

2003

COMPREHENSIVE ANNUAL FINANCIAL REPORT

PIMA COUNTY, ARIZONA
For the Fiscal Year Ended June 30, 2003



**PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2003**

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C. H. Huckelberry

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PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

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PIMA COUNTY
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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, TUCSON, AZ 85701-1317
(520) 740-8661 FAX (520) 740-8171

C. H. HUCKELBERRY
County Administrator

December 1, 2003

The Honorable Board of Supervisors
Pima County, Arizona

We are pleased to submit, in accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of Pima County, prepared by the Finance Department, for the fiscal year ended June 30, 2003. This report presents comprehensive financial and operating information about the County's activities for the fiscal year that is useful to its property owners, businesses and other resource providers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

This report has been prepared following the standards adopted and promulgated by the Governmental Accounting Standards Board (GASB). This is the second year the County has implemented GASB Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. As such, the CAFR has been organized to comply with new reporting requirements as well as conceptual changes. The Management's Discussion and Analysis (MD&A) section, which begins on page 13, was introduced last year. The MD&A provides additional information to assist readers in understanding the financial position of the County as of June 30, 2003. It provides a narrative introduction and overview to assist in the interpretation of the basic financial statements while also providing an analysis of key data presented within the basic financial statements.

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.

The CAFR consists of three sections:

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

Pima County and its Services

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

A five-member Board of Supervisors is responsible for implementing the County's governmental and administrative affairs. Each member of the Board is elected from a designated district to serve a four-year term. The Chair is selected by the Board from among its members. The Board is also responsible for establishing the policies of the County, which provide guidance to the various County constitutional officers and departments. The Board appoints a County Administrator who is responsible for the general administrative and overall operations of the various departments of the County.

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: 1) it is able to impose its will on that organization, or 2) a potential exists for that organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Pima County offers a wide variety of governmental services, including:

- *Justice and Law Enforcement:* Clerk of the Superior Court, Constables, County Attorney, Superior Court, Juvenile Court, Justice Court system, Sheriff's Department, Indigent Defense and Public Fiduciary
- *Medical Services:* Pima Health Care System, including Pima Health System and Kino Community Hospital, Department of Institutional Health, Public Health Department (including Health & Animal Control) and Forensic Science Center
- *Community Resources:* Superintendent of Schools, Community Services, Community Resources, County Free Library District, Southwestern Fair Commission and Stadium District
- *Public Works:* Flood Control District, Development Services (including Planning & Zoning), Transportation, Wastewater Management (including Solid Waste Management), Environmental Quality, Capital Projects, Automotive Services, Natural Resources, Parks & Recreation, and Graphics
- *County Administration:* Board of Supervisors, County Administrator, Assessor's Office, Clerk of the Board, Elections, Finance, Human Resources, Information Technology, Non-Departmental (including Contingency), Procurement, Recorder, Risk Management Treasurer, Facilities Management, Communications and Parking Garages

Pima County is also 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:

- *Metropolitan Domestic Water Improvement District and Marana Domestic Water Improvement District.* Activities of the Districts are reported as discrete components of the County in the accompanying financial statements.

- *Southwestern Fair Commission.* Activities of the Commission are reported as a discrete component of the County in the accompanying financial statements.
- *Municipal Property Corporation.* Activities of the Corporation are reported in a special revenue fund as a blended component unit in the accompanying financial statements.
- *Pima County Stadium District, Flood Control District, and Library District.* Activities are reported in a special revenue fund as a blended component unit in the accompanying financial statements.
- *Special districts.* Pima County includes the financial activities of various improvement districts in its financial statements. Improvement districts are established to pay for the construction of specific public works projects that benefit citizens of a limited geographical area. The County's currently active improvement districts include La Cholla Boulevard, Country Club Estates and Cimarron Improvement Districts.

The County also has various independently governed school, irrigation, fire, and street lighting districts, and a health district. In addition, there are other entities for which the County is not financially accountable. These entities include the Industrial Development Authority, various lighting districts, Pima Association of Governments, Pima Council on Aging and the Private Industry Council. The financial statements of such districts and entities are not included in the accompanying financial statements except to reflect amounts held in a fiduciary capacity by the County Treasurer.

Economic Outlook

According to *Arizona's Economy*, a publication of the University of Arizona's Economic & Business Research Program, Pima County's population increased 2.0% to 904,600 persons for the year ended June 30, 2003. Over the same period, per capita income rose 1.7% to \$25,395.

For the Tucson metropolitan area, the research center expects non-farm payrolls to increase 1.5% to 353,100 jobs during 2003. For all of 2003, per-capita wage income is forecast to rise 2.6% to \$31,326 and aggregate retail sales are forecast to rise 3.4% to \$9.0 billion. The number of residential permits is forecast to decline 0.6% to 7,954, signaling a modest slowdown in the housing sector.

Expenditure Limitation

Arizona voters approved a proposition amending the state constitution in 1980 that established revenue and expenditure limitations for local governments, including Pima County.

Major Program Initiatives and Developments

Some of the major developments that occurred in Pima County during the fiscal year ended June 30, 2003 include:

Wastewater Management

The Wastewater Management Department utilized significant resources this year as a result of the Northwest Outfall Rupture and Randolph Park Restoration Projects. The Northwest Outfall Rupture, which

occurred in September of 2002, led to approximately \$16 million of significant repairs and upgrades of major sewer lines on West Speedway Boulevard. The Randolph Park Restoration Project used approximately \$29 million of Wastewater Management resources as of June 30, 2003, and is expected to be complete during fiscal year 2003/2004 at an estimated total cost of \$35 million.

Capital Improvement Projects

The County's progress in improvements of infrastructure, land, and buildings based on the 1997 voter authorized program is continuing at an aggressive pace. During the fiscal year, the County issued \$50 million of general obligation bonds and \$35 million of transportation revenue bonds.

For the fiscal year ended June 30, 2003, major completed transportation projects included: 1) Sunrise Drive between Swan and Craycroft Roads; 2) Thornydale Road between Ina and Cortaro Farms Roads; 3) Shannon Road between Ina and Magee Roads; 4) Santa Cruz River flood control enhancements between Grant and Fort Lowell Roads; 5) River Road between First and Campbell Avenues, and 6) Ajo Way between Country Club and Alvernon Roads. In addition, La Cholla Boulevard between Omar and Magee Roads was significantly complete.

Of the \$50 million general obligation bond proceeds, \$14.4 million was allocated to law enforcement and Superior Court improvements; \$16.7 million to parks and land acquisition for the County's Sonoran Desert Conservation Plan; \$9 million for public health, safety, recreational and cultural affairs; and \$9.6 million for road, solid waste and flood control projects. The single largest project, the Sheriff's maximum security Adult Detention Center, is expected to cost \$20.3 million and is approximately 57% complete.

During the year, the County completed rehabilitation of the Robles Ranch House. Other completed projects that were financed by general obligation bonds include the Drexel Heights Community Center, Northwest Community Center and Pool complex and the Fairview-Limberlost Drainage Improvements.

Sonoran Desert Conservation Plan

Background and Purpose: The Pima County Board of Supervisors continues to support the Sonoran Desert Conservation Plan (SDCP). This comprehensive plan aims to: (1) prevent urban sprawl through the protection of natural and cultural resources; (2) provide a basis for natural resource protection; (3) lead to the recovery of the pygmy owl and other species protected under the Endangered Species Act (ESA); (4) stabilize the ecosystem and plant communities supporting indigenous plants and animals and mitigate a need for future endangered species listings; and (5) lead to the issuance of a regional conservation plan that balances environmental and economic considerations. In 2001 and 2002, parts of the Plan were adopted into Pima County's Comprehensive Land Use Plan and updated in accordance with state law.

Scope: The SDCP is a countywide planning effort aimed at resolving compliance issues with the ESA and balancing the economic needs of the community. The 9,184-square-mile project area covers all of Pima County and encompasses federal, state and tribal reservation lands. The Plan's scope is roughly 10 times the area of San Diego County's multi-species effort. The Plan has received numerous state, regional and national awards, including the American Planning Association's Outstanding Planning Award for 2002, the Arizona Planning Association Award for Multi-Agency Coordination in 2001 and a number of awards for technical merit.

Recent Developments: During 2003, the SDCP's steering committee, comprised of over 70 community members, voted to support the Plan and asked the Board of Supervisors to pursue an open space bond initiative to fund the plan's efforts. Separately, aspects of the Plan's implementation that pertain to Section 10 of the ESA are scheduled for completion in 2003 and 2004, and an Environmental Impact Statement is scheduled for completion in 2005.

Financial Information

Accounting System and Budgetary Control

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

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

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

Capital Assets System

The County has initiated the selection process for a comprehensive asset management system that will be used to interface with its existing financial management system. An important desired feature of the asset management system is that it will facilitate the County's compliance with the reporting requirements of Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. GASB 34 requires disclosure and capitalization of infrastructure, such assets as roads, parks and bridges, which had previously not been required for governmental reporting.

Cash Management

Most cash, other than imprest accounts, is on deposit with the County Treasurer or the State Treasurer. Amounts temporarily available during the course of the fiscal year are invested on a short-term basis. To address cash flow needs in the short term, the County instituted internal borrowings among funds that were recorded formally in its accounting records.

Risk Management

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

OTHER INFORMATION

Independent Audit

Arizona Revised Statutes require an annual audit of the financial statements. The County is fully compliant with this legal requirement. An independent auditors' report is included in this CAFR.

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 1) the adequacy of the internal control structure, including that portion related to federal financial assistance programs and 2) whether the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended June 30, 2002 included a reportable condition that cited inadequate policies and procedures for ensuring allocation of costs based on the relative benefits received, as required by OMB Circular A-87. Specifically, the reportable condition pertained to a County Sheriff's Office purchase of a telephone switch upgrade. A portion of the cost of the upgrade was charged to the County's High Intensity Drug Trafficking Areas (HIDTA) program without adequate documentation for how the relative benefits to the HIDTA program were estimated. The auditors determined that this reportable condition was not a material event and the County has since submitted a corrective action plan.

The Single Audit for Pima County for the fiscal year ended June 30, 2003 was not complete at the time of publication of this Comprehensive Annual Financial Report.

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Pima County, Arizona for its comprehensive annual financial report for all fiscal years ended June 30, 1984 through 2002, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline.

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

Acknowledgements

Preparation of this report could not be accomplished without the efficient and dedicated service of the staff of the County's Finance Department. We also wish to thank the Board of Supervisors for its continued support in planning and conducting the County's financial operations in a responsible fiduciary manner.

Respectfully submitted,

C. H. Huckelberry
County Administrator

Carol Bonchalk
Director, Finance Department

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, 2002

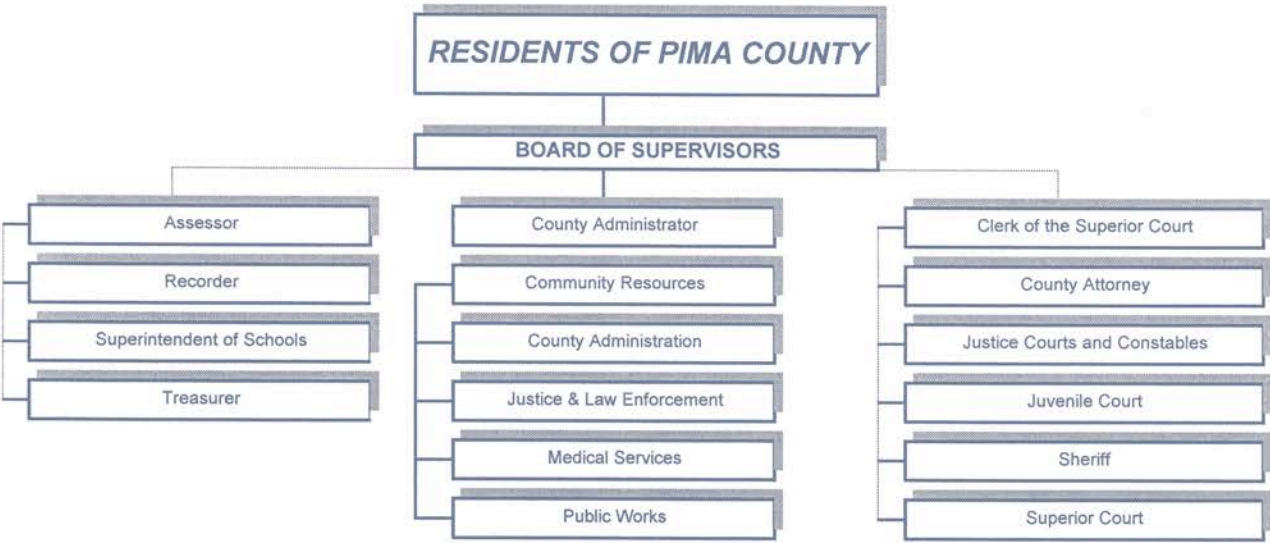
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

PIMA COUNTY ORGANIZATIONAL CHART



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PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

INTRODUCTORY SECTION

FINANCIAL SECTION

Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Combining Financial Statements

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

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

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, 2003, as listed in the table of contents, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of Pima County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units of Pima County, is 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 28, the Budgetary Comparison Schedule on pages 83 and 85, and the Schedule of Agent Retirement Plans' Funding Progress on page 84 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants at a future date. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Debbie Davenport
Auditor General

December 1, 2003



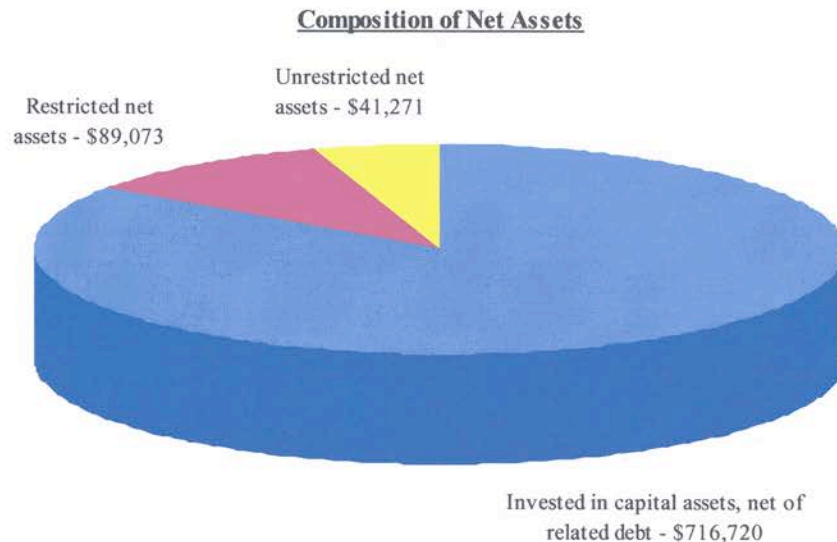
Management's Discussion and Analysis

Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2003 and should be read in conjunction with the County's basic financial statements in the following sections. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

FINANCIAL HIGHLIGHTS

- At June 30, 2003, the County's combined assets exceeded combined liabilities (*net assets*) by \$847,064, an increase of 7.1% from the prior year. Of this amount, \$41,271 is available for general government expenditures (*unrestricted net assets*), \$89,073 is restricted for specific purposes (*restricted net assets*), and \$716,720 is invested in capital assets, net of related debt and accumulated depreciation.



- Of the total fund balances of the County's governmental funds, the general fund has a total fund balance of \$33,548, with \$ 30,999 of this amount available for expenditure. Within the capital projects fund and the County's other governmental funds, \$82,793 and \$42,312 is available for future expenditures, respectively.
- As of the end of the fiscal year, the general fund unreserved fund balance increased \$2,343 from the previous year to \$30,999. This balance accounts for approximately 10% of the County's general fund expenditures and 5.1% of total governmental funds expenditures.
- As a result of the County's investment in the State of Arizona Treasurer's Local Government Investment Pool, the County recognized a loss of \$10,120 from a bankruptcy within the investment pool. This loss was distributed to specific County departments according to their share in the investment pool. Due to the unusual and infrequent nature of the loss, the County has reported this as an extraordinary loss.

- On September 7, 2002, the department of Wastewater Management experienced a rupture in the Northwest outfall sewer on Speedway Boulevard. This event required a substantial amount of capital and resources to clean up and repair the rupture, greatly diminishing Wastewater's financial position.
- Pima Health Care System has experienced continued, significant increases in expenses over the past year. This is consistent with a general trend of higher costs within the health care field and increased enrollment in the AHCCCS program.

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 four components: (1) Government-wide financial statements; (2) Fund financial statements; (3) Component unit financial statements; and (4) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

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

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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*) from other functions that are intended to recover all or in part 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, health, welfare, culture and recreation, education and economic opportunity. The business-type activities of the County include Pima Health Care System (PHCS), which includes Kino Community Hospital, Wastewater Management, Development Services and the County's downtown parking garages.

Discretely presented component units are included in the basic financial statements and consist of legally separate entities for which the County is financially accountable. The County's discretely presented component units are the Metropolitan Domestic Water Improvement District, the Marana Domestic Water Improvement District, and the Southwestern Fair Commission, which operates the County Fairgrounds and the annual Pima County Fair.

The government-wide financial statements can be found on pages 29-30 of this report.

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 OMB budgeting guidelines. All of the funds of the County 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 funds 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 funds balance sheet and the governmental funds 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 fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund. 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 elsewhere in this report.

The governmental fund financial statements can be found on pages 31-34 of this report.

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 certain health care services, including medical and long-term health care, 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 and communications. Because these services predominantly benefit governmental rather than business-type functions, most of the assets and liabilities 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. Wastewater Management and Pima Health Care System operations are considered to be major funds 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* elsewhere in this report.

The proprietary fund financial statements can be found on pages 35-38 of this report.

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 39-40 of this report.

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 43-81 of this report.

Required Supplementary Information (RSI) is presented concerning the County General Fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 83-85 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental and enterprise funds and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 88-118 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the County, assets exceeded liabilities by \$847,064 at June 30, 2003. The following table shows condensed information for the Statement of Net Assets:

Table 1
Statement of Net Assets
At June 30, 2003

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2002-2003	2001-2002*	2002-2003	2001-2002*	2002-2003	2001-2002
Current and other assets	\$ 276,801	\$ 274,836	\$ 58,814	\$ 102,118	\$ 335,615	\$ 376,954
Capital assets:						
Land, buildings, equipment & other	574,133	505,746	570,391	508,931	1,144,524	1,014,677
Total assets	850,934	780,582	629,205	611,049	1,480,139	1,391,631
Current and other liabilities	68,936	78,695	39,077	38,624	108,013	117,319
Long-term liabilities	375,919	340,119	149,143	143,519	525,062	483,638
Total liabilities	444,855	418,814	188,220	182,143	633,075	600,957
Net assets :						
Invested in capital assets, net of related debt	272,130	215,646	444,590	380,916	716,720	596,562
Restricted net assets	67,934	82,541	21,139	55,630	89,073	138,171
Unrestricted net assets (deficit)	66,015	63,581	(24,744)	(7,640)	41,271	55,941
Total net assets	\$ 406,079	\$ 361,768	\$ 440,985	\$ 428,906	\$ 847,064	\$ 790,674

*As restated - See Note 2 of the financial statements

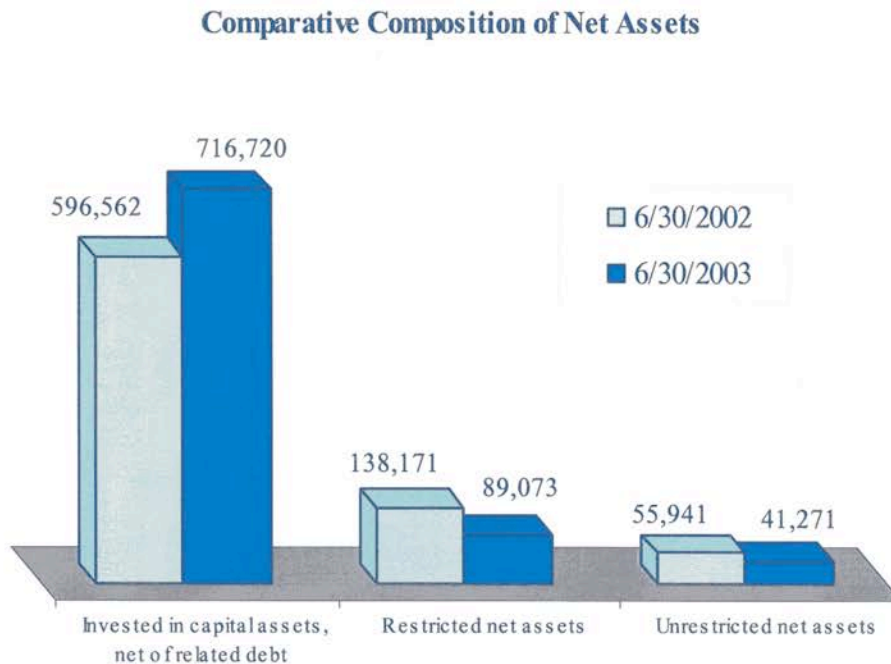
The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure, equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2003, investment in capital assets totaled \$716,720, comprising approximately 84.6% of total net assets. 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. The \$120,158 increase in capital assets, net of related debt, for fiscal year 2002-2003 is mostly due to the sig-

nificant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are 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 assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2003, restricted net assets totaled \$89,073 and comprised approximately 10.5% of total net assets. This represents a \$49,098 decline in restricted net assets from the \$138,171 balance of fiscal year 2001-2002.

The remaining balance of the County's net assets represents *unrestricted net assets*, which may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2003, unrestricted net assets totaled \$41,271 and comprised approximately 4.9% of total net assets.

The following chart shows the composition and changes in net assets for the fiscal years ended June 30, 2003 and June 30, 2002:



Governmental activities

Governmental activities contributed \$44,311, or 78.6%, of the County's \$56,390 increase in total net assets during fiscal year 2002-2003. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Comparative Statements of Activities
For the Years Ended June 30, 2003 and 2002

	Fiscal Year		Variance	
	2002-2003	2001-2002*	Amount	Percent
Program revenues:				
Charges for services	\$ 45,527	\$ 45,307	\$ 220	0.5%
Operating grants and contributions	121,587	121,934	(347)	-0.3%
Capital grants and contributions	5,665	18,207	(12,542)	-68.9%
Total program revenues	172,779	185,448	(12,669)	-6.8%
General revenues:				
Property taxes	251,844	237,049	14,795	6.2%
State-shared taxes	100,408	97,845	2,563	2.6%
Investment earnings	5,064	8,157	(3,093)	-37.9%
Other general revenues	35,985	29,464	6,521	22.1%
Total general revenues	393,301	372,515	20,786	5.6%
Total primary government revenues	566,080	557,963	8,117	1.5%
Expenses:				
General government	131,925	133,765	(1,840)	-1.4%
Public safety	132,939	123,513	9,426	7.6%
Highways and streets	39,492	42,515	(3,023)	-7.1%
Health	23,917	23,120	797	3.4%
Welfare	84,457	73,243	11,214	15.3%
Culture and recreation	31,326	27,081	4,245	15.7%
Education and economic opportunity	35,033	37,565	(2,532)	-6.7%
Unallocated depreciation and amortization	1,474	1,376	98	7.1%
Interest on long-term debt	15,779	14,391	1,388	9.6%
Total expenses	496,342	476,569	19,773	4.1%
Excess before transfers and extraordinary item	69,738	81,394	(11,656)	-14.3%
Extraordinary Item:				
Loss from State Treasurer's				
Local Government Investment Pool	(7,447)	-	(7,447)	n/a
Transfers out	(17,980)	(13,954)	(4,026)	28.9%
Change in net assets	\$ 44,311	\$ 67,440	\$ (23,129)	-34.3%

*As restated - See Note 2 of the financial statements

Key elements of the change in net assets from governmental activities are as follows:

- Program revenues decreased \$12,669, primarily due to a \$12,542 decrease in capital grants and contributions for highways and streets, specifically Urban-area HURF monies from the Pima Association of Governments. The County received less of this revenue as a result of the completion of a number of transportation projects in fiscal year 2001-2002.
- General revenues increased by \$20,786, primarily due to increases in property tax revenues and other general revenues. Increases in real property assessed valuations and residential construction activity were the primary reasons property tax revenues increased by \$14,795.
- Investment earnings continued to decrease in fiscal year 2002-2003. The County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. The interest rate for

this pool has declined for a third consecutive year, resulting in less investment earnings. As of June 30, 2003, the Treasurer's effective interest rate was 1.9%. This rate is down from 2.2% and 4.7% as of June 30, 2002 and June 30, 2001, respectively.

- Expenses from governmental activities experienced a cumulative increase of \$19,773. Most of this increase occurred for public safety and welfare expenses, which increased by \$9,426 and \$11,214, respectively. Public safety expenses increased as a result of higher Sheriff salaries and the funding of adult probation officer salaries that had previously been covered by state funds. The County was also required to remit funds to support the State Aid Enhancement Program for Probation. Welfare expenses changed due to an approximated \$10,500 increase in expenditures by the Department of Institutional Health (Medical Assistance), including expenditures for new contracted services relating to the medical treatment of incarcerated adults and juveniles.

Business-type activities

Business-type activities contributed \$12,079, or 21.4%, of the County's increase of \$56,390 in total net assets during the year ended June 30, 2003. The following table shows changes in revenues and expenses for business-type activities between the current and prior year:

Table 3
Business-type Activities
Comparative Statements of Activities
For the Years Ended June 30, 2003 and 2002

	Fiscal Year		Variance	
	2002-2003	2001-2002*	Amount	Percent
Program revenues:				
Charges for services	\$ 277,375	\$ 252,131	\$ 25,244	10.0%
Operating grants and contributions	4,909	6,505	(1,596)	-24.5%
Total program revenues	282,284	258,636	23,648	9.1%
General revenues:				
Capital contributions	12,479	11,261	1,218	10.8%
Investment earnings	1,727	2,888	(1,161)	-40.2%
Other general revenues	6,787	4,214	2,573	61.1%
Total general revenues	20,993	18,363	2,630	14.3%
Total primary government revenues	303,277	276,999	26,278	9.5%
Expenses:				
Wastewater Management	74,816	66,350	8,466	12.8%
Pima Health Care System	221,970	198,000	23,970	12.1%
Development Services	8,373	8,021	352	4.4%
Parking Garages	1,346	1,270	76	6.0%
Total expenses	306,505	273,641	32,864	12.0%
Excess before transfers and extraordinary item	(3,228)	3,358	(6,586)	-196.1%
Extraordinary item: Loss from State Treasurer's				
Local Government Investment Pool	(2,673)	-	(2,673)	n/a
Transfers in	17,980	13,954	4,026	28.9%
Increase in net assets	\$ 12,079	\$ 17,312	\$ (5,233)	-30.2%

*As restated - See Note 2 of the financial statements

In fiscal year 2002-2003, the total increase in expenses of \$32,864 (12.0%) was greater than the total increase in revenues of \$26,278 (9.5%). Overall, however, net assets still increased, primarily as a result of transfers from the general fund to Pima Health Care System. Key elements to the increase in net assets from business-type activities include:

- Charges for services increased by \$25,244 during the year due to an increase in certain revenues for Wastewater Management and Pima Health Care System. Wastewater Management experienced an increase in charges for services of \$8,025 primarily due to the 5% rate increase in user fees for the third quarter of fiscal year 2001-2002, as well as an additional 5% user fee increase in the fourth quarter of fiscal year 2002-2003. Pima Health Care System's increase of \$16,550 is due to increased enrollment over the past year.
- Concurrently, expenses for Wastewater Management and Pima Health Care System increased by \$8,466 and \$23,970, respectively. For Wastewater Management, these expenses are mostly attributable to the repair and cleanup of the Northwest Outfall sewer rupture. For Pima Health Care System, the increase in expenditures is the result of continued increases in health care costs.

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, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors. 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, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2003, the County's governmental funds reported combined fund balances of \$165,395, an increase of \$17,592 in comparison with the prior year. Approximately 94.4% of the combined fund balances, or \$156,104 constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following:

- \$3,146 to pay debt service
- \$5,165 to reflect inventories and prepaid amounts
- \$200 for a loan receivable
- \$705 committed to specific programs
- \$75 reserved for capital repairs and refurbishments

The General Fund is the chief operating fund of the County. At June 30, 2003, unreserved fund balance of the general fund was \$30,999 while total fund balance reached \$33,548. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

Revenues for governmental functions totaled approximately \$566,139 in fiscal year 2002-2003, which represents an increase of \$3,350 (0.6%) from the previous year.

The following table presents the amount of revenues from various sources and increases or (decreases) from the prior year.

Table 4
Revenues Classified by Source
All Government Funds

	Fiscal Year					
	2002-2003		2001-2002		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	\$ 258,375	45.6%	\$ 244,807	43.5%	\$ 13,568	5.5%
Special assessments	1,023	0.2%	598	0.1%	425	71.1%
Licenses and permits	6,087	1.1%	6,077	1.1%	10	0.2%
Intergovernmental	245,378	43.4%	260,218	46.3%	(14,840)	-5.7%
Charges for services	35,721	6.3%	31,112	5.5%	4,609	14.8%
Fines and forfeits	5,047	0.9%	4,882	0.9%	165	3.4%
Interest	4,152	0.7%	6,952	1.2%	(2,800)	-40.3%
Miscellaneous	10,356	1.8%	8,143	1.4%	2,213	27.2%
Total revenues	<u>\$ 566,139</u>	<u>100.0%</u>	<u>\$ 562,789</u>	<u>100.0%</u>	<u>\$ 3,350</u>	<u>0.6%</u>

The following provides an explanation of revenues by source that changed significantly over the prior year:

- Property taxes. Revenues from property taxes increased \$13,568. This was a result of growth in construction activity within the County over the past year, as well as continued increases in assessed property valuations and greater real estate market values.
- Intergovernmental revenue. The \$14,840 decrease in intergovernmental revenue is mostly due to a \$12,542 reduction in the amount of 12.6% Urban-area HURF funds given to transportation and flood control capital projects from the Pima Association of Governments.
- Charges for services. An increase of \$4,609 this year is due to an increase in charges for real estate transactions, an increased number of real estate transactions, increased allocation of administrative overhead expenses, and an increase in prisoner housing revenue from the City of Tucson.
- Interest revenue. As mentioned previously, the County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. Interest rates are down again for fiscal year 2002-2003 due to a continued decline in the investment pool's interest rate, resulting in decreased interest revenue.

The following table presents expenditures by function compared to prior year amounts:

Table 5
Expenditures by Function
All Governmental Funds

Government Function	Fiscal Year				Increase (Decrease)	
	2002-2003		2001-2002		Amount	Percent
	Amount	Percent	Amount	Percent		
General government	\$132,416	21.6%	\$125,416	21.0%	\$7,000	5.6%
Public safety	127,155	20.7%	123,021	20.5%	4,134	3.4%
Highways and streets	26,741	4.4%	27,835	4.7%	(1,094)	-3.9%
Health	24,029	3.9%	23,102	3.9%	927	4.0%
Welfare	84,238	13.7%	73,136	12.2%	11,102	15.2%
Culture and recreation	25,214	4.1%	25,581	4.3%	(367)	-1.4%
Education and economic opportunity	35,057	5.7%	37,524	6.3%	(2,467)	-6.6%
Capital outlay	97,147	15.9%	109,670	18.3%	(12,523)	-11.4%
Debt service:						
- Principal	45,544	7.4%	37,342	6.3%	8,202	22.0%
- Interest	15,695	2.6%	14,128	2.4%	1,567	11.1%
- Miscellaneous	24	0.0%	391	0.1%	(367)	-93.9%
Total expenditures	<u>\$613,260</u>	<u>100.0%</u>	<u>\$597,146</u>	<u>100.0%</u>	<u>\$16,114</u>	<u>2.7%</u>

Total expenditures in governmental funds increased during fiscal year 2002-2003 by \$16,114. As mentioned previously, an \$11,102 increase in welfare expenditures was due to a \$10,500 increase in expenditures for the Department of Institutional Health (Medical Assistance). (See related discussion on page 19)

Capital outlay decreased by \$12,523 this year. However, last fiscal year, capital outlay of \$109,670 was at a record high for the County. Both fiscal years indicate the County's substantial capital project activity is due to the following factors

- More capital projects planned and budgeted for several departments, including Transportation and Flood Control.
- More bond proceeds available to fund projects. These include the 2000 and 2002 General Obligation Bonds and the 2002 Highway User Revenue Bonds for fiscal year 2001-2002. For fiscal year 2002-2003, only the 2003 General Obligation and Highway User Revenue Bonds were available for capital project expenditures. With less funding available in fiscal year 2002-2003, fewer projects were planned and implemented.

Debt service principal payments increased as the result of a number of changes in outstanding debt. Over \$3,000 in principal payments were made to retire debt before it was due, including the 1992 General Obligation Refunding Bonds, the 1993 General Obligation Bonds, and the Municipal Property Corporation Bonds. There were also \$5,100 in 2002 Highway Expansion and Extension Loan Program (HELP) loans, \$50,000 in 2003 General Obligation (GO) Bonds, and \$35,000 in 2003 Highway User Revenue Bonds (HURF) that began principal repayment in fiscal year 2002-2003.

Budget to Actual Comparison for the General Fund

Overall, budgeted revenues and expenditures for General Fund were generally consistent with actual fund activity. Actual revenues exceeded budgeted revenues by \$9,717 and actual expenditures were less than budgeted by \$4,829. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Proprietary funds

The County's proprietary fund functions are contained in the Enterprise and Internal Service funds. The enterprise funds of the County are Pima Health Care System, Wastewater Management, Development Services, and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

The following table presents a comparison of this year's enterprise fund activities with the prior year:

Table 6
Summary Statement of Revenues, Expenses and Changes in Fund Net Assets
Total Enterprise Funds
For the Fiscal Years ended June 30, 2003 and 2002

	Fiscal Year		Variance	
	2002-2003	2001-2002	Amount	Percent
Operating revenues:				
Net patient services	\$ 195,872	\$ 176,324	\$ 19,548	11.1%
Charges for services	61,223	58,327	2,896	5.0%
Other	29,346	16,563	12,783	77.2%
State reimbursement of disproportionate share	(23,518)	(13,254)	(10,264)	77.4%
Total net operating revenues	262,923	237,960	24,963	10.5%
Operating expenses:				
Employee compensation	90,824	83,357	7,467	9.0%
Medical claims	127,235	100,342	26,893	26.8%
Operating supplies & services	13,864	16,755	(2,891)	-17.3%
Utilities	3,575	3,881	(306)	-7.9%
Sludge and refuse disposal	2,242	1,501	741	49.4%
Repair and maintenance	6,801	5,143	1,658	32.2%
Landfill closure and post-closure care costs	1,078	1,030	48	4.7%
General and administrative	19,098	19,384	(286)	-1.5%
Consultants and professional services	17,551	17,235	316	1.8%
Depreciation and amortization	18,497	18,570	(73)	-0.4%
Total operating expenses	300,765	267,198	33,567	12.6%
Operating loss	(37,842)	(29,238)	(8,604)	29.4%
Nonoperating revenues (expenses):				
Grants	4,909	6,505	(1,596)	-24.5%
Shared State tax revenue	959	905	54	6.0%
Interest income	1,727	2,888	(1,161)	-40.2%
Sewer connection fees	20,280	17,480	2,800	16.0%
Interest expense	(5,434)	(6,041)	607	-10.0%
Loss on disposal of capital assets	(338)	(162)	(176)	108.6%
Amortization of deferred charges	(89)	(89)	0	0.0%
Total nonoperating revenues (expenses)	22,014	21,486	528	2.5%
Loss before extraordinary item, contributions and transfers	(15,828)	(7,752)	(8,076)	104.2%
Extraordinary Item: Loss on State Treasurer's Local Government Investment Pool	(2,673)	-	(2,673)	n/a
Capital contributions	15,521	12,462	3,059	24.5%
Transfers in	23,065	20,471	2,594	12.7%
Transfers (out)	(8,127)	(7,718)	(409)	5.3%
Change in net assets	\$ 11,958	\$ 17,463	\$ (5,505)	-31.5%

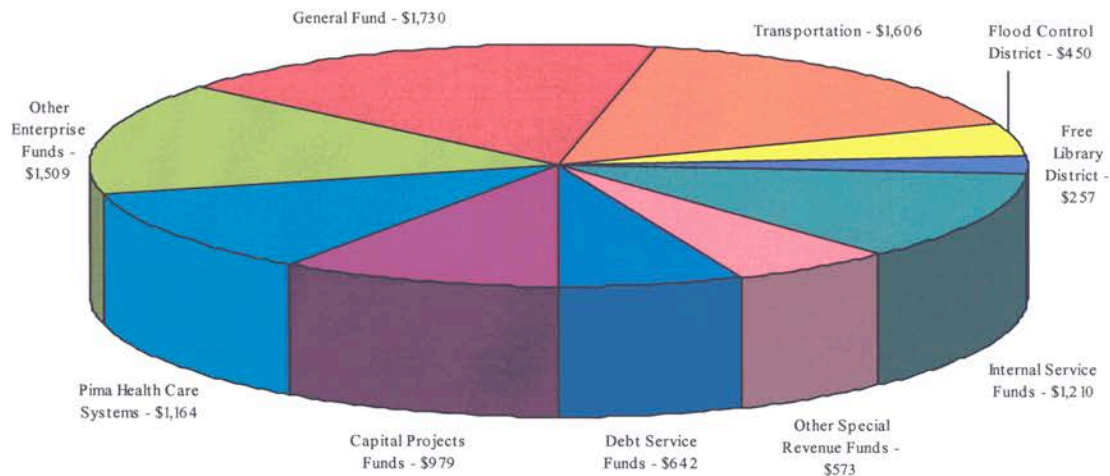
Key activity within the enterprise funds for fiscal year 2002-2003 include the following:

- While net operating revenues for the County's enterprise funds increased \$24,963 (10.5%), operating expenses also increased \$33,567 (12.6%), resulting in an operating loss of \$37,842, an increase of \$8,604 or 29.4%. The increase in operating losses resulted mostly because of the increased health care service costs for PHCS. Wastewater Management also contributed to this increase in operating loss as a result of the Northwest Outfall sewer reparations.
- Net Patient Services revenues increased by \$19,548 from fiscal year 2001-2002. This is attributable to increased membership enrollment for Pima Health System services, which generated increases in capitation revenues and reinsurance claim revenues.
- State laws required Pima Health Care System and its subfund, Kino Community Hospital, to return some disproportionate share revenue to the State's general fund. The \$10,264 increase in state reimbursement for fiscal year 2002-2003 is simply a result of greater allocation of funds by the state, which were in turn paid back, based on a specific formulation.
- Employee compensation increased as the result of a motion passed by the Board of Supervisors in December of 2002, increasing compensation for all Pima County employees by \$0.8134 per hour.
- Sewer connection fees charged by Wastewater Management increased by \$2,800. This is a continued effect from a 12% rate increase in March of 2002, plus an additional 12% increase in April of 2003, which increased sewer connection revenues even further in the fourth quarter of fiscal year 2002-2003.
- Medical claims continued to increase this year as a result of the passage of Proposition 204 in the prior fiscal year, which expanded the eligibility for medical care within the Arizona Health Care Cost Containment System (AHCCCS), resulting in higher enrollment for Pima Health Care System. An increase in doctor fees is also responsible for a portion of the rise in medical claims expenditures.
- The significant increase in capital contributions is primarily attributable to a \$1,700 increase in contractor sewer connection contributions for Wastewater Management and the \$1,300 purchase and reconstruction of a parking lot at Kino Hospital.
- There was a \$2,673 extraordinary loss from the Local Government Investment Pool as a result of the bankruptcy described below.

Loss on Investment

In November of 2002, the State Treasurer of Arizona, who through statutory authority holds a significant portion of the County's monies in the State Treasurer's Local Government Investment Pool (LGIP), declared that a portion of the LGIP had been lost as a result of the bankruptcy of one of its investment components, National Century Financial Enterprises. Of the approximately \$131,000 lost from the bankruptcy state-wide, Pima County held ownership to \$10,120 and was required to designate the loss to specific departments and/or funds based on their proportionate participation in the investment pool. The distribution on a fund basis was as follows:

Allocation of Loss from the State Treasurer's Local Government Investment Pool



Pima County has reported the bankruptcy loss as an extraordinary loss. Although a nominal recovery of principal may occur in the future, it is believed that any recovery will be minimal, and will not occur for several years.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital for its governmental and business-type activities as of June 30, 2003 amounted to \$1,144,524 (net of accumulated depreciation), an increase of 12.8%. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Land increased by \$14,778. This was mostly due to acquisitions required for transportation and flood control projects.
- A number of roads and flood control projects were completed in fiscal year 2002-2003, increasing infrastructure by \$72,181. These completed road projects include River Road from First Avenue to Campbell Avenue, Sunrise Drive from Swan Road to Craycroft Road, Ajo Way from Country Club Road to Alvernon Way, Thornydale Road from Ina Road to Cortaro Farms Road, La Cholla Boulevard from Omar Drive to Magee Road, and South 12th Avenue from Los Reales Road to Lerdo Road.
- Construction in Progress increased by \$30,958. This is mostly due to a number of projects in progress for Wastewater Management, including the Randolph restoration projects, the Northwest outfall rehabilitation, and the Ina Road Water Pollution Control Facility.

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

Table 7
Capital Assets
Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2002-2003	2001-2002	2002-2003	2001-2002	2002-2003	2001-2002
Land	\$ 127,854	\$ 113,175	\$ 12,865	\$ 12,766	\$ 140,719	\$ 125,941
Buildings and improvements	200,966	193,251	147,183	153,061	348,149	346,312
Sewage conveyance systems	-	-	264,665	260,195	264,665	260,195
Machinery and equipment	32,875	27,737	9,507	9,022	42,382	36,759
Infrastructure	79,253	7,072	-	-	79,253	7,072
Construction in progress	133,185	164,511	136,171	73,887	269,356	238,398
Total	<u>\$ 574,133</u>	<u>\$ 505,746</u>	<u>\$ 570,391</u>	<u>\$ 508,931</u>	<u>\$1,144,524</u>	<u>\$1,014,677</u>

The County's infrastructure assets are recorded at 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 53 – 56 of this report.

Long-term Debt

Significant, comparative long-term debt data is presented below:

Table 8
Long-Term Debt
Governmental Funds

	Fiscal Year	
	2002-2003	2001-2002
Bonds issued (at face value):		
General obligation refunding		\$ 17,835
General obligation	50,000	20,000
Transportation revenue	35,000	55,000
Flood control district refunding		4,585
Special assessment with government commitment		1,821
Sewer revenue refunding		
Capital leases	177	590
Loan proceeds		5,100
Total	<u>\$ 85,177</u>	<u>\$ 104,931</u>

General obligation bonds issued in FY 2002-2003 amounted to \$50,000; the proceeds of this issue were allocated as follows:

- \$642 to Sahuarita expansion,
- \$4,230 to improvement and expansion of the County's roads,
- \$14,460 to public safety, law enforcement, and superior courts,
- \$13,767 to improvements in the County's parks system,
- \$3,072 to Sonoran Desert open space preservation programs,
- \$9,037 to public health, safety, recreation, and cultural facilities projects,
- \$4,039 to flood control projects,
- \$753 to improve solid waste disposal facilities.

The \$35,000 in Transportation Revenue bonds proceeds were allocated to major street and road improvements, principally in the Tucson metropolitan area, outside of city limits. These include projects such as:

- La Cañada Drive from Lambert Lane to Ina Road.
- Skyline Drive from Orange Grove Road to Campbell Avenue.
- Wetmore Road/Ruthrauff Road from La Cholla Boulevard to Fairview Road.
- Kolb Road from Sabino Canyon to Sunrise Drive.
- Catalina Highway from Tanque Verde Road to Houghton Road.
- La Cholla Boulevard from Omar Road to River Road.
- South 12th Avenue from 38th Street to Los Reales Road.

Pima County maintains an "A+" rating from Standard & Poor's and an "A1" rating from Moody's for general obligation bonds, street and highway revenue bonds, sewer revenue bonds, and flood control general obligation bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total asset valuation. The current debt limitation for Pima County is \$725,334, 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 58-71 of this report.

Economic Factors and Next Year's Budget

The economic outlook for the County continues to show a number of hurdles for the County to work through over the next year. With the State Legislature and the Governor of Arizona reducing state-provided revenues by over \$4,000, the County has allocated funds to absorb the costs associated with this lost revenue. Overall, the County budget has increased for fiscal year 2003-2004 by \$42,000 as follows:

- Expenditures for the General Fund are expected to increase by \$18,400 to fund higher employee health insurance premiums, increased costs for behavioral health services, an increase in required payment to the State's County Contribution Fund, increased probation costs, and a decrease in payment to the Arizona Long Term Care System.

- Special Revenue Funds are expected to have expenditures increase by \$2,600, due mostly to an increase in the Transportation Fund's operating and maintenance budget and an increase in the County's mandated contribution to the Arizona State Retirement System. These increases are coupled with various minor decreases throughout the Special Revenue Funds.
- Expenditures within the Debt Service fund are expected to increase by \$5,700 in order to cover payments for bond sales made in fiscal year 2002-2003 as well as costs associated with proposed restructuring of debt in fiscal year 2003-2004.
- Budgeted expenditures for the Capital Projects Fund increased by \$23,400 in alignment with the budget detailed in the County's Capital Improvement Plan.
- The Enterprise Funds' budget increased \$38,900 to cover the expansion of the Wastewater Management system as well as expected increases in costs for Pima Health System and Services related to the award of a five-year acute care contract, increased enrollment under AHCCCS and ALTCS, and rising medical care costs.

Other significant activity affecting the fiscal year 2003-2004 budget include the following:

- The County has budgeted a \$20,000 transfer from the general fund to Kino Community Hospital to cover an estimated loss of \$15,000, increased personnel costs of \$3,000, and required facility improvements of \$2,000.
- The total County tax rate was decreased by \$0.0017.
- Across-the-board departmental reductions averaging 4.5% were adopted.
- Salary increases to County employees were not budgeted for the coming year, as funds were not available to do so while still meeting the requirements of the public.

Request 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 Department, 130 W. Congress, 7th Floor, Tucson, AZ, 85701.



Basic Financial Statements

PIMA COUNTY
STATEMENT OF NET ASSETS

Exhibit A-1

As of June 30, 2003
(in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 61,966	\$ 34,077	\$ 96,043	\$ 10,914
Investments				1,327
Property taxes receivable (net)	10,700		10,700	
Interest receivable	711	63	774	
Internal balances	10,235	(10,235)		
Due from other governments	40,372	3,899	44,271	
Accounts receivable (net)	1,473	17,600	19,073	1,593
Inventories	2,617	3,431	6,048	417
Prepays	3,866	1,209	5,075	212
Other assets	200	848	1,048	1,619
Restricted assets:				
Cash and cash equivalents	141,843	7,902	149,745	3,356
Interest receivable		20	20	
Investments	2,750		2,750	
Regulatory asset				7,812
Deposits with fiscal agents	68		68	
Capital assets (net):				
Land	127,854	12,865	140,719	958
Buildings and improvements	200,966	147,183	348,149	3,397
Sewage conveyance system		264,665	264,665	
Machinery and equipment	32,875	9,507	42,382	771
Infrastructure	79,253		79,253	35,674
Construction in progress	133,185	136,171	269,356	3,154
Total assets	850,934	629,205	1,480,139	71,204
LIABILITIES				
Accounts payable	30,032	22,802	52,834	1,596
Interest payable	23	19	42	534
Contract retentions	643		643	
Employee compensation	30,495	8,809	39,304	
Due to other governments	855	6,099	6,954	
Deposits and rebates	2,890		2,890	168
Deferred revenues	3,998	1,348	5,346	
Noncurrent liabilities:				
Due within one year	50,124	9,235	59,359	2,222
Due in more than one year	325,795	139,908	465,703	49,867
Total liabilities	444,855	188,220	633,075	54,387
NET ASSETS				
Invested in capital assets, net of related debt	272,130	444,590	716,720	2,720
Restricted for:				
Special revenue	29,322		29,322	
Debt service	2,926	1,245	4,171	2,397
Capital projects	35,686	3,008	38,694	455
Wastewater management		3,669	3,669	
Health care		13,217	13,217	
Unrestricted (deficit)	66,015	(24,744)	41,271	11,245
Total net assets	\$ 406,079	\$ 440,985	\$ 847,064	\$ 16,817

See Notes to the Financial Statements

Program Revenues

See Notes to the Financial Statements

PIMA COUNTY

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 19,416	\$ 86,292	\$ 55,551	\$ 161,259
Deposits with fiscal agents			68	68
Investments		6		6
Property taxes receivable (net of allowances for uncollectables)	7,971		2,729	10,700
Interest receivable	83	120	214	417
Due from other funds	21,149	1,653	1,491	24,293
Due from other governments	10,281	2,443	17,514	30,238
Accounts receivable	1,026	9	426	1,461
Inventory			2,298	2,298
Prepaid expenditures	2,349	41	477	2,867
Loan receivable	200			200
Restricted assets		2,744		2,744
Total assets	<u>\$ 62,475</u>	<u>\$ 93,308</u>	<u>\$ 80,768</u>	<u>\$ 236,551</u>
<u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	\$ 8,470	\$ 7,024	\$ 12,336	\$ 27,830
Interest payable	1	15	7	23
Contract retentions		631	12	643
Employee compensation	8,816	39	3,228	12,083
Interfund payable	177		9	186
Due to other funds	2,601	21	11,165	13,787
Due to other governments	623		232	855
Deposits and rebates	132	2,744	14	2,890
General obligation bonds			5	5
Deferred revenues	8,107		4,747	12,854
Total liabilities	<u>28,927</u>	<u>10,474</u>	<u>31,755</u>	<u>71,156</u>
Fund balances:				
Reserved for:				
Inventory			2,298	2,298
Prepaid expenditures	2,349	41	477	2,867
Debt service			3,146	3,146
Capital repairs and refurbishments			75	75
Loan receivable	200			200
Specified programs			705	705
Unreserved, reported in:				
General fund	30,999			30,999
Special revenue funds			42,312	42,312
Capital projects fund		82,793		82,793
Total fund balances	<u>33,548</u>	<u>82,834</u>	<u>49,013</u>	<u>165,395</u>
Total liabilities and fund balances	<u>\$ 62,475</u>	<u>\$ 93,308</u>	<u>\$ 80,768</u>	<u>\$ 236,551</u>

See Notes to the Financial Statements

PIMA COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2003
(in thousands)

Exhibit A-4

Fund balances - total governmental funds		\$ 165,395
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 654,808	
Less accumulated depreciation	<u>(97,413)</u>	557,395
Certain receivables are not available to pay for current period expenditures and therefore are not reported in the governmental funds		
Due from other governments	10,061	
Other	<u>179</u>	10,240
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds payable	(313,291)	
Loans and leases payable	(35,109)	
Certificates of participation payable	(1,560)	
Employee compensation	<u>(17,746)</u>	(367,706)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements		8,856
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 assets		31,899
Net assets of governmental activities		<u><u>\$ 406,079</u></u>

See Notes to the Financial Statements

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDSFor the Year Ended June 30, 2003
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 194,552		\$ 63,823	\$ 258,375
Special assessments			1,023	1,023
Licenses and permits	2,010		4,077	6,087
Intergovernmental	112,530	\$ 4,642	128,206	245,378
Charges for services	23,750	3,683	8,288	35,721
Fines and forfeits	4,111		936	5,047
Interest	1,015	1,242	1,895	4,152
Miscellaneous	2,884	1,344	6,128	10,356
Total revenues	340,852	10,911	214,376	566,139
Expenditures:				
Current:				
General government	110,813		21,603	132,416
Public safety	90,375		36,780	127,155
Highways and streets			26,741	26,741
Health	2,762		21,267	24,029
Welfare	84,130		108	84,238
Culture and recreation	12,858		12,356	25,214
Education and economic opportunity	4,812		30,245	35,057
Capital outlay		97,147		97,147
Debt service - principal	1,550		43,994	45,544
- interest	1,613		14,082	15,695
- miscellaneous	4		20	24
Total expenditures	308,917	97,147	207,196	613,260
Excess (deficiency) of revenues over (under) expenditures	31,935	(86,236)	7,180	(47,121)
Other financing sources (uses):				
Issuance cost on bonds		(163)		(163)
Premium on bonds		410		410
Capital leases			177	177
Proceeds from sale of capital assets		1	36	37
Face amount of long-term debt		85,000		85,000
Transfers in	10,822	38,200	29,435	78,457
Transfers (out)	(38,621)	(392)	(54,584)	(93,597)
Total other financing sources (uses)	(27,799)	123,056	(24,936)	70,321
Extraordinary item:				
Loss from State Treasurer's Local Government Investment Pool	(1,730)	(979)	(3,528)	(6,237)
Net change in fund balances	2,406	35,841	(21,284)	16,963
Fund balance at beginning of year	31,142	46,993	69,668	147,803
Change in reserve for inventory			629	629
Fund balance at end of year	\$ 33,548	\$ 82,834	\$ 49,013	\$ 165,395

See Notes to the Financial Statements

PIMA COUNTY
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, 2003
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds \$ 16,963

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	\$ 74,133	
Less current year depreciation	<u>(10,995)</u>	63,138

The issuance of long-term debt (e.g., bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds report
the effect of issuance costs, 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	(85,000)	
Debt service - principal payments	45,544	
Premium on bonds	(410)	
Capital leases	(177)	
Deferred bond issue costs	163	
Amortization expense	<u>(361)</u>	(40,241)

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

Tax revenues	462	
Other	<u>5,187</u>	5,649

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	(311)	
Loss on disposal of capital assets	(833)	
Change in reservation of fund balances	<u>629</u>	(515)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. A portion of the net revenue of the internal service funds is
reported with governmental activities (683)

Change in net assets of governmental activities	<u>\$ 44,311</u>	
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See Notes to the Financial Statements

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2003
 (in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 23,748	\$ 966	\$ 9,363	\$ 34,077	\$ 42,549
Interest receivable	36	7	20	63	115
Interfund receivables	299			299	
Due from other funds	2,002	2	197	2,201	
Due from other governments	3,612	287		3,899	73
Accounts receivable	10,706	6,860	34	17,600	12
Inventory	820	2,611		3,431	318
Prepaid expense	1,064	129	16	1,209	998
Total current assets	42,287	10,862	9,630	62,779	44,065
Noncurrent assets:					
Restricted:					
Cash and cash equivalents		7,902		7,902	
Interest receivable		20		20	
Total restricted assets		7,922		7,922	
Capital assets:					
Land and other improvements	250	11,958	657	12,865	592
Buildings and improvements	29,388	216,424	12,927	258,739	462
Sewage conveyance system		399,747		399,747	
Equipment	9,896	16,983	969	27,848	28,171
Less accumulated depreciation	(28,640)	(229,299)	(7,040)	(264,979)	(12,487)
Construction in progress		136,171		136,171	
Total capital assets (net of accumulated depreciation)	10,894	551,984	7,513	570,391	16,738
Deferred financing costs		848		848	
Total noncurrent assets	10,894	560,754	7,513	579,161	16,738
Total assets	53,181	571,616	17,143	641,940	60,803
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	14,163	8,372	267	22,802	2,202
Employee compensation	4,846	3,147	816	8,809	663
Interest payable	7	12		19	
Interfund payable					113
Due to other funds	1,736	10,967	2	12,705	2
Due to other governments	5,947		152	6,099	
Deferred revenues	1	1,347		1,348	
Current portion of sewer revenue bonds		4,965		4,965	
Current portion of wastewater loans payable		4,270		4,270	
Current portion reported but unpaid losses					2,996
Current portion incurred but not reported losses					2,973
Total current liabilities	26,700	33,080	1,237	61,017	8,949
Noncurrent liabilities:					
Contracts and notes		6,849		6,849	
Landfill closure payable		15,645		15,645	
Sewer revenue bonds		58,133		58,133	
Wastewater loans payable		59,281		59,281	
Reported but unpaid losses					10,031
Incurred but not reported losses					9,954
Total noncurrent liabilities		139,908		139,908	19,985
Total liabilities	26,700	172,988	1,237	200,925	28,934
<u>Net assets</u>					
Invested in capital assets, net of related debt	10,894	426,183	7,513	444,590	16,738
Restricted for:					
Debt service		1,245		1,245	
Capital projects		3,008		3,008	
Wastewater management		3,669		3,669	
Health care	13,217			13,217	
Unrestricted	2,370	(35,477)	8,393	(24,714)	15,131
Total net assets	\$ 26,481	\$ 398,628	\$ 15,906	441,015	\$ 31,869

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

(30)

Net assets of business-type activities

\$ 440,985

See Notes to the Financial Statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDSFor the Year Ended June 30, 2003
(in thousands)

	Business-type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds		
Operating revenues:					
Net patient services	\$ 195,872			\$ 195,872	
Charges for services		\$ 51,346	\$ 9,877	61,223	\$ 28,751
Other (including \$23,799 in disproportionate share settlement)	28,307	871	168	29,346	750
Reimbursement of disproportionate share settlement	(23,518)			(23,518)	
Total net operating revenues	200,661	52,217	10,045	262,923	29,501
Operating expenses:					
Employee compensation	59,040	25,378	6,406	90,824	5,885
Medical claims	127,235			127,235	
Operating supplies and services	7,889	5,228	747	13,864	4,293
Utilities	1,328	1,977	270	3,575	
Sludge and refuse disposal		2,242		2,242	
Repair and maintenance	1,446	5,105	250	6,801	78
Landfill closure and postclosure care costs		1,078		1,078	
Incurred losses					7,036
Insurance premiums					4,822
General and administrative	9,931	8,026	1,141	19,098	4,183
Consultants and professional services	13,434	3,646	471	17,551	635
Depreciation and amortization	1,385	16,670	442	18,497	1,942
Total operating expenses	221,688	69,350	9,727	300,765	28,874
Operating income (loss)	(21,027)	(17,133)	318	(37,842)	627
Nonoperating revenues (expenses):					
Grants	4,605	304		4,909	
Shared State tax revenue		959		959	
Interest income	575	1,014	138	1,727	729
Sewer connection fees		20,280		20,280	
Interest expense	(163)	(5,271)		(5,434)	
Loss on disposal of capital assets	(119)	(213)	(6)	(338)	(910)
Amortization of deferred charges		(89)		(89)	
Total nonoperating revenues (expenses):	4,898	16,984	132	22,014	(181)
Income (loss) before contributions, transfers and extraordinary item:	(16,129)	(149)	450	(15,828)	446
Capital contributions	1,819	13,702		15,521	
Extraordinary item:					
Loss from State Treasurer's Local Government Investment Pool	(1,164)	(1,263)	(246)	(2,673)	(1,210)
Transfers in	23,065			23,065	202
Transfers (out)	(7,993)		(134)	(8,127)	
Change in net assets	(402)	12,290	70	11,958	(562)
Net assets at beginning of year	26,883	386,338	15,836	429,057	32,431
Net assets at end of year	\$ 26,481	\$ 398,628	\$ 15,906	441,015	\$ 31,869

Some amounts reported for *business-type activities* in the statement of activities are different because a portion of the net revenue of certain internal service funds is reported with business-type activities.

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Change in net assets of business-type activities

\$ 12,079

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDSFor the Year Ended June 30, 2003
(in thousands)

	Pima Health Care System	Wastewater Management	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	\$ 6,472		\$ 627	\$ 7,099	\$ 28,755
Cash received from customers for goods and services provided	193,411	\$ 51,599	9,880	254,890	
Cash received from miscellaneous operations	2,938	2,449	148	5,535	693
Cash payments to suppliers for goods and services	(156,235)	(19,752)	(1,650)	(177,637)	(11,317)
Cash payments to other funds for goods and services	(3,489)	(8,815)	(2,383)	(14,687)	(2,232)
Cash payments for incurred losses					(9,194)
Cash payments to employees for services	(58,494)	(24,873)	(5,958)	(89,325)	(5,819)
Net cash provided by (used) for operating activities	(15,397)	608	664	(14,125)	886
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(176)			(176)	
Transfers in	21,065			21,065	202
Transfers out	(7,993)		(134)	(8,127)	
Loan payments from other funds		75	2,238	2,313	2,211
Proceeds of loans from other funds	1,736	10,907		12,643	
Loan payments to other funds	(12,574)		(10)	(12,584)	(2)
Shared State tax revenues		958		958	
Grant revenues	4,211	304		4,515	
Net cash provided for noncapital financing activities	6,269	12,244	2,094	20,607	2,411
Cash flows from capital and related financing activities:					
Proceeds of loans		9,746		9,746	
Principal paid on bonds and loans		(8,887)		(8,887)	
Interest paid on bonds and loans		(4,742)		(4,742)	
Sewer connection fees		19,701		19,701	
Proceeds from sale of capital assets					440
Purchase of capital assets	(561)	(59,228)	(71)	(59,860)	(5,618)
Net cash used for capital and related financing activities	(561)	(43,410)	(71)	(44,042)	(5,178)
Cash flows from investing activities:					
Interest received on cash and investments	568	1,125	142	1,835	749
Loss from State Treasurer's Local Government Investment Pool	(1,164)	(1,263)	(246)	(2,673)	(1,210)
Net cash used for investing activities	(596)	(138)	(104)	(838)	(461)
Net increase (decrease) in cash and cash equivalents	(10,285)	(30,696)	2,583	(38,398)	(2,342)
Cash and cash equivalents at beginning of year	34,033	39,564	6,780	80,377	44,891
Cash and cash equivalents at end of year	\$ 23,748	\$ 8,868	\$ 9,363	\$ 41,979	\$ 42,549

(Continued)

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2003
 (in thousands)
 (Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	\$ (21,027)	\$ (17,133)	\$ 318	\$ (37,842)	\$ 627
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,385	16,670	442	18,497	1,942
Provision for doubtful accounts	6,203			6,203	
Landfill closure and postclosure care costs		1,078		1,078	
Decrease (increase) in accounts receivable	(3,328)	1,497	(17)	(1,848)	(69)
Decrease in interfund receivables	500			500	
Decrease (increase) in inventory and other assets	(732)	233	(15)	(514)	(461)
Increase (decrease) in accounts payable	(3,025)	(2,237)	(84)	(5,346)	1,071
(Decrease) in interfund payables	(23)	(5)		(28)	
(Decrease) in reported but unpaid losses					(3,975)
Increase in incurred but not reported losses					1,817
Increase (decrease) in other current liabilities	4,650	505	20	5,175	(66)
Net cash provided by (used) for operating activities	\$ (15,397)	\$ 608	\$ 664	\$ (14,125)	\$ 886

Noncash investing, capital, and financing activities during the year ended June 30, 2003:

Wastewater Management Enterprise Fund retired capital assets with a net book value of \$213.

Wastewater Management Enterprise Fund received capital assets with a net book value of \$1,129 from the Other Internal Service Funds.

Wastewater Management Enterprise Fund was contributed developer built conveyance systems with estimated fair values totaling \$12,473. These contributions were recorded as an increase in capital assets and capital contributions (a noncash transaction).

Wastewater Management Enterprise Fund received capital assets with a net book value of \$99 from the Capital Projects Fund.

Pima Health Care System Enterprise Fund retired equipment with a net book value of \$119.

Pima Health Care System Enterprise Fund received equipment from the Capital Projects Fund with a net book value of \$1,813 and received donated equipment valued at \$6.

Other Enterprise Funds disposed of capital assets with a net book value of \$6.

Other Internal Service Funds retired equipment with a net book value of \$221.

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
Fiduciary Funds
June 30, 2003
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 122,905	\$ 33,584
Interest receivable	272	
Due from other governments		3,978
Total assets	<u>123,177</u>	<u>37,562</u>
LIABILITIES		
Employee compensation		2,522
Due to other governments		13,531
Deposits and rebates		21,509
Total liabilities		<u>\$ 37,562</u>
NET ASSETS		
Held in trust for pool participants	<u>\$ 123,177</u>	

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Fiduciary Funds
For the Year Ended June 30, 2003
(in thousands)

Exhibit A-11

	Investment Trust Funds
ADDITIONS	
Contributions from participants	\$ 1,832,528
Total contributions	<u>1,832,528</u>
Investment interest earnings	3,133
Total investment earnings	<u>3,133</u>
Total additions	<u>1,835,661</u>
DEDUCTIONS	
Distributions to participants	1,875,271
Total deductions	<u>1,875,271</u>
Change in net assets	(39,610)
Net assets held in trust July 1, 2002	162,787
Net assets held in trust June 30, 2003	<u><u>\$ 123,177</u></u>

See Notes to the Financial Statements

PIMA COUNTY
COMBINING STATEMENT OF NET ASSETS
Component Units
June 30, 2003
(in thousands)

Exhibit A-12

	Metropolitan Domestic Water Improvement District	Marana Domestic Water Improvement District	Southwestern Fair Commission	Total
ASSETS				
Cash and cash equivalents	\$ 9,938	\$ 164	\$ 812	\$ 10,914
Investments	1,327			1,327
Accounts receivable (net)	1,504	61	28	1,593
Inventories	377	3	37	417
Prepays	192		20	212
Other assets	1,596	14	9	1,619
Restricted assets:				
Cash and cash equivalents	3,345	11		3,356
Regulatory asset	7,812			7,812
Capital assets (net):				
Land	950	8		958
Buildings and improvements	1,749	2	1,646	3,397
Machinery and equipment	561	15	195	771
Water system	34,702	972		35,674
Construction in progress	2,785	369		3,154
Total assets	66,838	1,619	2,747	71,204
LIABILITIES				
Accounts payable	1,409	18	169	1,596
Deposits and rebates	139	17	12	168
Payable from restricted assets	534			534
Noncurrent liabilities:				
Due within one year:				
Contracts and notes	105	26	104	235
Revenue bonds	1,980	7		1,987
Due in more than one year:				
Contracts and notes	1,716	1,107	533	3,356
Revenue bonds	46,184	327		46,511
Total liabilities	52,067	1,502	818	54,387
NET ASSETS				
Invested in capital assets, net of related debt	1,603	(87)	1,204	2,720
Restricted for:				
Debt service	2,386	11		2,397
Capital projects	425		30	455
Unrestricted	10,357	193	695	11,245
Total net assets	\$ 14,771	\$ 117	\$ 1,929	\$ 16,817

See Notes to the Financial Statements

PIMA COUNTY
 COMBINING STATEMENT OF ACTIVITIES
 Component Units
 For the Year Ended June 30, 2003
 (in thousands)

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	MDWID	MARANA	SFC	Total
Metropolitan Domestic Water Improvement District (MDWID)							
Operations	\$ 9,817	\$ 10,712		\$ 895		\$	895
Total MDWID	<u>9,817</u>	<u>10,712</u>		<u>895</u>			<u>895</u>
Marana Domestic Water Improvement District (MARANA)							
Operations	395	481	\$ 45	\$	131		131
Total Marana	<u>395</u>	<u>481</u>	<u>45</u>		<u>131</u>		<u>131</u>
Southwestern Fair Commission (SFC)							
Operations	4,642	4,513	88		\$	(41)	(41)
Total SFC	<u>4,642</u>	<u>4,513</u>	<u>88</u>			<u>(41)</u>	<u>(41)</u>
Total component units	<u>\$ 14,854</u>	<u>\$ 15,706</u>	<u>\$ 133</u>	<u>895</u>	<u>131</u>	<u>(41)</u>	<u>985</u>
General revenues:							
Investment earnings				369			369
Miscellaneous				272		115	387
Capital Contributions				1,005			1,005
Extraordinary Item: Loss from State Treasurer's Local Government Investment Pool				(432)			(432)
Total general revenues and extraordinary item				<u>1,214</u>		<u>115</u>	<u>1,329</u>
Change in net assets				2,109	131	74	2,314
Net assets at beginning of year, as restated				12,661	(13)	1,855	14,503
Net assets at end of year	<u>\$ 14,770</u>	<u>\$ 118</u>	<u>\$ 1,929</u>	<u>\$ 16,817</u>			

See Notes to the Financial Statements

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County 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 financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined 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 Municipal Property Corporation (MPC) is a nonprofit corporation created by the Pima County Board of Supervisors to assist in the development of the County, among other things, by acquiring, constructing and improving any facilities, including real property and improvements and personal property, entirely for use by the County. The Corporation undertook its first bond issue in October, 1992. The Corporation is governed by a five-member board elected by the Pima County Board of Supervisors to one-year terms. The Corporation is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the MPC can be obtained from the Pima County Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District comprises the same individuals who constitute the Pima County Board of Supervisors. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the 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 Finance Department 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 Board of Directors is the Pima County Board of Supervisors. The terms of the Board are determined by the actual time one is a Pima County Supervisor. The Library District and the City of Tucson have had intergovernmental agreements to provide library services since 1986. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Financial information for the District is presented in the Combining Statements and Other Schedules – Other (Non-major) Governmental Funds on pages 88-91 of this report.

The Pima County Flood Control District was established June 5, 1978, and became operational on July 1, 1978. To comply with federal law, the State of Arizona enacted the Floodplain Management Act of 1973. This act authorized the counties in Arizona to adopt rules and regulations concerning the management of floodplain areas. The State of Arizona subsequently authorized flood control districts to levy taxes on real property to finance district-operating expenses. The district is responsible for floodplain management activities for the unincorporated areas of Pima

PIMA COUNTY

Notes to Financial Statements

June 30, 2003

(in thousands)

County (excepting the national forests, parks, monuments and Indian Nations) and 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 Flood Control 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 Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

The Metropolitan Domestic Water Improvement District (MDWID) of Pima County, a legally separate entity, was formed by the Pima County Board of Supervisors on July 7, 1992. The initial Board of Directors of the District was comprised of five members appointed by the Pima County Board of Supervisors to varying terms. In November 1994, three members were elected to four-year terms. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County sitting as the board of directors of a county improvement district that are not in conflict with the provisions of the law. The Pima County Board of Supervisors may review all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 6265 North La Canada Drive, Tucson, Arizona 85704.

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

The Marana Domestic Water Improvement District (MARANA) of Pima County is a municipal corporation organized in 1997 under the laws of Arizona. It is a public service corporation authorized to engage in the sale of water for commercial and domestic use. The Board of Directors of the District are appointed by the Pima County Board of Supervisors. The Board of Directors of the District has all the powers and duties of the Board of Supervisors of Pima County, as the board of directors of a County improvement district that are not in conflict with the provisions of the law. The Pima County Supervisors may review and shall have veto authorization over all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. If this should occur, the Pima County Board of Supervisors would govern the District. Based on these factors, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 16560 W. El Tiro Road, P.O. Box 518, Marana, Arizona 85653-0518.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based 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.

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

Government-wide statements - provide information about the primary government (Pima County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

- Charges for services (fines and forfeitures, licenses and permits, and special assessments).
- Operating grants and contributions.
- Capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues. The net effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

Fund-based 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-based 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 non-major funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with each fund's principal activity in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as non-operating revenues.

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 Capital Projects Fund - accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Pima Health Care System - provides health care services through Kino Hospital, Pima Health System, and Home Health including inpatient hospital care and outpatient clinical care for medical and psychiatric problems, indigent health care under the Arizona Health Care Cost Containment System (AHCCCS), an alternative to Medicaid, home health services and long-term nursing care.

Wastewater Management Fund - accounts for the management and operation of wastewater treatment, water pollution control programs, and solid waste management throughout the County.

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

The County reports the following fund types:

Internal service funds – account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis. These funds account for automotive maintenance and operation, insurance, printing and graphics, and telecommunications services.

Investment trust funds – account for assets held by the County Treasurer in an external investment pool and individual investment accounts for the benefit of outside jurisdictions.

Agency funds – account for the assets held by the County as an agent for individuals, private organizations or other governmental units. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

C. Basis of Accounting

The government-wide and proprietary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. 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 imposed by the provider have been met.

Governmental funds in the fund-based 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 measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after 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, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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 assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

D. Cash and Investments

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity 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 time of purchase are stated at amortized cost. All other investments are stated at fair value.

If an individual fund has a deficit balance in the amount on deposit with the County Treasurer at year-end, that balance is reclassified as an amount due to other funds.

E. Inventories

Inventories of the governmental funds 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 are offset by a fund balance reserve 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:

- Pima Health Care System, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.
- Wastewater Management, an enterprise fund, are valued at lower of cost or market, cost being determined using the moving average method.
- Automotive Services, an internal service fund, are valued at the lower of cost or market, cost being determined using the moving average method.

F. Property Tax Calendar

The County levies real 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.

Personal property taxes are also levied on or before the third Monday in August and 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.

Excluding component units, capitalization thresholds, depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Buildings and building improvements	All	Straight Line	7 to 40 Years
Equipment	\$ 5	Straight Line	3 to 25 Years
Automotive service vehicles	\$ 5	Units of Production Based on number of hours or miles	5 to 15 Years
Infrastructure	\$100	Straight Line	20 to 50 Years
Land improvements	\$100	Straight Line	20 to 25 Years
Wastewater sewer conveyance	\$ 20	Straight Line	20 to 50 Years
Wastewater treatment facilities, transfer stations and other property and equipment	\$ 20	Straight Line	50 Years

H. Investment Income

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

I. Compensated Absences

Compensated absences consist 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 upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees, however an estimate is made for non-vested sick leave. For employees who have twenty or more years of continuous service with the County or who have a combined total of age and years of service equal to eighty points, and who retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan, sick leave benefits do vest and, therefore, are accrued.

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

NOTE 2: NET ASSET BEGINNING BALANCES RESTATED

The beginning governmental activities and business-type activities net asset balances are being restated due to an error in the calculation of the internal balances from the Internal Services Fund assets, liabilities and net revenues which were included in the business-type activities in the prior year.

	Governmental Activities	Business-type Activities
Net assets-June 30, 2002, as previously reported	\$ 358,237	\$ 432,437
Correction of error	3,531	(3,531)
Net assets, July 1, 2002, as restated	<u>\$ 361,768</u>	<u>\$ 428,906</u>

The beginning discretely presented component units' net asset balance was restated by \$(13) to include the Marana Domestic Water Improvement District. Although this District should have been included in the prior year, its financial information was immaterial and unaudited, and therefore not included. The discretely presented component units were therefore restated this fiscal year to include this District.

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; and bonds of the State of Arizona or any of its counties, cities, towns, school districts as specified by statute. State statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the various states and their municipalities, school districts and special districts. At least monthly, the Treasurer's Office determines that the collateral is adequate to cover the deposits by calculating the lower amount of par or fair value of individual securities pledged as collateral.

Most cash, including amounts held in trust and agency capacity for other entities, is deposited with the County Treasurer who invests the pooled balances on a short-term basis. Interest received is allocated monthly, on the basis of average daily cash balances, to separate districts and to various County funds. The County Treasurer also maintains discrete deposit and investment accounts for various funds and other entities. Deposits and investments are displayed on the financial statements as cash and cash equivalents, deposits with fiscal agents, investments, and restricted assets.

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.

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

Deposits—At June 30, 2003, the investment pool had cash on hand of \$4. The carrying amount of the pool's total cash in bank was \$26,369 and the bank balance was \$38,398. Of the bank balance, \$100 was covered by federal depository insurance and \$38,298 was covered by collateral held by the pledging financial institution's agent in the County's name.

Investments—At June 30, 2003, the County Treasurer's Investment Pool's investments consisted of \$226,213 invested in the State Treasurer's Investment Pool. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date.

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

Statement of Net Assets

Net assets held in trust for:	
Internal participants	\$ 149,303
External participants	103,469
Total Liabilities	<u>\$ 0</u>
Total net assets held in trust	<u>\$ 252,772</u>

Statement of Changes in Net Assets

Total additions	\$ 4,851,230
Total deductions	<u>(4,880,720)</u>
Net decrease	(29,490)
Net assets held in trust:	
July 1, 2002	<u>282,262</u>
June 30, 2003	<u>\$ 252,772</u>

Other Cash and Investments—At June 30, 2003, the total nonpooled cash on hand was \$53. The carrying amount of the total nonpooled cash in bank was \$19,557, and the bank balance was \$20,374. Of the bank balance, \$16,408 was covered by federal depository insurance; \$3,129 was covered by collateral held by the pledging financial institution's agent in the County's name; and \$837 was uninsured and uncollateralized.

Deposits held in escrow total \$5,731. They are not reflected in a risk category.

The County's nonpooled investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered in the County's name or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent, but not in the County's name. The County's investment in the

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

State Treasurer's Investment Pool represents shares of the pool's portfolio. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Investment Type	Category			Reported Amount	Fair Value
	1	2	3		
U.S. Government Issues	\$ 0	\$ 0	\$ 1,646	\$ 1,646	\$ 1,646
State Treasurer's Investment Pool				125,522	125,522
Total				\$ 127,168	\$ 127,168

A reconciliation of financial statement amounts to amounts disclosed within this footnote is as follows:

Basic Financial Statements:

Government-Wide Statement of Net Assets:

Cash and cash equivalents	\$ 96,043
Restricted assets:	
Cash & cash equivalents	149,745
Investments	2,750
Deposits with fiscal agents	68

Statement of Fiduciary Net Assets:

Investment Trust Funds	122,905
Agency Funds	33,584

Total	\$ 405,095
-------	------------

Note 3

Cash in bank and on hand	\$ 45,983
Deposits held in escrow	5,731
County Treasurer's Investment Pool	226,213
Other Investments	127,168
Total	\$ 405,095

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

DISCRETELY PRESENTED COMPONENT UNITS

Metropolitan Domestic Water Improvement District (MDWID)— At June 30, 2003, MDWID's cash deposits had a carrying balance of \$1,213 and a corresponding bank balance of \$1,234. Of the bank balance \$440 was covered by federal depository insurance and the remaining amount, with the exception of operating cash accounts, was fully insured or collateralized with securities held by MDWID or its agents in MDWID's name.

The MDWID cash and cash equivalents also include \$1,850 in operating funds held by the Pima County Treasurer, which represent a portion of the Pima County Treasurer investment pool portfolio for the year ended June 30, 2003; \$9,091 deposited with the State of Arizona Treasurer; and \$1,129 in money market funds. These deposits are not subject to custodial credit risk. At June 30, 2003, MDWID's investments had a fair value of \$1,327. These investments were with federally insured agencies and were considered custodial credit risk category 1, indicating they were insured or registered in MDWID's name or the securities were held by MDWID or its agent in MDWID's name.

Marana Domestic Water Improvement District —At June 30, 2003, the district's cash and cash equivalents were \$175 and included cash on hand and amounts held by the Pima County Treasurer.

Southwestern Fair Commission—At June 30, 2003, the commission's \$812 of cash and cash equivalents consisted of deposits with financial institutions, of which \$500 was uninsured and uncollateralized.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Governmental Activities:

	General	Capital Projects Fund	Other Government Funds	Internal Service Funds	Total Government Activities
Federal government:					
Grants and contributions	\$ 250	\$ 656	\$ 11,034	\$ 22	\$ 11,962
State of Arizona:					
Taxes and shared revenues	15,594		1,162		16,756
Grants and contributions		690	8,177	38	8,905
Reimbursement for services			38		38
City of Tucson:					
Reimbursement for services	965	1,097	242		2,304
Due from other governments:					
Reimbursement for services	274		120	13	407
Due from other governments					
Statement of Net Assets					\$ 40,372
Amount unavailable and therefore not accrued in government funds	(6,802)		(3,259)		
Total due from other governments- fund based statements	\$ 10,281	\$ 2,443	\$ 17,514	\$ 73	

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

Business-type Activities:

	Pima Health Care System	Wastewater Management	Business – type Activities Total
Federal Government:			
Grants and contributions	\$ 382	\$ 87	\$ 469
State of Arizona:			
Grants and contributions	3,230	200	3,430
Total due from other Governments	\$ 3,612	\$ 287	\$ 3,899

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended
June 30, 2003, was as follows:

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 113,175	\$ 14,679	\$	\$ 127,854
Construction in progress	164,511	59,694	(91,020)	133,185
Total capital assets not being depreciated	277,686	74,373	(91,020)	261,039
Capital assets being depreciated:				
Buildings and improvements	255,878	14,266	(1,079)	269,065
Infrastructure	7,072	72,549		79,621
Equipment	67,515	12,167	(5,374)	74,308
Total capital assets being depreciated	330,465	98,982	(6,453)	422,994
Less accumulated depreciation for:				
Buildings and improvements	(62,627)	(5,681)	209	(68,099)
Infrastructure		(368)		(368)
Equipment	(39,778)	(6,888)	5,233	(41,433)
Total accumulated depreciation	(102,405)	(12,937)	5,442	(109,900)
Total capital assets being depreciated, net	228,060	86,045	(1,011)	313,094
Governmental activities capital assets, net	\$ 505,746	\$ 160,418	\$ (92,031)	\$ 574,133

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,766	\$ 99	\$	\$ 12,865
Construction in progress	73,887	62,686	(402)	136,171
Total capital assets not being depreciated	<u>86,653</u>	<u>62,785</u>	<u>(402)</u>	<u>149,036</u>
Capital assets being depreciated:				
Buildings and improvements	257,224	2,219	(704)	258,739
Sewer conveyance system	386,817	12,930		399,747
Equipment	26,432	3,043	(1,628)	27,847
Total capital assets being depreciated	<u>670,473</u>	<u>18,192</u>	<u>(2,332)</u>	<u>686,333</u>
Less accumulated depreciation for:				
Buildings and improvements	(104,163)	(8,035)	642	(111,556)
Sewer conveyance system	(126,622)	(8,460)		(135,082)
Equipment	(17,410)	(2,282)	1,352	(18,340)
Total accumulated depreciation	<u>(248,195)</u>	<u>(18,777)</u>	<u>1,994</u>	<u>(264,978)</u>
Total capital assets being depreciated, net	<u>422,278</u>	<u>(585)</u>	<u>(338)</u>	<u>421,355</u>
Business-type activities capital assets, net	<u>\$ 508,931</u>	<u>\$ 62,200</u>	<u>\$ (740)</u>	<u>\$ 570,391</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 2,921
Public safety	3,046
Highway and streets	659
Health	307
Welfare	9
Culture and recreation	2,975
Education and economic opportunity	258
Unallocated	820
Internal service funds	1,942
Total governmental activities depreciation	<u>\$ 12,937</u>

Business-type activities:

Health plans	\$ 1,385
Parking garages	340
Wastewater management	16,670
Development services	102
Total business-type activities depreciation	<u>\$ 18,497</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

	Balance July 1, 2002	Increases	Decreases	Balance June 30, 2003
Discretely presented component units:				
Metropolitan Domestic Water Improvement District (MDWID):				
Capital assets not being depreciated:				
Land	\$ 950			\$ 950
Construction in progress	2,061	\$ 3,362	\$ (2,638)	2,785
Total capital assets not being depreciated	3,011	3,362	(2,638)	3,735
Capital assets being depreciated:				
Buildings and improvements	1,799	183		1,982
Water systems	37,412	3,523	(275)	40,660
Equipment	1,974	65	(30)	2,009
Total capital assets being depreciated	41,185	3,771	(305)	44,651
Less accumulated depreciation for:				
Buildings and improvements	(131)	(102)		(233)
Water systems	(5,058)	(985)	85	(5,958)
Equipment	(1,266)	(212)	30	(1,448)
Total accumulated depreciation	(6,455)	(1,299)	115	(7,639)
Total capital assets, being depreciated, net	34,730	2,472	(190)	37,012
MDWID capital assets, net	37,741	5,834	(2,828)	40,747
 Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	3,492	39		3,531
Equipment	1,325	85	(43)	1,367
Total capital assets being depreciated	4,817	124	(43)	4,898
Less accumulated depreciation for:				
Buildings and improvements	(1,676)	(209)		(1,885)
Equipment	(1,170)	(45)	43	(1,172)
Total accumulated depreciation	(2,846)	(254)	43	(3,057)
Total capital assets being depreciated, net	1,971	(130)		1,841
SFC capital assets, net	1,971	(130)		1,841

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Marana Domestic Water Improvement District (Marana):				
Capital assets not being depreciated:				
Land	3	5		8
Construction in progress		369		369
Total capital assets not being depreciated	<u>3</u>	<u>374</u>		<u>377</u>
Capital assets being depreciated:				
Capital assets being depreciated:				
Buildings and improvements	2			2
Water systems	1,150			1,150
Equipment	18	3		21
Total capital assets being depreciated	<u>1,170</u>	<u>3</u>		<u>1,173</u>
Less accumulated depreciation for:				
Buildings and improvements				
Water systems	(109)	(69)		(178)
Equipment	(3)	(3)		(6)
Total accumulated depreciation	<u>(112)</u>	<u>(72)</u>		<u>(184)</u>
Total capital assets, being depreciated, net	<u>1,058</u>	<u>(69)</u>		<u>989</u>
Marana capital assets, net	<u>1,061</u>	<u>305</u>		<u>1,366</u>
Discretely presented component units capital assets, net	<u>\$ 40,773</u>	<u>\$ 6,009</u>	<u>\$ (2,828)</u>	<u>\$ 43,954</u>

NOTE 6: CLAIMS, JUDGMENTS and RISK MANAGEMENT

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.

Wastewater Management

The County has entered into settlement negotiations with Arizona Department of Environmental Quality (ADEQ) to resolve litigation associated with the cleanup of the Camino del Cerro landfill. Cleanup expenses have been incurred and include a soil vapor extraction system, a series of drainage improvements, re-grade landfill cap and groundwater remediation. The liability is not presented within the financial statements because the outcome of the settlement negotiations is uncertain. However, cleanup costs could total \$3,600 and county management plans to finance the cost of any such settlement through future bond issues.

PIMA COUNTY

Notes to Financial Statements

June 30, 2003

(in thousands)

As a result of a major sewer line failure, the County Wastewater Management Department has received a Notice of Violation from the ADEQ that could result in various penalties, fines or remediation requirements. The County is in negotiation with ADEQ and it is too early to speculate on a possible settlement agreement or the resulting financial impact of any such agreement.

Other

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 losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. Losses accounted for include reported and paid, reported but unpaid, and incurred but not reported. All liabilities of the Fund except for environmental losses are reported at their present value using an expected future investment yield assumption of four percent. 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.

All funds of the County participate in the Fund. With the exception of environmental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish some reserve for catastrophic losses. That reserve was estimated to be \$500 at June 30, 2003, and is included in the Fund net assets. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available.

The claims liability of \$25,954 reported in the Fund at June 30, 2003, 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.

	<u>2003</u>	<u>2002</u>
Claims liability balance—beginning	\$28,112	\$ 26,250
Current year claims and changes in estimates	7,036	8,912
Claims payments	<u>(9,194)</u>	<u>(7,050)</u>
Claims liability balance—ending	<u>\$25,954</u>	<u>\$ 28,112</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(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, 2003.

	Balance July 1, 2002 As restated	Additions	Reductions	Balance July 1, 2003	Due within 1 year
Governmental activities:					
General obligation bonds	\$183,085	\$50,000	\$32,805	\$200,280	\$27,390
Plus deferred premium	296	356	251	401	28
Less deferred bond issuance cost	(173)	(90)	(136)	(127)	(9)
Total general obligation bonds	183,208	50,266	32,920	200,554	27,409
Flood control bonds	5,330		745	4,585	780
Plus deferred premium	18		18		
Less deferred bond issuance cost	(49)		(49)		
Total flood control bonds	5,299		714	4,585	780
Transportation revenue bonds	79,000	35,000	8,535	105,465	10,215
Plus deferred premium	206	54	24	236	25
Less deferred bond issuance cost	(106)	(73)	(19)	(160)	(16)
Total transportation revenue bonds	79,100	34,981	8,540	105,541	10,224
Lease revenue bonds	825		330	495	155
Special assessment bonds with governmental commitment	2,506		385	2,121	385
Certificates of participation payable	3,045		1,485	1,560	1,560
Loans and Leases:					
Transportation loans payable	5,100		1,040	4,060	1,040
Capital leases payable:					
Jail capital lease	31,420		965	30,455	2,310
Other capital leases	1,176	177	759	594	292
Total capital leases	32,596	177	1,724	31,049	2,602
Total loans and leases	37,696	177	2,764	35,109	3,642
Reported but unpaid losses (Note 6)	17,002	5,219	9,194	13,027	2,996
Incurred but not reported losses (Note 6)	11,110	1,817		12,927	2,973
Total governmental activities long-term liabilities	\$339,791	\$92,460	\$56,332	\$375,919	\$50,124

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

	Balance July 1, 2002	Additions	Reductions	Balance July 1, 2003	Due within 1 year
Business-type activities:					
Sewer revenue bonds	\$73,440		\$5,200	\$68,240	\$4,965
Less unamortized deferred amount	(5,629)		(487)	(5,142)	
Total revenue bonds payable	67,811		4,713	63,098	4,965
Wastewater loans payable	57,820	\$9,746	3,687	63,879	4,270
Less unamortized deferred amount	(364)		(36)	(328)	
Total loans payable	57,456	9,746	3,651	63,551	4,270
Landfill closure and post-closure care costs	14,567	1,078		15,645	
Contracts and notes	3,685	4,156	992	6,849	
Total business-type activities long-term liabilities	\$143,519	\$14,980	\$9,356	\$149,143	\$9,235
Discretely presented component units:					
MDWID Revenue Bonds	\$50,055		\$1,335	\$48,720	\$1,980
Less unamortized deferred amount	(540)	(102)	(85)	(557)	
Total revenue bonds	49,515	(102)	1,250	48,163	1,980
MDWID notes payable	\$1,937		\$116	\$1,821	105
Marana Domestic WID bonds		\$335		\$335	\$7
Marana Domestic WID loans payable	\$1,156		\$ 23	1,133	26
Total	1,156	335	23	1,468	33
Southwestern Fair Commission notes payable	\$740		\$103	\$637	\$104
Total discretely presented component units long-term liabilities	\$53,348	\$233	\$1,492	\$52,089	\$2,222

The beginning balances of the governmental activities' General Obligation and Flood Control Bonds were restated to include deferred costs. The deferred costs were recorded as an Other Asset in the prior year. This had no effect on beginning net assets.

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

GENERAL OBLIGATION BONDS OUTSTANDING

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

General obligation bonds payable at June 30, 2003, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$2,919 from the November 2, 1982 bond election and \$64,541 from the May 20, 1997 bond election remains unissued. The table below presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
1993 Refunding	\$64,535	5.00%	2003-04	\$ 11,710
Series of 1998	42,420	4.40 - 5.00%	2003-13	27,625
Series of 1999	50,000	5.00 - 5.125%	2003-14	39,750
Series of 2000	50,000	4.00 - 5.00%	2003-14	41,000
2001 Refunding	17,835	4.00 - 5.00%	2003-09	16,340
Series of 2002	20,000	3.50 - 4.50%	2003-16	14,500
Series of 2003	50,000	3.25 - 4.25%	2003-17	49,350
G.O. bonds outstanding				200,275
Plus deferred premium				401
Less deferred bond issuance cost				127
Plus matured and unredeemed bonds: 1979 Series A				5
Total G.O. bonds outstanding				<u>\$200,554</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 27,385	\$ 8,990
2005	24,610	7,733
2006	23,625	6,604
2007	22,640	5,523
2008	18,670	4,486
2009-2013	61,495	12,380
2014-2017	<u>21,850</u>	<u>1,980</u>
Total	<u>\$200,275</u>	<u>\$47,696</u>

GENERAL OBLIGATION REFUNDING BONDS OUTSTANDING

In prior years, the County defeased certain General Obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. The cash and investments held in the irrevocable trust at June 30, 2003 were as follows:

<u>Issue</u>	<u>Outstanding June 30, 2003</u>
Series of 1993	<u>\$8,400</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

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

The Pima County Flood Control District was created on April 3, 1978, by State law.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
2001 Refunding	\$4,585	4.00 - 4.20%	2004-09	<u>\$4,585</u>

The following schedule details flood control bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 780	\$ 186
2005	795	154
2006	780	123
2007	760	91
2008	745	61
2009	<u>725</u>	<u>30</u>
Total	<u>\$4,585</u>	<u>\$645</u>

TRANSPORTATION BONDS

Governmental Activities

(Payments made from street and highway revenues)

Pima County transportation revenue bonds of 1998 were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, \$220,000 from the November 4, 1997, bond election remains unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Series of 1998	\$40,000	4.50%	2004-08	\$20,000
Series of 2002	55,000	4.00 - 4.50%	2004-12	50,465
Series of 2003	35,000	3.38 - 4.38%	2004-18	<u>35,000</u>
Transportation bonds outstanding				105,465
Plus deferred premium				236
Less deferred bond issuance cost				<u>160</u>
Total transportation bonds outstanding				<u>\$105,541</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

The following schedule details transportation bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 10,215	\$ 4,394
2005	8,905	3,965
2006	10,710	3,589
2007	11,435	3,140
2008	11,745	2,636
2009-2013	37,185	7,391
2014-2018	<u>15,270</u>	<u>2,005</u>
Total	<u>\$105,465</u>	<u>\$27,120</u>

TRANSPORTATION LOANS PAYABLE
Governmental Activities

During the fiscal year ended June 30, 2002, Pima County Transportation Department entered into loan agreements to provide funds for the construction and improvement of certain highways and streets. Interest is payable semi-annually and is calculated based on the principal amount of the loan outstanding during such period.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
2002 HELP Loan – Ajo	\$3,700	3.23%	2004-07	\$2,960
2002 HELP Loan – Shannon	1,400	3.23%	2004-07	<u>1,100</u>
Total transportation loans payable				<u>\$4,060</u>

The following schedule details transportation loans debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$1,040	\$123
2005	1,040	89
2006	1,040	55
2007	<u>940</u>	<u>23</u>
Total	<u>\$4,060</u>	<u>\$290</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

LEASE REVENUE BONDS
Governmental Activities
(Payments made from revenues received in the
Governmental Funds)

The Pima County, Arizona, Municipal Property Corporation, a Special Revenue Fund, issued lease revenue bonds in 1992 to provide monies for financing the cost of acquiring, constructing, reconstructing or improving, building, and equipping other real and personal properties suitable for use by Pima County.

<u>Issue</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
1992 Lease Revenue Bonds	6.25 - 6.50%	2004-06	<u>\$495</u>

The following schedule details lease revenue bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$155	31
2005	165	22
2006	<u>175</u>	<u>11</u>
Total	<u>\$495</u>	<u>\$64</u>

SPECIAL ASSESSMENT BONDS OUTSTANDING
Governmental Activities
(Payments made from assessments received
in the Debt Service Fund)

Special assessment bonds are secured by pledges of revenues from special assessments levied against the benefiting property owners. The proceeds of the bond issues were used to finance construction in these districts. While there is no legal obligation for the County to further secure the special assessment bonds of the districts listed below, the County has made a moral commitment to take steps necessary to prevent default.

<u>Improvement District</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Country Club Estates	\$2,745	7.200%	2004-05	\$ 474
C.C. Estates 2nd Issue	30	7.200%	2004-05	7
La Cholla Boulevard	1,821	6.500%	2004-12	<u>1,640</u>
Total special assessment bonds outstanding				<u>\$2,121</u>

The following schedule details special assessment bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$385	\$128
2005	460	99
2006	182	77
2007	182	65
2008	182	53
2009-2012	<u>730</u>	<u>95</u>
Total	<u>\$2,121</u>	<u>\$517</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

REFUNDING CERTIFICATES OF PARTICIPATION OUTSTANDING

Governmental Activities

(Payments made from General Fund revenues
and from Special Revenue Fund revenues)

The Refunding Certificates of Participation (COPs) Series 7 were issued on April 1, 1995. The purpose of the original debt was to finance the purchase of the Legal Services and Public Works Buildings.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
COPS SERIES 7	\$18,515	5.30%	2004	<u>\$1,560</u>

The following schedule details refunding certificates of participation debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$1,560	\$83

CAPITAL LEASES

Governmental Activities

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for \$34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014, increased the range of interest rates and increased the County's obligation under the lease agreement.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Jail Capital Lease	\$35,660	4.75 - 5.25	2004-14	<u>\$30,455</u>

The County has also entered into capital leases for election and other equipment. The outstanding balance as of June 30, 2003, for these leases totaled \$594.

The net book value of assets acquired through capital leases consist of \$24,787 of buildings and \$612 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2003.

Governmental Activities:

<u>Year Ending June 30</u>	<u>Buildings</u>		<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$2,310	\$1,514	\$292	\$20
2005	2,420	1,400	195	9
2006	2,545	1,279	86	3
2007	2,675	1,150	21	
2008	2,810	1,011		
2009	2,960	863		
2010-2014	<u>14,735</u>	<u>1,805</u>		
Total	<u>\$30,455</u>	<u>\$9,022</u>	<u>\$594</u>	<u>\$32</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

SEWER REVENUE BONDS

Business-type Activities

(Payments made from user charges received
in the Wastewater Management Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's wastewater management system. Of the total amount originally authorized, \$23,910 from the May 20, 1997, bond election remains unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Series of 1993	\$ 6,000	5.60 - 6.50%	2004-05	\$ 615
1994A Refunding	28,670	4.50 - 5.00%	2004-15	25,520
Series of 1994B	8,000	5.5%	2004	580
Series of 1998	29,185	4.00 - 5.50%	2004-15	23,395
2001 Refunding	19,440	4.00 - 5.40%	2004-15	<u>18,130</u>
Sewer revenue bonds outstanding				<u>68,240</u>
Less unamortized deferred amount:				<u>(5,142)</u>
Total sewer revenue bonds outstanding				<u>\$63,098</u>

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$4,965	\$3,315
2005	4,595	3,067
2006	4,470	2,842
2007	5,525	2,623
2008	5,800	2,341
2009-2013	28,990	7,581
2014-2015	<u>13,895</u>	<u>1,064</u>
Total	<u>\$68,240</u>	<u>\$22,833</u>

REFUNDED SEWER REVENUE BONDS OUTSTANDING

In prior years, the County defeased certain sewer revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. The cash and investments held in the irrevocable trust at June 30, 2003, amounted to \$2,952. Refunded amounts outstanding as of June 30, 2003 were as follows:

<u>Issue</u>	<u>Outstanding June 30, 2003</u>
Series of 1993	<u>\$2,845</u>

PIMA COUNTY

Notes to Financial Statements

June 30, 2003

(in thousands)

LOANS PAYABLE

Business-type Activities

(Payments made from user charges received
in the Wastewater Management Enterprise Fund)

Wastewater Management (WWM) entered into loan agreements (1996, 1997 and 2000 loans payable) to provide funds for the defeasance of prior sewer revenue bonds and the construction and improvement of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period. For the 2000 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down. As of June 30, 2003, WWM has drawn down \$54,010 of the available \$61,180 from the 2000 loan amount.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
1996 Loan Payable	\$11,313	3.19%	2004-12	\$11,313
1997 Loan Payable	7,500	2.95%	2004-11	4,758
2000 Loan Payable	54,010	2.02%	2004-16	47,808
	Loans payable			63,879
	Less unamortized deferred interest expense			(328)
	Total loans payable			\$63,551

The following schedule details loans payable debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$4,270	\$2,351
2005	4,951	2,194
2006	5,503	2,013
2007	4,892	1,811
2008	5,098	1,631
2009-2013	30,054	4,955
2014-2016	9,111	481
Total	\$63,879	\$15,436

CONTRACTS AND NOTES

Business-type Activities

(Payments made from restricted assets in the Wastewater
Management Fund)

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

Notes to Financial Statements
June 30, 2003
(in thousands)

WATER REVENUE AND REFUNDING BONDS OUTSTANDING
Component Unit- Metropolitan Domestic Water Improvement District (MDWID)
(Payments made from user charges and special assessments)

<u>Description</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2002</u>
Series of 1999	\$27,985	3.7- 4.875%	2004-2019	\$24,125
Series of 2002	24,855	2.9-5.25%	2004-2022	24,595
Water revenue and refunding bonds				48,720
Less unamortized amounts				(557)
Total water revenue and refunding bonds				\$48,163

The following schedule details MDWID water revenue and refunding debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$1,980	\$2,216
2005	2,065	2,135
2006	2,150	2,047
2007	2,240	1,958
2008	2,335	1,864
2009-2013	11,775	7,714
2014-2018	17,335	4,251
2019-2022	8,840	607
	<u>\$48,720</u>	<u>\$22,792</u>

ADVANCED REFUNDINGS OF WATER REVENUE BONDS

On February 1, 1999, the District (MDWID) issued \$27,985 in Water Revenue and Refunding Bonds with an average interest rate of 4.35 percent to advance refund \$14,105 of outstanding 1992 Series bonds with an average interest rate of 5.95 percent. The net proceeds of \$27,823 (after payment of approximately \$162 in underwriting fees, insurance and other issuance costs) plus an additional \$1,921 of 1992 Series sinking fund monies were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series bonds. As a result, the 1992 Series bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt.

On February 1, 2002, the District issued \$24,855 in Water Revenue and Refunding Bonds with an average interest rate of 4.605 percent to advance refund \$5,390 of outstanding 1998 Series bonds with an average interest rate of 5.775 percent, as well as the District's outstanding principal amount of its obligations under the City of Tucson settlement of \$10,223 with an interest rate of 5.3 percent. The net proceeds of approximately \$24,200 (after payment of approximately \$655 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government Securities.

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
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A portion of those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1998 Series bonds. The entire principal amount was prepaid with another portion of the proceeds of the 2002 Subordinate Obligations. As a result, the 1998 Series bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt, and the obligations under the City of Tucson settlement were completely satisfied.

The advance refunding of the 1998 Series bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$417. This difference, reported in the accompanying financial statements as a deduction from bonds payable (valuation account), is being charged to operations through year 2023 using the straight-line method.

NOTES PAYABLE

Component Unit- Metropolitan Domestic Water Improvement District (MDWID)

(Payments made from user charges)

MDWID's notes payable are due in monthly installments and are secured by equipment.

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Credit company	6.25%	July 2003 - February 2004	\$12
Hub Water Company Inc.	6.00%	July 2003 - June 2019	1,757
Credit company	6.60%	July 2003 - May 2005	8
Credit company	6.25%	July 2003 - July 2005	11
Credit company	6.25%	July 2003 - July 2005	15
Credit company	6.40%	July 2003 - July 2005	18
Total			<u>\$1,821</u>

The following schedule details MDWID's notes payable debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$105	\$106
2005	98	100
2006	78	95
2007	81	91
2008	86	86
2009-2013	518	342
2014-2018	698	162
2019	157	6
Total	<u>\$1,821</u>	<u>\$988</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

BONDS PAYABLE

Component Unit- Marana Domestic Water Improvement District

On February 19, 2003, Rural Utility Services entered into a bond agreement with the Marana Domestic Water Improvement District, Inc., in the amount of \$397. The bond is payable commencing January 1, 2004, in annual installments of \$24, including interest at 4.625% through January 1, 2032. At June 30, 2003 the outstanding balance of the bonds payable was \$334.

The following schedule details bond debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$7	\$26
2005	7	18
2006	7	17
2007	8	17
2008	8	17
2009-2013	47	78
2014-2018	58	66
2019-2023	73	51
2024-2028	92	32
2029-2032	28	4
	<u>\$335</u>	<u>\$326</u>

LOANS PAYABLE

Component Unit-Marana Domestic Water Improvement District

On February 22, 2002, the Water Infrastructure Finance Authority of Arizona (WIFA), entered into a loan agreement under the Drinking Water Revolving Fund Loan program with the Marana Domestic Water Improvement District, Inc., in the amount of \$1,156. The loan is payable in monthly installments, commencing September 1, 2002, in the amount of \$6, including interest at 2.918% through February 2032. At June 30, 2003 the outstanding balance was \$1,133.

The following schedule details notes payable debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$26	\$33
2005	27	32
2006	27	31
2007	28	30
2008	29	31
2009-2013	157	142
2014-2018	184	120
2019-2023	217	92
2024-2028	258	54
2029-2030	180	10
	<u>\$1,133</u>	<u>\$575</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

NOTES PAYABLE
Component Unit-Southwestern Fair Commission
(Payments made from user charges)

Southwestern Fair has a note payable to Pima County, due in annual installments of \$50, unsecured, non-interest bearing.

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Pima County	None	Annual installments until June 2007	\$200

Southwestern Fair Commission's other notes payable are due in monthly installments and are secured by equipment.

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2003</u>
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	\$324
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	<u>113</u>
Total			<u>\$437</u>

The following schedule details Southwestern Fair Commission's notes payable debt service requirements to maturity at June 30, 2003.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2004	\$104	\$19
2005	106	16
2006	108	12
2007	110	7
2008	63	3
2009-2014	<u>146</u>	<u>0</u>
Total	<u>\$637</u>	<u>\$57</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

LEGAL DEBT MARGIN

COUNTY GENERAL OBLIGATION BONDS

General obligation debt may not exceed six percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to 15 percent of the value of taxable property. The legal debt margin at June 30, 2003, is as follows:

Net assessed valuation:		\$4,835,561
<u>Debt Limit (15% of net assessed valuation):</u>		725,334
<u>Amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	200,275	
Less net assets in debt service fund available for payment of general obligation bond principal	<u>(2,226)</u>	<u>(198,049)</u>
Legal debt margin available		<u>\$ 527,285</u>

FLOOD CONTROL GENERAL OBLIGATION BONDS

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2003, is as follows:

Net assessed valuation:		\$4,158,577
<u>Debt Limit (5% of net assessed valuation):</u>		207,929
<u>Amount of debt applicable to debt limit:</u>		
Flood Control general obligation bonds outstanding	4,585	
Less net assets in debt service fund available for payment of flood control bond principal	<u>(26)</u>	<u>(4,559)</u>
Legal debt margin available		<u>\$ 203,370</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

NOTE 8: SHORT-TERM DEBT

LINE OF CREDIT

The County maintains a revolving line of credit with Bank of America National Trust and Savings Association, with a maximum outstanding balance of \$30,000, to meet its short-term cash needs. At June 30, 2003, the County had an outstanding balance of \$0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Line of credit	\$0	\$22,300	\$22,300	\$0

NOTE 9: LANDFILL LIABILITIES

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE 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 postclosure 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 postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$15,645 reported as landfill closure and postclosure care liability in the Wastewater Management Enterprise Fund 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 postclosure care of \$3,310 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 2003; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2003</u>	<u>Estimated Year of Closure</u>
Ajo	90%	2007
Sahuarita	99%	2003
Tangerine	78%	2008

The County plans to fund the estimated closure and postclosure 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 assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

NOTE 10: RETIREMENT PLANS

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**). 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 **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. 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** is an agent multiple-employer defined benefit pension 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 five-member board, known as The Fund Manager, and 195 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and 16 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by contacting the applicable plan.

ASRS

3300 N. Central Ave.
P.O.Box 33910
Phoenix, AZ 85067-3910
(602) 240-2000 or
(800) 621-3778

PSPRS and CORP

1020 E. Missouri Ave.
Phoenix, AZ 85014
(602) 255-5575

Funding Policy

The Arizona State Legislature establishes and may amend active plan members' and the County's contribution rates.

Cost-sharing plans For the year ended June 30, 2003, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The County's contributions to **ASRS** for the years ended June 30, 2003, 2002, and 2001 were \$6,307, \$6,351 and \$6,233 respectively, which were equal to the required contributions for the year.

Agent plans For the year ended June 30, 2003, active **PSPRS** members were required by statute to contribute 7.65

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 2.51 percent. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. Active **CORP** members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 2.00 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2003, and related information follow:

	PSPRS	CORP
Contribution rates:		
County	6.16%	2.00%
Plan members	4.00%	8.50%
Annual pension cost	\$ 1,463	\$ 296
Contributions made	\$ 1,463	\$ 296
Actuarial valuation date	June 30, 2001	June 30, 2001
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	9.00%	9.00%
Projected salary increases	6.5% - 9.5%	5.5% - 9.5%
includes inflation at	5.5%	5.5%
Amortization method	Level percent open	Level percent open
Remaining amortization period	20 years	20 years
Asset valuation method	smoothed market	smoothed market

Trend Information: Information for each of the three most recent actuarial valuations for each of the agent plans follows:

Contributions Required and Contributions Made

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2003	\$ 1,463	100%	\$ -
	2002	1,319	100%	-
	2001	1,044	100%	-
CORP	2003	\$ 296	100%	\$ -
	2002	274	100%	-
	2001	169	100%	-

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

NOTE 11: SEGMENT INFORMATION

Liquid Waste, a division of Pima County's Department of Wastewater Management, is reported within the Wastewater Management Enterprise Fund. Liquid Waste operates the sewer system which provides wastewater collection, treatment, and disposal throughout Pima County. All revenues generated by the ownership, use, and operation of Pima County's sewer system are pledged in support of sewer system debt. In addition, debt covenants require sewer system revenues, expenses, gains, losses, assets and liabilities to be accounted for separately. As a result, condensed financial information for Liquid Waste is presented in the following table.

Condensed Statement of Net Assets

	Wastewater Management Liquid Waste
Assets:	
Current assets	\$ 7,286
Due from other funds	2
Restricted assets	7,922
Capital assets, net	540,658
Other non-current assets	<u>848</u>
Total Assets	<u>556,716</u>
Liabilities:	
Current liabilities	21,594
Due to other funds	10,963
Non-current liabilities	<u>124,263</u>
Total Liabilities	\$ <u>156,820</u>
Net Assets:	
Invested in capital assets (net of related debt)	414,856
Restricted	7,922
Unrestricted	<u>(22,883)</u>
Total Net Assets	\$ <u>399,895</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

Condensed Statement of Revenues, Expenses and Change in Net Assets

Operating revenues/(expenses):

	Wastewater Management Liquid Waste
Charges for services	\$ 46,476
Depreciation expense	(16,364)
Other operating expenses	<u>(46,378)</u>
Operating loss	<u>(16,266)</u>

Non-operating revenues/(expenses):

Sewer connection revenue	20,280
Other non-operating revenue	1,282
Interest expense	(5,271)
Loss on disposal of fixed assets	(150)
Other non-operating expense	(89)
Extraordinary Loss from State Treasurer's Local Government Investment Pool	(1,187)
Capital contributions	<u>12,473</u>
Change in net assets	<u>11,072</u>
Beginning net assets	<u>388,823</u>
Ending net assets	\$ <u>399,895</u>

Condensed Statement of Cash Flows

Net cash provided by (used for):

Operating activities	\$ (32)
Non-capital financing activities	13,241
Capital and related financing activities	(43,075)
Investing activities	<u>(97)</u>
Net decrease	(29,963)
Beginning cash and cash equivalents	\$ <u>37,867</u>
Ending cash and cash equivalents	\$ <u>7,904</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

NOTE 12: INTERFUND TRANSACTIONS

A. Interfund Assets/Liabilities

Interfund Receivables/Payables are used to record transactions between individual funds for goods provided or services rendered:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Pima Health Care System	General	\$ 177
	Health and Animal Control	9
	Self- Insurance Trust	113
		<hr/>
Total Pima Health Care System Fund interfund receivable		<u>\$ 299</u>

Due From/Due To Other Funds are used to record loans or unpaid operating transfers between funds:

<u>Due from fund</u>	<u>Due to fund</u>	<u>Amount</u>
Major Fund:		
General	Transportation	\$ 19
	Health and Animal Control	1
	Flood Control District	1
	Employment & Training	2,412
	Stadium District	6,103
	Other Special Revenue Grants	29
	Environmental Quality	1
	Debt Service	1
	Pima Health Care System	1,736
	Development Services	2
	Wastewater Management	10,843
	Other Internal Service	1
		<hr/>
Total General Fund due from		<u>\$ 21,149</u>
Capital Projects	Other Special Revenue	\$ 1,597
	Wastewater Management	56
		<hr/>
Total Capital Projects Fund due from		<u>\$ 1,653</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

<u>Due from fund</u>	<u>Due to fund</u>	<u>Amount</u>
Pima Health Care System	General	\$ 2,000
	Health and Animal Control	2
Total Pima Health Care System Fund due from		<u>\$ 2,002</u>
Wastewater Management	Transportation	\$ 2
Total Wastewater Management Fund due from		<u>\$ 2</u>
Nonmajor Governmental Funds:		
Transportation	General	\$ 52
	Flood Control District	20
	Wastewater Management	24
	Other Internal Service	1
Health and Animal Control	General	1
	Wastewater Management	1
Employment & Training	General	12
Other Special Revenue	General	3
	Capital Projects	21
Stadium District	General	217
Other Special Revenue Grants	General	119
	Employment and Training	2
	Library District	975
Environmental Quality	Wastewater Management	43
Total Nonmajor Governmental Funds due from		<u>\$ 1,491</u>
Nonmajor Enterprise Funds:		
Parking Garages	General	\$ 197
Total Nonmajor Enterprise Funds due from		<u>\$ 197</u>

The information in the table above includes the formal internal borrowings by the Stadium District Special Revenue Fund from the Capital Projects, Parking Garages and Other Internal Service Funds. These borrowings were instituted by the County to meet its short-term cash flow needs. Interest will be paid at a rate paid to investments of the County in the State Treasurer's Local Government Investment Pool.

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
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B. Transfers

Transfers are used to record transactions between individual funds to subsidize their operations:

<u>Transfers in fund</u>	<u>Transfers out fund</u>	<u>Amount</u>
Major Funds:		
General	Transportation	\$ 151
	Flood Control District	35
	Other Special Revenue	6
	Stadium District	2,527
	Debt Service	110
	Pima Health Care System	7,993
Total General Fund transfers in		<u>\$ 10,822</u>
Capital Projects	General	\$ 2,197
	Transportation	19,926
	Flood Control District	9,835
	Other Special Revenue	4,233
	Library District	1,875
	Parking Garages	134
Total Capital Projects Fund transfers in		<u>\$ 38,200</u>
Pima Health Care System	General	\$ 23,065
Total Pima Health Care System transfers in		<u>\$ 23,065</u>
Nonmajor Governmental Funds:		
Health and Animal Control	General	\$ 6,674
Flood Control	Capital Projects	309
Employment & Training	General	295
Other Special Revenue	General	3,701
	Other Special Revenue - Grants	216
	Capital Projects	21
Stadium District	General	1,324
Other Special Revenue - Grants	General	45
	Employment & Training	2
	Other Special Revenue	992
	Capital Projects	37
Environmental Quality	General	350

PIMA COUNTY

Notes to Financial Statements
June 30, 2003
(in thousands)

<u>Transfers in fund</u>	<u>Transfers out fund</u>	<u>Amount</u>
Debt Service	General	768
	Transportation	13,655
	Flood Control District	1,006
	Municipal Property Corporation	15
	Capital Projects	25
		<u>29,435</u>
Total Nonmajor Governmental Funds transfers in		<u>\$ 29,435</u>
Internal Service Funds:		
Other Internal Service	General	\$ 202
Total Internal Service Funds transfers in		<u>\$ 202</u>
Transfers of general capital assets reported on the fund-based statements as capital contributions and on the government-wide statements as transfers:		
Pima Health Care System		\$ 1,813
Wastewater Management Fund		<u>1,229</u>
		<u>\$ 3,042</u>

NOTE 13: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2003, Pima County had the following major contractual commitments related to various projects. Commitments have been grouped into four major categories: Transportation Projects, Flood Control Projects, General Government Projects and Wastewater Management Projects.

Transportation Projects

At June 30, 2003, the Pima County Transportation Department had contractual commitments of \$78,813. 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.

PIMA COUNTY

Notes to Financial Statements June 30, 2003 (in thousands)

Flood Control Projects

At June 30, 2003, the Pima County Flood Control District had contractual commitments of \$13,394. Funding for these expenditures will be primarily provided from general obligation bonds and the Flood Control District's tax levy of property within Pima County, the primary source of revenue for the Flood Control District.

General Government Projects

At June 30, 2003, Pima County had contractual commitments related to various Facilities Management Projects of \$18,444 and Parks and Recreation Projects of \$52,950. Funding for these expenditures will be primarily provided from general obligation bonds.

Wastewater Management Projects

At June 30, 2003, the Wastewater Management Enterprise fund had commitments under construction contracts that totaled \$40,370.

Operating Leases

The County enters into operating leases for various equipment and office space. These leases are entered into with the provision that they may be canceled at the end of each fiscal year if future funding is not provided. Accordingly, these leases totaled \$3,377 for the year ended June 30, 2003.

NOTE 14: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (DEFICIT FUND BALANCES)

The Stadium District Special Revenue Fund (a non-major governmental fund) had a deficit fund balance at June 30, 2003, of \$6,036. Management plans to eliminate the deficit by refinancing debt and operating the Baseball Complex profitably in the future.

The Other Special Revenue Grants Fund (a non-major governmental fund) had a deficit fund balance at June 30, 2003, of \$257. Included in this amount is a deficit unreserved fund balance of \$312, and a reserved fund balance for prepaid expenditures of \$55. This deficit can be eliminated in the future through normal operations or by operating transfers from the General Fund.

Wastewater Management Fund (a major business-type activities fund) had a deficit unrestricted net asset balance at June 30, 2003, of \$35,477. This deficit can be eliminated in the future through normal operations and increases in usage and connection fees.

NOTE 15: SUBSEQUENT EVENTS

On October 1, 2003, Pima County amended the lease-purchase agreement for the jail facilities. The amendment extended the lease term to 2018 and reduced the interest rates. Concurrent with this amendment, Refunding Certificates of Participation, Series 2003, in the amount of \$27,525, were issued to third-party investors to refund portions of the principal and interest on Certificates of Participation, Series 1997, and on the Refunding Certificates of Participation, Series 1999. The outstanding Certificates of Participation and the outstanding Refunding Certificates of Participation, evidence participation interest in the lease-purchase agreement for the jail facilities.

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Required Supplementary Information

Other Than MD&A

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2003
(in thousands)

	Original Budget	Final Amended Budget	Actual	Variance Over/(Under)
Revenues:				
Taxes	\$ 189,990	\$ 189,990	\$ 194,552	\$ 4,562
Licenses and permits	1,209	1,209	2,010	801
Intergovernmental	113,702	113,702	112,530	(1,172)
Charges for services	20,623	20,623	23,750	3,127
Fines and forfeits	3,193	3,193	4,111	918
Interest	70	70	1,015	945
Miscellaneous	2,348	2,348	2,884	536
Total revenues	<u>331,135</u>	<u>331,135</u>	<u>340,852</u>	<u>9,717</u>
Expenditures:				
Assessor	6,775	6,775	6,601	174
Board of Supervisors	1,364	1,364	1,337	27
Clerk of Superior Court	8,300	8,300	8,351	(51)
Community Resources	21,364	21,364	20,871	493
Constables	513	513	510	3
County Administration	29,867	29,867	24,326	5,541
County Attorney	14,866	14,866	14,778	88
Justice Courts	5,282	5,282	5,114	168
Juvenile Court	19,391	19,391	18,533	858
Justice & Law Enforcement	19,729	19,729	21,298	(1,569)
Dept. of Medical Assistance	70,920	70,920	72,634	(1,714)
Medical Examiner	1,862	1,862	2,027	(165)
Facilities Management	9,256	9,256	9,015	241
Recorder	1,971	1,971	1,877	94
Sheriff	72,300	72,300	71,873	427
Superior Court	21,908	21,908	22,143	(235)
Superior Court Mandated Services	1,575	1,575	1,524	51
Supt. of Schools	1,125	1,125	1,105	20
Treasurer	2,019	2,019	1,833	186
Debt Service - principal	1,719	1,719	1,550	169
- interest	1,633	1,633	1,613	20
- miscellaneous	7	7	4	3
Total expenditures	<u>313,746</u>	<u>313,746</u>	<u>308,917</u>	<u>4,829</u>
Excess of revenues over expenditures	17,389	17,389	31,935	14,546
Other financing sources (uses):				
Transfers in	7,748	7,748	10,822	3,074
Transfers (out)	(32,063)	(32,063)	(38,621)	(6,558)
Total other financing uses	<u>(24,315)</u>	<u>(24,315)</u>	<u>(27,799)</u>	<u>(3,484)</u>
Extraordinary Item:				
Loss from State Treasurer's Local Government Investment Pool			(1,730)	(1,730)
Net change in Fund Balance	(6,926)	(6,926)	2,406	9,332
Fund balance at beginning of year	20,427	20,427	31,142	10,715
Fund balance at end of year	<u>\$ 13,501</u>	<u>\$ 13,501</u>	<u>\$ 33,548</u>	<u>\$ 20,047</u>

See Notes to Required Supplementary Information

PIMA COUNTY
SCHEDULE OF AGENT RETIREMENT PLANS' FUNDING PROGRESS

Exhibit B-2

June 30, 2003
(in thousands)

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	2003	\$ 125,746	\$ 133,541	\$ 7,795	94.20%	\$ 23,834	32.7%
	2002	135,706	120,044	(15,662)	113.00%	23,272	0.0%
	2001	137,727	106,271	(31,456)	129.60%	21,643	0.0%
CORP	2003	\$ 35,787	\$ 37,800	\$ 2,013	94.70%	\$ 14,636	13.8%
	2002	36,932	32,704	(4,228)	112.90%	13,937	0.0%
	2001	36,604	27,728	(8,876)	132.00%	12,640	0.0%

PIMA COUNTY

Notes to Required Supplementary Information
June 30, 2003
(in thousands)

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

On or before the third Monday in July of each year, the Board of Supervisors adopts a tentative budget for the fiscal year. A public hearing and special board meeting is scheduled at which time the final budget is adopted.

The County adopts, on a modified accrual basis, budgets for all governmental fund types (General, Special Revenue, Debt Service, and Capital Projects Fund). Operating plans for all Enterprise Funds are also adopted as part of the budget document. Per state statute, expenditures may not exceed appropriations at the department or elected official level. Each Special Revenue Fund maintains budgetary control at the fund or sub-fund level where applicable. Budgetary control for the Capital Projects Fund and the Debt Service Fund are at the fund level.

Adopted budgets provide that the beginning unreserved fund balance plus revenues and other financing sources equal expenditures and other uses. State statute requires that amendments to the budget, including transfers of appropriations between departments or funds are not permissible unless the Board of Supervisors determines that it is in the public interest and it is based on a demonstrated need.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders for specific items are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Appropriation balances, including all outstanding encumbrances, lapse at the end of the fiscal year. Any item ordered in a fiscal year but not received is charged against an appropriation in the year that the item is received.

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2003, expenditures exceeded appropriations in the following General Fund departments (the legal level of budgetary control) by the following amounts: Justice & Law Enforcement, \$1,569; Medical Examiner, \$165; Superior Court, \$235; Department of Medical Assistance, \$1,714 and Clerk of Superior Court \$51. These overexpenditures were funded by greater than anticipated revenues.

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Combining Statements and Other Schedules –

Other (Non-Major) Governmental Funds

OTHER GOVERNMENTAL FUNDS (Non-Major)

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

Flood Control District Fund - to account for amounts expended to protect persons and property from flood waters. Revenues are provided by taxes on real property and government grants.

Employment and Training Fund - to account for resources controlled by the County as a prime sponsor under the Workforce Investment Act. Financing is provided by the Federal Government.

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.

Library District Fund – to account for the resources used to finance activities to provide Library services to Pima County and the City of Tucson. Revenues are provided primarily by Library District taxes.

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.

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 grants 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 grants 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.

Municipal Property Corporation Fund - to account for resources specifically identified to be expended on various equipment acquisition and building improvement programs of the County. Financing is provided through the sale of lease revenue bonds. Revenues are provided by interest income. The Municipal Property Corporation is a blended component unit of Pima County.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

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COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2003

(in thousands)

	Special Revenue Funds						Special Revenue Funds						Total Other Governmental Funds
	Transportation	Health and Animal Control	Flood Control District	Employment and Training	Other	Library District	Stadium District	Other Grants	School Reserve	Environmental Quality	Municipal Property Corporation	Debt Service Fund	
Assets													
Cash and cash equivalents	\$ 20,058	\$ 724	\$ 2,817		\$ 24,961	\$ 1,820		\$ 180	\$ 1,432	\$ 701	\$ 3	\$ 2,855	\$ 55,551
Deposits with fiscal agents											68		68
Property taxes receivable (net of allowances for uncollectables)			570			436						1,723	2,729
Interest receivable	87		9		30	10		4		1		73	214
Due from other funds	97	2		\$ 12	24		\$ 217	1,096		43			1,491
Due from other governments	4,227	2,673		6,007	38		124	3,558	173	714			17,514
Accounts receivable	4	50		42	156		1	13		159		1	426
Inventory	2,113	185											2,298
Prepaid expenditures	34	38	2	276	40	2	3	55			27		477
Total assets	\$ 26,620	\$ 3,672	\$ 3,398	\$ 6,337	\$ 25,249	\$ 2,268	\$ 345	\$ 4,906	\$ 1,605	\$ 1,618	\$ 98	\$ 4,652	\$ 80,768
Liabilities and fund balances													
Liabilities:													
Accounts payable	\$ 5,368	\$ 693	\$ 120	\$ 2,534	\$ 1,192	\$ 128	\$ 268	\$ 1,852	\$ 116	\$ 65			\$ 12,336
Interest payable							1	5				\$ 1	7
Contract retentions					12								12
Employee compensation	984	625	124	203	187	2	8	971		124			3,228
Interfund payable		9											9
Due to other funds	21	3	21	2,414	1,597	975	6,103	29		1		1	11,165
Due to other governments			48		8	33		3				140	232
Deposits and rebates	14											5	14
General obligation bonds													5
Deferred revenues		40	459	6		360	1	2,303	14	137		1,427	4,747
Total liabilities	6,387	1,370	772	5,157	2,996	1,498	6,381	5,163	130	327		1,574	31,755
Fund balances:													
Reserved for inventory	2,113	185											2,298
Reserved for prepaid expenditures	34	38	2	276	40	2	3	55			\$ 27		477
Reserved for debt service											68	3,078	3,146
Reserved for capital repairs and refurbishments							75						75
Reserved for specified programs										705			705
Unreserved	18,086	2,079	2,624	904	22,177	804	(6,114)	(312)	1,475	586	3		42,312
Total fund balances	20,233	2,302	2,626	1,180	22,217	806	(6,036)	(257)	1,475	1,291	98	3,078	49,013
Total liabilities and fund balances	\$ 26,620	\$ 3,672	\$ 3,398	\$ 6,337	\$ 25,213	\$ 2,304	\$ 345	\$ 4,906	\$ 1,605	\$ 1,618	\$ 98	\$ 4,652	\$ 80,768

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2003
(in thousands)

	Special Revenue Funds						Special Revenue Funds						Total Other Governmental Funds
	Transportation	Health and Animal Control	Flood Control District	Employment and Training	Other	Library District	Stadium District	Other Grants	School Reserve	Environmental Quality	Municipal Property Corporation	Debt Service Fund	
Revenues:													
Taxes			\$ 14,531			\$ 10,126						\$ 39,166	\$ 63,823
Special assessments	\$ 723											300	1,023
Licenses and permits	596	\$ 2,019								\$ 1,462			4,077
Intergovernmental	48,726	7,933	2	\$ 21,397	\$ 4,120	2	\$ 1,631	\$ 40,258	\$ 2,380	1,750		7	128,206
Charges for services	618	1,955			4,864		834	1		16			8,288
Fines and forfeits		204			704					28			936
Interest	788	8	102		342	126		42		10	\$ 1	476	1,895
Miscellaneous	401	140	22	157	4,950	3	143	269		32		11	6,128
Total revenues	51,852	12,259	14,657	21,554	14,980	10,257	2,608	40,570	2,380	3,298	1	39,960	214,376
Expenditures:													
Current:													
General government	6,979				6,612			8,012					21,603
Public safety			5,831		4,708			26,241					36,780
Highways and streets	26,741												26,741
Health		18,120								3,147			21,267
Welfare					108								108
Culture and recreation					7	10,304	1,682	363					12,356
Education and economic opportunity				20,892				6,855	2,498				30,245
Debt service - principal	182				131			33				43,648	43,994
- interest	157				12			9				13,904	14,082
- miscellaneous					2						7	11	20
Total expenditures	34,059	18,120	5,831	20,892	11,580	10,304	1,682	41,513	2,498	3,147	7	57,563	207,196
Excess (deficiency) of revenues over (under) expenditures	17,793	(5,861)	8,826	662	3,400	(47)	926	(943)	(118)	151	(6)	(17,603)	7,180
Other financing sources (uses):													
Capital leases					177								177
Proceeds from sale of capital assets	30				6								36
Transfers in		6,674	309	295	3,938		1,324	1,076		350		15,469	29,435
Transfers (out)	(33,732)		(10,876)	(2)	(5,231)	(1,875)	(2,527)	(216)			(15)	(110)	(54,584)
Total other financing sources (uses)	(33,702)	6,674	(10,567)	293	(1,110)	(1,875)	(1,203)	860		350	(15)	15,359	(24,936)
Extraordinary item:													
Loss from State Treasurer's Local Government Investment Pool	(1,606)	(17)	(450)		(513)	(257)		(3)	(39)	(1)		(642)	(3,528)
Net change in fund balances	(17,515)	796	(2,191)	955	1,777	(2,179)	(277)	(86)	(157)	500	(21)	(2,886)	(21,284)
Fund balance at beginning of year	37,121	1,504	4,817	225	20,458	2,967	(5,759)	(171)	1,632	791	119	5,964	69,668
Change in reserve for inventory	627	2											629
Fund balance at end of year	\$ 20,233	\$ 2,302	\$ 2,626	\$ 1,180	\$ 22,235	\$ 788	\$ (6,036)	\$ (257)	\$ 1,475	\$ 1,291	\$ 98	\$ 3,078	\$ 49,013

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Combining Statements and Other Schedules

Budget to Actual –
Other Governmental Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Special assessments			
Intergovernmental	\$ 10,825	\$ 4,642	\$ (6,183)
Charges for services	3,734	3,683	(51)
Interest	4,000	1,242	(2,758)
Miscellaneous	5,300	1,344	(3,956)
Total revenues	<u>23,859</u>	<u>10,911</u>	<u>(12,948)</u>
Expenditures:			
Capital outlay	<u>129,562</u>	<u>97,147</u>	<u>32,415</u>
Total expenditures	<u>129,562</u>	<u>97,147</u>	<u>32,415</u>
Deficiency of revenues under expenditures	<u>(105,703)</u>	<u>(86,236)</u>	<u>19,467</u>
Other financing sources (uses):			
Issuance costs on bonds		(163)	(163)
Face amount of long-term debt	85,000	85,000	
Premium on bonds		410	410
Proceeds from sale of capital assets		1	1
Transfers in	26,966	38,200	11,234
Transfers (out)	(24)	(392)	(368)
Total other financing sources	<u>111,942</u>	<u>123,056</u>	<u>11,114</u>
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		<u>(979)</u>	<u>(979)</u>
Net change in fund balance	6,239	35,841	29,602
Fund balance at beginning of year	47,108	46,993	(115)
Fund balance at end of year	<u>\$ 53,347</u>	<u>\$ 82,834</u>	<u>\$ 29,487</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

TRANSPORTATION - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Special assessments		\$ 723	\$ 723
Licenses and permits	\$ 465	596	131
Intergovernmental	47,781	48,726	945
Charges for services	420	618	198
Interest	1,060	788	(272)
Miscellaneous	274	401	127
Total revenues	50,000	51,852	1,852
Expenditures:			
General government	7,558	6,979	579
Highways and streets	29,709	26,741	2,968
Debt service - principal		182	(182)
- interest		157	(157)
Total expenditures	37,267	34,059	3,208
Excess of revenues over expenditures	12,733	17,793	5,060
Other financing sources (uses):			
Transfers (out)	(28,056)	(33,732)	(5,676)
Proceeds from sale of capital assets	9	30	21
Total other financing sources (uses)	(28,047)	(33,702)	(5,655)
Extraordinary Item:			
Loss from State Treasurer's Local Government Investment Pool		(1,606)	(1,606)
Net change in fund balance	(15,314)	(17,515)	(2,201)
Fund balance at beginning of year	34,774	37,121	2,347
Change in reserve for inventory		627	627
Fund balance at end of year	\$ 19,460	\$ 20,233	\$ 773

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

HEALTH & ANIMAL CONTROL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Licenses and permits	\$ 1,982	\$ 2,019	\$ 37
Intergovernmental	7,975	7,933	(42)
Charges for services	1,633	1,955	322
Fines and forfeits	122	204	82
Interest		8	8
Miscellaneous	128	140	12
Total revenues	<u>11,840</u>	<u>12,259</u>	<u>419</u>
Expenditures:			
Health	11,499	11,159	340
Health grants	7,245	6,961	284
Total expenditures	<u>18,744</u>	<u>18,120</u>	<u>624</u>
Deficiency of revenues under expenditures	<u>(6,904)</u>	<u>(5,861)</u>	<u>1,043</u>
Other financing sources:			
Transfers in	6,674	6,674	
Total other financing sources	<u>6,674</u>	<u>6,674</u>	
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		(17)	(17)
Net change in fund balance	(230)	796	1,026
Fund balance at beginning of year	893	1,504	611
Change in reserve for inventory		2	2
Fund balance at end of year	<u>\$ 663</u>	<u>\$ 2,302</u>	<u>\$ 1,639</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FLOOD CONTROL DISTRICT - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Taxes	\$ 14,560	\$ 14,531	\$ (29)
Intergovernmental		2	2
Interest	200	102	(98)
Miscellaneous	8	22	14
Total revenues	<u>14,768</u>	<u>14,657</u>	<u>(111)</u>
Expenditures:			
Flood control	<u>6,529</u>	<u>5,831</u>	<u>698</u>
Total expenditures	<u>6,529</u>	<u>5,831</u>	<u>698</u>
Excess of revenues over expenditures	<u>8,239</u>	<u>8,826</u>	<u>587</u>
Other financing sources (uses):			
Transfers in		309	309
Transfers (out)	<u>(10,876)</u>	<u>(10,876)</u>	
Total other financing sources (uses)	<u>(10,876)</u>	<u>(10,567)</u>	<u>309</u>
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		<u>(450)</u>	<u>(450)</u>
Net change in fund balance	(2,637)	(2,191)	446
Fund balance at beginning of year	3,973	4,817	844
Fund balance at end of year	<u>\$ 1,336</u>	<u>\$ 2,626</u>	<u>\$ 1,290</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

EMPLOYMENT AND TRAINING - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 18,367	\$ 21,397	\$ 3,030
Miscellaneous	355	157	(198)
Total revenues	<u>18,722</u>	<u>21,554</u>	<u>2,832</u>
Expenditures:			
Employment and training	<u>19,017</u>	<u>20,892</u>	<u>(1,875)</u>
Total expenditures	<u>19,017</u>	<u>20,892</u>	<u>(1,875)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(295)</u>	<u>662</u>	<u>957</u>
Other financing sources (uses):			
Transfers in	295	295	
Transfers (out)		(2)	(2)
Total other financing sources (uses)	<u>295</u>	<u>293</u>	<u>(2)</u>
Net change in fund balance		955	955
Fund balance at beginning of year	<u>271</u>	<u>225</u>	<u>(46)</u>
Fund balance at end of year	<u>\$ 271</u>	<u>\$ 1,180</u>	<u>\$ 909</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

OTHER - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 1,454	\$ 4,120	\$ 2,666
Charges for services	4,253	4,864	611
Fines and forfeits	538	704	166
Interest	374	342	(32)
Miscellaneous	4,530	4,950	420
Total revenues	11,149	14,980	3,831
Expenditures:			
Current:			
General government	18,047	6,612	11,435
Public Safety	6,313	4,708	1,605
Welfare	340	108	232
Culture and recreation	8	7	1
Education and economic opportunity	1,021		1,021
Debt service - principal		131	(131)
- interest		12	(12)
- miscellaneous		2	(2)
Total expenditures	25,729	11,580	14,149
Excess (deficiency) of revenues over (under) expenditures	(14,580)	3,400	17,980
Other financing sources (uses):			
Capital leases		177	177
Proceeds from sale of capital assets		6	6
Transfers in	3,238	3,938	700
Transfers (out)	(1,750)	(5,231)	(3,481)
Total other financing sources (uses)	1,488	(1,110)	(2,598)
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		(513)	(513)
Net change in fund balance	(13,092)	1,777	14,869
Fund balance at beginning of year	12,904	20,458	7,554
Fund balance at end of year	\$ (188)	\$ 22,235	\$ 22,423

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

LIBRARY DISTRICT - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Taxes	\$ 10,012	\$ 10,126	\$ 114
Intergovernmental		2	2
Interest	185	126	(59)
Miscellaneous		3	3
Total revenues	<u>10,197</u>	<u>10,257</u>	<u>60</u>
Expenditures:			
Current:			
Culture and recreation	<u>10,480</u>	<u>10,304</u>	<u>176</u>
Total expenditures	<u>10,480</u>	<u>10,304</u>	<u>176</u>
Deficiency of revenues under expenditures	<u>(283)</u>	<u>(47)</u>	<u>236</u>
Other financing sources (uses):			
Transfers (out)		<u>(1,875)</u>	<u>(1,875)</u>
Total other financing uses		<u>(1,875)</u>	<u>(1,875)</u>
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		<u>(257)</u>	<u>(257)</u>
Net change in fund balance	(283)	(2,179)	(1,896)
Fund balance at beginning of year	<u>1,667</u>	<u>2,967</u>	<u>1,300</u>
Fund balance at end of year	<u>\$ 1,384</u>	<u>\$ 788</u>	<u>\$ (596)</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

STADIUM DISTRICT - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 1,800	\$ 1,631	\$ (169)
Charges for services	860	834	(26)
Miscellaneous		143	143
Total revenues	<u>2,660</u>	<u>2,608</u>	<u>(52)</u>
Expenditures:			
Stadium District	<u>1,487</u>	<u>1,682</u>	<u>(195)</u>
Total expenditures	<u>1,487</u>	<u>1,682</u>	<u>(195)</u>
Excess of revenues over expenditures	<u>1,173</u>	<u>926</u>	<u>(247)</u>
Other financing sources (uses):			
Transfers in	1,500	1,324	(176)
Transfers (out)	<u>(2,562)</u>	<u>(2,527)</u>	<u>35</u>
Total other financing sources (uses)	<u>(1,062)</u>	<u>(1,203)</u>	<u>(141)</u>
Net change in fund balance	111	(277)	(388)
Fund balance at beginning of year	<u>(5,728)</u>	<u>(5,759)</u>	<u>(31)</u>
Fund balance at end of year	<u>\$ (5,617)</u>	<u>\$ (6,036)</u>	<u>\$ (419)</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

OTHER GRANTS - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 56,378	\$ 40,258	\$ (16,120)
Charges for services	50	1	(49)
Interest	34	42	8
Miscellaneous	1,075	269	(806)
Total revenues	<u>57,537</u>	<u>40,570</u>	<u>(16,967)</u>
Expenditures:			
Community Services Grants	9,861	6,855	3,006
County Attorney Grants	3,711	2,597	1,114
Justice Court Grants	37	48	(11)
Juvenile Court Grants	11,412	11,006	406
Legal Defender Grants	34	16	18
Parks and Recreation Grants		2	(2)
Public Defender Grants	40	49	(9)
Sheriff Grants	16,956	11,937	5,019
Superior Court Grants	11,001	8,601	2,400
County Administrator	1,000	360	640
School Reserve Grants	4,327		4,327
Debt Service - principal		33	(33)
- interest		9	(9)
Total expenditures	<u>58,379</u>	<u>41,513</u>	<u>16,866</u>
Deficiency of revenues under expenditures	<u>(842)</u>	<u>(943)</u>	<u>(101)</u>
Other financing sources (uses):			
Transfers in		1,076	1,076
Transfers (out)		(216)	(216)
Total other financing sources (uses)		<u>860</u>	<u>860</u>
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		(3)	(3)
Net change in fund balance	(842)	(86)	756
Fund balance at beginning of year	2,311	(171)	(2,482)
Fund balance at end of year	<u>\$ 1,469</u>	<u>\$ (257)</u>	<u>\$ (1,726)</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

SCHOOL RESERVE - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 2,850	\$ 2,380	\$ (470)
Total revenues	<u>2,850</u>	<u>2,380</u>	<u>(470)</u>
Expenditures:			
School Reserve Grants	<u>4,322</u>	<u>2,498</u>	<u>1,824</u>
Total expenditures	<u>4,322</u>	<u>2,498</u>	<u>1,824</u>
Deficiency of revenues under expenditures	<u>(1,472)</u>	<u>(118)</u>	<u>1,354</u>
Other financing sources (uses):			
Transfers in	45		(45)
Transfers (out)	<u>(52)</u>		<u>52</u>
Total other financing sources (uses)	<u>(7)</u>		<u>7</u>
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		<u>(39)</u>	<u>(39)</u>
Net change in fund balance	(1,479)	(157)	1,322
Fund balance at beginning of year	<u>1,751</u>	<u>1,632</u>	<u>(119)</u>
Fund balance at end of year	<u>\$ 272</u>	<u>\$ 1,475</u>	<u>\$ 1,203</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

ENVIRONMENTAL QUALITY - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Licenses and permits	\$ 1,205	\$ 1,462	\$ 257
Intergovernmental	1,705	1,750	45
Charges for services	14	16	2
Fines and forfeits		28	28
Interest		10	10
Miscellaneous	13	32	19
Total revenues	<u>2,937</u>	<u>3,298</u>	<u>361</u>
Expenditures:			
Environmental quality	2,103	1,986	117
Environmental quality grants	1,429	1,161	268
Total expenditures	<u>3,532</u>	<u>3,147</u>	<u>385</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(595)</u>	<u>151</u>	<u>746</u>
Other financing sources:			
Transfers in	350	350	
Total other financing sources	<u>350</u>	<u>350</u>	
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		(1)	(1)
Net change in fund balance	(245)	500	745
Fund balance at beginning of year	581	791	210
Fund balance at end of year	<u>\$ 336</u>	<u>\$ 1,291</u>	<u>\$ 955</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

MUNICIPAL PROPERTY CORPORATION - SPECIAL REVENUE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Interest	\$ 6	\$ 1	\$ (5)
Total revenues	<u>6</u>	<u>1</u>	<u>(5)</u>
Expenditures:			
Debt service - miscellaneous	<u>7</u>	<u>7</u>	
Total expenditures	<u>7</u>	<u>7</u>	
Deficiency of revenues under expenditures	<u>(1)</u>	<u>(6)</u>	<u>(5)</u>
Other financing uses:			
Transfers (out)		(15)	(15)
Total other financing uses		<u>(15)</u>	<u>(15)</u>
Net change in fund balance	(1)	(21)	(20)
Fund balance at beginning of year		119	119
Fund balance at end of year	<u>\$ (1)</u>	<u>\$ 98</u>	<u>\$ 99</u>

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended June 30, 2003
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Taxes	\$ 38,444	\$ 39,166	\$ 722
Special assessments	593	300	(293)
Intergovernmental		7	7
Interest	517	476	(41)
Miscellaneous		11	11
Total revenues	<u>39,554</u>	<u>39,960</u>	<u>406</u>
Expenditures:			
Debt service - principal	42,402	43,648	(1,246)
- interest	14,300	13,904	396
- miscellaneous	17	11	6
Total expenditures	<u>56,719</u>	<u>57,563</u>	<u>(844)</u>
Deficiency of revenues under expenditures	<u>(17,165)</u>	<u>(17,603)</u>	<u>(438)</u>
Other financing sources (uses):			
Transfers in	15,474	15,469	(5)
Transfers (out)		(110)	(110)
Total other financing sources (uses)	<u>15,474</u>	<u>15,359</u>	<u>(115)</u>
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool		(642)	(642)
Net change in fund balance	(1,691)	(2,886)	(1,195)
Fund balance at beginning of year	5,238	5,964	726
Fund balance at end of year	<u>\$ 3,547</u>	<u>\$ 3,078</u>	<u>\$ (469)</u>

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Combining Statements and Other Schedules

Other (Non-Major) Enterprise Funds

Other (Non-Major) Enterprise Funds

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

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

COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS

June 30, 2003
(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 6,157	\$ 3,206	\$ 9,363
Interest receivable	16	4	20
Due from other funds		197	197
Accounts receivable	21	13	34
Prepaid expense	16		16
Total current assets	6,210	3,420	9,630
Noncurrent assets:			
Capital assets:			
Land and other improvements		657	657
Buildings and improvements		12,927	12,927
Equipment	742	227	969
Less accumulated depreciation	(448)	(6,592)	(7,040)
Total capital assets (net of accumulated depreciation)	294	7,219	7,513
Total noncurrent assets	294	7,219	7,513
Total assets	6,504	10,639	17,143
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	89	178	267
Employee compensation	804	12	816
Due to other funds	2		2
Due to other governments		152	152
Total current liabilities	895	342	1,237
Total liabilities	895	342	1,237
<u>Net assets</u>			
Invested in capital assets	294	7,219	7,513
Unrestricted	5,315	3,078	8,393
Total net assets	\$ 5,609	\$ 10,297	\$ 15,906

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2003

(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
Operating revenues:			
Charges for services	\$ 8,464	\$ 1,413	\$ 9,877
Other	168		168
Total net operating revenues	8,632	1,413	10,045
Operating expenses:			
Employee compensation	6,299	107	6,406
Operating supplies and services	731	16	747
Utilities	96	174	270
Repair and maintenance	97	153	250
General and administrative	850	291	1,141
Consultants and professional services	205	266	471
Depreciation and amortization	102	340	442
Total operating expenses	8,380	1,347	9,727
Operating income	252	66	318
Nonoperating revenues (expenses):			
Interest income	97	41	138
Loss on disposal of capital assets	(6)		(6)
Total nonoperating revenues (expenses):	91	41	132
Income before transfers and extraordinary item	343	107	450
Transfers (out)		(134)	(134)
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool	(222)	(24)	(246)
Change in net assets	121	(51)	70
Net assets at beginning of year	5,488	10,348	15,836
Net assets at end of year	\$ 5,609	\$ 10,297	\$ 15,906

COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDSFor the Year Ended June 30, 2003
(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
Cash flows from operating activities:			
Cash received from other funds for goods and services provided	\$ 627		\$ 627
Cash received from customers for goods and services provided	8,465	\$ 1,415	9,880
Cash received from miscellaneous operations	148		148
Cash payments to suppliers for goods and services	(752)	(898)	(1,650)
Cash payments to other funds for goods and services	(2,335)	(48)	(2,383)
Cash payments to employees for services	(5,849)	(109)	(5,958)
Net cash provided by operating activities	304	360	664
Cash flows from noncapital financing activities:			
Transfers out		(134)	(134)
Loan payments from other funds		2,238	2,238
Loan payments to other funds	(10)		(10)
Net cash provided by (used for) noncapital financing activities	(10)	2,104	2,094
Cash flows from capital and related financing activities:			
Purchase of capital assets	(71)		(71)
Net cash used for capital and related financing activities	(71)		(71)
Cash flows from investing activities:			
Loss from State Treasurer's Local Government Investment Pool	(222)	(24)	(246)
Interest on cash and investments	105	37	142
Net cash provided by (used for) investing activities	(117)	13	(104)
Net increase in cash and cash equivalents	106	2,477	2,583
Cash and cash equivalents at beginning of year	6,051	729	6,780
Cash and cash equivalents at end of year	\$ 6,157	\$ 3,206	\$ 9,363

(Continued)

COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2003

(in thousands)

(Continued)

Reconciliation of operating income to net cash provided by operating activities	Development Services	Parking Garages	Total Other Enterprise Funds
Operating income	\$ 252	\$ 66	\$ 318
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	102	340	442
(Increase) decrease in accounts receivable	(19)	2	(17)
(Increase) in inventory and other assets	(15)		(15)
(Increase) in accounts payable	(79)	(5)	(84)
Increase (decrease) in other current liabilities	63	(43)	20
Net cash provided by operating activities	<u>\$ 304</u>	<u>\$ 360</u>	<u>\$ 664</u>

Noncash investing, capital, and financing activities:

During the year ended June 30, 2003, the Development Services Enterprise Fund disposed of capital assets with an original cost of \$145 and the related accumulated depreciation of \$139 for a loss on disposal of \$6.



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.

Other Internal Service – to account for the acquisition, operation and maintenance of automotive equipment provided to County departments, as well as to account for the provision of printing and telecommunication services to County departments.

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2003

(in thousands)

	Self Insurance Trust	Other Internal Service	Total Other Internal Service Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 38,129	\$ 4,420	\$ 42,549
Interest receivable	109	6	115
Due from other governments	58	15	73
Accounts receivable		12	12
Inventory		318	318
Prepaid expense	910	88	998
Total current assets	39,206	4,859	44,065
Noncurrent assets:			
Capital assets:			
Land and other improvements	592		592
Buildings and improvements		462	462
Equipment	175	27,996	28,171
Less accumulated depreciation	(100)	(12,387)	(12,487)
Total capital assets (net of accumulated depreciation)	667	16,071	16,738
Total noncurrent assets	667	16,071	16,738
Total assets	39,873	20,930	60,803
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	209	1,993	2,202
Employee compensation	186	477	663
Interfund payable	113		113
Due to other funds		2	2
Current portion reported but unpaid losses	2,996		2,996
Current portion incurred but not reported losses	2,973		2,973
Total current liabilities	6,477	2,472	8,949
Noncurrent liabilities:			
Reported but unpaid losses	10,031		10,031
Incurred but not reported losses	9,954		9,954
Total noncurrent liabilities	19,985		19,985
Total liabilities	26,462	2,472	28,934
<u>Net assets</u>			
Invested in capital assets	667	16,071	16,738
Unrestricted	12,744	2,387	15,131
Total net assets	\$ 13,411	\$ 18,458	\$ 31,869

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDSFor the Year Ended June 30, 2003
(in thousands)

	Self Insurance Trust	Other Internal Service	Total Other Internal Service Funds
Operating revenues:			
Charges for services	\$ 14,378	\$ 14,373	\$ 28,751
Other	110	640	750
Total operating revenues	14,488	15,013	29,501
Operating expenses:			
Employee compensation	1,853	4,032	5,885
Operating supplies and services	186	4,107	4,293
Incurred losses	7,036		7,036
Insurance premiums	4,144	678	4,822
General and administrative	566	3,617	4,183
Repairs and maintenance	78		78
Consultants and professional services	635		635
Depreciation and amortization	14	1,928	1,942
Total operating expenses	14,512	14,362	28,874
Operating income (loss)	(24)	651	627
Nonoperating revenues (expenses):			
Interest income	650	79	729
Loss on disposal of capital assets		(910)	(910)
Total nonoperating revenues (expenses):	650	(831)	(181)
Income before transfers and extraordinary item:	626	(180)	446
Transfers in		202	202
Extraordinary item:			
Loss from State Treasurer's Local Government Investment Pool	(1,116)	(94)	(1,210)
Change in net assets	(490)	(72)	(562)
Net assets at beginning of year	13,901	18,530	32,431
Net assets at end of year	\$ 13,411	\$ 18,458	\$ 31,869

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDSFor the Year Ended June 30, 2003
(in thousands)

	Self Insurance Trust	Other Internal Service	Total Other Internal Service Funds
Cash flows from operating activities:			
Cash received from other funds for goods and services provided	\$ 14,378	\$ 14,377	\$ 28,755
Cash received from miscellaneous operations	52	641	693
Cash payments to suppliers for goods and services	(5,226)	(6,091)	(11,317)
Cash payments to other funds for goods and services	(825)	(1,407)	(2,232)
Cash payments for incurred losses	(9,194)		(9,194)
Cash payments to employees for services	(1,775)	(4,044)	(5,819)
Net cash provided by (used for) operating activities	(2,590)	3,476	886
Cash flows from noncapital financing activities:			
Transfers in		202	202
Loan payments from other funds	161	2,050	2,211
Loan payments to other funds	(2)		(2)
Net cash provided by noncapital financing activities	159	2,252	2,411
Cash flows from capital and related financing activities:			
Proceeds from sale of equipment		440	440
Purchase of capital assets	(47)	(5,571)	(5,618)
Net cash used for capital and related financing activities	(47)	(5,131)	(5,178)
Cash flows from investing activities:			
Interest on cash and investments	671	78	749
Loss from State Treasurer's Local Government Investment Pool	(1,116)	(94)	(1,210)
Net cash used for investing activities	(445)	(16)	(461)
Net increase (decrease) in cash and cash equivalents	(2,923)	581	(2,342)
Cash and cash equivalents at beginning of year	41,052	3,839	44,891
Cash and cash equivalents at end of year	\$ 38,129	\$ 4,420	\$ 42,549

(Continued)

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2003

(in thousands)

(Continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Self Insurance Trust	Other Internal Service	Total Other Internal Service Funds
Operating income (loss)	\$ (24)	\$ 651	\$ 627
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	14	1,928	1,942
(Increase) in accounts receivable	(58)	(11)	(69)
(Increase) in inventory and other assets	(452)	(9)	(461)
Increase in accounts payable	83	988	1,071
(Decrease) in reported but unpaid losses	(3,975)		(3,975)
Increase in incurred but not reported losses	1,817		1,817
Increase (decrease) in other current liabilities	5	(71)	(66)
Net cash provided by (used for) operating activities	\$ (2,590)	\$ 3,476	\$ 886

Noncash investing, capital, and financing activities:

During the year ended June 30, 2003, Other Internal Service Fund (Printing & Graphics) retired assets that cost \$140 with accumulated depreciation of \$124, resulting in a loss on the disposal of \$16.

During the year ended June 30, 2003, Other Internal Service Funds (Fleet Services) purchased 2 Landfill Compactors on behalf of Wastewater Management Enterprise Fund, for a total cost of \$1,129. This transaction was recorded as a noncash transfer from (Fleet Services) to Wastewater Management Enterprise Fund.

During the year ended June 30, 2003, the Other Internal Service Funds (Fleet Services) retired assets that cost \$1,391 with accumulated depreciation of \$1,186 resulting in a loss on the disposal of \$205.



Combining Statements and Other Schedules

Fiduciary Funds

PIMA COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2003
 (in thousands)

Exhibit C-22

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
ASSETS			
Cash and cash equivalents	\$ 103,283	\$ 19,622	\$ 122,905
Interest receivable	186	86	272
Total assets	<u>103,469</u>	<u>19,708</u>	<u>123,177</u>
LIABILITIES			
Total liabilities	<u></u>	<u></u>	<u></u>
NET ASSETS			
Held in trust	<u>\$ 103,469</u>	<u>\$ 19,708</u>	<u>\$ 123,177</u>

PIMA COUNTY
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiduciary Funds
 For the Year Ended June 30, 2003
 (in thousands)

Exhibit C-23

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
ADDITIONS			
Contributions:			
Participants	\$ 1,741,769	\$ 90,759	\$ 1,832,528
Total contributions	<u>1,741,769</u>	<u>90,759</u>	<u>1,832,528</u>
Investment earnings:			
Interest	2,571	562	3,133
Total investment earnings	<u>2,571</u>	<u>562</u>	<u>3,133</u>
Total additions	<u>1,744,340</u>	<u>91,321</u>	<u>1,835,661</u>
DEDUCTIONS			
Distributions to participants	1,776,112	99,159	1,875,271
Total deductions	<u>1,776,112</u>	<u>99,159</u>	<u>1,875,271</u>
Net (decrease)	(31,772)	(7,838)	(39,610)
Net assets held in trust July 1, 2002	135,241	27,546	162,787
Net assets held in trust June 30, 2003	<u>\$ 103,469</u>	<u>\$ 19,708</u>	<u>\$ 123,177</u>

PIMA COUNTY
 COMBINING STATEMENT OF ASSETS AND LIABILITIES -
 AGENCY FUNDS
 June 30, 2003
 (in thousands)

Exhibit C-24

	Payroll	Treasurer's Clearing	Other	Total
ASSETS				
Cash and cash equivalents	\$ 2,522	\$ (2,961)	\$ 34,023	\$ 33,584
Due from other governments		3,978		3,978
Total assets	<u>\$ 2,522</u>	<u>\$ 1,017</u>	<u>\$ 34,023</u>	<u>\$ 37,562</u>
LIABILITIES				
Employee compensation	\$ 2,522			\$ 2,522
Due to other governments			\$ 13,531	13,531
Deposits and rebates		\$ 1,017	20,492	21,509
Total liabilities	<u>\$ 2,522</u>	<u>\$ 1,017</u>	<u>\$ 34,023</u>	<u>\$ 37,562</u>

PIMA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
For the Year Ended June 30, 2003
(in thousands)

Exhibit C-25

	Balance 07/01/02	Additions	Deductions	Balance 06/30/03
<u>Payroll Clearing</u>				
Assets				
Cash and cash equivalents	\$ 1,495	\$ 334,083	\$ 333,056	\$ 2,522
Total assets	<u>\$ 1,495</u>	<u>\$ 334,083</u>	<u>\$ 333,056</u>	<u>\$ 2,522</u>
Liabilities				
Employee compensation	\$ 1,495	\$ 334,083	\$ 333,056	\$ 2,522
Total liabilities	<u>\$ 1,495</u>	<u>\$ 334,083</u>	<u>\$ 333,056</u>	<u>\$ 2,522</u>
<u>Treasurer's Clearing</u>				
Assets				
Cash and cash equivalents	\$ 294	\$ 1,017,541	\$ 1,020,796	\$ (2,961)
Due from other governments	5,089	3,978	5,089	3,978
Total assets	<u>\$ 5,383</u>	<u>\$ 1,021,519</u>	<u>\$ 1,025,885</u>	<u>\$ 1,017</u>
Liabilities				
Deposits and rebates	\$ 5,383	\$ 236,772	\$ 241,138	\$ 1,017
Due to other governments		784,747	784,747	
Total liabilities	<u>\$ 5,383</u>	<u>\$ 1,021,519</u>	<u>\$ 1,025,885</u>	<u>\$ 1,017</u>
<u>Other</u>				
Assets				
Cash and cash equivalents	\$ 32,500	\$ 612,578	\$ 611,055	\$ 34,023
Total assets	<u>\$ 32,500</u>	<u>\$ 612,578</u>	<u>\$ 611,055</u>	<u>\$ 34,023</u>
Liabilities				
Due to other governments	\$ 11,752	\$ 352,057	\$ 350,278	\$ 13,531
Deposits and rebates	20,748	260,521	260,777	20,492
Total liabilities	<u>\$ 32,500</u>	<u>\$ 612,578</u>	<u>\$ 611,055</u>	<u>\$ 34,023</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 34,289	\$ 1,964,202	\$ 1,964,907	\$ 33,584
Due from other governments	5,089	3,978	5,089	3,978
Total assets	<u>\$ 39,378</u>	<u>\$ 1,968,180</u>	<u>\$ 1,969,996</u>	<u>\$ 37,562</u>
Liabilities				
Employee compensation	\$ 1,495	\$ 334,083	\$ 333,056	\$ 2,522
Due to other governments	11,752	1,136,804	1,135,025	13,531
Deposits and rebates	26,131	497,293	501,915	21,509
Total liabilities	<u>\$ 39,378</u>	<u>\$ 1,968,180</u>	<u>\$ 1,969,996</u>	<u>\$ 37,562</u>

PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003

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STATISTICAL SECTION

The Statistical Section contains data designed to disclose economic, financial and demographic information to aid the reader of the Comprehensive Annual Financial Report in understanding the environment in which Pima County operates.

PIMA COUNTY
GENERAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years
(Amounts in thousands)

Fiscal Year	Property Taxes (2)	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Interest Income	Miscellaneous & Other	Total
1993-94	\$ 166,781	\$ 3,078	\$ 134,362	\$ 22,587	\$ 3,537	\$ 4,111	\$ 9,532	\$ 343,988
1994-95	162,289	3,263	147,973	21,831	3,434	5,730	11,593	356,113
1995-96	164,525	3,210	156,924	22,058	2,940	4,399	8,242	362,298
1996-97	168,350	3,275	164,850	22,283	3,802	3,690	12,624	378,874
1997-98	182,323	3,389	179,512	18,714	3,411	2,801	13,445	403,595
1998-99	195,822	4,306	201,540	21,207	3,930	4,287	9,698	440,790
1999-00	215,035	4,541	229,244	24,125	4,245	8,701	8,099	493,990
2000-01	228,387	4,882	237,176	23,363	4,365	10,008	6,932	515,113
2001-02	245,247	6,077	242,654	27,561	4,882	4,887	7,333	538,641
2002-03	259,398	6,087	240,736	32,038	5,047	2,910	8,892	555,108

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Includes special assessment districts.

PIMA COUNTY
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION (1)
Last Ten Fiscal Years
(Amounts in thousands)

Fiscal Year	General Government	Public Safety	Highways & Streets	Sanitation	Health	Welfare	Culture & Recreation	Education & Economic Opportunity	Debt Service (3)	Total
1993-94	\$ 82,837	\$ 75,546	\$ 16,190	\$ 3,538	\$ 14,568	\$ 56,561	\$ 11,159	\$ 21,118	\$ 42,175	\$ 323,692
1994-95	87,162	81,622	20,403	4,685	15,273	58,851	13,687	24,154	43,874	349,711
1995-96	88,764	89,473	20,567	4,747	16,272	60,671	15,568	26,915	40,767	363,744
1996-97	132,240	91,563	22,715	4,754	18,632	63,808	17,364	28,720	47,924	427,720
1997-98	101,156	91,835	21,166	- (2)	18,763	68,101	18,605	29,486	40,830	389,942
1998-99	102,390	103,679	21,923	-	20,142	69,687	19,447	30,103	57,769	425,140
1999-00	110,022	109,815	25,689	-	22,579	69,368	20,263	33,135	51,544	442,415
2000-01	122,023	117,058	24,977	-	22,584	71,260	22,242	32,458	55,012	467,614
2001-02	125,416	123,021	27,835	-	23,102	73,136	25,581	37,524	51,861	487,476
2002-03	132,416	127,155	26,741	-	24,029	84,238	25,214	35,057	60,924	515,774

(1) Includes General, Special Revenue and Debt Service Funds.

(2) During FY 97-98 Sanitation expenditures were moved to an enterprise fund as a sub-fund entity.

(3) Includes non-bonded debt, such as lease-purchases.

PIMA COUNTY

PROPERTY TAX LEVIES AND COLLECTIONS (1)

Last Ten Fiscal Years
(in thousands)

Fiscal Year	Original Real Property Tax Levy	Tax Roll Corrections	Adjusted Levy	Collected to June 30, End of Tax Fiscal Year (2)		Collected to June 30, 2003 (2)		Delinquent Taxes Receivable (3)
				Amount	Percent of Original Levy	Amount	Percent of Adjusted Levy	
1993-94	141,189	(758)	140,431	133,706	94.70%	139,862	99.59%	569
1994-95	143,765	(1,115)	142,650	136,440	94.90%	141,432	99.15%	1,218
1995-96	147,786	(594)	147,192	140,805	95.28%	146,632	99.62%	560
1996-97	152,009	(1,066)	150,943	145,204	95.52%	150,543	99.73%	400
1997-98	168,688	(748)	167,940	160,593	95.20%	167,225	99.57%	715
1998-99	180,550	(1,696)	178,854	172,330	95.45%	179,451	100.33%	(597)
1999-00	201,925	(1,152)	200,773	192,409	95.29%	201,011	100.12%	(238)
2000-01	214,642	(974)	213,668	204,424	95.24%	213,643	99.99%	25
2001-02	228,477	(1,068)	227,409	218,192	95.50%	227,355	99.98%	54
2002-03	241,416	(467)	240,949	231,619	95.94%	231,619	96.13%	9,330

NOTES:

- (1) Unsecured personal property taxes are not included in this schedule because the dates of the monthly tax rolls vary each year. On the average 93% of unsecured property taxes are collected within 90 days after the due date.
- (2) Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.
- (3) Represents the difference between the adjusted levy and collected to June 30, 2003.

PIMA COUNTY
 ASSESSED, LIMITED AND FULL CASH (SECONDARY) VALUE OF TAXABLE PROPERTY
 Last Ten Fiscal Years
 (Amounts in thousands)

Fiscal Year		Net Assessed Value	Limited and Full Cash Values (1)	Ratio of Net Assessed to Full Cash Value
1993-94	Primary	2,941,413	27,059,620	10.87%
1993-94	Secondary	2,974,072	27,379,317	10.86%
1994-95	Primary	3,049,266	27,753,938	10.99%
1994-95	Secondary	3,150,105	28,575,801	11.02%
1995-96	Primary	3,130,753	28,973,933	10.81%
1995-96	Secondary	3,218,884	29,751,166	10.82%
1996-97	Primary	3,208,291	30,042,703	10.68%
1996-97	Secondary	3,247,512	30,433,238	10.67%
1997-98	Primary	3,468,269	31,002,247	11.19%
1997-98	Secondary	3,700,218	34,304,545	10.79%
1998-99	Primary	3,682,397	33,930,287	10.85%
1998-99	Secondary	3,852,574	35,295,924	10.92%
1999-00	Primary	3,853,630	32,800,358	11.75%
1999-00	Secondary	4,000,624	33,892,170	11.80%
2000-01	Primary	4,111,664	34,898,918	11.78%
2000-01	Secondary	4,236,070	35,819,667	11.83%
2001-02	Primary	4,361,493	37,257,921	11.71%
2001-02	Secondary	4,491,395	38,196,337	11.76%
2002-03	Primary	4,669,336	39,908,791	11.70%
2002-03	Secondary	4,835,561	41,109,997	11.76%

(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
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	County Primary	County Secondary	Flood Control District (1)	County Library District	Fire District Assistance	Total	State of Arizona	Education Assistance	Community College District
1994-95	3.5102	1.0201	0.4623	0.2024	0.0501	5.2451	0.4700	0.5300	1.1038
1995-96	3.5137	1.0201	0.3596	0.2124	0.0539	5.1597	0.4700	0.5300 (4)	1.2183
1996-97	3.5137	0.9701	0.3596	0.2224	0.0549	5.1207	0.0000	0.5300	1.2433
1997-98	3.5839	1.0000	0.3296	0.2224	0.0517	5.1876	0.0000	0.5300	1.1836
1998-99	3.6852	0.9650	0.3246	0.2224	0.0515	5.2487	0.0000	0.5300	1.1922
1999-00	4.0720	0.9350	0.3046	0.2024	0.0511	5.5651	0.0000	0.5217	1.3696
2000-01	4.0720	0.9350	0.3046	0.2024	0.0495	5.5635	0.0000	0.5123	1.5574
2001-02	4.0720	0.8950	0.3546	0.2124	0.0488	5.5828	0.0000	0.4974	1.5470
2002-03	4.0720	0.8150	0.3546	0.2124	0.0458	5.4998	0.0000	0.4889	1.5333
2003-04	4.0720	0.8150	0.3546	0.2124	0.0441	5.4981	0.0000	0.4717	1.4884

Fiscal Year	City of Tucson	City of South Tucson	Central AZ Water Conserv District	Flowing Wells Irrigation District (2)	Silverbell Irrigation District (2)	Cortaro-Marana Irrigation District (2)	Mobile Home Relocation District (3)	Town of Casas Adobes Incorporation Costs	Town of Tortolita Incorporation Costs
1994-95	1.1582	0.1300	0.1400	6.9300	1.5000	1.0000	0.5000	-	-
1995-96 (4)	1.1490	0.3100	0.1400	6.9300	1.5000	1.0000	0.5000	-	-
1996-97	1.1489	0.2937	0.1400	6.9300	1.5000	1.0000	0.5000	-	-
1997-98	0.9916	0.2937	0.1400	6.9300	2.0000	1.0000	0.5000	-	-
1998-99	0.9601	0.2937	0.1400	6.9300	3.0000	1.0000	0.5000	-	-
1999-00	1.0238	0.2937	0.1400	6.9300	3.0000	1.0000	0.5000	-	-
2000-01	1.1270	0.2918	0.1300	6.9300	3.0000	1.0000	0.5000	-	-
2001-02	1.1202	0.2828	0.1300	10.4000	3.0000	24.7500	0.5000	-	-
2002-03	1.1202	0.2706	0.1300	10.4000	3.0000	24.7500	0.0000	-	-
2003-04	1.1569	0.2513	0.1200	10.4000	3.0000	50.0000	0.0000	0.1438	0.2313

(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 (not presented after 2001-02).

(4) In FY 1995-96 the Country Club Estates special improvement district levied a one-time assessment for legal costs.
The rate thereof was \$0.8807.

Notes:

(A) The Towns of Marana, Oro Valley and Sahuarita do not currently levy a property tax.

(B) The Tucson Business Improvement District levy (on a per-business basis) is not shown.

PIMA COUNTY
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS - SCHOOL DISTRICTS
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

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School District	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Tucson Unified (#1)	\$ 8.7672	\$ 8.9060	\$ 9.4708	\$ 8.9101	\$ 8.8281	\$ 8.7869	\$ 9.0494	\$ 9.8088	\$ 9.2780	\$ 8.7610
Marana Unified (#6)	7.2264	7.2597	6.9775	6.6480	6.9743	7.6408	7.5418	7.7028	7.3623	6.7979
Flowing Wells Unified (#8)	7.6029	7.2255	6.5723	7.2592	7.7804	8.8612	8.4928	8.0490	7.2175	6.6568
Amphitheater Unified (#10)	7.3911	8.1646	7.6789	7.5099	7.0881	7.1715	6.8816	7.4427	7.0207	6.7601
Sunnyside Unified (#12)	10.8924	11.2560	10.5055	10.6503	10.5437	10.6897	10.3609	10.3706	9.6945	9.1041
Tanque Verde Unified (#13)	6.8044	7.3043	7.4922	6.9303	6.9273	6.8939	6.9434	6.8484	6.6818	7.1785
Ajo Unified (#15)	4.9327	6.5463	4.0261	4.0992	4.9511	4.6791	6.0973	7.0508	4.1555	5.3016
Catalina Foothills Unified (#16)	7.8525	7.8948	8.0098	7.5160	7.9121	7.8515	7.7258	7.5344	7.0956	7.0256
Vail Elementary (#20)	6.5543	8.7207	7.6203	6.9153	7.5128	7.3298	7.2604	7.2314	7.2295	7.1748
Sahuarita Unified (#30)	5.6717	5.4218	7.0353	6.7570	7.6282	8.3204	8.7007	8.7860	9.1329	9.0113
Empire Elementary (#37)	6.8466	5.8927	5.8100	6.2398	7.0259	10.3858	8.5371	7.6596	6.6965	6.4699
Continental Elementary (#39)	1.7019	1.8636	2.4913	2.6630	2.6371	2.5439	2.4983	2.4346	2.4398	2.3198
Indian Oasis Unified (#40)	-	-	9.3934	10.6021	9.9071	10.4568	9.1002	-	-	-
Redington Elementary (#44)	4.6607	5.0535	3.9803	4.4378	4.6590	7.7641	5.0186	6.3661	6.4230	5.6853
Altar Valley Elementary (#51)	7.7367	6.0884	9.1132	8.5139	7.3093	6.3348	6.5620	6.3052	6.3035	6.3615
Unorganized*	2.3600	2.3600	2.2000	2.2000	2.2000	2.1654	2.1265	2.0647	2.0296	1.9583

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

Note: San Fernando Elementary (District #35) does not levy property taxes.

PIMA COUNTY
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years
(Amounts in thousands)

<u>Fiscal Year</u>	<u>Current Assessments Billed</u>	<u>Total Assessments Collected</u>	<u>Ratio of Collections to Amts Due</u>	<u>Amount Uncollected</u>	<u>Amount Prepaid</u>	<u>Total Outstanding Assessments</u>
1993-94	\$ 516	\$ 745	100.0%		\$ 229	\$ 3,097
1994-95	417	830	99.8%	\$ 1	414	4,300
1995-96	316	397	100.0%		81	3,900
1996-97	617	699	99.0%	6	88	3,337
1997-98	608	684	100.0%		76	2,828
1998-99	594	680	99.7%	2	88	2,300
1999-00	450	562	100.0%		112	1,697
2000-01	371	407	100.0%		36	1,053
2001-02	275	297	99.6%	1	23	2,507
2002-03	426	258	99.8%	1	(167)	2,121

PIMA COUNTY
 RATIO OF NET GENERAL BONDED DEBT
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Fiscal Years
 (\$ Amounts in thousands)

Fiscal Year	Population at July 1	Secondary Net Assessed Value	Gross General Bond Debt	Debt Service Funds Available for Principal	Net General Bond Debt	Percent Net General Bond Debt to Assessed Value	Net General Bond Debt per Capita*
1993-94	738,600	\$ 2,974,072	\$ 252,835	\$ 16,161	\$ 236,674	7.96%	\$ 320.44
1994-95	759,600	3,150,105	230,760	14,537	216,223	6.86%	284.65
1995-96	775,100	3,218,884	207,745	15,062	192,683	5.99%	248.59
1996-97	799,375	3,247,512	183,680	8,032	175,648	5.41%	219.73
1997-98	817,851	3,700,218	186,990	10,931	176,059	4.76%	215.27
1998-99	845,775	3,852,574	153,295	6,827	146,468	3.80%	173.18
1999-00	854,329	4,000,624	173,985	6,249	167,736	4.19%	196.34
2000-01	872,394	4,236,070	192,640	4,309	188,331	4.45%	215.88
2001-02	890,356	4,491,395	183,085	4,883	178,202	3.97%	200.15
2002-03	908,227	4,835,561	200,280	2,226	198,054	4.10%	218.07

*In dollars and cents.

NOTE:

Includes all long-term general obligation bonds outstanding. Does not include bonded debt of Pima County Flood Control District or various County Improvement Districts.

PIMA COUNTY
 COMPUTATION OF DIRECT AND OVERLAPPING GENERAL BOND DEBT
 At June 30, 2003
 (\$ Amounts in thousands)

Jurisdiction	Net General Bond Debt Outstanding	Applicable to Pima County	
		Percentage	Amount
Direct:			
Pima County*	\$ 198,054	100%	\$ 198,054
Flood Control District	4,585	100%	4,585
Total Direct	<u>202,639</u>		<u>202,639</u>
Overlapping:			
School Districts	662,670	100%	662,670
City of Tucson	263,794	100%	263,794
Total Overlapping	<u>926,464</u>		<u>926,464</u>
	<u>\$ 1,129,103</u>		<u>\$ 1,129,103</u>

*Excludes improvement districts.

PIMA COUNTY
 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 (1)</u>	<u>Ratio of Debt Service To General Expenditures</u>
1993-94	\$ 22,540	\$ 16,083	\$ 38,623	\$ 323,692	11.9%
1994-95	24,711	15,261	39,972	349,711	11.4%
1995-96	24,765	14,328	39,093	363,744	10.7%
1996-97	33,328	12,976	46,304	427,720	10.8%
1997-98	26,128	10,533	36,661	389,942	9.4%
1998-99	39,118	12,809	51,927	425,140	12.2%
1999-00	34,803	12,122	46,925	442,415	10.6%
2000-01	36,873	13,173	50,046	467,614	10.7%
2001-02	35,358	12,366	47,724	487,476	9.8%
2002-03	43,648	13,904	57,552	515,774	11.2%

(1) Includes General, Special Revenue and Debt Service Funds.

PIMA COUNTY
SEWER REVENUE DEBT COVERAGE
LIQUID WASTEWATER ONLY
Last Ten Fiscal Years
(Amounts in thousands)

Fiscal Year	Gross Revenue (2)	Direct Operating Expense (3)	Net Revenue Available for Debt Service	Debt Service Requirements (1)			Coverage Ratio (4)
				Principal	Interest	Total	
1993-94	\$ 38,063	\$ 23,063	\$ 15,000	\$ 790	\$ 4,796	\$ 5,586	2.69
1994-95	40,541	24,029	16,512	975	4,747	5,722	2.89
1995-96	39,467	25,686	13,781	1,030	4,064	5,094	2.71
1996-97	42,278	26,559	15,719	1,610	4,509	6,119	2.57
1997-98	48,235	33,920	14,315	3,169	5,594	8,763	1.63
1998-99	49,979	31,114	18,865	4,727	5,031	9,758	1.93
1999-00	56,589	34,742	21,847	5,006	4,650	9,656	2.26
2000-01	58,647	36,438	22,209	6,611	4,783	11,394	1.95
2001-02	59,021	39,183	19,838	8,887	5,704	14,591	1.36
2002-03	66,756	46,378	20,378	9,235	5,666	14,901	1.37

NOTES:

- (1) Debt Service Requirements include principal and interest payable in the 12 months following each fiscal year.
- (2) Includes sewer connection fees.
- (3) Excludes depreciation.
- (4) Sewer revenue debt rate covenants require minimum coverage of 1.20.

PIMA COUNTY
DEMOGRAPHIC STATISTICS - POPULATION AND EMPLOYMENT
Last Ten Years

Calendar Year	Population as of July 1	Civilian Labor Force	Total Unemp Rate	EMPLOYMENT				
				Mining	Construction	Manufacturing	Trades and Services	Finance, Insurance and Real Estate
1994	738,600	371,451	4.5%	2,100	18,600	27,100	148,000	12,400
1995	759,600	385,912	3.8%	3,000	18,900	28,300	159,600	11,800
1996	775,100	393,107	3.6%	2,400	20,200	27,800	162,500	12,000
1997	799,375	401,611	3.2%	2,300	18,800	29,600	167,600	12,500
1998	817,851	421,039	2.7%	2,300	20,900	29,500	169,800	12,600
1999	845,775	440,254	2.7%	2,000	21,600	29,600	182,600	13,400
2000	854,329	394,100	2.6%	1,800	22,100	33,500	191,600	13,800
2001	872,394	393,200	2.8%	1,800	21,600	34,000	190,800	14,100
2002	890,356	397,900	4.7%	1,500	21,800	32,300	184,500	15,100
2003	908,227	424,400	4.8%	1,400	23,700	29,100	184,500	14,800

Sources: Arizona Department of Economic Security; Economic Forecasting Project,
University of Arizona; "Arizona's Economy," U of A Business Research Program.

PIMA COUNTY
 DEMOGRAPHIC STATISTICS - TRANSPORTATION AND REAL ESTATE
 Last Ten Years

Calendar 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
1994	241,400	2,956,105	16,158,155	2.07	3,271	9,352	1,030,882
1995	242,315	3,412,297	15,466,961	2.02	2,540	7,761	916,825
1996	250,768	3,494,758	15,813,141	2.00	2,267	8,645	1,073,569
1997	239,263	3,500,330	15,943,383	2.03	2,136	8,071	1,047,805
1998	242,966	3,484,674	14,925,612	1.91	2,101	8,906	1,221,214
1999	284,149	3,497,788	15,279,274	1.90	2,508	10,627	1,517,076
2000	262,845	3,526,164	15,334,429	1.90	2,453	11,127	1,667,928
2001	260,258	3,733,205	14,513,188	1.87	3,182	11,229	1,775,178
2002	259,794	3,459,183	13,628,899	1.80	3,367	11,860	1,955,348
2003	271,802	3,522,401	15,016,131	1.91	9,441	12,933	2,271,131

Sources: "Arizona's Economy," U of A Business Research Program (EBR), College of Business & Public Administration,
 and Pima County Development Services Department. "MLS Month in Review" August 2003, Tucson Association of
 of Realtors, Multiple Listing Service, Inc.

PIMA COUNTY
 DEMOGRAPHIC STATISTICS - PROPERTY VALUES AND CONSTRUCTION AND BANK DEPOSITS
 Last Ten Fiscal Years
 (\$ Amounts in thousands)

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Fiscal Year	Limited (1) Property Values							Construction Activity		Bank Deposits
	Commercial Property	Residential Property	Vacant Land	Mines (3)	Utilities (3)	Other	Total	Const Awards (4)	No. Dwelling Units Awarded (2)	
1993-94	\$3,900,630	\$13,542,072	\$8,365,815	\$202,015	\$984,196	\$57,147	\$27,051,875	\$861,567	6,480	\$5,338,642
1994-95	3,997,932	14,754,539	7,726,300	208,300	998,433	68,434	27,753,938	1,080,008	8,175	5,123,831
1995-96	3,921,248	15,950,339	7,809,340	206,450	1,015,254	71,302	28,973,933	1,090,534	6,528	5,119,874
1996-97	3,949,588	16,724,071	7,962,069	240,840	1,092,508	73,627	30,042,703	1,016,559	5,355	5,584,239
1997-98	4,095,613	18,600,065	7,939,668	234,500	1,096,482	179,172	32,145,500	1,001,909	5,667	5,428,634
1998-99	4,324,570	20,203,759	7,874,733	234,604	1,096,164	196,457	33,930,287	1,041,542	8,806	5,475,232
1999-00	4,428,290	21,729,070	5,097,384	157,938	1,207,311	181,725	32,801,718	1,561,110	8,489	5,059,897
2000-01	4,882,504	23,449,128	5,124,238	155,128	1,101,458	186,486	34,898,942	1,536,760	7,694	5,812,485
2001-02	6,617,058	25,129,561	5,279,147			232,156	37,257,922	1,678,354	7,716	6,029,443
2002-03	6,947,106	27,282,579	5,436,420			242,686	39,908,791		8,015	6,642,554

Sources: "Arizona's Economy," U of A Business Research Program (EBR), College of Business & Public Administration and the Pima County Assessor's Office; Arizona Banker's Association.

(1) Limited Values are the basis for Primary Taxes and annual changes therein are restricted by the State Constitution.

(2) Includes multi-family units (apartments & condominiums).

(3) Arizona Revised Statutes has redefined the categories, combining mines and utilities with commercial property.

(4) This statistic was discontinued in "Arizona's Economy" after the month of October, 2002.

PIMA COUNTY
 DEMOGRAPHIC STATISTICS - ECONOMIC INDICATORS
 BY CALENDAR YEAR
 Last Ten Years
 (\$ Amounts in thousands)

Calendar Year	Aggregate Retail Sales	Total Personal Income	Per Capita Personal Income*
1994	\$6,075,864	\$13,719,349	18,640
1995	6,302,384	14,616,474	19,283
1996	6,586,348	15,626,844	20,112
1997	6,937,227	16,409,122	20,640
1998	7,260,497	17,687,372	21,468
1999	7,807,773	18,999,743	22,464
2000	8,170,826	20,855,000	24,057
2001	8,632,021	21,827,000	24,698
2002	8,728,079	21,991,000	24,787
2003	8,804,946	22,973,000	25,395

Source: "Arizona's Economy", UofA Business Research Program (EBR)
 College of Business & Public Administration.

*Amounts in dollars.

PIMA COUNTY
PRINCIPAL TAXPAYERS
June 30, 2003
(Amounts in thousands)

Taxpayer	Estimated 2003 Assessed Value (1)	Percent of Total 2003-04 Assessed Value
Tucson Electric Power Company	\$ 122,499	2.3%
QWEST	108,829	2.1%
Southwest Gas Corporation	55,710	1.1%
Arizona Portland Cement	19,990	0.4%
Tucson Mall	18,703	0.4%
Westin La Paloma	16,057	0.3%
El Conquistador Hotel	14,461	0.3%
Phelps Dodge	14,375	0.3%
Raytheon	13,290	0.3%
TRICO	<u>11,467</u>	0.2%
Total Top Ten	<u><u>\$ 395,381</u></u>	7.7%

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

(1) Secondary Assessed Valuation for Tax Year 2003. Total: \$5,221,271

PIMA COUNTY
COMPARATIVE NET VALUATIONS AND TAX RATES
Per \$100 Assessed Value
(\$ Amounts of Valuation expressed in thousands)

Jurisdiction	FY 2002-03 (Tax Year 2002)		FY 2003-04 (Tax Year 2003)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 4,669,336	\$0.0000	\$ 5,022,474	\$0.0000
<u>Pima County</u>				
General Fund - Primary	4,669,336	4.0720	5,022,474	4.0720
Debt Service - Secondary	4,835,561	0.8150	5,221,271	0.8150
Free Library - Secondary	4,835,561	0.2124	5,221,271	0.2124
Total County - Primary	4,669,336	4.0720	5,022,474	4.0720
Total County - Secondary	4,835,561	1.0274	5,221,271	1.0274
Grand Total		<u>5.0994</u>		<u>5.0994</u>
<u>Education Assistance</u>	4,669,336	0.4889	5,022,474	0.4717
<u>Flood Control District - Secondary</u>	4,158,577	0.3546	4,511,100	0.3546
<u>Fire District Assistance - Secondary</u>	4,835,561	0.0458	5,221,271	0.0441
<u>Pima Community College District</u>				
Primary	4,669,336	1.1530	5,022,474	1.1358
Secondary	4,835,561	0.3803	5,221,271	0.3526
Total		<u>1.5333</u>		<u>1.4884</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	4,835,561	0.1300	5,221,271	0.1200
<u>Cities & Towns</u>				
City of Tucson				
Primary	2,202,934	0.2089	2,344,619	0.2089
Secondary	2,268,733	0.9113	2,427,121	0.9480
Total		<u>1.1202</u>		<u>1.1569</u>
City of South Tucson				
Primary	15,495	0.2706	16,763	0.2513
<u>School Districts</u>				
Unorganized - Primary	9,612	2.0296	8,881	1.9583
Tucson Unified (District #1)				
Primary	2,133,650	7.6124	2,277,124	7.1831
Secondary	2,193,148	1.6656	2,352,798	1.5779
Total		<u>9.2780</u>		<u>8.7610</u>

(Continued)

PIMA COUNTY
COMPARATIVE NET VALUATIONS AND TAX RATES
Per \$100 Assessed Value
(\$ Amounts of Valuation expressed in thousands)

Jurisdiction	FY 2002-03 (Tax Year 2002)		FY 2003-04 (Tax Year 2003)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	341,216	4.5964	380,700	4.3538
Secondary	356,529	2.7659	398,731	2.4441
Total		<u>7.3623</u>		<u>6.7979</u>
Flowing Wells Unified (District #8)				
Primary	141,193	4.6906	153,525	4.2426
Secondary	147,141	2.5269	161,591	2.4142
Total		<u>7.2175</u>		<u>6.6568</u>
Amphitheater Unified (District #10)				
Primary	847,392	4.9565	921,124	4.7554
Secondary	888,617	2.0642	962,109	2.0047
Total		<u>7.0207</u>		<u>6.7601</u>
Sunnyside Unified (District #12)				
Primary	268,623	4.9592	280,339	4.5121
Secondary	278,027	4.7353	292,461	4.5920
Total		<u>9.6945</u>		<u>9.1041</u>
Tanque Verde Unified (District #13)				
Primary	109,603	4.7034	119,092	5.3464
Secondary	114,850	1.9784	123,998	1.8321
Total		<u>6.6818</u>		<u>7.1785</u>
Ajo Unified (District #15)				
Primary	12,204	4.1555	12,835	5.3016
Secondary	13,441	0.0000	13,578	0.0000
Total		<u>4.1555</u>		<u>5.3016</u>
Catalina Foothills Unified (District #16)				
Primary	367,693	4.4041	393,193	4.4882
Secondary	376,716	2.6915	406,628	2.5374
Total		<u>7.0956</u>		<u>7.0256</u>
Vail Elementary (District #20)				
Primary	163,073	4.9303	188,022	5.0744
Secondary	171,119	2.2992	199,319	2.1004
Total		<u>7.2295</u>		<u>7.1748</u>

(Continued)

PIMA COUNTY
COMPARATIVE NET VALUATIONS AND TAX RATES
Per \$100 Assessed Value
(\$ Amounts of Valuation expressed in thousands)

Jurisdiction	FY 2002-03 (Tax Year 2002)		FY 2003-04 (Tax Year 2003)	
	Valuation	Rate	Valuation	Rate
Sahuarita Unified (District #30)				
Primary	79,283	4.6745	80,114	4.7307
Secondary	82,413	4.4584	84,837	4.2806
Total		<u>9.1329</u>		<u>9.0113</u>
San Fernando Elementary (District #35)				
Primary	668	0.0000	677	0.0000
Secondary	687	0.0000	686	0.0000
Total		<u>0.0000</u>		<u>0.0000</u>
Empire Elementary (District #37)				
Primary	3,461	6.6965	3,720	6.4699
Secondary	3,864	0.0000	4,230	0.0000
Total		<u>6.6965</u>		<u>6.4699</u>
Continental Elementary (District #39)				
Primary	165,484	2.0296	175,384	1.9583
Secondary	170,793	0.4102	181,629	0.3615
Total		<u>2.4398</u>		<u>2.3198</u>
Indian Oasis Unified (District #40)				
Primary	3,406	0.0000	3,613	0.0000
Secondary	3,406	0.0000	3,613	0.0000
Total		<u>0.0000</u>		<u>0.0000</u>
Redington Elementary (District #44)				
Primary	1,191	6.4230	939	5.6853
Secondary	1,208	0.0000	951	0.0000
Total		<u>6.4230</u>		<u>5.6853</u>
Altar Valley Elementary (District #51)*				
Primary	21,583	5.5127	23,191	5.2408
Secondary	23,398	0.7908	24,501	1.1207
Total		<u>6.3035</u>		<u>6.3615</u>

*Formerly known as the Mary E. Dill School District

PIMA COUNTY
SCHOOL DISTRICT OUTSTANDING BOND ISSUES
June 30, 2003
(\$ Amounts in thousands)

School District	Issue Date	Issue Amount	Amount Redeemed/Retired	Amount Outstanding	Maturity Date
Tucson Unified District #1	08/01/92	\$ 82,360	\$ 33,855	\$ 48,505	07/01/10
	08/01/92	110,000	92,200	17,800	07/01/07
	08/01/93	90,000	26,980	63,020	07/01/13
	08/01/93	49,660	17,465	32,195	07/01/10
	08/01/94	30,000	0	30,000	07/01/14
	04/01/95	42,950	11,350	31,600	07/01/14
	12/11/97	69,470	1,820	67,650	07/01/12
		<u>474,440</u>	<u>183,670</u>	<u>290,770</u>	
Marana Unified District #6	06/01/95	7,500	795	6,705	07/01/10
	03/01/98	26,705	9,090	17,615	07/01/10
	06/30/98	5,400	420	4,980	07/01/17
	10/01/98	8,535	60	8,475	07/01/12
	07/01/99	8,655	370	8,285	07/01/12
	06/01/00	10,515	0	10,515	07/01/17
	08/01/00	19,435	9,475	9,960	07/01/15
	08/01/01 (1)	14,545	1,275	13,270	07/01/12
		<u>101,290</u>	<u>21,485</u>	<u>79,805</u>	
Flowing Wells Unified District #8	05/15/95	6,050	4,510	1,540	07/01/05
	06/01/96	12,695	8,815	3,880	07/01/14
	09/01/98	8,390	0	8,390	07/01/14
		<u>27,135</u>	<u>13,325</u>	<u>13,810</u>	
Amphitheater Unified District #10	02/01/90	34,495	34,495	0	07/01/04
	03/01/92	5,000	5,000	0	07/01/03
	10/01/92	19,000	10,200	8,800	07/01/06
	10/01/92	26,235	19,945	6,290	07/01/04
	02/01/95	14,500	14,500	0	07/01/07
	11/01/95	29,000	26,000	3,000	07/01/09
	02/19/97	19,350	4,950	14,400	07/01/10
	10/15/98	12,680	555	12,125	07/01/06
	12/01/99	33,835	28,035	5,800	07/01/12
	12/19/02	64,980	1,735	63,245	07/01/11
		<u>259,075</u>	<u>145,415</u>	<u>113,660</u>	
Sunnyside Unified District #12	03/01/94	13,425	13,425	0	07/01/02
	03/01/94	9,000	3,315	5,685	07/01/08
	04/15/94	9,000	6,000	3,000	07/01/11
	05/14/94	12,000	10,600	1,400	07/01/11
	08/01/97	6,445	1,415	5,030	07/01/11
	08/25/98	12,925	6,875	6,050	07/01/15
	11/01/99	11,040	5,250	5,790	07/01/13
	08/08/01	21,570	285	21,285	07/01/13
	06/27/03	7,625	0	7,625	07/01/14
		<u>103,030</u>	<u>47,165</u>	<u>55,865</u>	

PIMA COUNTY
SCHOOL DISTRICT OUTSTANDING BOND ISSUES
June 30, 2003
(\$ Amounts in thousands)

School District	Issue Date	Issue Amount	Amount Redeemed/ Retired	Amount Outstanding	Maturity Date
Tanque Verde Unified District #13	11/15/94	8,700	5,960	2,740	07/01/10
	03/01/98	4,995	725	4,270	07/01/10
		<u>13,695</u>	<u>6,685</u>	<u>7,010</u>	
Catalina Foothills Unified District #16	03/01/91	20,000	16,800	3,200	07/01/05
	01/01/94	26,675	13,325	13,350	07/01/10
	02/01/94	5,000	3,000	2,000	07/01/10
	05/01/95	5,500	4,450	1,050	07/01/10
	02/08/94	955	0	955	07/01/09
	03/01/96	5,485	3,485	2,000	07/01/06
	01/01/98	10,600	2,300	8,300	07/01/13
	06/30/98	9,120	1,295	7,825	07/01/10
	10/01/01	7,815	125	7,690	07/01/10
		<u>91,150</u>	<u>44,780</u>	<u>46,370</u>	
Vail Elementary District #20	09/01/92	4,470	4,470	0	07/01/04
	08/01/94	5,300	5,225	75	07/01/09
	06/01/98	4,200	1,695	2,505	07/01/17
	03/01/01	10,000	220	9,780	07/01/15
	12/03/02	6,600	0	6,600	07/01/12
		<u>30,570</u>	<u>11,610</u>	<u>18,960</u>	
Sahuarita Unified District #30	01/01/96	9,500	5,015	4,485	07/01/11
	01/29/97	9,750	3,150	6,600	07/01/11
	01/28/98	10,645	1,295	9,350	07/01/11
	01/28/98	124	124	0	07/01/03
		<u>30,019</u>	<u>9,584</u>	<u>20,435</u>	
Continental Elementary District #39	08/01/93	1,625	920	705	07/01/08
	04/01/97	3,785	790	2,995	07/01/12
		<u>5,410</u>	<u>1,710</u>	<u>3,700</u>	
Indian Oasis Unified District #40	05/01/02	13,105	820	12,285	07/01/14
		<u>13,105</u>	<u>820</u>	<u>12,285</u>	
Altar Valley Elementary District #51(2)	10/21/93	290	290	0	07/01/03
		<u>290</u>	<u>290</u>	<u>0</u>	
TOTAL SCHOOL BONDED INDEBTEDNESS		<u>\$ 1,149,209</u>	<u>\$ 486,539</u>	<u>\$ 662,670</u>	

Notes:

(1) Interest supplement

(2) Formerly known as Mary E. Dill School District

PIMA COUNTY
HISTORICAL COLLECTIONS - HOTEL EXCISE TAX,
CAR RENTAL SURCHARGES
AND RECREATIONAL VEHICLE TAX
Last Ten Fiscal Years
(Amounts in thousands)

Fiscal Year	Hotel Excise Tax (1)	Car Rental Surcharges (2)	Recreational Vehicle Tax (3)
1993-94	\$ 938	\$ 849	-
1994-95	922	941	-
1995-96	945	986	-
1996-97	1,794	1,340	-
1997-98	2,378	1,385	182
1998-99	2,438	1,396	217
1999-00	2,625	1,477	213
2000-01	2,824	1,557	199
2001-02	2,495	1,377	190
2002-03	2,536	1,436	195

- (1) Tax increased from 1% to 2% January 1, 1997; the additional 1% can only be used for County 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 Spring Training activities.

Source: Pima County Finance Department

PIMA COUNTY
STREETS AND HIGHWAYS REVENUES
Last Ten Fiscal Years
(Amounts in thousands)

<u>Fiscal Year</u>	<u>Amount</u>
1993-94	\$ 23,860
1994-95	24,208
1995-96	25,764
1996-97	30,412
1997-98	33,370
1998-99	39,535
1999-00	47,699
2000-01	48,317
2001-02	47,071
2002-03	48,072

Source: Pima County Finance Department

PIMA COUNTY
 LEASE, LEASE-PURCHASE AND PURCHASE AGREEMENTS
 Scheduled Payments
 (Amounts in thousands)

Function/Department	FY 01-02	FY 02-03	FY 03-04
Elections	\$ 460	\$ 460	\$ -
Clerk of Superior Court		133	195
Jail (1)	2,555	2,557	3,824
Juvenile Court	116	74	74
Legal Services Building	52	-	-
Public Works Building	1,642	1,645	1,643
Sheriff	118	42	42
Superior Court	260	77	-
	<u>\$ 5,203</u>	<u>\$ 4,988</u>	<u>\$ 5,778</u>

- (1) Funds derived from a sale/leaseback of the County's Adult Corrections Facility provided funding for construction of Kino Veteran's Memorial Sportspark & TEP Stadium.

Source: Pima County Finance Department

PIMA COUNTY
POPULATION STATISTICS
June 30, 2003

<u>Age Group</u>	<u>Population</u>
0-4	60,983
5-9	60,054
10-14	61,564
15-19	61,362
20-24	68,542
25-39	185,180
40-54	185,878
55-59	45,063
60-64	37,352
65-69	34,650
70-74	34,236
75+	73,363
Total	<u>908,227</u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2003	908,227
2005	943,795
2010	1,031,623
2015	1,119,342
2020	1,206,244
2040	1,522,615

Source: Arizona Department of Economic Security

PIMA COUNTY
AVERAGE ANNUAL JAIL POPULATION
Last Ten Fiscal Years
June 30, 2003

<u>Calendar Year</u>	<u>Average Jail Population</u>
1993	1,034
1994	1,069
1995	1,036
1996	1,098
1997	1,229
1998	1,362
1999	1,339
2000	1,330
2001	1,481
2002	1,462

Source: Pima County Sheriff's Department