

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

Pima County issues a Comprehensive Annual Financial Report. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on.



2006

Year Ended June 30, 2006

**County's Condensed
Financial Information**

The County's government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector businesses. These statements report the financial activities of the overall government, except for fiduciary activities.

The tables to the right present summarized versions of the County's government-wide Statement of Net Assets and Statement of Activities for its governmental and business-type activities reported in the current-year financial statements.

The Statement of Net Assets presents information on the County's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how net assets changed during the most recent fiscal year.

As shown in the table, the County's revenues exceeded its expenses during the current year, resulting in an increase in net assets of \$111 million. This increase included a \$64 million increase in the net assets of the County's governmental activities and a \$47 million increase in its business-type activities.

**Statement of Net Assets
June 30, 2006
(In millions)**

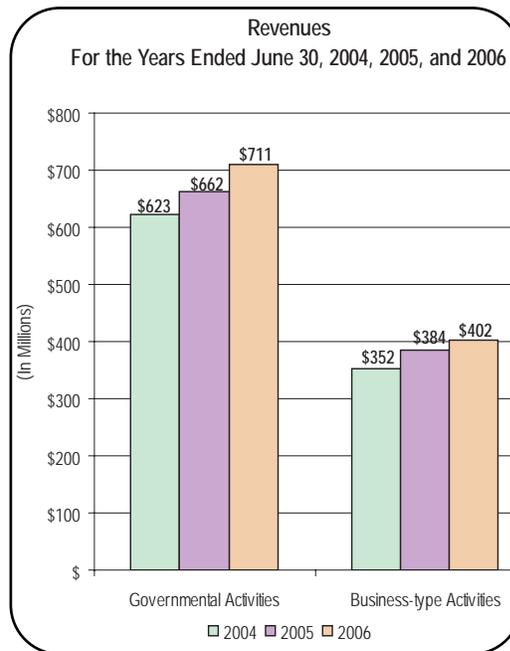
	Total Governmental and Business-type Activities
Assets:	
Current and other assets	\$ 457
Capital assets, net	<u>1,744</u>
Total assets	<u>2,201</u>
Liabilities:	
Current liabilities	124
Noncurrent liabilities	<u>582</u>
Total liabilities	<u>706</u>
Net assets:	
Invested in capital assets, net of related debt	1,227
Restricted net assets	214
Unrestricted net assets	<u>54</u>
Total net assets	<u>\$1,495</u>

**Statement of Activities
Year Ended June 30, 2006
(In millions)**

	Total Governmental and Business-type Activities
Program revenues:	
Governmental activities	\$ 217
Business-type activities	382
General revenues:	
Governmental activities	494
Business-type activities	<u>20</u>
Total revenues	<u>1,113</u>
Expenses:	
Governmental activities	647
Business-type activities	<u>355</u>
Total expenses	<u>1,002</u>
Change in net assets	111
Net assets—beginning, as restated	<u>1,384</u>
Net assets—ending	<u>\$1,495</u>

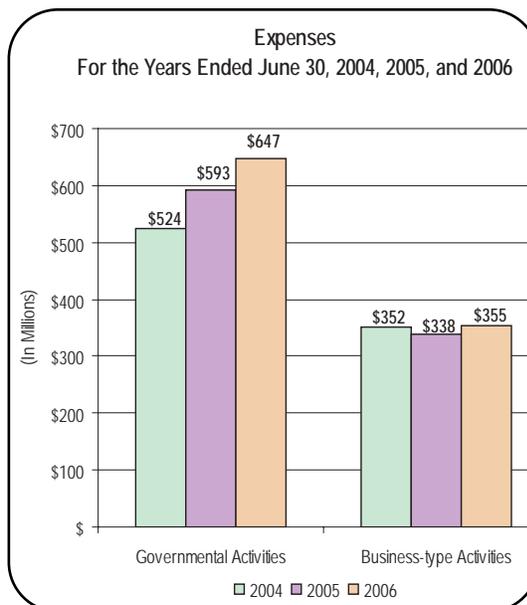
Revenues

Between fiscal years 2004 and 2006, the County's revenues increased by \$138 million. As shown in the chart to the right, the increases included \$88 million in governmental activities and \$50 million in business-type activities revenues. The governmental activities revenues increase was primarily due to a \$43 million increase in property taxes revenue resulting from increases in property values and construction; a \$22 million increase in state-shared taxes primarily from increases in state sales tax receipts from retail sales; and a \$17 million increase in charges for services largely from increases in development impact fees. The business-type activities revenues increase was primarily due to a \$29 million increase in patient service revenues attributable to increases in enrollment in Pima Health System & Services and a \$23 million increase in Wastewater Management mostly from sewer utility and connection fee increases.



Expenses

Between fiscal years 2004 and 2006, the County's expenses increased by \$126 million. As shown in the chart to the right, the increases included \$123 million in governmental activities and \$3 million in business-type activities expenses. The governmental activities increase was largely from increased personnel and benefit costs totaling approximately \$39 million; a \$23 million increase in depreciation expense primarily from the addition of infrastructure assets; and a \$28 million increase in health and welfare costs due to payments to University Physicians, Inc. for the Kino Hospital facilities and increases in the County's contributions to the Arizona Long-Term Care System. The business-type activities increase primarily resulted from \$22 million in increases in Pima Health System & Services medical claims payments caused mostly by increased enrollment in the health plans. However, these increases were offset by cost savings because the County discontinued its operations of Kino Hospital in June of 2004.



TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333



or by visiting our Web site at:
www.azauditor.gov

Contact person for this report:
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Year Ended June 30, 2006