	107,036
Total capital assets being depreciated	1,202,418	39,002	(46,089)	1,195,331
Less accumulated depreciation for:				
Buildings and improvements	(174,228)	(22,492)	6,417	(190,303)
Sewage conveyance systems	(259,433)	(13,537)	3,202	(269,768)
Equipment	(33,800)	(8,907)	3,482	(39,225)
Total accumulated depreciation	(467,461)	(44,936)	13,101	(499,296)
Total capital assets being depreciated, net	<u>734,957</u>	<u>(5,934)</u>	<u>(32,988)</u>	<u>696,035</u>
Business-type activities capital assets, net	<u>\$ 1,092,477</u>	<u>\$ 187,154</u>	<u>\$ (70,078)</u>	<u>\$ 1,209,553</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 10,195
Public safety	9,646
Highways and streets	30,482
Sanitation	416
Health	633
Welfare	99
Culture and recreation	5,887
Education and economic opportunity	805
Internal service funds	3,775
Total governmental activities depreciation expense	<u>\$ 61,938</u>

Business-type activities:

Parking Garages	218
Regional Wastewater Reclamation Department	44,718
Total business-type activities depreciation expense	<u>\$ 44,936</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 5: Capital Assets (continued)

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	\$ 5,383	\$ 591		\$ 5,974
Equipment	2,543	22	\$ (44)	2,521
Total capital assets being depreciated	<u>7,926</u>	<u>613</u>	<u>(44)</u>	<u>8,495</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,077)	(262)		(3,339)
Equipment	(1,877)	(188)	44	(2,021)
Total accumulated depreciation	<u>(4,954)</u>	<u>(450)</u>	<u>44</u>	<u>(5,360)</u>
Total capital assets being depreciated, net	<u>2,972</u>	<u>163</u>		<u>3,135</u>
SFC capital assets, net	<u>\$ 2,972</u>	<u>\$ 163</u>		<u>\$ 3,135</u>

Note 6: Claims, Judgments and Risk Management

Risk Management and Claims Liability

The County is exposed to various risks 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. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental, unemployment and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Unemployment and dental losses are based on claims that have been submitted but not yet paid by the Fund. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental, unemployment, and dental losses are reported at their present value using an expected future investment yield assumption of four percent.

The Fund is liable for any single general or automobile liability claim up to \$2,500, per occurrence; workers' compensation claim up to \$1,000, per occurrence; or any medical malpractice claims in aggregate up to \$5,000, in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

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

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

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

The claims liability of \$35,768 reported in the Fund at June 30, 2013, is based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

	2013	2012
Claims liabilities - beginning	\$ 35,397	\$ 40,795
Current-year claims and changes in estimates	7,676	2,209
Claims payment	(7,305)	(7,607)
Claims liabilities balance - ending	\$ 35,768	\$ 35,397

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.

Marana Wastewater Reclamation Facility (MWRF)

The litigation over ownership of the MWRF with the Town of Marana (Town) was settled in fiscal year 2012-13. In the settlement agreement, the County agreed to voluntarily convey to the Town the disputed facility and the conveyance assets discharging to the facility in exchange for a \$16.1 million payment sufficient to cover debt service on all outstanding debt related to the facility. The Town also agreed to sponsor legislation repealing the challenged statute upon which its claim for ownership was based. The transition of ownership of the MWRF and the conveyance assets to the Town is reported in this fiscal year with net book value of \$35.1 million (\$18.1 million for the MWRF and \$17 million for the conveyance assets) for assets transferred to the Town, resulting in a loss of disposal of \$19 million.

Pollution Remediation

The County has estimated and reported an environmental liability of \$734 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, 2013
(in thousands)

Note 7: Long-Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2013.

	Balance			Balance	Due within
	July 1, 2012	Additions	Reductions	June 30, 2013	1 year
Governmental activities:					
General obligation bonds	\$ 456,145	\$ 88,575	\$ 88,030	\$ 456,690	\$ 44,785
Unamortized premium/discount	5,412	5,791	525	10,678	2,446
Total general obligation bonds	<u>461,557</u>	<u>94,366</u>	<u>88,555</u>	<u>467,368</u>	<u>47,231</u>
Transportation revenue bonds	138,070		12,055	126,015	12,425
Unamortized premium/discount	3,466		877	2,589	804
Total transportation revenue bonds	<u>141,536</u>		<u>12,932</u>	<u>128,604</u>	<u>13,229</u>
Certificates of participation	38,730	92,880	3,875	127,735	40,995
Unamortized premium/discount	1,042	6,168	451	6,759	1,966
Total certificates of participation	<u>39,772</u>	<u>99,048</u>	<u>4,326</u>	<u>134,494</u>	<u>42,961</u>
Capital leases payable:					
Jail capital lease	16,335		16,335		
Unamortized premium/discount	(500)		(500)		
Other capital leases	596		298	298	298
Total capital leases	<u>16,431</u>		<u>16,133</u>	<u>298</u>	<u>298</u>
Installment note payable		764	159	605	146
Total installment note payable		<u>764</u>	<u>159</u>	<u>605</u>	<u>146</u>
Reported but unpaid losses (Note 6)	23,455	5,456	7,305	21,606	4,195
Incurred but not reported losses (Note 6)	11,942	2,220		14,162	2,719
Landfill closure and post-closure care costs (Note 8)	20,872	858		21,730	
Pollution remediation (Note 6)	805		71	734	
Total governmental activities long-term liabilities	<u>\$ 716,370</u>	<u>\$ 202,712</u>	<u>\$ 129,481</u>	<u>\$ 789,601</u>	<u>\$ 110,779</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

	Balance			Balance	Due within
	July 1, 2012	Additions	Reductions	June 30, 2013	1 year
Business-type activities:					
Sewer revenue bonds	\$ 169,310		\$ 14,895	\$ 154,415	\$ 16,765
Unamortized premium/discount	1,712		613	1,099	
Total revenue bonds payable	<u>171,022</u>		<u>15,508</u>	<u>155,514</u>	<u>16,765</u>
Sewer revenue obligations	348,935	\$ 128,795	13,375	464,355	18,725
Unamortized premium/discount	30,418	22,413	6,211	46,620	
Total revenue obligations payable	<u>379,353</u>	<u>151,208</u>	<u>19,586</u>	<u>510,975</u>	<u>18,725</u>
Regional Wastewater Reclamation					
Loans payable	23,719		2,550	21,169	1,489
Total loans payable	<u>23,719</u>		<u>2,550</u>	<u>21,169</u>	<u>1,489</u>
Contracts and notes	15,365	16,539	19,259	12,645	
Incurred but not reported losses	3,080		3,080		
Total business-type activities long-term liabilities	<u>\$ 592,539</u>	<u>\$ 167,747</u>	<u>\$ 59,983</u>	<u>\$ 700,303</u>	<u>\$ 36,979</u>

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

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

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

General obligation bonds payable at June 30, 2013, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$4,773 from the May 20, 1997 and \$23,167 from the May 18, 2004 and \$741 from the May 16, 2006 bond elections remain unissued.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2013</u>
Series of 2004	65,000	5.00%	2014		4,215
Series of 2005	65,000	3.50 - 5.00%	2014-19	July 1, 2015	17,400
Series of 2007	95,000	3.00 - 4.50%	2014-21	July 1, 2017	56,175
Series of 2008	100,000	4.00%	2014-22	July 1, 2018	67,250
Series of 2009	75,000	3.00 - 4.13%	2014-23	July 1, 2019	36,975
Series of 2009A	90,000	3.00 - 4.00%	2014-24	July 1, 2019	68,405
Series of 2009A Refunding	23,535	3.00 - 3.50%	2014-16		4,545
Series of 2011	75,000	2.25 - 5.00%	2014-26	July 1, 2021	47,075
Series of 2012A	60,000	2.00 - 4.00%	2014-27	July 1, 2022	50,000
Series of 2012B Refunding	16,225	2.00 - 3.00%	2014-17		16,075
Series of 2013A	50,000	1.00 - 4.00%	2014-28	July 1, 2023	50,000
Series of 2013B Refunding	38,575	2.00 - 4.00%	2014-20		38,575
G.O. bonds outstanding					456,690
Plus unamortized deferred amount:					10,678
			Total G.O. bonds outstanding		<u>\$ 467,368</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 44,785	\$ 16,694
2015	39,965	15,000
2016	40,990	13,679
2017	42,645	12,337
2018	40,270	10,932
2019 - 2023	192,295	32,289
2024 - 2028	55,740	5,451
Total	<u>\$ 456,690</u>	<u>\$ 106,382</u>

REFUNDED GENERAL OBLIGATION BONDS

In 2013, the County defeased \$24,420 of General Obligation Bonds, Series 2004 and \$14,435 of General Obligation Bonds, Series 2005 by issuing \$38,575 of General Obligation Bonds that have an average life of 4.64 years and an average interest rate of 3.183%. This refunding transaction resulted in an economic gain of \$1,762 and a reduction in debt service payments of \$1,839. The proceeds of the new bonds were placed 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. The Series 2004 Bonds and Series 2005 Bonds remain legally defeased in substance at the amount disclosed below.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

<u>Issue</u>	<u>Principal Outstanding June 30, 2013</u>
2004 General Obligation Refunded Bonds	\$ 24,420
2005 General Obligation Refunded Bonds	14,435

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, \$89,375 from the November 4, 1997 bond election remains unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2013</u>
Series of 2005	51,200	3.50 - 5.00%	2014-20	July 1, 2015	32,920
Series of 2007	21,000	3.25 - 4.75%	2014-22	July 1, 2017	16,355
Series of 2008	25,000	3.25 - 4.50%	2014-22	July 1, 2018	22,460
Series of 2009	15,000	3.00 - 4.00%	2014-24	July 1, 2019	14,300
Series of 2009 Refunding	8,420	3.00 - 4.00%	2014-24	July 1, 2019	7,920
Series of 2012	18,425	3.00 - 5.00%	2014-27	July 1, 2022	17,540
Series of 2012 Refunding	14,520	4.00 - 5.00%	2014-18		14,520
Transportation bonds outstanding					126,015
Plus unamortized deferred amount:					2,589
Total transportation bonds outstanding					\$ 128,604

The following schedule details transportation bond debt service requirements to maturity at June 30, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	12,425	4,969
2015	12,910	4,488
2016	13,430	3,983
2017	14,050	3,372
2018	14,640	2,797
2019 - 2023	49,595	6,444
2024 - 2027	8,965	618
Total	\$ 126,015	\$ 26,671

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

Pima County has pledged future highway user revenues, net of specified operating expenses, to repay \$126,015 in transportation revenue bonds issued between 2005 and 2012. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from net highway user revenues and are payable through 2027. Annual principal and interest payments on the bonds are expected to require approximately 109 percent of net revenues. Total principal and interest remaining to be paid on the bonds is \$152,686. Principal and interest paid for bonds in the current year and total net highway user revenues were \$17,592 and \$14,833, respectively.

CERTIFICATES OF PARTICIPATION

Governmental Activities

(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson and to acquire and construct replacement facilities for the Pima County Community Services Department. On February 4, 2010, the County issued Certificates of Participation Series 2010 for \$20,000 to finance the replacement computer enterprise system composed of servers and other hardware, computer terminals, software and system training. The 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 May 22, 2013, the County issued \$12,705 of Refunding Certificates of Participation, Series 2013B. The Certificates were issued with a premium of \$1,260 and the proceeds were used to refund and redeem \$1,220 of Certificates of Participation, Series 1999, and \$12,335 of Certificates of Participation, Series 2003, previously reported by the County as a jail capital lease. The 2013B Certificates have an average life of 2.62 years and an average interest rate of 4.649%. This refunding transaction resulted in an economic gain of \$999 and a reduction in debt service payments of \$1,037.

The following schedule details outstanding Certificates of Participation payable at June 30, 2013.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2013</u>
Series of 2007A	\$ 28,765	4.25 - 5.00%	2014-22	July 1, 2017	\$ 20,695
Series of 2010	20,000	3.50 - 5.25%	2014-19		14,160
Series of 2013A	80,175	1.50 - 5.00%	2014-23		80,175
Series of 2013B Refunding	12,705	1.50 - 5.00%	2014-18		12,705
Certificates of participation outstanding					127,735
Plus unamortized deferred amount:					6,759
Total certificates of participation outstanding					<u>\$ 134,494</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(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, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 40,995	\$ 4,078
2015	27,925	3,329
2016	13,655	2,671
2017	9,265	2,098
2018	9,800	1,622
2019 - 2023	26,095	3,065
Total	<u>\$ 127,735</u>	<u>\$ 16,863</u>

CAPITAL LEASES

Governmental Activities

The County has entered into capital leases for heavy equipment for use at its landfill sites. The outstanding balance as of June 30, 2013, for these leases totaled \$298. The net book value of assets acquired through capital leases consists of \$15,212 of buildings and \$801 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2013.

Governmental Activities:

<u>Year Ending June 30,</u>	<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>
2014	<u>\$ 298</u>	<u> </u>
	<u>\$ 298</u>	<u> </u>

INSTALLMENT NOTE PAYABLE

Governmental Activities

In 2013, the County has acquired Tasers under contract agreements at a total purchase price of \$764. The following schedule details debt service requirements to maturity for the County's installment note payable at June 30, 2013.

<u>Year Ending June 30,</u>	<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 146	\$ 14
2015	149	12
2016	154	8
2017	156	4
	<u>\$ 605</u>	<u>\$ 38</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

SEWER REVENUE BONDS AND LOANS

Business-type Activities

(Payments made from user charges received in the RWR)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system and for the defeasance of prior sewer revenue bonds. As of June 30, 2013, the County has issued the total amounts originally authorized from the May 20, 1997 and May 18, 2004 bond elections.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2013</u>
Series of 2004 Refunding	25,770	4.60 - 5.00%	2014-15	July 1, 2014	\$ 7,430
Series of 2007	50,000	4.00 - 5.00%	2014-26	July 1, 2017	36,790
Series of 2008	75,000	4.00 - 5.00%	2014-23	July 1, 2018	72,130
Series of 2009	18,940	3.25 - 4.25%	2014-24	July 1, 2019	15,650
Series of 2011 Refunding	43,625	3.00 - 5.00%	2014-16		22,415
Sewer revenue bonds outstanding					154,415
Plus unamortized deferred amount:					1,099
Total sewer revenue bonds outstanding					<u>\$ 155,514</u>

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 16,765	\$ 6,661
2015	17,555	5,882
2016	15,950	5,057
2017	11,250	4,354
2018	11,810	3,886
2019 - 2023	68,595	11,516
2024 - 2026	12,490	944
Total	<u>\$ 154,415</u>	<u>\$ 38,300</u>

On June 17, 2010, Pima County entered into an agreement, whereby future revenues were pledged, that provided monies to be used primarily to pay a portion of the capital project costs associated with the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the county-wide sewer system, including the Ina Road and Roger 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 Ina Road and Roger Road Wastewater Reclamation Facilities.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2013</u>
Series of 2010	\$ 165,000	2.50 - 5.00%	2014-25	July 1, 2020	\$ 165,000
Series of 2011B	189,160	4.00 - 5.00%	2014-26	July 1, 2021	174,385
Series of 2012A	128,795	1.75 - 5.00%	2014-27	July 1, 2022	124,970
Sewer revenue obligations outstanding					464,355
Plus unamortized deferred amount:					46,620
Total sewer revenue obligations outstanding					<u>\$ 510,975</u>

The following schedule details sewer revenue obligation debt service requirements to maturity at June 30, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 18,725	\$ 22,230
2015	19,325	21,549
2016	20,125	20,697
2017	33,450	19,823
2018	34,935	18,336
2019 - 2023	201,835	64,526
2024 - 2027	135,960	13,895
Total	<u>\$ 464,355</u>	<u>\$ 181,056</u>

In prior years, the Regional Wastewater Reclamation Enterprise Fund entered into a loan agreement (2004 which was used for construction and improvement of wastewater treatment facilities). In October 2009 the County entered into an additional loan agreement for the funding of construction of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2013</u>
2004 Loans payable	19,967	1.81%	2014-24	14,542
2009 Loans payable	8,002	0.96%	2014-24	6,627
Total loans payable				<u>\$ 21,169</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details loans payable debt service requirements to maturity at June 30, 2013.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,489	\$ 622
2015	1,535	576
2016	1,581	529
2017	1,629	480
2018	1,679	430
2019 - 2023	9,194	1,337
2024	4,062	124
Total	<u>\$ 21,169</u>	<u>\$ 4,098</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$154,415 in sewer revenue bonds issued between 2004 and 2011, \$21,169 in sewer revenue loans issued between 2004 and 2009, and \$464,355 in sewer revenue obligations issued between 2010 and 2012. Proceeds from the bonds, loans and obligations provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds, loans and obligations are payable from net sewer revenues and are payable through fiscal year 2027. Annual principal and interest payments on the bonds and obligations are expected to require approximately 58 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 4 percent of net revenues. Total principal and interest remaining to be paid on the bonds is \$192,715. Total principal and interest remaining to be paid on the loans is \$25,267. Total principal and interest remaining to be paid on the obligations is \$645,411. Principal and interest paid for bonds, obligations and loans in the current year and total customer net revenues were \$55,869, \$3,237, and \$85,240, 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 equal to the average annual debt service payment. At June 30, 2013, the RWR had a surety bond to meet the requirements of the debt covenants. The County is also authorized to issue for the RWR additional parity bonds if certain conditions are met, primarily that net revenues for the fiscal year immediately preceding issuance of the parity bonds 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, 2013
(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, 2013, is as follows:

Net assessed valuation		\$ 8,171,212
<u>Debt limit (15% of net assessed valuation):</u>		1,225,682
<u>Less amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$ 456,690	
Less fund balance in debt service fund available for payment of general obligation bond principal	(22,900)	433,790
Legal debt margin available		\$ 791,892

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 \$21,730 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 \$5,224 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, 2013; actual costs may change due to inflation, changes in technology, or changes in regulations.

Landfill Site	Capacity Used June 30, 2013	Estimated Remaining Service Life
Ajo	72%	37 Years
Sahuarita	52%	30 Years
*Tangerine	97%	4 Years

*The Tangerine Landfill will stop accepting waste from the public in November 2013 but will remain open for limited waste disposal until its remaining capacity is fully used.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 8: Landfill Liabilities (continued)

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

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 \$10,785 when closure occurs and plans to fund the costs with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

On June 1, 2013 Tucson Recycling and Waste Services was contracted to operate the Landfill and Transfer Station operations on behalf of Pima County in an agency capacity. The closure and post closure costs remain the liability of Pima County.

Note 9: Pension and Other Post Employment Benefits

Pension Plan Descriptions

The County contributes to the Arizona State Retirement System (**ASRS**), the Corrections Officer Retirement Plan (**CORP**), 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. The **EORP** and the **PSPRS** Pima County - County Attorney Investigators are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions, including general employees of the County, and school districts. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The **PSPRS** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a seven-member board, known as The Board of Trustees, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain state, county, and local correction officers; dispatchers; and probation, surveillance, and juvenile detention officers. The **CORP** is governed by the Board of Trustees of **PSPRS** and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 9: Pension and Other Post Employment Benefits (continued)

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report is available on their web site or may be obtained by writing or calling the applicable plan.

<u>ASRS</u>	<u>PSPRS and CORP</u>
3300 N. Central Ave P.O. Box 33910 Phoenix, AZ 85067-3910 (602) 240-2000 or (800) 621-3778 www.azasrs.gov	3010 East Camelback Road Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575 www.psprs.com

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates for **ASRS**, **PSPRS** and **CORP**.

Cost-sharing plans

For the year ended June 30, 2013, active **ASRS** members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll. The County was required by statute to contribute at an actuarially determined rate. For the year ended June 30, 2013 the County contributed 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll. For the year ended June 30, 2012 the County contributed 10.74 percent (9.87 percent for retirement, .63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll. For the year ended June 30, 2011 the County contributed 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll.

The County's contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

	ASRS Retirement Fund	Health Benefit Supplement Fund	Long-term Disability Fund
Year ended June 30,			
2013	\$ 22,902	\$ 1,452	\$ 536
2012	\$ 21,290	\$ 1,359	\$ 518
2011	\$ 21,774	\$ 1,426	\$ 604

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 9: Pension and Other Post Employment Benefits (continued)

Agent plans

For the year ended June 30, 2013, active **PSPRS** members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 29.16 percent, the aggregate of which is the actuarially required amount. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 5.90 percent. The health insurance premium portion of the contribution was set at 1.74 percent of covered payroll. Active **CORP** members were required by statute to contribute 8.41 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 12.08 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.17 percent of covered payroll.

Actuarial methods and assumptions

The contribution requirements for the year ended June 30, 2013 were established by the June 30, 2011 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for both plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2011	June 30, 2011
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment rate of return	8.25%	8.25%
Projected salary increases	5.00% - 8.00%	5.00% - 8.00%
includes inflation at	5.00%	5.00%
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	25 Years for underfunded, 20 Years for overfunded	25 Years for underfunded, 20 Years for overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 9: Pension and Other Post Employment Benefits (continued)

Annual Pension and OPEB Cost

The County's pension/OPEB cost for the PSPRS and CORP agent plans for the year ended June 30, 2013, and related information follows:

	PSPRS		CORP	
	<u>Pension</u>	<u>OPEB</u>	<u>Pension</u>	<u>OPEB</u>
Annual pension/OPEB cost	\$ 9,903	\$ 591	\$ 2,722	\$ 264
Contributions made	\$ 10,118	\$ 376	\$ 2,843	\$ 143

Trend Information

Annual pension and OPEB cost information for the current and 2 preceding years follows for the PSPRS and CORP agent plans:

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
PSPRS				
Pension	2013	\$ 9,903	102%	
Health insurance premium benefit	2013	\$ 591	64%	\$ 215
Pension	2012	\$ 8,445	103%	
Health insurance premium benefit	2012	\$ 638	60%	\$ 254
Pension	2011	\$ 8,303	103%	
Health insurance premium benefit	2011	\$ 624	63%	\$ 232
CORP				
Pension	2013	\$ 2,722	104%	
Health insurance premium benefit	2013	\$ 264	54%	\$ 121
Pension	2012	\$ 2,076	107%	
Health insurance premium benefit	2012	\$ 288	51%	\$ 142
Pension	2011	\$ 1,824	108%	
Health insurance premium benefit	2011	\$ 282	50%	\$ 140

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 9: Pension and Other Post Employment Benefits (continued)

Funded Status

The funded status of the plans, as of the most recent valuation date June 30, 2013, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented as Exhibit B-2 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	PSPRS		CORP	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
Actuarial accrued liability	\$ 274,019	\$ 7,460	\$ 86,429	\$ 3,195
Actuarial value of assets	\$ 148,871	0	\$ 52,537	0
Unfunded actuarial accrued liability (funding excess)	\$ 125,148	\$ 7,460	\$ 33,892	\$ 3,195
Funded ratio	54.3 %	0 %	60.8 %	0 %
Covered payroll	\$ 30,768	\$ 30,768	\$ 19,665	\$ 19,665
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	406.8 %	24.2 %	172.4 %	16.2 %

	PSPRS	CORP
Actuarial valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment rate of return	7.85%	7.85%
Projected salary increases includes inflation at	4.5% - 8.5%	4.5% - 7.75%
	4.50%	4.50%
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period	23 Years for underfunded, 20 years for overfunded	23 Years for underfunded, 20 years for overfunded
Asset valuation method	7-year smoothed market 80%/120% market	7-year smoothed market 80%/120% market

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 10: Interfund Transactions

A. Interfund Assets/Liabilities

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

Amounts recorded as due to:

Amounts recorded as due from:

	<i>General</i>	<i>Capital Projects</i>	<i>Other Governmental</i>	<i>RWR</i>	<i>Internal Services</i>	<i>Total</i>
General			\$ 2,827	\$ 19	\$ 113	\$ 2,959
Capital Projects	\$ 368		1,080	48	46	1,542
Other Governmental	185		90		1	276
RWR		\$ 8,597				8,597
Internal Services	27	30	4	6		67
Total	\$ 580	\$ 8,627	\$ 4,001	\$ 73	\$ 160	\$ 13,441

B. Transfers

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

Amounts recorded as transfers out:

Amounts recorded as transfers in:

	<i>General</i>	<i>Capital Projects</i>	<i>Debt Service</i>	<i>Other Governmental</i>	<i>RWR</i>	<i>Other Enterprise</i>	<i>Internal Services</i>	<i>Total</i>
General			\$ 5,792					\$ 5,792
Capital Projects	\$ 3,171		\$ 5,700	37,240	\$ 447	\$ 1,000	\$ 291	47,849
Debt Service	7,692	\$ 68		16,624	503	15	76	24,978
Other Governmental	27,905	585		5,836	245		37	34,608
RWR		8,521		124				8,645
Other Enterprise	1,000							1,000
Internal Service		1,986			105			2,091
Total	\$ 39,768	\$ 11,160	\$ 5,700	\$ 65,616	\$ 1,300	\$ 1,015	\$ 404	\$ 124,963

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 11: Construction and Other Significant Commitments

At June 30, 2013, Pima County had the following major contractual commitments related to Facilities Management, General Government, Natural Resources, Parks and Recreation, Regional Flood Control, Regional Wastewater Reclamation and Transportation.

Facilities Management

At June 30, 2013, the Pima County Facilities Management Department had construction contractual commitments of \$28,081 and other contractual commitments related to service contracts of \$10,759. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

General Government

At June 30, 2013, Pima County had contractual commitments related to service contracts for Public Works Administration of \$2,883 and construction contractual commitments of \$5,237. Institutional Health had contractual commitments related to service contracts of \$36,562. Procurement had construction contractual commitments of \$20,516 and other contractual commitments related to service contracts of \$3,795. Sheriff Department had contractual commitments related to construction contracts of \$144 and other related contractual commitments related to service contracts of \$6,334. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

Natural Resources, Parks and Recreation

At June 30, 2013, Pima County had contractual commitments related to service contracts for Natural Resources, Parks and Recreation of \$15,688. Funding for these expenditures will be provided from general fund revenues.

Regional Flood Control

At June 30, 2013, the Regional Flood Control fund had construction contractual commitments of \$430 and other contractual commitments related to service contracts of \$7,975. Funding for these expenditures will be primarily from Flood Control secondary tax levy revenues.

Regional Wastewater Reclamation

At June 30, 2013, the Regional Wastewater Reclamation Enterprise fund had construction contractual commitments of \$29,135 and other contractual commitments related to service contracts of \$28,678. Funding for these expenses will be primarily from Sewer Revenue Bonds and sewer user fees.

Transportation

At June 30, 2013, the Pima County Transportation Department had construction contractual commitments of \$30,355 and other contractual commitments related to service contracts of \$17,048. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

Note 12: Net Position Beginning Balance Restated

The beginning net position balance for the Regional Wastewater Reclamation Enterprise Fund and the Business-type Activities was restated due to the implementation of GASB No.65 requiring debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as an expense in the period incurred. The following summarizes the restatement of net position.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2013
(in thousands)

Note 12: Net Position Beginning Balance Restated (continued)

	Regional Wastewater Reclamation	Business- type activities
Net position - June 30, 2012, as previously reported	\$ 687,897	\$ 703,698
Adjustment	(5,133)	(5,133)
Net position - June 30, 2012, as restated	\$ 682,764	\$ 698,565

Due to the implementation of GASB No. 65, the County will expense \$2,188 of prior year unamortized issuance costs in the government – wide Statement of Activities. This amount is immaterial to the financial statements and restatement of net position was not necessary.

Note 13: Deficit Fund Balances

The Stadium District and Other Grants – Special Revenue Fund had deficit fund balances at June 30, 2013 of \$618 and \$34 respectively. The deficits can be eliminated in the future through normal operations.

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Required Supplementary Information

Other Than Management's Discussion & Analysis

PIMA COUNTY, ARIZONA

Exhibit B -1

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2013
(in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 280,911	\$ 280,911	\$ 281,017	\$ 106
Licenses and permits	2,515	2,515	2,816	301
Intergovernmental	126,333	126,333	131,984	5,651
Charges for services	32,000	32,000	32,721	721
Fines and forfeits	5,779	5,779	4,799	(980)
Investment earnings	184	184	591	407
Miscellaneous	6,181	6,181	10,907	4,726
Total revenues	<u>453,903</u>	<u>453,903</u>	<u>464,835</u>	<u>10,932</u>
Expenditures:				
General government				
Assessor	8,635	8,635	7,914	721
Board of Supervisors	1,971	1,971	1,800	171
Clerk of Superior Court	10,412	10,412	10,429	(17)
Constables	1,113	1,113	1,123	(10)
County Administration	77,944	77,944	38,404	39,540
County Attorney	20,215	20,215	20,178	37
Justice Courts	10,687	10,687	7,683	3,004
Juvenile Courts	22,280	22,280	22,281	(1)
Justice & Law Enforcement	27,296	27,296	31,464	(4,168)
Public Works (Facilities Management)	16,996	16,996	16,029	967
Recorder	3,519	3,519	3,551	(32)
Superior Court	30,211	30,211	30,206	5
Superior Court Mandated Services	225	225	14	211
Treasurer	2,492	2,492	2,021	471
Public safety				
Sheriff	125,516	125,516	131,087	(5,571)
Health				
Forensic Science Center	2,994	2,994	3,320	(326)
Welfare				
Institutional Health	100,601	100,601	95,076	5,525
Culture and recreation				
Public Works (Parks and Recreation)	15,056	15,056	16,468	(1,412)
Education and economic opportunity				
Community & Economic Development	12,097	12,097	11,320	777
School Superintendent	1,632	1,632	1,330	302
Debt Service - principal			159	(159)
- interest			1	(1)
Total expenditures	<u>491,892</u>	<u>491,892</u>	<u>451,858</u>	<u>40,034</u>
Excess (deficiency) of revenues over (under) expenditures	(37,989)	(37,989)	12,977	50,966
Other financing sources (uses):				
Capital leases			764	764
Transfers in	5,398	5,398	5,792	394
Transfers (out)	(33,939)	(33,939)	(39,768)	(5,829)
Total other financing (uses)	<u>(28,541)</u>	<u>(28,541)</u>	<u>(33,212)</u>	<u>(4,671)</u>
Net change in fund balances	(66,530)	(66,530)	(20,235)	46,295
Fund balances at beginning of the year	<u>66,530</u>	<u>66,530</u>	<u>80,767</u>	<u>14,237</u>
Fund balances at end of year	<u><u>66,530</u></u>	<u><u>66,530</u></u>	<u><u>\$ 60,532</u></u>	<u><u>\$ 60,532</u></u>

PIMA COUNTY, ARIZONA
Notes to Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
June 30, 2013
(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, 2013, 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:	
Clerk of Superior Court	\$ 17
Constables	10
Juvenile Courts	1
Justice & Law Enforcement	4,168
Recorder	<u>32</u>
Total general government	<u><u>4,228</u></u>
Public safety:	
Sheriff	<u>5,571</u>
Total public safety	<u><u>5,571</u></u>
Health:	
Forensic Science Center	<u>326</u>
Total Health	<u><u>326</u></u>
Culture and recreation:	
Public Works (Parks and Recreation)	<u>414</u>
Total culture and recreation	<u><u>414</u></u>
Debt Service - principal	159
- interest	<u>1</u>
Total debt service	<u><u>\$ 160</u></u>

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

PIMA COUNTY, ARIZONA
Schedule of Agent Retirement Plans' Funding Progress
June 30, 2013
(in thousands)

Exhibit B - 2

Plan	Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding (Liability) Excess	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
PSPRS							
Pension	2013	\$ 148,871	\$ 274,019	\$ (125,148)	54.3%	\$ 30,768	406.8%
Health Insurance	2013		7,460	(7,460)	0.0%	30,768	24.3%
Pension	2012	\$ 149,085	\$ 268,903	\$ (119,818)	55.4%	\$ 31,920	375.4%
Health Insurance	2012		7,325	(7,325)	0.0%	31,920	22.9%
Pension	2011	\$ 149,088	\$ 242,778	\$ (93,690)	61.4%	\$ 30,805	304.1%
Health Insurance	2011		7,353	(7,353)	0.0%	30,805	23.9%
CORP							
Pension	2013	\$ 52,537	\$ 86,429	\$ (33,892)	60.8%	\$ 19,665	172.4%
Health Insurance	2013		3,195	(3,195)	0.0%	19,662	16.3%
Pension	2012	\$ 51,797	\$ 83,526	\$ (31,729)	62.0%	\$ 21,743	145.9%
Health Insurance	2012		3,161	(3,161)	0.0%	21,743	14.5%
Pension	2011	\$ 51,477	\$ 75,051	\$ (23,574)	68.6%	\$ 20,441	115.3%
Health Insurance	2011		3,261	(3,261)	0.0%	20,441	16.0%

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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, animal care, and emergency management. 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.

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.

Special Districts Fund - to account for financial activity related to Improvement Districts for roads and streets. The Special Districts are a blended component unit of Pima County.

Solid Waste Fund - to account for the resources used to finance the operations of the County's landfills and transfer stations and to account for the state shared revenue tax for the tire recycling program.

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

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

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

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PIMA COUNTY, ARIZONA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	School Reserve
Assets						
Cash and cash equivalents	\$ 21,043	\$ 2,581	\$ 9,066	\$ 53,836		\$ 1,545
Property taxes receivable (net of allowances for uncollectables)			699			
Interest receivable	8		4	23		
Due from other funds	30	68	3	76	\$ 11	
Due from other governments	4,029	782	12	1,120	13,246	367
Accounts receivable	133	133	12	1,186	476	41
Inventory	1,134	288				
Prepaid expenditures	51	5	15	16	70	
Loan receivable				33		
Other assets	1,018					
Restricted cash and cash equivalents						
Total assets	<u>\$ 27,446</u>	<u>\$ 3,857</u>	<u>\$ 9,811</u>	<u>\$ 56,290</u>	<u>\$ 13,803</u>	<u>\$ 1,953</u>
Liabilities, deferred inflows of resources and fund balances						
Liabilities:						
Accounts payable	\$ 2,659	\$ 738	\$ 650	\$ 2,381	\$ 3,735	\$ 61
Interest payable					1	
Employee compensation	872	574	286	754	995	14
Due to other funds	17		1	177	3,151	
Due to other governments					14	
Deposits and rebates	3		2	1		
Unearned revenue	1,020		2	1,345	1,584	9
Total liabilities	<u>4,571</u>	<u>1,312</u>	<u>941</u>	<u>4,658</u>	<u>9,480</u>	<u>84</u>
Deferred inflows of resources:						
Unavailable revenue - intergovernmental		439		22	4,092	
Unavailable revenue - property taxes			642			
Unavailable revenue - other	113	66	22		265	
Total deferred inflows of resources	<u>113</u>	<u>505</u>	<u>664</u>	<u>22</u>	<u>4,357</u>	
Total liabilities and deferred inflows of resources	<u>4,684</u>	<u>1,817</u>	<u>1,605</u>	<u>4,680</u>	<u>13,837</u>	<u>84</u>
Fund balances						
Nonspendable	1,185	293	15	49	70	
Restricted	21,577	1,747	8,191	26,245	5,647	515
Committed				5,415		315
Assigned				19,901		1,039
Unassigned					(5,751)	
Total fund balances	<u>22,762</u>	<u>2,040</u>	<u>8,206</u>	<u>51,610</u>	<u>(34)</u>	<u>1,869</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,446</u>	<u>\$ 3,857</u>	<u>\$ 9,811</u>	<u>\$ 56,290</u>	<u>\$ 13,803</u>	<u>\$ 1,953</u>

Special Revenue Funds						Total Other Governmental Funds
Environmental Quality	Special Districts	Solid Waste	Library District	Stadium District	Street Lighting Districts	
\$ 2,478		\$ 3,183	\$ 11,584		\$ 234	\$ 105,550
			963			1,662
		1	5			41
			1	\$ 87		276
		281	4	248		20,089
46		19	182	270		2,498
						1,422
			282			439
						33
						1,018
			45			45
<u>\$ 2,524</u>		<u>\$ 3,484</u>	<u>\$ 13,066</u>	<u>\$ 605</u>	<u>\$ 234</u>	<u>\$ 133,073</u>
\$ 14		\$ 369	\$ 1,141	\$ 241	\$ 10	\$ 11,999
				1		2
90		14	813	79		4,491
			4	651		4,001
						14
						6
4			139	7		4,110
<u>108</u>		<u>383</u>	<u>2,097</u>	<u>979</u>	<u>10</u>	<u>24,623</u>
				108		4,661
			881			1,523
7		3		136		612
7		3	881	244		6,796
<u>115</u>		<u>386</u>	<u>2,978</u>	<u>1,223</u>	<u>10</u>	<u>31,419</u>
			327			1,939
1,439		1,224	9,761		224	76,570
				2,016		7,746
970		1,874				23,784
				(2,634)		(8,385)
<u>2,409</u>		<u>3,098</u>	<u>10,088</u>	<u>(618)</u>	<u>224</u>	<u>101,654</u>
<u>\$ 2,524</u>		<u>\$ 3,484</u>	<u>\$ 13,066</u>	<u>\$ 605</u>	<u>\$ 234</u>	<u>\$ 133,073</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in
Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2013
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	School Reserve
Revenues:						
Property taxes			\$ 19,111			
Licenses and permits	\$ 1,050	\$ 2,226	1			
Intergovernmental	48,129	3,730	11	\$ 20,883	\$ 57,201	\$ 2,771
Charges for services	329	2,627	165	8,400		
Fines and forfeits		161		4,344		
Investment earnings	140	8	126	382	10	
Miscellaneous	226	523	86	6,247	677	
Total revenues	49,874	9,275	19,500	40,256	57,888	2,771
Expenditures:						
Current:						
General government				39,349	6,000	
Public safety			11,093	2,711	7,482	
Highways and streets	35,041				825	
Sanitation						
Health		18,978		182	10,530	
Welfare					263	
Culture and recreation				336	41	
Education and economic opportunity				1,758	26,937	2,954
Debt service - principal						
Total expenditures	35,041	18,978	11,093	44,336	52,078	2,954
Excess (deficiency) of revenues over (under) expenditures	14,833	(9,703)	8,407	(4,080)	5,810	(183)
Other financing sources (uses):						
Proceeds from sale of capital assets	20					
Transfers in	10,121	13,893		1,250	2,974	
Transfers (out)	(26,399)	(2,376)	(9,923)	(7,035)	(13,214)	
Total other financing sources (uses)	(16,258)	11,517	(9,923)	(5,785)	(10,240)	
Net change in fund balances	(1,425)	1,814	(1,516)	(9,865)	(4,430)	(183)
Fund balance at beginning of year	24,187	2	9,722	61,475	4,396	2,052
Change in inventory		224				
Fund balance at end of year	\$ 22,762	\$ 2,040	\$ 8,206	\$ 51,610	\$ (34)	\$ 1,869

Special Revenue Funds						Total Other Governmental Funds
Environmental Quality	Special Districts	Solid Waste	Library District	Stadium District	Street Lighting Districts	
			\$ 28,078		\$ 107	\$ 47,296
\$ 2,278						5,555
		\$ 1,147	450	\$ 1,535		135,857
1		3,577		931		16,030
2			598			5,105
15		19	99	23	2	824
22		29	634	4		8,448
<u>2,318</u>		<u>4,772</u>	<u>29,859</u>	<u>2,493</u>	<u>109</u>	<u>219,115</u>
					136	45,485
						21,286
		5,328				35,866
2,571						5,328
			34,164	4,682		32,261
						263
						39,223
		298				31,649
						298
<u>2,571</u>		<u>5,626</u>	<u>34,164</u>	<u>4,682</u>	<u>136</u>	<u>211,659</u>
(253)		(854)	(4,305)	(2,189)	(27)	7,456
		11				31
647		837	1	4,885		34,608
(147)	\$ (73)		(870)	(5,579)		(65,616)
500	(73)	848	(869)	(694)		(30,977)
247	(73)	(6)	(5,174)	(2,883)	(27)	(23,521)
2,162	73	3,104	15,262	2,265	251	124,951
						224
<u>\$ 2,409</u>		<u>\$ 3,098</u>	<u>\$ 10,088</u>	<u>\$ (618)</u>	<u>\$ 224</u>	<u>\$ 101,654</u>

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Combining Statements and Other Schedules

Schedule of Revenues, Expenditures and Changes in
Fund Balance

Budget and Actual - Other Governmental Funds

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 43,773	\$ 33,359	\$ (10,414)
Charges for services	2,542	4,770	2,228
Investment earnings		533	533
Miscellaneous	1,639	2,811	1,172
Total revenues	<u>47,954</u>	<u>41,473</u>	<u>(6,481)</u>
Expenditures:			
Capital outlay	<u>224,127</u>	<u>174,976</u>	<u>49,151</u>
Total expenditures	<u>224,127</u>	<u>174,976</u>	<u>49,151</u>
Deficiency of revenues under expenditures	<u>(176,173)</u>	<u>(133,503)</u>	<u>42,670</u>
Other financing sources (uses):			
Face amount of long-term debt	86,000	130,175	44,175
Proceeds from sale of capital assets	103		(103)
Transfers in	70,646	47,849	(22,797)
Transfers (out)	(60,000)	(11,160)	48,840
Total other financing sources	<u>96,749</u>	<u>166,864</u>	<u>70,115</u>
Net change in fund balance	(79,424)	33,361	112,785
Fund balance at beginning of year	155,226	161,369	6,143
Fund balance at end of year	<u>\$ 75,802</u>	<u>\$ 194,730</u>	<u>\$ 118,928</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, 2013

Exhibit C - 4

	Budget	Actual	Variance
Revenues:			
Property taxes	\$ 63,090	\$ 63,317	\$ 227
Intergovernmental		23	23
Investment earnings		334	334
Miscellaneous		16	16
Total revenues	<u>63,090</u>	<u>63,690</u>	<u>600</u>
Expenditures:			
Debt service - principal	86,933	67,885	19,048
- interest	25,993	23,903	2,090
- miscellaneous	40	1,654	(1,614)
Total expenditures	<u>112,966</u>	<u>93,442</u>	<u>19,524</u>
Deficiency of revenues under expenditures	<u>(49,876)</u>	<u>(29,752)</u>	<u>20,124</u>
Other financing sources (uses):			
Premium on bonds		11,959	11,959
Proceeds from refunding debt		51,280	51,280
Payments to escrow agent		(55,423)	(55,423)
Transfers in	58,038	24,978	(33,060)
Transfers (out)		(5,700)	(5,700)
Total other financing sources	<u>58,038</u>	<u>27,094</u>	<u>(30,944)</u>
Net change in fund balance	8,162	(2,658)	(10,820)
Fund balance at beginning of year	22,851	28,298	5,447
Fund balance at end of year	<u>\$ 31,013</u>	<u>\$ 25,640</u>	<u>\$ (5,373)</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, 2013
(in thousands)

Exhibit C - 5

	Budget	Actual	Variance
Revenues:			
Licenses and permits	\$ 1,093	\$ 1,050	\$ (43)
Intergovernmental	46,964	48,129	1,165
Charges for services	90	329	239
Investment earnings	120	140	20
Miscellaneous	265	226	(39)
Total revenues	<u>48,532</u>	<u>49,874</u>	<u>1,342</u>
Expenditures:			
Highways and streets	<u>38,035</u>	<u>35,041</u>	<u>2,994</u>
Total expenditures	<u>38,035</u>	<u>35,041</u>	<u>2,994</u>
Excess of revenues over expenditures	<u>10,497</u>	<u>14,833</u>	<u>4,336</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		20	20
Transfers in	10,121	10,121	
Transfers (out)	(27,571)	(26,399)	1,172
Total other financing (uses)	<u>(17,450)</u>	<u>(16,258)</u>	<u>1,192</u>
Net change in fund balance	(6,953)	(1,425)	5,528
Fund balance at beginning of year	<u>20,792</u>	<u>24,187</u>	<u>3,395</u>
Fund balance at end of year	<u>\$ 13,839</u>	<u>\$ 22,762</u>	<u>\$ 8,923</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, 2013
(in thousands)

Exhibit C - 6

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,050	\$ 2,226	\$ 176
Intergovernmental	3,096	3,730	634
Charges for services	2,422	2,627	205
Fines and forfeits	126	161	35
Investment earnings		8	8
Miscellaneous	283	523	240
Total revenues	<u>7,977</u>	<u>9,275</u>	<u>1,298</u>
Expenditures:			
Health	17,794	18,978	(1,184)
Total expenditures	<u>17,794</u>	<u>18,978</u>	<u>(1,184)</u>
Deficiency of revenues under expenditures	<u>(9,817)</u>	<u>(9,703)</u>	<u>114</u>
Other financing sources (uses):			
Transfers in	8,559	13,893	5,334
Transfers (out)	(121)	(2,376)	(2,255)
Total other financing sources	<u>8,438</u>	<u>11,517</u>	<u>3,079</u>
Net change in fund balance	(1,379)	1,814	3,193
Fund balance at beginning of year	2,446	2	(2,444)
Change in inventory		224	224
Fund balance at end of year	<u>\$ 1,067</u>	<u>\$ 2,040</u>	<u>\$ 973</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Regional Flood Control - Special Revenue Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 7

	Budget	Actual	Variance
Revenues:			
Property taxes	\$ 18,910	\$ 19,111	\$ 201
Licenses and permits		1	1
Intergovernmental		11	11
Charges for services	25	165	140
Investment earnings	35	126	91
Miscellaneous	106	86	(20)
Total revenues	<u>19,076</u>	<u>19,500</u>	<u>424</u>
Expenditures:			
Flood control	11,457	11,093	364
Total expenditures	<u>11,457</u>	<u>11,093</u>	<u>364</u>
Excess of revenues over expenditures	<u>7,619</u>	<u>8,407</u>	<u>788</u>
Other financing sources (uses):			
Transfers (out)	(9,894)	(9,923)	(29)
Total other financing (uses)	<u>(9,894)</u>	<u>(9,923)</u>	<u>(29)</u>
Net change in fund balance	(2,275)	(1,516)	759
Fund balance at beginning of year	8,222	9,722	1,500
Fund balance at end of year	<u>\$ 5,947</u>	<u>\$ 8,206</u>	<u>\$ 2,259</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, 2013
(in thousands)

Exhibit C - 8

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 22,088	\$ 20,883	\$ (1,205)
Charges for services	7,338	8,400	1,062
Fines and forfeits	429	4,344	3,915
Investment earnings	271	382	111
Miscellaneous	8,272	6,247	(2,025)
Total revenues	<u>38,398</u>	<u>40,256</u>	<u>1,858</u>
Expenditures:			
General government	40,548	39,349	1,199
Public safety	4,965	2,711	2,254
Health	1,000	182	818
Culture and recreation	175	336	(161)
Education and economic opportunity	1,667	1,758	(91)
Total expenditures	<u>48,355</u>	<u>44,336</u>	<u>4,019</u>
Deficiency of revenues under expenditures	<u>(9,957)</u>	<u>(4,080)</u>	<u>5,877</u>
Other financing sources (uses):			
Transfers in	1,458	1,250	(208)
Transfers (out)	<u>(3,578)</u>	<u>(7,035)</u>	<u>(3,457)</u>
Total other financing (uses)	<u>(2,120)</u>	<u>(5,785)</u>	<u>(3,665)</u>
Net change in fund balance	(12,077)	(9,865)	2,212
Fund balance at beginning of year	<u>22,810</u>	<u>61,475</u>	<u>38,665</u>
Fund balance at end of year	<u>\$ 10,733</u>	<u>\$ 51,610</u>	<u>\$ 40,877</u>

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Other Grants - Special Revenue Fund
For the Year Ended June 30, 2013
(in thousands)

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 82,435	\$ 57,201	\$ (25,234)
Investment earnings	19	10	(9)
Miscellaneous	848	677	(171)
Total revenues	83,302	57,888	(25,414)
Expenditures:			
Community Development	12,615	12,205	410
Community Services	19,115	14,731	4,384
County Attorney	6,278	3,777	2,501
Elections	1,166		1,166
Environmental Quality	758	786	(28)
Flood Control		133	(133)
Institutional Health	401	263	138
Justice Court	134	133	1
Juvenile Court	1,190	1,225	(35)
Health	8,816	8,669	147
Office of Emergency Management	416	815	(399)
Finance		27	(27)
Parks and Recreation	85	41	44
Recorder	192	23	169
Sheriff	10,337	7,349	2,988
Superior Court	1,064	805	259
Transportation	884	825	59
Forensic Science Center	287	260	27
Office of Sustainability and Conservation	5	11	(6)
Total expenditures	63,743	52,078	11,665
Excess (deficiency) of revenues over (under) expenditures	19,559	5,810	(13,749)
Other financing sources (uses):			
Transfers in	279	2,974	2,695
Transfers (out)	(15,925)	(13,214)	2,711
Total other financing sources (uses)	(15,646)	(10,240)	5,406
Net change in fund balance	3,913	(4,430)	(8,343)
Fund balance at beginning of year, as restated	2,348	4,396	2,048
Fund balance at end of year	\$ 6,261	\$ (34)	\$ (6,295)

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, 2013
(in thousands)

Exhibit C - 10

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 2,462	\$ 2,771	\$ 309
Total revenues	<u>2,462</u>	<u>2,771</u>	<u>309</u>
Expenditures:			
School Reserve grants	2,462	2,954	(492)
Total expenditures	<u>2,462</u>	<u>2,954</u>	<u>(492)</u>
Deficiency of revenues under expenditures		<u>(183)</u>	<u>(183)</u>
Net change in fund balance		(183)	(183)
Fund balance at beginning of year	<u>2,052</u>	<u>2,052</u>	
Fund balance at end of year	<u>\$ 2,052</u>	<u>\$ 1,869</u>	<u>\$ (183)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual
Environmental Quality - Special Revenue Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C- 11

	Budget	Actual	Variance
Revenues:			
Licenses and permits	\$ 1,893	\$ 2,278	\$ 385
Charges for services		1	1
Fines and forfeits		2	2
Investment earnings	15	15	
Miscellaneous	257	22	(235)
Total revenues	<u>2,165</u>	<u>2,318</u>	<u>153</u>
Expenditures:			
Environmental Quality	2,880	2,571	309
Total expenditures	<u>2,880</u>	<u>2,571</u>	<u>309</u>
Deficiency of revenues under expenditures	<u>(715)</u>	<u>(253)</u>	<u>462</u>
Other financing sources (uses):			
Transfers in	402	647	245
Transfers (out)	(147)	(147)	
Total other financing sources	<u>255</u>	<u>500</u>	<u>245</u>
Net change in fund balance	(460)	247	707
Fund balance at beginning of year	3,688	2,162	(1,526)
Fund balance at end of year	<u>\$ 3,228</u>	<u>\$ 2,409</u>	<u>\$ (819)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Special Districts - Special Revenue Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 12

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Special assessments			
Investment earnings			
Total revenues			
Expenditures:			
Highways and streets			
Debt Service - principal			
- interest			
Total expenditures			
Excess of revenues over expenditures			
Other financing uses			
Transfers (out)		\$ (73)	\$ (73)
Total other financing uses		(73)	(73)
Net change in fund balance		(73)	(73)
Fund balance at beginning of year	\$ 423	73	(350)
Fund balance at end of year	<u>\$ 423</u>		<u>\$ (423)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Solid Waste - Special Revenue Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 13

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 1,050	\$ 1,147	\$ 97
Charges for services	3,278	3,577	299
Investment earnings	12	19	7
Miscellaneous	51	29	(22)
Total revenues	4,391	4,772	381
Expenditures:			
Sanitation	6,850	5,328	1,522
Debt service - principal	298	298	(298)
Total expenditures	6,850	5,626	1,224
Deficiency of revenues under expenditures	(2,459)	(854)	1,605
Other financing sources:			
Proceeds from sale of capital assets	11	11	11
Transfers in	800	837	37
Total other financing sources	800	848	48
Net change in fund balance	(1,659)	(6)	1,653
Fund balance at beginning of year	1,528	3,104	1,576
Fund balance at end of year	\$ (131)	\$ 3,098	\$ 3,229

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Library District - Special Revenue Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 14

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 28,005	\$ 28,078	\$ 73
Intergovernmental	235	450	215
Fines and forfeits	650	598	(52)
Investment earnings	50	99	49
Miscellaneous	302	634	332
Total revenues	<u>29,242</u>	<u>29,859</u>	<u>617</u>
Expenditures:			
Current:			
Culture and recreation	34,150	34,164	(14)
Total expenditures	<u>34,150</u>	<u>34,164</u>	<u>(14)</u>
Deficiency of revenues under expenditures	<u>(4,908)</u>	<u>(4,305)</u>	<u>603</u>
Other financing sources (uses):			
Transfers in		1	1
Transfers (out)	(584)	(870)	(286)
Total other financing (uses)	<u>(584)</u>	<u>(869)</u>	<u>(285)</u>
Net change in fund balance	(5,492)	(5,174)	318
Fund balance at beginning of year	14,519	15,262	743
Fund balance at end of year	<u>\$ 9,027</u>	<u>\$ 10,088</u>	<u>\$ 1,061</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, 2013
(in thousands)

Exhibit C - 15

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 1,628	\$ 1,535	\$ (93)
Charges for services	153	931	778
Investment earnings	12	23	11
Miscellaneous	455	4	(451)
Total revenues	<u>2,248</u>	<u>2,493</u>	<u>245</u>
Expenditures:			
Culture and recreation	4,623	4,682	(59)
Total expenditures	<u>4,623</u>	<u>4,682</u>	<u>(59)</u>
Deficiency of revenues under expenditures	<u>(2,375)</u>	<u>(2,189)</u>	<u>186</u>
Other financing sources (uses):			
Transfers in	3,410	4,885	1,475
Transfers (out)	(3,443)	(5,579)	(2,136)
Total other financing (uses)	<u>(33)</u>	<u>(694)</u>	<u>(661)</u>
Net change in fund balance	(2,408)	(2,883)	(475)
Fund balance at beginning of year	603	2,265	1,662
Fund balance at end of year	<u>\$ (1,805)</u>	<u>\$ (618)</u>	<u>\$ 1,187</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Street Lighting Districts
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 16

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 108	\$ 107	\$ (1)
Investment earnings		2	2
Total revenues	<u>108</u>	<u>109</u>	<u>1</u>
Expenditures:			
General government	149	136	13
Total expenditures	<u>149</u>	<u>136</u>	<u>13</u>
Deficiency of revenues under expenditures	<u>(41)</u>	<u>(27)</u>	<u>14</u>
Net change in fund balance	(41)	(27)	14
Fund balance at beginning of year	251	251	
Fund balance at end of year	<u>\$ 210</u>	<u>\$ 224</u>	<u>\$ 14</u>



Combining Statements and Other Schedules

Other (Nonmajor) Enterprise Funds

Other (Nonmajor) Enterprise Funds

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

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

PIMA COUNTY, ARIZONA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013
(in thousands)

Exhibit C - 17

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,427	\$ 4,624	\$ 8,051
Interest receivable	1	2	3
Due from other governments		6	6
Accounts receivable	90	61	151
Prepaid expense	5	4	9
Total current assets	3,523	4,697	8,220
Noncurrent assets:			
Capital assets:			
Land and other improvements		1,768	1,768
Buildings and improvements		12,927	12,927
Equipment	902	244	1,146
Less accumulated depreciation	(902)	(9,364)	(10,266)
Total capital assets (net of accumulated depreciation)		5,575	5,575
Total noncurrent assets	3,523	10,272	13,795
Total assets	3,523	10,272	13,795
Liabilities			
Current liabilities:			
Accounts payable	36	315	351
Employee compensation	648	18	666
Unearned revenue		1	1
Total current liabilities	684	334	1,018
Total liabilities	684	334	1,018
Net position			
Net investment in capital assets		5,575	5,575
Unrestricted	2,839	4,363	7,202
Total net position	\$ 2,839	\$ 9,938	\$ 12,777

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 18

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 6,519	\$ 2,232	\$ 8,751
Other	59		59
Total net operating revenues	<u>6,578</u>	<u>2,232</u>	<u>8,810</u>
Operating expenses:			
Employee compensation	5,043	342	5,385
Operating supplies and services	113	46	159
Repair and maintenance	6	65	71
General and administrative	1,374	1,122	2,496
Consultants and professional services	328		328
Depreciation		218	218
Total operating expenses	<u>6,864</u>	<u>1,793</u>	<u>8,657</u>
Operating revenue (loss)	<u>(286)</u>	<u>439</u>	<u>153</u>
Nonoperating revenues:			
Investment earnings	<u>18</u>	<u>27</u>	<u>45</u>
Total nonoperating revenues:	<u>18</u>	<u>27</u>	<u>45</u>
Income (loss) before transfers	<u>(268)</u>	<u>466</u>	<u>198</u>
Transfers in	1,000		1,000
Transfers (out)	<u>(1,015)</u>		<u>(1,015)</u>
Change in net position	(283)	466	183
Net position at beginning of year	<u>3,122</u>	<u>9,472</u>	<u>12,594</u>
Net position at end of year	<u>\$ 2,839</u>	<u>\$ 9,938</u>	<u>\$ 12,777</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 19

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers for goods and services provided	\$ 6,586	\$ 2,213	\$ 8,799
Cash payments to suppliers for goods and services	(449)	(1,176)	(1,625)
Cash payments to other funds for goods and services	(2,010)	(15)	(2,025)
Cash payments to employees for services	(4,450)	(343)	(4,793)
Net cash provided by (used for) operating activities	(323)	679	356
Cash flows from noncapital financing activities:			
Cash transfers in from other funds	1,000		1,000
Cash transfers out to other funds	(1,015)		(1,015)
Loans with other funds	3		3
Net cash (used for) noncapital financing activities	(12)		(12)
Cash flows from investing activities:			
Interest on cash and investments	19	27	46
Net cash provided by investing activities	19	27	46
Net increase (decrease) in cash and cash equivalents	(316)	706	390
Cash and cash equivalents at beginning of year	3,743	3,918	7,661
Cash and cash equivalents at end of year	\$ 3,427	\$ 4,624	\$ 8,051

(continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 19.1

(continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Operating income (loss)	\$ (286)	\$ 439	\$ 153
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization		218	218
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	8	(14)	(6)
Due from other governments		(6)	(6)
Prepaid expenses		(4)	(4)
Increase (decrease) in liabilities:			
Accounts payable	(20)	48	28
Other current liabilities	(25)	(2)	(27)
Net cash provided by (used for) operating activities	\$ (323)	\$ 679	\$ 356

Noncash investing capital, and financing activities during the year ended June 30, 2013:

Development Services Enterprise Fund retired fully depreciated capital assets with an original cost of \$63.



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, dental, 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.

Other Internal Service - to account for the provision of printing, infrastructure, and telecommunication services to County departments.

PIMA COUNTY, ARIZONA
Combining Statement of Net Position
Internal Service Funds
June 30, 2013
(in thousands)

Exhibit C - 20

	Self Insurance Trust	Fleet Services	Other Internal Service	Total Internal Service Funds
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 66,307	\$ 17,449	\$ 2,532	\$ 86,288
Interest receivable	4	2	1	7
Due from other funds	30	10	27	67
Due from other governments		102	1	103
Accounts receivable	275	87	14	376
Inventory		685		685
Prepaid expense	911		679	1,590
Total current assets	<u>67,527</u>	<u>18,335</u>	<u>3,254</u>	<u>89,116</u>
Noncurrent assets:				
Capital assets:				
Land and other improvements	592			592
Buildings and improvements		743	224	967
Equipment	168	35,014	7,818	43,000
Less accumulated depreciation	(160)	(14,681)	(5,248)	(20,089)
Construction in progress		1,371	1,927	3,298
Total capital assets (net of accumulated depreciation)	<u>600</u>	<u>22,447</u>	<u>4,721</u>	<u>27,768</u>
Total noncurrent assets	<u>600</u>	<u>22,447</u>	<u>4,721</u>	<u>27,768</u>
Total assets	<u>68,127</u>	<u>40,782</u>	<u>7,975</u>	<u>116,884</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	943	1,788	1,472	4,203
Employee compensation	126	492	255	873
Due to other funds		114	46	160
Current portion reported but unpaid losses	4,195			4,195
Current portion incurred but not reported losses	2,719			2,719
Total current liabilities	<u>7,983</u>	<u>2,394</u>	<u>1,773</u>	<u>12,150</u>
Noncurrent liabilities:				
Reported but unpaid losses	17,411			17,411
Incurred but not reported losses	11,443			11,443
Total noncurrent liabilities	<u>28,854</u>			<u>28,854</u>
Total liabilities	<u>36,837</u>	<u>2,394</u>	<u>1,773</u>	<u>41,004</u>
<u>Net position</u>				
Net investment in capital assets	600	22,447	4,721	27,768
Unrestricted	30,690	15,941	1,481	48,112
Total net position	<u>\$ 31,290</u>	<u>\$ 38,388</u>	<u>\$ 6,202</u>	<u>\$ 75,880</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 21

	Self Insurance Trust	Fleet Services	Other Internal Service	Total Internal Service Funds
Operating revenues:				
Charges for services	\$ 16,412	\$ 22,872	\$ 6,291	\$ 45,575
Other	145	218	88	451
Total operating revenues	<u>16,557</u>	<u>23,090</u>	<u>6,379</u>	<u>46,026</u>
Operating expenses:				
Employee compensation	2,011	3,361	2,147	7,519
Operating supplies and services	276	8,411	379	9,066
Incurred losses	7,676			7,676
Insurance premiums	3,661	866	38	4,565
General and administrative	517	1,042	1,485	3,044
Repair and maintenance	46	2,035	73	2,154
Consultants and professional services	897	31	780	1,708
Depreciation	20	3,366	389	3,775
Total operating expenses	<u>15,104</u>	<u>19,112</u>	<u>5,291</u>	<u>39,507</u>
Operating income	<u>1,453</u>	<u>3,978</u>	<u>1,088</u>	<u>6,519</u>
Nonoperating revenues:				
Investment earnings	249	22	20	291
Gain on disposal of capital assets		38		38
Total nonoperating revenues	<u>249</u>	<u>60</u>	<u>20</u>	<u>329</u>
Income before transfers	1,702	4,038	1,108	6,848
Capital contributions		165		165
Transfers in		1,873	218	2,091
Transfers (out)	(306)	(85)	(13)	(404)
Change in net position	1,396	5,991	1,313	8,700
Net position at beginning of year	<u>29,894</u>	<u>32,397</u>	<u>4,889</u>	<u>67,180</u>
Net position at end of year	<u>\$ 31,290</u>	<u>\$ 38,388</u>	<u>\$ 6,202</u>	<u>\$ 75,880</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 22

	Self Insurance Trust	Fleet Services	Other Internal Service	Total Internal Service Funds
Cash flows from operating activities:				
Cash received from other funds for goods and services provided	\$ 16,465	\$ 22,872	\$ 6,291	\$ 45,628
Cash received from miscellaneous operations	145	238	76	459
Cash payments to suppliers for goods and services	(4,761)	(10,218)	(1,216)	(16,195)
Cash payments to other funds for goods and services	(1,358)	(1,690)	(400)	(3,448)
Cash payments for incurred losses	(7,305)			(7,305)
Cash payments to employees for services	(1,202)	(3,332)	(2,229)	(6,763)
Net cash provided by operating activities	<u>1,984</u>	<u>7,870</u>	<u>2,522</u>	<u>12,376</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds		1,768	218	1,986
Cash transfers out to other funds	(306)	(85)	(13)	(404)
Loans with other funds	(30)	89		59
Net cash provided by (used for) noncapital financing activities	<u>(336)</u>	<u>1,772</u>	<u>205</u>	<u>1,641</u>
Cash flows from capital and related financing activities:				
Proceeds from sale of equipment		410		410
Purchase of capital assets	(9)	(5,899)	(3,824)	(9,732)
Net cash used for capital and related financing activities	<u>(9)</u>	<u>(5,489)</u>	<u>(3,824)</u>	<u>(9,322)</u>
Cash flows from investing activities:				
Interest on cash and investments	259	22	21	302
Net cash provided by investing activities	<u>259</u>	<u>22</u>	<u>21</u>	<u>302</u>
Net increase (decrease) in cash and cash equivalents	1,898	4,175	(1,076)	4,997
Cash and cash equivalents at beginning of year	<u>64,409</u>	<u>13,274</u>	<u>3,608</u>	<u>81,291</u>
Cash and cash equivalents at end of year	<u>\$ 66,307</u>	<u>\$ 17,449</u>	<u>\$ 2,532</u>	<u>\$ 86,288</u>

(continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C -22.1

(continued)

Reconciliation of operating income (loss) to net cash provided by operating activities	Self Insurance Trust	Fleet Services	Other Internal Service	Total Internal Service Funds
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Operating income (loss)	1,453	3,978	1,088	6,519
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation and amortization	20	3,366	389	3,775
Changes in assets and liabilities:				
Decrease (increase) in assets:				
Accounts receivable	53	11	(12)	52
Due from other governments		9		9
Inventory		350		350
Prepaid expenses	(356)		224	(132)
Increase (decrease) in liabilities:				
Accounts payable	472	127	915	1,514
Reported but unpaid losses	(1,849)			(1,849)
Incurred but not reported losses	2,220			2,220
Other current liabilities	(29)	29	(82)	(82)
Net cash provided by operating activities	<u>\$ 1,984</u>	<u>\$ 7,870</u>	<u>\$ 2,522</u>	<u>\$ 12,376</u>

Noncash investing, capital, and financing activities during the year ended June 30, 2013:

Fleet Services fund received a transfer in of capital assets from Regional Wastewater Reclamation with a net book value of \$105.

Fleet Services fund received capital contributions with a value of \$165 from General Government and sold capital assets with a value of \$372.



Combining Statements and Other Schedules

Fiduciary Funds

PIMA COUNTY, ARIZONA
 Combining Statement of Fiduciary Net Position
 Investment Trust Funds
 June 30, 2013
 (in thousands)

Exhibit C - 23

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Assets			
Cash and cash equivalents	\$ 99,572	\$ 106,865	\$ 206,437
Interest receivable	52		52
Total assets	99,624	106,865	206,489
Liabilities			
Total liabilities			
Net Position			
Held in trust for pool participants	\$ 99,624	\$ 106,865	\$ 206,489

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 24

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions			
Contributions from participants	\$ 2,224,813	\$ 130,104	\$ 2,354,917
Total contributions	2,224,813	130,104	2,354,917
Investment earnings	1,458	165	1,623
Total investment earnings	1,458	165	1,623
Total additions	2,226,271	130,269	2,356,540
Deductions			
Distributions to participants	2,260,196	187,675	2,447,871
Total deductions	2,260,196	187,675	2,447,871
Net decrease	(33,925)	(57,406)	(91,331)
Net position held in trust July 1, 2012	133,549	164,271	297,820
Net position held in trust June 30, 2013	\$ 99,624	\$ 106,865	\$ 206,489

PIMA COUNTY, ARIZONA
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013
(in thousands)

Exhibit C - 25

	Payroll	Treasurer's Clearing	Other	Total
Assets				
Cash and cash equivalents	\$ 1,081	\$ 464	\$ 57,016	\$ 58,561
Due from other governments		\$ 1,391		1,391
Total assets	<u>1,081</u>	<u>1,855</u>	<u>57,016</u>	<u>59,952</u>
Liabilities				
Employee compensation	1,081			1,081
Due to other governments			35,755	35,755
Deposits and rebates		1,855	21,261	23,116
Total liabilities	<u>\$ 1,081</u>	<u>\$ 1,855</u>	<u>\$ 57,016</u>	<u>\$ 59,952</u>

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Position
Agency Funds
For the Year Ended June 30, 2013
(in thousands)

Exhibit C - 26

	Balance 06/30/12	Additions	Deductions	Balance 06/30/13
<u>Payroll Clearing</u>				
Assets				
Cash and cash equivalents	\$ 496	\$ 1,302,532	\$ 1,301,947	\$ 1,081
Total assets	<u>496</u>	<u>1,302,532</u>	<u>1,301,947</u>	<u>1,081</u>
Liabilities				
Employee compensation	496	1,302,532	1,301,947	1,081
Total liabilities	<u>496</u>	<u>1,302,532</u>	<u>1,301,947</u>	<u>1,081</u>
<u>Treasurer's Clearing</u>				
Assets				
Cash and cash equivalents		1,703,827	1,703,363	464
Due from other governments	3,704		2,313	1,391
Total assets	<u>3,704</u>	<u>1,703,827</u>	<u>1,705,676</u>	<u>1,855</u>
Liabilities				
Due to other governments	1,549	1,129,135	1,130,684	
Deposits and rebates	2,155	572,379	572,679	1,855
Total liabilities	<u>3,704</u>	<u>1,701,514</u>	<u>1,703,363</u>	<u>1,855</u>
<u>Other</u>				
Assets				
Cash and cash equivalents	56,954	219,770	219,708	57,016
Total assets	<u>56,954</u>	<u>219,770</u>	<u>219,708</u>	<u>57,016</u>
Liabilities				
Due to other governments	37,151	165,953	167,349	35,755
Deposits and rebates	19,803	53,817	52,359	21,261
Total liabilities	<u>56,954</u>	<u>219,770</u>	<u>219,708</u>	<u>57,016</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and cash equivalents	57,450	3,226,129	3,225,018	58,561
Due from other governments	3,704		2,313	1,391
Total assets	<u>61,154</u>	<u>3,226,129</u>	<u>3,227,331</u>	<u>59,952</u>
Liabilities				
Employee compensation	496	1,302,532	1,301,947	1,081
Due to other governments	38,700	1,295,088	1,298,033	35,755
Deposits and rebates	21,958	626,196	625,038	23,116
Total liabilities	<u>\$ 61,154</u>	<u>\$ 3,223,816</u>	<u>\$ 3,225,018</u>	<u>\$ 59,952</u>

PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013

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)

Exhibit D - 1

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 391,514	\$ 741,453	\$ 761,130	\$ 774,000	\$ 882,424	\$ 972,346	\$ 1,048,821	\$ 1,136,033	\$ 1,245,227	\$ 1,308,057
Restricted for:										
Special revenue	52,363	59,789	53,384	63,014	71,618	78,080	64,991	64,446	103,592	100,423
Highways and streets			21,353	16,734	17,390	21,349	25,749	32,906	32,322	27,033
Debt service	5,686	11,439	7,934	8,980	13,612	44,566				
Capital projects	17,368	27,027	77,088	90,467	80,922	59,945	57,939	60,381	30,224	9,853
Healthcare							3,405	4,074	1,360	1,163
Workers' compensation		9,042								
Unrestricted	41,020	33,451	38,464	46,256	53,778	34,850	149,966	164,606	157,315	145,618
Total governmental activities net position	<u>507,951</u>	<u>882,201</u>	<u>959,353</u>	<u>999,451</u>	<u>1,119,744</u>	<u>1,211,136</u>	<u>1,350,871</u>	<u>1,462,446</u>	<u>1,570,040</u>	<u>1,592,147</u>
Business-type activities										
Net investment in capital assets	451,162	457,600	466,257	476,950	482,822	539,718	550,540	575,525	564,561	531,945
Restricted for:										
Debt service	499	468	438	574	791	819	13,454	12,567	22,538	29,100
Capital projects	88			35,480	37,925	14,479	11,623	24,236	31,680	42,841
Regional Wastewater Reclamation	3,696	3,511	48,379	38,628	5,956	5,883	16,110	17,161	18,449	17,785
Healthcare	4,011	6,319	5,464	9,985	13,732	9,017	15,943	23,562		
Unrestricted (deficit)	(4,766)	20,851	15,284	10,845	56,397	34,477	29,914	33,448	66,470	101,759
Total business-type activities net position	<u>454,690</u>	<u>488,749</u>	<u>535,822</u>	<u>572,462</u>	<u>597,623</u>	<u>604,393</u>	<u>637,584</u>	<u>686,499</u>	<u>703,698</u>	<u>723,430</u>
Primary government										
Net investment in capital assets	842,676	1,199,053	1,227,387	1,250,950	1,365,246	1,512,064	1,599,361	1,711,558	1,809,788	1,840,002
Restricted for:										
(1) Facilities, justice, library, tax stabilization and community development					71,618	78,080	64,991	64,446	103,592	100,423
(1) Special revenue	52,363	59,789	53,384	63,014						
(1) Highways and streets			21,353	16,734	17,390	21,349	25,749	32,906	32,322	27,033
Debt service	6,185	11,907	8,372	9,554	14,403	45,385	13,454	12,567	22,538	29,100
Capital projects	17,456	27,027	77,088	125,947	118,847	74,424	69,562	84,617	61,904	52,694
Workers' compensation		9,042								
Regional Wastewater Reclamation	3,696	3,511	48,379	38,628	5,956	5,883	16,110	17,161	18,449	17,785
Healthcare	4,011	6,319	5,464	9,985	13,732	9,017	19,348	27,636	1,360	1,163
Unrestricted	36,254	54,302	53,748	57,101	110,175	69,327	179,880	198,054	223,785	247,377
Total primary government net position	<u>\$ 962,641</u>	<u>\$ 1,370,950</u>	<u>\$ 1,495,175</u>	<u>\$1,571,913</u>	<u>\$1,717,367</u>	<u>\$ 1,815,529</u>	<u>\$ 1,988,455</u>	<u>\$ 2,148,945</u>	<u>\$ 2,273,738</u>	<u>\$ 2,315,577</u>

(1) Beginning in fiscal year 2005-06 and in 2008-09, all special revenue funds were reclassified and reported from a functional perspective.

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

Exhibit D - 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 140,827	\$ 194,873	\$ 208,293	\$ 223,266	\$ 239,399	\$ 212,196	\$ 218,504	\$ 218,843	\$ 223,005	\$ 233,984
Public safety	151,860	118,412	132,583	148,831	165,715	149,253	145,697	146,395	150,349	166,476
Highways and streets	42,133	65,414	70,392	92,985	88,488	79,251	68,691	73,348	69,183	80,087
Sanitation			7,258	9,623	9,658	7,434	6,669	6,208	7,224	6,409
Health	30,165	31,798	32,043	33,800	36,977	31,541	33,086	36,475	47,248	36,540
Welfare	76,894	96,199	103,085	97,154	106,546	115,513	87,107	90,521	94,409	95,428
Culture and recreation	32,727	29,663	34,510	55,482	60,616	60,520	61,642	67,063	61,900	65,341
Education and economic opportunity	33,093	39,714	39,517	42,483	47,296	46,770	52,023	56,626	55,126	49,924
Depreciation-unallocated *	805	849								
Amortization-unallocated	967	161	165	168	138	(235)	428	(2,625)	805	(286)
Interest on long-term debt	15,012	16,152	19,463	18,924	22,860	26,780	26,403	26,078	24,776	23,915
Total governmental activities expenses	524,483	593,235	647,309	722,716	777,693	729,023	700,250	718,932	734,025	757,818
Business-type activities:										
Regional Wastewater Reclamation	71,804	76,079	82,701	98,222	106,803	105,139	110,618	113,495	117,774	144,085
Pima Health System & Services	268,869	249,809	256,583	261,859	295,494	224,959	204,619	200,305	58,773	
Development Services	9,617	10,857	14,422	15,400	14,750	9,992	7,924	6,982	6,912	7,231
Parking Garages	1,377	1,494	1,479	1,579	1,877	1,696	1,906	1,538	1,988	1,825
Total business-type activities expenses	351,667	338,239	355,185	377,060	418,924	341,786	325,067	322,320	185,447	153,141
Total primary government expenses	876,150	931,474	1,002,494	1,099,776	1,196,617	1,070,809	1,025,317	1,041,252	919,472	910,959
Program revenues										
Governmental activities:										
Charges for services										
General government	21,422	22,881	26,033	26,663	25,502	26,283	31,050	27,802	30,444	28,910
Public safety	10,289	6,985	8,136	9,797	9,550	10,386	10,218	9,034	12,047	10,238
Highways and streets	11,728	20,549	21,617	11,732	9,316	4,616	5,317	4,891	5,059	6,511
Sanitation			4,531	4,747	5,930	4,668	3,378	3,699	3,487	3,577
Health	8,772	9,526	9,693	10,270	9,965	10,488	11,003	11,436	12,605	12,495
Welfare	918									320
Culture and recreation	1,709	1,643	1,797	2,991	3,031	2,754	2,532	2,191	2,254	2,865
Education and economic opportunity	101	298	314	698	716	691	749	1,024	1,008	1,544
Operating grants and contributions	135,119	125,121	133,113	139,324	144,479	131,361	142,840	136,472	143,388	116,121
Capital grants and contributions	17,413	23,663	12,188	15,085	48,672	68,535	65,820	65,030	47,528	59,298
Subtotal governmental activities program revenues	\$ 207,471	\$ 210,666	\$ 217,422	\$ 221,307	\$ 257,161	\$ 259,782	\$ 272,907	\$ 261,579	\$ 257,820	\$ 241,879

* Due to the changes in the County's asset management system in fiscal year 2005-2006, depreciation - unallocated is included in the general government activities.

(continued)

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

Exhibit D - 2

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program revenues										
Business-type activities:										
Charges for services										
Regional Wastewater Reclamation	\$ 82,432	\$ 92,379	\$ 104,501	\$ 106,266	\$ 106,448	\$ 105,162	\$ 127,889	\$ 148,010	\$ 154,601	\$ 156,573
Pima Health System & Services	224,820	244,932	253,748	257,142	291,980	216,108	205,176	207,652	58,722	
Development Services	11,830	14,730	17,140	11,239	8,992	5,654	5,886	5,688	6,073	6,519
Parking Garages	1,460	1,507	1,485	1,548	1,720	1,676	1,985	2,071	2,083	2,073
Operating grants and contributions	4,777	4,238	4,997	5,174	4,806	4,626	4,421	4,691	1,275	
Capital grants and contributions			449	803	22,952	14,916	9,319	4,192	2,676	3,914
Total business-type activities program revenues	<u>325,319</u>	<u>357,786</u>	<u>382,320</u>	<u>382,172</u>	<u>436,898</u>	<u>348,142</u>	<u>354,676</u>	<u>372,304</u>	<u>225,430</u>	<u>169,079</u>
Total primary government program revenues	<u>532,790</u>	<u>568,452</u>	<u>599,742</u>	<u>603,479</u>	<u>694,059</u>	<u>607,924</u>	<u>627,583</u>	<u>633,883</u>	<u>483,250</u>	<u>410,958</u>
Net (expense) revenue										
Governmental activities	(317,012)	(382,569)	(429,887)	(501,409)	(520,532)	(469,241)	(427,343)	(457,353)	(476,205)	(515,939)
Business-type activities	(26,348)	19,547	27,135	5,112	17,974	6,356	29,609	49,984	39,983	15,938
Total governmental activities net expense	<u>(343,360)</u>	<u>(363,022)</u>	<u>(402,752)</u>	<u>(496,297)</u>	<u>(502,558)</u>	<u>(462,885)</u>	<u>(397,734)</u>	<u>(407,369)</u>	<u>(436,222)</u>	<u>(500,001)</u>
General revenues and other changes in net assets										
Governmental activities:										
Taxes										
Property taxes	272,507	294,643	316,170	343,525	377,810	393,255	416,500	416,985	394,963	383,508
Hotel/motel taxes	2,745	2,822	6,856	8,715	8,176	6,591	5,688	5,591	6,285	6,076
Other taxes levied for stadium district	1,709	1,819	1,808	1,884	1,952	1,534	1,515	1,538	1,608	1,524
Shared sales tax	83,202	91,510	103,158	106,985	103,171	89,177	84,767	88,631	93,123	97,685
Shared vehicle licenses	23,413	23,630	25,894	26,967	27,166	25,869	24,203	23,173	23,537	22,043
Unrestricted grants and contributions	3,201	7,571	7,975	9,468	7,748	5,741	4,081	4,527	4,268	3,207
Interest and penalties on delinquent taxes	6,321	6,771	5,683	5,149	6,365	6,123	7,940	8,125	8,235	7,439
Investment earnings	3,102	6,140	12,942	16,439	16,326	5,875	5,266	2,153	3,416	2,627
Miscellaneous	14,063	16,254	12,828	16,309	15,416	21,323	16,579	13,555	22,676	21,267
Capital contributions	5,441	185	247	5,051						
Gain on sale of capital assets			323			1,140				
Transfers	(13,196)	1,935	(134)	721	113	4,005	538	4,650	25,688	(7,330)
Total governmental activities	<u>402,508</u>	<u>453,280</u>	<u>493,750</u>	<u>541,213</u>	<u>564,243</u>	<u>560,633</u>	<u>567,077</u>	<u>568,928</u>	<u>583,799</u>	<u>538,046</u>
Business-type activities:										
State shared tax	1,146	1,163								
Investment earnings	747	1,609	3,849	5,510	6,721	2,025	1,236	900	1,001	1,017
Miscellaneous	2,750	2,865	1,348	1,522	1,286	2,394	2,884	2,681	1,903	580
Capital contributions	22,214	20,722	14,607							
Transfers	13,196	(1,935)	134	(721)	(113)	(4,005)	(538)	(4,650)	(25,688)	7,330
Total business-type activities	<u>40,053</u>	<u>24,424</u>	<u>19,938</u>	<u>6,311</u>	<u>7,894</u>	<u>414</u>	<u>3,582</u>	<u>(1,069)</u>	<u>(22,784)</u>	<u>8,927</u>
Total primary government	<u>442,561</u>	<u>477,704</u>	<u>513,688</u>	<u>547,524</u>	<u>572,137</u>	<u>561,047</u>	<u>570,659</u>	<u>567,859</u>	<u>561,015</u>	<u>546,973</u>
Change in net position:										
Governmental activities	85,496	70,711	63,863	39,804	43,711	91,392	139,734	111,575	107,594	22,107
Business-type activities	13,705	43,971	47,073	11,423	25,868	6,770	33,191	48,915	17,199	24,865
Total primary government	<u>\$ 99,201</u>	<u>\$ 114,682</u>	<u>\$ 110,936</u>	<u>\$ 51,227</u>	<u>\$ 69,579</u>	<u>\$ 98,162</u>	<u>\$ 172,925</u>	<u>\$ 160,490</u>	<u>\$ 124,793</u>	<u>\$ 46,972</u>

PIMA COUNTY, ARIZONA
Fund Balance - Governmental Funds
Last Ten Fiscal Years
(amounts in thousands)
(modified accrual basis of accounting)

Echibit D - 3

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 7,068	\$ 4,056	\$ 5,152	\$ 8,889	\$ 5,415	\$ 4,363				
Unreserved	25,628	33,171	46,423	48,671	64,974	35,803				
Nonspendable*							\$ 4,089	\$ 3,315	\$ 2,720	\$ 3,848
Restricted							522	336	333	
Assigned							3,093	357	118	158
Unassigned							73,837	73,547	77,596	56,526
Total general fund	<u>32,696</u>	<u>37,227</u>	<u>51,575</u>	<u>57,560</u>	<u>70,389</u>	<u>40,166</u>	<u>81,541</u>	<u>77,555</u>	<u>80,767</u>	<u>60,532</u>
All other governmental funds										
Reserved	7,603	12,746	11,784	13,999	17,094	39,139				
Unreserved, reported in:										
Special revenue funds	45,325	54,384	66,167	69,773	77,451	86,121				
Nonspendable*							2,011	2,011	1,550	1,939
Restricted							82,957	94,567	105,468	76,570
Committed							15,305	37,978	10,264	7,746
Assigned							3,221	4,368	16,682	23,784
Unassigned							(5,793)	(9,180)	(9,013)	(8,385)
Capital projects funds	97,270	147,650	84,472	89,328	152,643	126,821				
Nonspendable*							18	12		
Restricted							124,830	112,668	157,688	187,855
Committed							1,487	6,639	7,234	6,958
Assigned							52			
Unassigned							(227)	(791)	(3,553)	(83)
Debt service assigned							40,868	35,903	28,298	25,640
Total other governmental funds	<u>\$ 150,198</u>	<u>\$ 214,780</u>	<u>\$ 162,423</u>	<u>\$ 173,100</u>	<u>\$ 247,188</u>	<u>\$ 252,081</u>	<u>\$ 264,729</u>	<u>\$ 284,175</u>	<u>\$ 314,618</u>	<u>\$ 322,024</u>

* Due to implementation of GASB 54 in FY 2010 catagories regarding fund balances have been redefined. See Note 1 page 52 for details. See Note 2 page 57 for purpose details.

PIMA COUNTY, ARIZONA
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (in thousands)
 (modified accrual basis of accounting)

Exhibit D - 4

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 279,527	\$ 300,972	\$ 321,474	\$ 348,700	\$ 381,862	\$ 396,241	\$ 423,443	\$ 421,623	\$ 407,711	\$ 391,630
Special assessments	505	244	215	521	556	441	536	330	245	
Licenses and permits	6,566	7,265	7,452	7,132	7,710	6,989	7,791	8,494	8,155	8,371
Intergovernmental	273,225	278,414	291,059	303,392	312,634	292,236	296,004	308,219	327,939	301,223
Charges for services	43,505	53,568	63,582	63,508	58,890	55,346	60,376	54,491	56,881	53,521
Fines and forfeits	5,010	5,967	6,014	6,550	6,480	6,283	8,443	6,786	10,249	9,904
Investment earnings	2,656	5,181	11,382	13,988	14,218	5,335	4,612	1,723	2,286	2,282
Miscellaneous	11,918	14,806	13,165	17,544	21,752	22,414	17,442	14,162	24,796	22,182
Total revenues	622,912	666,417	714,343	761,335	804,102	785,285	818,647	815,828	838,262	789,113
Expenditures										
General government	140,319	193,308	203,881	222,434	237,640	222,309	221,144	223,611	236,020	238,582
Public safety	146,275	109,798	121,229	132,930	149,475	144,617	136,744	136,709	145,711	152,373
Highways and streets	29,170	38,363	39,394	42,683	43,741	38,132	34,274	34,614	33,651	35,866
Sanitation			6,271	6,766	8,310	6,666	5,637	5,375	6,317	5,328
Health	30,322	30,802	30,038	32,311	34,352	31,626	32,737	36,511	46,672	35,581
Welfare	76,725	96,996	103,034	97,168	106,607	115,481	87,089	90,572	94,360	95,339
Culture and recreation	27,141	23,172	28,561	45,197	50,509	51,657	50,198	49,986	52,103	55,691
Education and economic opportunity	32,146	38,098	37,918	38,474	42,286	42,286	48,402	50,432	47,798	44,299
Capital outlay	103,167	127,632	121,007	202,659	139,539	146,334	162,306	153,203	149,612	174,976
Debt service - principal	49,025	42,891	50,547	53,733	59,719	100,384	87,307	76,361	78,688	68,342
- interest	14,851	16,127	19,448	18,965	22,639	26,849	26,414	26,086	24,762	23,904
- miscellaneous	161	25	15	12	330	24	433	21	1,179	1,654
Total expenditures	649,302	717,212	761,343	893,332	895,147	926,378	892,235	883,481	916,873	931,935
Excess (deficiency) of revenues over (under) expenditures	(26,390)	(50,795)	(47,000)	(131,997)	(91,045)	(141,093)	(73,588)	(67,653)	(78,611)	(142,822)
Other financing sources (uses):										
Proceeds-refunding bonds	6,880						31,955		30,745	51,280
Premium on bonds	148	250		1,429	1,964	675	1,909	3,276	7,349	11,959
Payments to refund escrow agents	(6,846)						(32,361)		(33,013)	(55,423)
Capital leases/installment note			231		312				894	764
Proceeds from sale of capital assets	406	27	416	1,426	27	876	1,118	59	1,938	31
Face amount of long-term debt	65,000	116,200	4,836	146,320	175,000	109,400	125,000	75,000	78,425	130,175
Transfers in	68,583	50,008	59,948	86,089	128,406	171,186	98,800	109,715	141,924	113,227
Transfers (out)	(89,916)	(46,962)	(56,263)	(86,688)	(127,692)	(166,319)	(98,355)	(105,007)	(115,914)	(122,244)
Total other financing sources (uses)	44,255	119,523	9,168	148,576	178,017	115,818	128,066	83,043	112,348	129,769
Change in reserves - net	(366)	385	(177)	(211)	(55)	(55)		70	(27)	
Net change in fund balances	\$ 17,499	\$ 69,113	\$ (38,009)	\$ 16,368	\$ 86,917	\$ (25,330)	\$ 54,478	\$ 15,460	\$ 33,710	\$ (13,053)
Debt service as a percentage of noncapital expenditures	11.53%	9.87%	10.90%	9.88%	10.48%	15.89%	15.31%	13.54%	13.50%	11.67%

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STATISTICAL SECTION

REVENUE CAPACITY:

The revenue capacity information is intended to assist users to understand and assess the factors affecting a government's ability to generate its own-source revenues. The presentation here is not limited to property tax revenues, but certain other revenues are presented to comply with debt disclosure requirements, e.g., hotel taxes, car rental and RV taxes, and street and highway revenues.

PIMA COUNTY, ARIZONA
 Taxable Assessed Value and Estimated Actual Value of Property
 Last Ten Tax Years
 (amounts 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
2004	\$ 1,823,592	\$ 3,265,040	\$ 302,323	\$ 21,595	\$ 5,412,550	5.4967	\$ 46,754,009	11.58%
2005	1,882,879	3,615,603	323,147	27,920	5,849,549	5.4611	50,631,267	11.55%
2006	2,001,137	4,076,600	359,662	29,803	6,467,202	5.3406	56,437,790	11.46%
2007	2,204,072	4,689,972	428,486	30,802	7,353,331	5.0674	64,347,659	11.43%
2008	2,358,259	5,352,916	493,055	35,442	8,239,672	4.6702	73,122,499	11.27%
2009	2,568,203	5,853,947	525,779	37,783	8,985,712	4.5917	80,593,121	11.15%
2010	2,473,320	5,889,572	536,958	39,797	8,939,647	4.6798	82,348,215	10.86%
2011	2,436,692	5,332,608	500,836	39,984	8,310,120	4.8491	78,036,208	10.65%
2012	2,514,310	5,036,810	472,558	50,260	8,073,938	4.8520	76,085,641	10.61%
2013	2,375,969	4,701,881	429,967	51,312	7,559,129	5.1309	73,262,703	10.32%

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 Assessor's Office.

PIMA COUNTY, ARIZONA
Direct and Overlapping Property Tax Rates

Exhibit D - 6

(per \$100 of assessed value)

County Direct Rates						
Tax Year	County Primary	County Secondary	Flood Control District (1)	County Library District	Fire District Assistance	Total
2004	4.0720	0.8150	0.3546	0.2124	0.0427	5.4967
2005	4.0720	0.7150	0.3746	0.2575	0.0420	5.4611
2006	3.8420	0.7150	0.3746	0.3675	0.0415	5.3406
2007	3.6020	0.6850	0.3446	0.3975	0.0383	5.0674
2008	3.3913	0.6050	0.2935	0.3393	0.0411	4.6702
2009	3.3133	0.7100	0.2635	0.2643	0.0406	4.5917
2010	3.3133	0.7500	0.2635	0.3100	0.0430	4.6798
2011	3.4178	0.7800	0.2635	0.3460	0.0418	4.8491
2012	3.4178	0.7800	0.2635	0.3460	0.0447	4.8520
2013	3.6665	0.7800	0.2635	0.3753	0.0456	5.1309

Overlapping Rates																
Tax Year	State of Arizona	Education Assistance	Community College District	City of Tucson	City of South Tucson	Street Lighting District	Central AZ Water Conserv District	Flowing Wells Irrigation District (2)	Silverbell Irrigation District (2)	Cortaro-Marana Irrigation District (2)	Mobile Home Relocation District (3)	Gladden Farms Community Facilities District	Vanderbilt Farms Community Facilities District	Quail Creek Community Facilities District	Gladden Farms Phase II Community Facilities District	Saguaro Springs Community Facilities District
2004	0.0000	0.4560	1.3428	1.1847	0.2383		0.1200	12.9000	3.0000	60.0000		2.8000				
2005	0.0000	0.4358	1.3114	1.2364	0.2383		0.1200	12.9000	3.0000	60.0000		2.8000				
2006	0.0000	0.0000	1.2515	1.2257	0.2383		0.1200	12.9000	3.0000	60.0000		2.8000	0.3000			
2007	0.0000	0.0000	1.1845	1.1321	0.2258		0.1000	12.9000	3.0000	65.0000		2.8000	0.3000	3.3000		
2008	0.0000	0.0000	1.1355	0.9601	0.2143		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000		
2009	0.0000	0.3306	1.0770	0.9344	0.2035		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000		
2010	0.0000	0.3564	1.0848	0.9550	0.1999		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000	0.3000	0.3000
2011	0.0000	0.4259	1.1094	1.1621	2.6603		0.1000	19.3500	3.0000	66.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2012	0.0000	0.4717	1.1741	1.2639	2.7640	9.6038	0.1000	19.3500	3.0000	66.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2013	0.0000	0.5123	1.2933	1.4304	2.9776	10.1900	0.1400	19.3500	3.0000	69.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000

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.

- (1) The Pima County Flood Control District tax levy applies only to real property.
- (2) Irrigation Districts' tax rates shown are levied on a per acre basis.
- (3) Mobile Home Relocation levy applies only to unsecured mobile homes.

PIMA COUNTY, ARIZONA
 Direct and Overlapping Property Tax Rates - School Districts
 Last Ten Tax Years
 (per \$100 of assessed value)

Exhibit D - 6a

School District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tucson Unified (#1)	8.3286	7.8829	7.3857	7.0500	6.5659	6.0701	6.2976	6.9480	7.3187	7.4319
Marana Unified (#6)	6.5034	6.0991	5.9117	5.7887	5.4815	4.9286	4.6995	5.2047	5.5863	6.0085
Flowing Wells Unified (#8)	6.5883	7.1232	6.8677	6.5674	6.2665	6.1239	6.0407	5.9689	5.9778	6.7146
Amphitheater Unified (#10)	6.3375	6.4258	6.1193	5.4964	4.8589	4.6112	5.0511	5.4033	5.5539	5.9226
Sunnyside Unified (#12)	8.4846	8.6482	9.1529	8.1490	7.8009	7.0899	6.9680	6.9415	6.3154	5.0003
Tanque Verde Unified (#13)	5.6661	5.7985	5.4806	5.1033	4.3682	3.1837	3.3545	3.8042	4.1538	5.0012
Ajo Unified (#15)	4.4316	4.4994	4.4929	4.8627	4.5964	4.3158	4.9069	5.6740	3.5338	3.8882
Catalina Foothills Unified (#16)	6.6459	6.8422	6.7428	6.3942	6.1053	4.9970	4.2154	4.2095	4.7472	4.8264
Vail Elementary (#20)	7.0008	6.7510	6.7032	6.0327	5.5360	5.2016	4.8839	4.6550	5.9120	7.1703
Sahuarita Unified (#30)	8.3095	8.1495	7.7345	6.1807	5.9176	5.4230	6.5753	5.4067	5.5183	6.6341
San Fernando Elementary (#35)		3.7121	3.7481	3.7900	3.7920	4.5954	3.6883	4.8541	4.0331	5.7831
Empire Elementary (#37)	6.1171	8.0930	8.4864	7.5703	4.9021	2.9383	2.9195	2.7531	1.2484	1.1287
Continental Elementary (#39)	2.2216	2.1532	2.0682	1.8970	1.7343	1.6122	1.6945	2.0258	1.5729	1.7027
Redington Elementary (#44)	3.9915	4.8856	4.8853	4.8952	7.4720	7.6340	7.0689	6.7630	5.9198	4.8200
Altar Valley Elementary (#51)	6.2759	6.2607	5.7696	5.8086	5.7451	6.0506	6.2500	6.5675	6.4355	6.2676
Unorganized*	1.8931	1.8090	1.7394	1.6020	1.4622	1.3726	1.4797	1.7682	1.9585	2.1265

* County Education District; applies only to those geographical areas within Pima County not part of formal school districting.

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

Exhibit D - 7

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Taxpayer	2004			2005			2006			2007			2008		
	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.	\$ 125,597	1	2.2%	\$ 145,937	1	2.4%	\$ 143,362	1	2.1%	\$ 150,771	1	1.8%	\$ 153,431	2	1.6%
Phelps Dodge Corporation	15,250	7	0.3%	21,209	6	0.4%	55,176	4	0.8%	93,656	3	1.1%	156,780	1	1.6%
ASARCO LLC	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Southwest Gas Corporation	59,528	3	1.1%	62,970	3	1.0%	62,846	3	0.9%	62,919	4	0.8%	63,698	4	0.7%
QWEST Corporation	104,944	2	1.9%	104,468	2	1.7%	87,093	2	1.3%	94,300	2	1.1%	87,000	3	0.9%
Trico Electric Co-Op Inc.	12,925	10	0.2%	0		0.0%	14,806	10	0.2%	18,044	8	0.2%	18,816	9	0.2%
Northwest Hospital LLC	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Wal-Mart Stores Incorporated	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
DND Neffson Co. (Tucson Mall)	19,364	5	0.3%	22,377	5	0.4%	19,087	7	0.3%	19,897	7	0.2%	21,013	8	0.2%
Verizon Wireless	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Target Corporation	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Starr Pass Resort Developments LLC	0		0.0%	0		0.0%	17,068	8	0.2%	15,280	10	0.2%	15,889	10	0.2%
Arizona Portland Cement	21,296	4	0.4%	22,459	4	0.4%	22,858	5	0.3%	23,468	6	0.3%	23,593	7	0.2%
ASARCO Mining	0		0.0%	0		0.0%	0		0.0%	0		0.0%	44,047	5	0.5%
Raytheon	13,895	9	0.2%	16,069	8	0.3%	21,665	6	0.3%	58,987	5	0.7%	33,833	6	0.4%
Westin La Paloma	15,943	6	0.3%	16,358	7	0.3%	15,504	9	0.2%	15,959	9	0.2%	0		0.0%
El Conquistador Hotel	14,655	8	0.3%	13,653	10	0.2%	0		0.0%	0		0.0%	0		0.0%
HDP Northwest	0		0.0%	14,708	9	0.2%	0		0.0%	0		0.0%	0		0.0%
Total Top Ten	\$ 403,397		7.2%	\$ 440,208		7.3%	\$ 459,465		6.7%	\$ 553,281		6.7%	\$ 618,100		6.4%

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

(1) Secondary Assessed Valuation for tax year	\$5,620,156	\$6,050,950	\$6,869,955	\$8,220,396	\$9,594,862
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PIMA COUNTY, ARIZONA
Principal Property Taxpayers
Last Ten Tax Years
(amounts in thousands)

Exhibit D - 7

(continued)

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%
Phelps Dodge Corporation	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	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%
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%
QWEST Corporation	74,646	3	0.8%	55,076	4	0.6%	51,942	5	0.6%	53,225	5	0.7%	40,386	5	0.5%
Trico Electric Co-Op Inc.	21,029	7	0.2%	21,208	6	0.2%	21,217	6	0.3%	22,133	6	0.3%	21,713	6	0.3%
Northwest Hospital LLC	0		0.0%	17,097	8	0.2%	17,390	9	0.2%	17,723	8	0.2%	16,980	7	0.2%
Wal-Mart Stores Incorporated	0		0.0%	0		0.0%	0		0.0%	15,581	9	0.2%	16,923	8	0.2%
DND Neffson 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%
Verizon Wireless	0		0.0%	0		0.0%	0		0.0%	14,291	10	0.2%	12,884	10	0.2%
Target Corporation	0		0.0%	0		0.0%	17,519	8	0.2%	0		0.0%	0		0.0%
Starr Pass Resort Developments LLC	19,384	9	0.2%	16,582	10	0.2%	16,153	10	0.2%	0		0.0%	0		0.0%
Arizona Portland Cement	27,561	6	0.3%	16,635	9	0.2%	0		0.0%	0		0.0%	0		0.0%
ASARCO Mining	63,572	5	0.6%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Raytheon	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Westin La Paloma	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
El Conquistador Hotel	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
HDP Northwest	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Total Top Ten	\$ 667,355		6.8%	\$ 492,722		5.3%	\$ 532,828		6.3%	\$ 608,128		7.4%	\$ 598,339		7.8%

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

(1) Secondary Assessed Valuation for Tax Year	\$9,860,981	\$9,342,561	\$8,448,282	\$8,171,212	\$7,623,691
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PIMA COUNTY, ARIZONA
Real Property Tax Levies and Collections
Last Ten Fiscal Years
(in thousands)

Exhibit D - 8

Fiscal Year	Original Real Property Tax Levy	Tax Roll Corrections	Real Property Tax Levy (Adjusted)	Collected to June 30, End of Tax Fiscal Year (2)		Collections in Subsequent Years	Collected to June 30, 2013 (2)		Delinquent Taxes Receivable (1)
				Amount	Percent of Original Levy		Amount	Percent of Adjusted Levy	
2003-04	\$ 260,570	\$ (987)	\$ 259,583	\$ 250,929	96.30%	\$ 8,635	\$ 259,564	99.99%	\$ 19
2004-05	281,172	(494)	280,678	271,841	96.68%	8,667	280,508	99.94%	170
2005-06	302,127	(291)	301,836	292,019	96.65%	9,756	301,775	99.98%	61
2006-07	330,240	(322)	329,918	318,520	96.45%	11,298	329,818	99.97%	100
2007-08	362,535	(622)	361,913	348,741	96.20%	12,946	361,687	99.94%	226
2008-09	379,674	(360)	379,314	363,624	95.77%	15,416	379,040	99.93%	274
2009-10	402,062	(101)	401,961	384,983	95.75%	16,679	401,662	99.93%	299
2010-11	402,532	(384)	402,148	383,978	95.39%	16,249	400,227	99.52%	1,921
2011-12	383,709		383,709	369,100	96.19%	13,711	382,811	99.77%	898
2012-13	370,922		370,922	357,556	96.40%		357,556	96.40%	13,366

Note:

- (1) Represents the difference between the adjusted levy and collected to June 30, 2013.
- (2) Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.

PIMA COUNTY, ARIZONA
Assessed, Limited and Full Cash (Secondary) Value of Taxable Property
Last Ten Fiscal Years
(in thousands)

Exhibit D - 9

Fiscal Year	Net Assessed Value	Limited and Full Cash Values (1)	Ratio of Net Assessed to Full Cash Value
2003-04 Primary	\$ 5,022,474	\$ 42,927,737	11.70%
2003-04 Secondary	5,221,271	44,423,165	11.75%
2004-05 Primary	5,412,550	46,754,009	11.58%
2004-05 Secondary	5,620,156	48,474,537	11.59%
2005-06 Primary	5,849,549	50,631,267	11.55%
2005-06 Secondary	6,050,950	52,335,111	11.56%
2006-07 Primary	6,467,202	56,437,790	11.46%
2006-07 Secondary	6,869,955	59,890,229	11.47%
2007-08 Primary	7,353,331	64,347,659	11.43%
2007-08 Secondary	8,220,396	72,101,321	11.40%
2008-09 Primary	8,230,967	73,122,499	11.26%
2008-09 Secondary	9,594,862	85,993,246	11.16%
2009-10 Primary	8,985,712	80,593,121	11.15%
2009-10 Secondary	9,860,981	88,095,754	11.19%
2010-11 Primary	8,939,647	82,348,221	10.86%
2010-11 Secondary	9,342,561	86,228,902	10.83%
2011-12 Primary	8,310,120	78,036,208	10.65%
2011-12 Secondary	8,448,282	80,152,473	10.54%
2012-13 Primary	8,073,938	76,085,641	10.61%
2012-13 Secondary	8,171,212	77,731,086	10.51%

Notes:

(1) Limited value is the basis for primary taxes and annual changes therein are restricted by statute; Full Cash Value or Secondary Value approximates market value.

PIMA COUNTY, ARIZONA
 Comparative Net Valuations and Tax Rates
 (per \$100 assessed value)
 (valuation \$ amounts in thousands)

Exhibit D - 10

Jurisdiction	FY 2012-13 (Tax Year 2012)		FY 2013-14 (Tax Year 2013)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 8,073,938	\$0.0000	\$ 7,559,129	\$0.0000
<u>Pima County</u>				
General Fund - Primary	8,073,938	3.4178	7,559,129	3.6665
Debt Service - Secondary	8,171,212	0.7800	7,623,691	0.7800
Free Library - Secondary	8,116,015	0.3460	7,590,546	0.3753
Total County - Primary	8,073,938	3.4178	7,559,129	3.6665
Total County - Secondary		1.1260		1.1600
Grand Total		<u>4.5438</u>		<u>4.8265</u>
<u>Education Assistance</u>	8,073,938	0.4717	7,559,129	0.5123
<u>Flood Control District - Secondary</u>	7,244,629	0.2635	6,768,457	0.2635
<u>Fire District Assistance - Secondary</u>	8,171,212	0.0447	7,623,691	0.0456
<u>Pima Community College District</u>				
Primar	8,073,938	1.1484	7,559,129	1.2746
Secondary	8,171,212	0.0257	7,623,691	0.0187
Total		<u>1.1741</u>		<u>1.2933</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	8,116,015	0.1000	7,590,546	0.1400
<u>Cities & Towns</u>				
<u>City of Tucson</u>				
Primary	3,313,879	0.4125	3,114,079	0.5245
Secondary	3,377,401	0.8514	3,151,042	0.9059
Total		<u>1.2639</u>		<u>1.4304</u>
<u>City of South Tucson</u>				
Primary	23,256	0.2305	21,690	0.2528
Secondary	23,716	2.5335	22,126	2.7248
Total		<u>2.7640</u>		<u>2.9776</u>
<u>School Districts</u>				
Unorganized - Primary	17,996	1.9585	18,101	2.1265
<u>Tucson Unified (District #1)</u>				
Primary	3,215,914	6.0804	3,002,397	6.0056
Secondary	3,264,317	1.2383	3,029,356	1.4263
Total		<u>7.3187</u>		<u>7.4319</u>

(continued)

PIMA COUNTY, ARIZONA
 Comparative Net Valuations and Tax Rates
 (per \$100 assessed value)
 (valuation \$ amounts in thousands)

Exhibit D - 10

(continued)

Jurisdiction	FY 2012-13 (Tax Year 2012)		FY 2013-14 (Tax Year 2013)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	\$ 755,872	\$ 3.9419	\$ 709,376	\$ 4.1868
Secondary	766,418	1.6444	714,419	1.8217
Total		<u>5.5863</u>		<u>6.0085</u>
Flowing Wells Unified (District #8)				
Primary	203,705	3.3742	187,075	4.4304
Secondary	208,198	2.6036	188,811	2.2842
Total		<u>5.9778</u>		<u>6.7146</u>
Amphitheater Unified (District #10)				
Primary	1,465,994	4.0830	1,381,231	4.3876
Secondary	1,482,678	1.4709	1,394,361	1.5350
Total		<u>5.5539</u>		<u>5.9226</u>
Sunnyside Unified (District #12)				
Primary	435,018	3.7819	412,538	3.5420
Secondary	447,031	2.5335	420,920	1.4583
Total		<u>6.3154</u>		<u>5.0003</u>
Tanque Verde Unified (District #13)				
Primary	184,135	3.0083	170,152	3.8031
Secondary	184,878	1.1455	170,710	1.1981
Total		<u>4.1538</u>		<u>5.0012</u>
Ajo Unified (District #15)				
Primary	19,744	3.5338	19,958	3.8882
Secondary	20,066	0.0000	20,190	0.0000
Total		<u>3.5338</u>		<u>3.8882</u>
Catalina Foothills Unified (District #16)				
Primary	583,516	3.8770	548,805	3.6625
Secondary	585,344	0.8702	550,355	1.1639
Total		<u>4.7472</u>		<u>4.8264</u>
Vail Elementary (District #20)				
Primary	443,206	4.0849	411,951	4.8308
Secondary	452,491	1.8271	414,482	2.3395
Total		<u>5.9120</u>		<u>7.1703</u>

(continued)

PIMA COUNTY, ARIZONA
 Comparative Net Valuations and Tax Rates
 (per \$100 assessed value)
 (valuation \$ amounts in thousands)

Exhibit D - 10

(continued)

Jurisdiction	FY 2012-13 (Tax Year 2012)		FY 2013-14 (Tax Year 2013)	
	Valuation	Rate	Valuation	Rate
Sahuarita Unified (District #30)				
Primary	\$ 371,039	\$ 3.2630	\$ 351,925	\$ 4.1743
Secondary	372,867	2.2553	353,344	2.4598
Total		<u>5.5183</u>		<u>6.6341</u>
San Fernando Elementary (District #35)				
Primary	1,233	4.0331	1,245	5.7831
Secondary	1,521	0.0000	1,265	0.0000
Total		<u>4.0331</u>		<u>5.7831</u>
Empire Elementary (District #37)				
Primary	7,861	1.2484	7,756	1.1287
Secondary	8,050	0.0000	7,860	0.0000
Total		<u>1.2484</u>		<u>1.1287</u>
Continental Elementary (District #39)				
Primary	318,391	1.3547	303,007	1.1939
Secondary	320,208	0.2182	305,321	0.5088
Total		<u>1.5729</u>		<u>1.7027</u>
Baboquivari Unified School (District #40)				
Primary	1,168	0.0000	1,056	0.0000
Secondary	1,168	0.0000	1,056	0.0000
Total		<u>0.0000</u>		<u>0.0000</u>
Redington Elementary (District #44)				
Primary	1,389	5.9198	1,385	4.8200
Secondary	1,398	0.0000	1,450	0.0000
Total		<u>5.9198</u>		<u>4.8200</u>
Altar Valley Elementary (District #51)*				
Primary	34,926	5.1783	31,278	4.8580
Secondary	35,281	1.2572	31,402	1.4096
Total		<u>6.4355</u>		<u>6.2676</u>

Notes:

* Formerly known as the Mary E. Dill School District

PIMA COUNTY, ARIZONA
Historical Collections - Hotel Excise Tax
Car Rental Surcharge and Recreational Vehicle Tax
Last Ten Fiscal Years
(amounts in thousands)

Exhibit D - 11

Fiscal Year	Hotel Excise Tax (1)	Car Rental Surcharges (2)	Recreational Vehicle Tax (3)
2003-04	\$ 2,717	\$ 1,277	\$ 209
2004-05	2,885	1,595	200
2005-06	5,212	1,589	214
2006-07	7,796	1,357	210
2007-08	6,901	1,732	222
2008-09	5,628	1,389	159
2009-10	5,637	1,521	181
2010-11	5,887	1,538	165
2011-12	6,626	1,464	146
2012-13	6,286	1,399	136

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.

Source: Pima County Finance and Risk Management Department

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

Exhibit D - 12

Fiscal Year	Amount	Highway User Revenue	Vehicle License Tax
2003-04	\$ 51,334		
2004-05	53,878	\$ 41,756	\$ 12,122
2005-06	56,937	43,292	13,645
2006-07	58,638	44,607	14,031
2007-08	57,847	44,060	13,787
2008-09	53,907	41,210	12,697
2009-10	50,535	38,739	11,796
2010-11	50,460	38,974	11,486
2011-12	44,890	33,665	11,225
2012-13	47,449	36,860	10,589

Note:

Beginning with fiscal year 2004-05, this schedule identifies the Highway User Revenue and Vehicle License Tax individually.

Source: Pima County Finance and Risk Management Department

STATISTICAL SECTION

DEBT CAPACITY:

The debt capacity information is intended to assist users to understand and assess a government's debt burden and ability to issue debt. Debt capacity information is cited as being very useful for assessing economic condition as frequently as revenue or tax capacity. Five of the schedules presented provide ten-year comparisons.

Certain schedules, for example; leases, lease-purchase installment notes payable, and purchase agreements, are provided to comply with debt disclosure requirements.

PIMA COUNTY, ARIZONA

Ratios of Outstanding Debt by Type to Personal Income and Per Capita
Last Ten Fiscal Years

(\$ amounts in thousands)

Fiscal Year	Governmental Activities								Business-Type Activities				
	General Obligation Bonds	Flood Control Bonds	Transportation Revenue Bonds	Special Assessment Bonds	Certificates of Participation	Transportation Loans	Capital Leases	Installment Note Payable	Sewer Revenue Bonds	Sewer Revenue Obligations	Regional Wastewater Loans Payable	Contracts and Notes	Total Primary Government
2003-04	\$ 232,553	\$ 3,805	\$ 95,461	\$ 1,736		\$ 3,020	\$ 29,323		\$ 60,064		\$ 83,941	\$ 5,783	\$ 515,686
2004-05	267,927	3,010	137,736	1,093		1,943	27,879		55,809		83,978	4,852	584,227
2005-06	231,918	2,230	127,000	911		5,739	26,426		51,710		80,148	4,562	530,644
2006-07	290,150	1,470	136,541		\$ 31,731	3,714	24,736		94,356		76,111	5,280	664,089
2007-08	349,542	725	149,801		81,612	1,000	23,223		163,701		70,426	5,842	845,872
2008-09	388,032	725	139,683		74,554		21,327		183,389		64,489	6,481	878,680
2009-10	420,261		142,226		72,638		19,387		166,935	\$ 165,000	66,210	6,305	1,058,962
2010-11	455,856		131,375		48,235		17,775		184,782	176,849	27,390	4,657	1,046,919
2011-12	461,557		141,536		39,772		16,431		171,022	379,418	23,719	15,365	1,248,820
2012-13	467,368		128,604		134,494		298	\$ 605	155,514	510,975	21,169	12,645	1,431,672

Fiscal Year	Total Primary Government	Personal Income (a)(b)	Percentage of Personal Income	Population at July 1 (a)(b)	Debt per Capita
2003-04	\$ 515,686	\$ 25,801,213	2.00%	914,011	\$ 564
2004-05	584,227	26,302,000	2.22%	940,004	622
2005-06	530,644	28,421,000	1.87%	959,474	553
2006-07	664,089	30,899,000	2.15%	977,258	681
2007-08	845,872	33,009,000	2.56%	984,032	860
2008-09	878,680	32,898,000	2.67%	984,274	893
2009-10	1,058,962	34,974,000	3.03%	981,168	1,079
2010-11	1,046,919	36,263,000	2.89%	986,081	1,062
2011-12	1,248,820	37,000,000	3.38%	990,380	1,261
2012-13	1,431,672	36,648,980	3.91%	996,670	1,436

Note:

Details regarding outstanding debt can be found in Note 7 page 66 in Notes to the Financial Statements.

(a) Personal income and population are based on calendar year. Prior year data updated to reflect the new source data.

(b) Population and personal income data are obtained from projections supplied by the U of A Business Research Program, Eller College of Business and Public Administration.

PIMA COUNTY, ARIZONA

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years
(\$ amounts 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 (a)(b)	Net General Bond Debt per Capita (c)
2003-04	\$ 232,553	\$ 3,805	\$ 2,648	\$ 233,710	\$ 5,221,271	4.48%	914,011	\$ 256
2004-05	267,927	3,010	8,899	262,038	5,620,156	4.66%	940,004	279
2005-06	231,918	2,230	5,571	228,577	6,050,950	3.78%	959,474	238
2006-07	290,150	1,470	7,431	284,189	6,869,955	4.14%	977,258	291
2007-08	349,542	725	10,241	340,026	8,220,396	4.14%	984,032	346
2008-09	388,032	725	10,523	378,234	9,594,862	3.94%	984,274	384
2009-10	420,261		11,396	408,865	9,860,981	4.15%	981,168	417
2010-11	455,856		27,904	427,952	9,342,561	4.58%	986,081	434
2011-12	461,557		22,602	438,955	8,448,282	5.20%	990,380	443
2012-13	467,368		22,900	444,468	8,171,212	5.44%	996,670	447

Note:

Details regarding outstanding debt can be found in Note 7 on pages 67-68 in Notes to the Financial Statements.

(a) Population is based on calendar year. Prior year data updated to reflect the new source data.

(b) Population data is obtained from projections supplied by the U of A Business Research Program, Eller College of Business and Public Administration.

(c) The Debt per Capita is shown in actual dollars and not in thousands.

PIMA COUNTY, ARIZONA
Ratio of Direct and Overlapping Debt to Property Values and Per Capita
Last Ten Fiscal Years

Exhibit D - 14a

(\$ amounts in thousands)

Fiscal Year	Total Overlapping Debt	Secondary Net Assessed Value	Percentage of Assessed Value	Population (a)(b)	Debt per Capita (c)
2003-04	\$ 1,091,892	\$ 5,221,271	20.91%	914,011	\$ 1,195
2004-05	1,185,435	5,620,156	21.09%	940,004	1,261
2005-06	1,146,388	6,050,950	18.95%	959,474	1,195
2006-07	1,107,662	6,869,955	16.12%	977,258	1,133
2007-08	1,137,114	8,220,396	13.83%	984,032	1,156
2008-09	1,213,050	9,594,862	12.64%	984,274	1,232
2009-10	1,302,802	9,860,981	13.21%	981,168	1,328
2010-11	1,335,431	9,342,561	14.29%	986,081	1,354
2011-12	1,284,219	8,448,282	15.20%	990,380	1,297
2012-13	1,311,417	8,171,212	16.05%	996,670	1,316

Note:

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.

(a) Population is based on calendar year. Prior year data updated to reflect the new source data.

(b) Population data is obtained from projections supplied by the U of A Business Research Program, Eller College of Business and Public Administration.

(c) The Debt per Capita is shown in actual dollars and not in thousands.

PIMA COUNTY, ARIZONA
 Computation of Direct and Overlapping
 Governmental Activities Debt Outstanding
 At June 30, 2013
 (\$ amounts in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Amount Overlapping</u>
Debt repaid with property tax School Districts	\$ 613,325	\$ 613,325
Pima Community College	1,355	1,355
City of Tucson	229,071	<u>229,071</u>
Total overlapping		<u>\$ 843,751</u>
Debt repaid with property tax Direct:		
Pima County *	\$ 467,368	<u>\$ 467,368</u>
Total direct		<u>\$ 467,368</u>
Other Debt:		
Certificates of participation	\$ 134,494	\$ 134,494
Other capital leases	298	298
Installment note payable	605	605
Transportation bonds	128,604	<u>128,604</u>
Total other debt		<u>\$ 264,001</u>
Total direct and overlapping debt		<u><u>\$ 1,575,120</u></u>

Note:

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.

PIMA COUNTY, ARIZONA
 Legal Debt Margin
 Last Ten Fiscal Years
 (\$ amounts in thousands)

Exhibit D - 16

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed Value	\$ 5,221,271	\$ 5,620,156	\$ 6,050,950	\$ 6,869,955	\$ 8,220,396	\$ 9,594,862	\$ 9,860,981	\$ 9,342,561	\$ 8,448,282	\$ 8,171,212
Legal Debt Margin										
Debt limit (15% of assessed value)	783,191	843,023	907,643	1,030,493	1,233,059	1,439,229	1,479,147	1,401,384	1,267,242	1,225,682
Debt applicable to limit:										
General obligation bonds	232,105	267,270	231,310	289,590	348,335	386,845	417,995	452,750	456,145	456,690
Less: Net assets reserved for repayment of general obligation debt	(2,648)	(8,899)	(5,571)	(7,431)	(10,241)	(10,523)	(11,396)	(27,904)	(22,602)	(22,900)
Total net debt applicable to the limit	<u>229,457</u>	<u>258,371</u>	<u>225,739</u>	<u>282,159</u>	<u>338,094</u>	<u>376,322</u>	<u>406,599</u>	<u>424,846</u>	<u>433,543</u>	<u>433,790</u>
Legal debt margin	<u>\$ 553,734</u>	<u>\$ 584,652</u>	<u>\$ 681,904</u>	<u>\$ 748,334</u>	<u>\$ 894,965</u>	<u>\$ 1,062,907</u>	<u>\$ 1,072,548</u>	<u>\$ 976,538</u>	<u>\$ 833,699</u>	<u>\$ 791,892</u>
Total net debt applicable to the limit as a percentage of debt limit.	29.30%	30.65%	24.87%	27.38%	27.42%	26.15%	27.49%	30.32%	34.21%	35.39%

See Notes to the Financial Statements (Note 7 page 75) for calculation of the legal debt margin for the current year.

PIMA COUNTY, ARIZONA
Regional Wastewater Reclamation Pledged Sewer Revenue Debt Coverage
Last Eight Fiscal Years
(amounts in thousands)

Exhibit D - 17a

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)
						Principal	Interest	Total	
2005-06	\$ 105,827	\$ 57,371	\$ 48,456			\$ 10,053	\$ 5,619	\$ 15,672	3.09
2006-07	103,959	69,597	34,362			13,957	6,340	20,297	1.69
2007-08	109,264	78,521	30,743			13,325	7,221	20,546	1.50
2008-09	105,987	73,186	32,801			14,187	9,469	23,656	1.39
2009-10	128,067	69,904	58,163	\$ 20,163	\$ 78,326	16,952	9,838	26,790	2.92 (5)
2010-11	151,212	74,638	76,574	11,260	87,834	17,110	17,047	34,157	2.57
2011-12	158,397	73,241	85,156	32,806	117,962	20,895	21,658	42,553	2.77
2012-13	163,512	73,577	89,935	99,491	189,426	29,759	28,243	58,002	3.27

Note:

Sewer revenue debt coverage is presented with 5 years of data beginning with fiscal year 2009-10. Data for each successive year will be added until 10 years are presented.

- (1) Includes sewer connection fees.
- (2) Excludes grants, depreciation, interest expense and amortization.
- (3) Pledged revenues defined by BOS 2010-50.
- (4) Sewer revenue debt rate covenants require minimum coverage of 1.20.
- (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, the Bond Fiscal Year is defined as 7/2/20XX to 7/1/20XX.

PIMA COUNTY, ARIZONA
Transportation Revenue Bonds - Pledged Revenue Bond Coverage
Last Ten Fiscal Years
(amounts in thousands)

Exhibit D - 17b

Fiscal Year	Transportation Revenue	Less: Operating Expense	Available Net Revenue	Debt Service *		Coverage Ratio
				Principal	Interest	
2003-04	\$ 55,777	\$ 36,865	\$ 18,912	\$ 8,905	\$ 3,965	1.47
2004-05	57,819	38,349	19,470	10,710	6,058	1.16
2005-06	61,944	39,336	22,608	11,435	5,257	1.35
2006-07	64,781	42,639	22,142	11,745	5,659	1.27
2007-08	65,009	43,490	21,519	12,365	6,147	1.16
2008-09	58,891	38,082	20,809	15,145	6,203	0.98
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

Note: Details regarding the County's outstanding debt can be found in Notes to Financial Statements.
Operating expenditures do not include interest, depreciation or amortization.

* Debt Service Requirements include principal and interest payable in the 12 months following each fiscal year.

PIMA COUNTY, ARIZONA
Pledged Revenue Bond Coverage - Lease Revenue Bonds
Last Ten Fiscal Years
(amounts in thousands)

Exhibit D - 17c

Fiscal Year	Lease Revenue	Less: Operating Expense	Available Net Revenue	Debt Service		Coverage Ratio
				Principal	Interest	
2003-04		\$ 27	\$ (27)	\$ 460	\$ 99	(0.05)
2004-05						*
2005-06						*
2006-07						*
2007-08						*
2008-09						*
2009-10						*
2010-11						*
2011-12						*
2012-13						*

* This debt was satisfied in full during FY 2003-04.

PIMA COUNTY, ARIZONA
 Leases, Lease-Purchase, Installment Note Payable and Purchase Agreements
 Scheduled Payments
 (amounts in thousands)

Exhibit D - 18

Function/Department	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14
Clerk of Superior Court - equipment**	\$ 147	\$ 31	\$ 82	\$ 82	\$ 131	\$ 111	\$ 37			
Jail *	2,764	3,042	3,015	5,920	3,027	3,007	3,004	\$ 18,565	\$ 16,335	
Juvenile Court										
Sheriff	42	42	21							605
Environmental Quality - Equipment									596	298
	<u>\$ 2,953</u>	<u>\$ 3,115</u>	<u>\$ 3,118</u>	<u>\$ 6,002</u>	<u>\$ 3,158</u>	<u>\$ 3,118</u>	<u>\$ 3,041</u>	<u>\$ 18,565</u>	<u>\$ 16,931</u>	<u>\$ 903</u>

* Funds derived from a sale/leaseback of the County's Adult Corrections Facility provided funding for construction of Kino Veteran's Memorial Sportsark & Tucson Electric Park Stadium.

** The capital lease agreement for equipment was paid in full as of June 30, 2011

Source: Pima County Finance and Risk Management Department

Ratio of Annual Debt Service Expenditures for
 General Bonded Debt to Total General Expenditures
 Last Ten Fiscal Years
 (amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures *</u>	<u>Ratio of Debt Service To General Expenditures</u>
2003-04	\$ 46,998	\$ 13,702	\$ 60,700	\$ 546,136	11.1%
2004-05	41,255	14,794	56,049	589,708	9.5%
2005-06	48,672	18,147	66,819	640,336	10.4%
2006-07	50,940	17,672	68,612	689,968	9.9%
2007-08	56,459	19,757	76,216	755,413	10.1%
2008-09	96,751	24,322	121,073	780,044	15.5%
2009-10	83,565	24,097	107,662	730,379	14.7%
2010-11	72,525	23,945	96,470	730,278	13.2%
2011-12	78,390	24,762	103,152	767,261	13.4%
2012-13	67,885	23,903	91,788	756,959	12.1%

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

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 (a)	Personal Income (a)	Per Capita Personal Income (\$)	Unemployment Rate (a)
2004	914,011	\$ 25,801,213	\$ 28,229	3.5%
2005	940,004	28,573,761	30,397	4.1%
2006	959,474	31,297,982	32,620	4.4%
2007	977,258	33,069,716	33,839	3.3%
2008	984,032	35,067,808	35,637	4.7%
2009	984,274	32,977,680	33,505	7.9%
2010	981,168	33,277,952	33,917	8.6%
2011	986,081	34,596,360	35,085	9.1%
2012	990,380	35,813,670	36,162	7.6%
2013	996,670	36,648,980	36,771	7.6%

Note:

- a) Population, personal income and unemployment data are obtained from projections supplied by the U of A Business Research Program, Eller College of Business and Public Administration
- b) Prior year data updated to reflect the new source data

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

Exhibit D - 21

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Employer	2004			2005			2006			2007			2008		
	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	10,078	3	2.3%	10,348	2	2.3%	10,282	3	2.3%	10,354	2	2.3%	10,535	3	2.3%
Raytheon	10,171	2	2.4%	10,300	3	2.3%	10,756	2	2.4%	11,184	1	2.5%	12,515	1	2.7%
Davis Monthan AFB	7,692	5	1.8%	8,727	5	2.0%	8,233	5	1.9%	8,233	5	1.8%	7,701	5	1.7%
State of Arizona	9,753	4	2.3%	9,750	4	2.2%	9,742	4	2.2%	9,927	3	2.2%	10,754	2	2.3%
Wal-Mart Stores, Inc.	4,420	9	1.0%	4,595	9	1.0%	4,980	9	1.1%	5,625	9	1.2%	5,805	10	1.3%
Tucson Unified School District	7,690	6	1.8%	7,684	6	1.7%	7,623	6	1.7%	7,419	6	1.6%	8,018	4	1.7%
US Border Patrol															
UA Healthcare															
Pima County Government	6,987	7	1.6%	6,767	7	1.5%	6,765	7	1.5%	7,290	7	1.6%	6,954	6	1.5%
Freeport-McMoran Copper													5,840	9	1.3%
Fort Huachuca	11,939	1	2.8%	12,250	1	2.8%	13,098	1	3.0%	9,119	4	2.0%	6,701	7	1.5%
City of Tucson	5,495	8	1.3%	6,757	8	1.5%	5,306	8	1.2%	5,848	8	1.3%	5,848	8	1.3%
Phelps Dodge				4,500	10	1.0%	4,123	10	0.9%	4,900	10	1.1%			
Tohono O'odam Nation	3,515	10	0.8%												
Carondelet Health Network															
Total	<u>77,740</u>		18.1%	<u>81,678</u>		18.3%	<u>80,908</u>		18.2%	<u>79,899</u>		17.6%	<u>80,671</u>		17.6%
Total Work Force			431,400			443,100			443,300			453,500			459,200

Sources:
 University of Arizona, "Arizona's Economy"
 U of A Business Research Program (EBR), College of Business & Public Administration
 Data is obtained from www.azstarnet.com/star200, a website of the Arizona Daily Star.

(continued)

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

Exhibit D - 21

(continued)

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%
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%
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%
US Border Patrol										6,000	9	1.3%	6,500	7	1.4%
UA Healthcare							5,982	9	1.2%	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%
Freeport-McMoran Copper	5,987	9	1.2%										5,463	10	1.2%
Fort Huachuca	6,463	7	1.3%	6,236	8	1.3%	6,225	8	1.3%	6,198	7	1.4%	6,198		1.4%
City of Tucson	5,635	10	1.2%	5,399	9	1.1%	4,930	10	1.0%			0.0%	4,585		1.0%
Phelps Dodge															
Tohono O'odam Nation													4,350		1.0%
Carondelet Health Network				4,566	10	0.9%							3,668		0.8%
Total	<u>77,214</u>		15.9%	<u>75,882</u>		15.5%	<u>75,866</u>		15.6%	<u>76,744</u>		16.8%	<u>96,232</u>		21.1%
Total Work Force			486,400			488,500			485,800			455,900			453,200

Sources:

University of Arizona, "Arizona's Economy"
U of A Business Research Program (EBR), College of Business & Public Administration
Data is obtained from www.azstarnet.com/star200, a website of the Arizona Daily Star.

PIMA COUNTY, ARIZONA
Population and Employment
Last Ten Calendar Years

Exhibit D - 22

Calendar Year	Population (a)(1)	Civilian Labor Force (2)	Total Unemployment Rate (1)	EMPLOYMENT				
				Mining (1)	Construction (1)	Manufacturing (1)	Trades and Services (b)(1)	Finance, Insurance, and Real Estate (1)
2004	914,011	431,400	3.5%	1,200	24,000	28,500	185,000	15,600
2005	940,004	443,100	4.1%	1,500	26,600	28,600	199,300	18,200
2006	959,474	443,300	4.4%	1,700	28,500	29,300	219,200	17,500
2007	977,258	453,500	3.3%	1,900	28,100	29,000	228,600	17,800
2008	984,032	459,200	4.7%	2,100	23,600	26,900	221,600	16,300
2009	984,274	486,400	7.9%	1,300	16,500	25,900	215,900	16,700
2010	981,168	488,500	8.6%	1,800	14,300	24,500	216,800	17,400
2011	986,081	485,800	9.1%	1,820	14,456	24,767	219,159	17,589
2012	990,380	455,900	7.6%	1,900	16,900	23,100	250,900	17,600
2013	996,670	453,200	7.6%	2,200	14,700	23,300	209,500	19,500

Note a:

Beginning with fiscal year 2012-13 the County restated prior year population to reflect new source data

Note b:

Beginning with the October 2012 issue, "Arizona's Economy" changed what Trade and Services were reported. This resulted in an increase of 40,000 jobs being reported.

Sources:

- 1.) U of A Business Research Program (EBR), College of Business & Public Administration
- 2.) Bureau of Labor Statistics

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	Multiple Listings	Sales Volume In \$ 000's
2004	239,966	3,611,696	15,393,817	1.96	10,432	15,054	\$ 2,899,012
2005	261,037	3,928,773	15,847,429	2.00	12,103	17,039	3,908,054
2006	289,440	4,251,710	17,179,275	2.18	11,903	16,630	4,462,020
2007	263,910	4,284,880	17,857,865	2.21	6,265	13,821	3,757,536
2008	240,329	4,474,352	19,491,376	2.27	4,171	10,718	2,810,383
2009	190,445	3,777,057	21,648,350	2.46	2,364	10,472	2,245,644
2010	169,780	3,696,875	20,483,709	2.22	2,340	12,471	2,457,147
2011	164,152	3,721,785	19,746,774	2.18	2,400	11,545	2,033,702
2012	145,967	3,663,982	19,971,230	2.15	2,062	13,436	2,211,369
2013	170,875	3,308,620	20,352,101	2.16	3,713	14,570	2,699,113

Sources:

U of A Business Research Program, Eller Business Review (EBR), College of Business & Public Administration
Tucson Airport Authority
Pima Association of Governments
Tucson Association of Realtors, Multiple Listing Service, Inc.

PIMA COUNTY, ARIZONA
Economic Indicators by Calendar Year
Last Ten Calendar Years
(\$ amounts in thousands)

Exhibit D - 24

Fiscal Year	Aggregate Retail Sales (1)	No. of Dwelling Units Awarded (1)	Change in Real Estate Sales Volume (2)	Commercial Bank Deposits (3)
2004	\$ 9,550,501	9,281	22%	\$ 7,895,000
2005	10,366,181	12,640	26%	9,013,000
2006	11,478,781	10,313	12%	10,134,000
2007	11,829,081	6,110	-19%	10,497,000
2008	11,922,231	3,728	-34%	10,765,000
2009	10,799,849	1,986	-25%	10,855,000
2010	10,614,927	2,221	9%	11,134,000
2011	11,144,720	2,288 *	-21%	11,265,000
2012	11,834,329	2,218	8%	11,501,822
2013	12,196,175	3,681	18%	12,173,345

Notes:

* Beginning with calendar year 2011, the number of dwelling units awarded includes both single family and multiple family unit structures combined.

Sources:

- 1.) U of A Business Research Program (EBR), College of Business & Public Administration.
- 2.) Tucson Association of Realtors, Multiple Listing Service, Inc.

PIMA COUNTY, ARIZONA
 Population Statistics
 June 30, 2013

Exhibit D - 25

<u>Age Group</u>	<u>Population</u>
0-4	61,840
5-9	62,303
10-14	62,947
15-19	70,585
20-24	77,922
25-39	187,405
40-54	183,942
55-59	65,815
60-64	61,094
65-69	53,144
70-74	39,867
75+	73,072
Total	<u><u>999,936</u></u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2014	1,011,977
2015	1,028,592
2020	1,125,861
2025	1,218,280
2035	1,406,032
2045	1,605,249

Source: Arizona Department of Administration

PIMA COUNTY, ARIZONA
Average Annual Jail Population
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Average Jail Population</u>
2004	1,739
2005	2,009
2006	2,028
2007	2,008
2008	1,913
2009	1,826
2010	1,636
2011	1,640
2012	1,802
2013	2,000

Source: Pima County Sheriff's Department

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	Full-time employees (FTEs) as of 6/30:									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
General government	2,040	2,952	2,911	2,776	2,860	2,684	2,870	2,850	2,473	2,321
Public safety	1,902	1,434	1,401	1,442	1,560	1,491	1,488	1,529	1,540	1,468
Highways and streets	288	351	526	334	330	311	264	262	274	265
Sanitation	0	0	45	41	40	34	33	23	24	3
Health	413	408	414	408	404	397	422	412	404	174
Welfare	185	20	23	22	26	29	32	27	377	397
Culture and recreation	197	164	180	466	485	480	467	461	652	331
Education and economic opportunity	117	250	289	179	186	184	174	170	133	144
Total governmental activities	5,142	5,579	5,789	5,668	5,891	5,610	5,750	5,734	5,877	5,103
Business-type activities										
Regional Wastewater Reclamation*	481	449	668	472	508	507	488	481	531	413
Wastewater Management- Solid Waste	42	42	0	0	0	0	0	0	0	0
Kino Hospital	548	0	0	0	0	0	0	0	0	0
Pima Health System & Services**	162	631	634	559	563	451	422	421	0	0
Development Services	149	116	156	153	128	73	66	66	59	52
Parking Garages	3	3	3	3	3	3	2	2	3	3
Total business-type activities	1,385	1,241	1,461	1,187	1,202	1,034	978	970	593	468
Total	6,527	6,820	7,250	6,855	7,093	6,644	6,728	6,704	6,470	5,571

Note:

Internal service fund's FTEs were added to the General Government function in FY 2004-2005.

Variances can be noted in the Governmental Activities categories due to a change in classification criteria in FY 2004 - 2005.

Variances can be noted in the Governmental Activities categories due to employees being added to the Library District from the City of Tucson on July 1, 2006.

Variances can be noted in the Business Activities categories due to the closure of Kino Hospital which resulted in the absorption of some Kino employees into Pima Health System & Services.

In FY 2005-2006 Wastewater Management-Solid Waste was classified as a governmental fund. It now appears under the category "Sanitation".

* Previously known as Wastewater Management - Liquid Waste.

** Pima Health Systems & Services was sold and the department closed

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

Exhibit D - 28

	2004	2005	2006	2007	Fiscal Year 2008	2009	2010	2011	2012	2013
Program:										
Sheriff										
Physical arrests	33,815	32,501	30,686	33,929	32,796	33,571	27,946	24,108	24,841	25,451
Traffic violations/citations										
Criminal										
Total	3,813	4,148	3,170	3,927	5,967	6,422	6,417	4,304	4,205	4,291
Civil										
Total	36,823	37,868	27,846	30,204	41,542	49,817	41,800	32,270	32,445	33,837
Total violations/citations	<u>40,636</u>	<u>42,016</u>	<u>31,016</u>	<u>34,131</u>	<u>47,509</u>	<u>56,239</u>	<u>48,217</u>	<u>36,574</u>	<u>36,650</u>	<u>38,128</u>
Wastewater										
(1) Avg. daily sewage treated (MGD)	65.0	65.5	66.4	68.5	67.3	67.8	65.4	62.7	62.3	60.9
New connections	9,718	11,245	8,325	8,734	4,452	1,477	1,950	1,412	1,355	1,856
Cultural and Recreational										
(3) Spring training attendance	147,117	146,739	155,377	142,773	160,626	103,407	84,520	*	20,850	21,944
(2) Sidewinders attendance	165,387	165,441	171,179	153,595	143,611	58,879				
Soccer attendance									36,001	21,942
Parks & Recreation										
Athletic field permits issued	107	129	135	141	147	149	168	161	228	263
Community center admissions	344,470	388,092	391,295	438,051	445,137	403,887	351,692	339,550	347,379	306,841
Volunteer hours	22,465	23,785	17,218	25,700	19,622	25,756	14,321	12,168	10,787	8,213
Library										
Volumes in collection	1,338,000	1,430,690	1,390,792	1,395,849	1,429,365	1,425,235	1,427,089	1,414,928	1,326,375	1,257,821
Total volumes borrowed	6,063,771	6,249,123	6,276,794	6,371,480	6,874,888	7,409,820	7,517,692	7,199,809	7,557,865	6,098,216
Number of cardholders	486,402	474,045	488,250	492,973	554,339	516,780	526,170	452,400	434,841	405,419
Capital Projects Completed										
Land	\$ 20,698,771	\$ 42,755,555	\$ 16,646,964	\$ 37,402,683	\$ 18,619,333	\$ 59,922,798	\$ 36,953,802	\$ 5,655,264	\$ 13,075,719	\$ 6,947
Buildings	18,609,343	42,916,920	2,018,849	66,095,100	17,591,833	14,336,536	11,994,142	57,876,009	5,008,707	33,313,996
Improvements	5,592,348	5,071,608	3,568,917	21,944,399	4,673,301	9,028,251	1,921,052	6,366,258	4,287,186	12,837,873
Infrastructure	67,890,856	7,476,315	76,950,908	29,146,482	72,925,857	22,733,535	14,160,620	24,259,854	46,463,053	13,291,580
	<u>\$ 112,791,318</u>	<u>\$ 98,220,398</u>	<u>\$ 99,185,638</u>	<u>\$ 154,588,664</u>	<u>\$ 113,810,324</u>	<u>\$ 106,021,120</u>	<u>\$ 65,029,616</u>	<u>\$ 94,157,385</u>	<u>\$ 68,834,665</u>	<u>\$ 59,450,396</u>

(1) MGD: Millions of Gallons per Day

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

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

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

Exhibit D - 29

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Program:										
Sheriff										
Stations	6	6	6	7	7	7	7	7	7	7
Zone offices	5	5	5	4	4	4	4	4	4	2
Patrol units	280	276	303	302	324	323	361	355	358	305
Transportation (streets and highways)										
Streets (miles)	1,773	1,782	1,798	1,801	1,893	1,893	1,893	1,892	1,897	1,905
Pothole repair **	\$ 672,427	\$ 926,828	\$ 964,051	\$ 1,150,950	\$ 1,321,034	\$ 1,257,087	\$ 2,822,770	\$ 1,493,531	\$ 1,462,810	
Flood Control										
Bank protection (miles)	138	138	138	139	140	140	140	141	***	***
Flood plain / drainageway (acres)	10,313	10,558	10,622	10,840	10,999	11,053	11,966	12,027	13,210	13,645
Parks & Recreation										
Urban parks (acres)	2,411	2,419	2,885	2,932	2,991	2,881	2,881	2,898	3,012	3,143
Playgrounds	32	34	36	41	41	38	38	39	40	40
(1) Baseball/softball diamonds	67	73	78	84	90	85	85	86	86	87
Soccer/football fields	12	14	14	16	17	17	17	18	18	18
Community centers	9	9	9	9	11	8	8	11	11	11
Swimming pools	8	8	9	9	9	9	9	10	10	10
Wastewater										
Sanitary sewers (miles)	3,177	3,249	3,314	3,464	3,492	3,462	3,472	3,476	3,440	3,448
Treatment capacity (MGD)	74.76	81.50	87.45	92.45	90.00	91.50	94.26	97.76	97.06	97.04 ****
Libraries										
County	12	12	12	25	26	26	26	26	26	26
(2) City	12	12	13							
Open Space Acquisitions										
Properties added	7	7	17	18	9	5	9	4	6	1
Acres	10,334	13,942	1,235	3,668	757	14,753	5,390	275	595	1,416
Cumulative acreage	17,771	31,713	32,948	36,616	37,373	52,126	57,516	57,791	58,386	59,802
Total properties	25	32	49	67	76	81	90	94	100	101

Notes

- (1) 2005 Baseball/softball diamonds adjusted after department review
- (2) On July 1, 2006, the Pima County Library District assumed control of the operations of all County libraries.
- * Annexation by other jurisdictions resulted in a decrease of Transportation (Streets and Highways)
- ** Pothole repair was unavailable in FY 2010
- *** No soil cement bank protection projects in 2012 and 2013
- **** Jan. 3, 2012 Capacity was reduced when the Town of Marana obtained ownership.

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