



Comprehensive Annual Financial Report

Pima County, Arizona

2008

For the Fiscal Year Ended June 30, 2008



Comprehensive Annual Financial Report

Pima County, Arizona

**PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2008**

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C. H. Huckelberry

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PIMA COUNTY, ARIZONA
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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.



**PIMA COUNTY
DEPARTMENT OF FINANCE & RISK MANAGEMENT**

130 WEST CONGRESS STREET
TUCSON, ARIZONA 85701-1317
(520) 740-8041 FAX (520) 243-2329

Thomas E. Burke, Director

December 19, 2008

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 and Risk Management Department, for the fiscal year ended June 30, 2008. 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 is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting as established by the Governmental Accounting Standards Board (GASB) using the guidelines as recommended by the Government Finance Officers Association of the United States and Canada (GFOA). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditors' report.

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, notes to the statements, and required supplementary information necessary to fairly present the financial position and results of operations of the County in conformity with

generally accepted accounting principles. This section also includes supporting statements and schedules necessary to produce a CAFR.

- The **STATISTICAL** section, which contains comprehensive statistical data on the County's financial, physical, economic and demographic characteristics.

Pima County and County 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, Sheriff's Department, Indigent Defense and Public Fiduciary
- *Medical Services:* Pima Health System & Services (including Posada del Sol), Institutional Health, Public Health (including Animal Control) and Forensic Science Center
- *Community and Economic Developments:* Superintendent of Schools, Community Development and Neighborhood Conservation, Economic Development and Tourism, Community Services, Employment and Training, Community Resources, County Free Library District, Southwestern Fair Commission and Stadium District
- *Public Works:* Regional Flood Control District, Development Services (including Planning & Zoning), Transportation, Regional Wastewater Reclamation, Solid Waste, Environmental Quality, Capital Improvement Program, Fleet Services, Natural Resources, and Parks & Recreation
- *County Administration:* Board of Supervisors, County Administrator, Assessor, Clerk of the Board, Elections, Finance and Risk Management, Human Resources, Information Technology, Procurement, Recorder, Treasurer, Facilities Management, Communications, Parking Garages and Graphics Services

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:

- *Southwestern Fair Commission.* Activities of the Commission are reported as a discrete component unit of the County in the accompanying financial statements.
- *Pima County Stadium District, Regional Flood Control District, and Library District.* Activities are reported in special revenue funds as blended component units 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 or maintenance of specific public works projects that benefit citizens of a limited geographical area. The County's currently active improvement districts include La Cholla Boulevard, Hayhook Ranch Road and Camino Ojo De Agua 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, Pima Association of Governments, Pima Council on Aging and the Workforce Investment Board. 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

Overall, the slowing of the economy and reduction in housing activity is having a pervasive, negative impact on the State and the County. The Management's Discussion and Analysis on page 13 – 29 provides for a general and specific discussion regarding the County's economic outlook

Expenditure Limitation

Arizona voters approved a proposition amending the state constitution in 1980 that established expenditure limitations for local governments, including Pima County. While the County has not exceeded the limitation, the rapid growth of expenses from the County's sewer and conveyance system is significantly impacting expenditures subject to the limitation.

Major Program Initiatives and Developments

Some of the major developments that occurred in Pima County during the fiscal year ended June 30, 2008 include:

Capital Improvement Program

Bond sales occurred in February 2008 for both General Obligation and Transportation Revenue Bonds, with Sewer Revenue bonds and Certificates of Participation sold in May. General Obligation, Transportation Revenue and Sewer Revenue bonds continue to fund a significant portion of the Capital Improvement Program. Bond sales are currently planned for the first quarter of calendar year 2009.

Several ongoing projects were completed in the fiscal year, primarily consisting of roadway projects, land acquisitions, libraries, and improvements to the sewage conveyance system within the County.

Significant completed roadway projects include Valencia from Mark Road to Camino de la Tierra, and Craycroft Road from River to Sunrise. Completed library projects include the Marana library and the Flowing Wells library. Significant land acquisitions include the Gerald Brown properties with major sewage improvement projects completed at the Federal Bureau of Prisons and the Corona de Tucson expansion.

Major bond-funded projects still underway include the Psychiatric Hospital and Urgent Care facility located at the Kino campus, and the Regional Public Safety Communication System.

Please refer to the Management's Discussion and Analysis beginning on page 13 for details on these and other significant projects.

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, with each department budgeted on a cost center/account line item basis. Each year, the budget is presented emphasizing the programmatic components of County services, identifying the costs and funding of programs.

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 by the County Treasurer according to statutory guidelines. To address cash flow needs in the short term, the County maintains a revolving line-of-credit with Bank of America, N.A. For short term needs within the County, the County has instituted internal borrowings among funds that were recorded 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, 2007 cited material weaknesses and significant deficiencies in the County's administration of the Highway Planning and Construction program over reporting, allowable cost/cost principles, and the Davis-Bacon Act. Additionally, the Homeland Security Grant program reported a significant deficiency pertaining to allowable costs/cost principles.

The Single Audit for Pima County for the fiscal year ended June 30, 2008 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 2007, 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.

In addition, Pima County also received GFOA's Distinguished Budget Presentation Award for its annual budget for fiscal year ending June 30, 2009. In order to qualify for the Distinguished Budget Presentation Award, the government's budget had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This is the tenth consecutive year the County's budget has been so recognized.

Acknowledgements

Preparation of this report could not be accomplished without the efficient and dedicated service of the staff of the County's Finance and Risk Management 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



Tom Burke
Director, Finance and Risk Management

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, 2007

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.



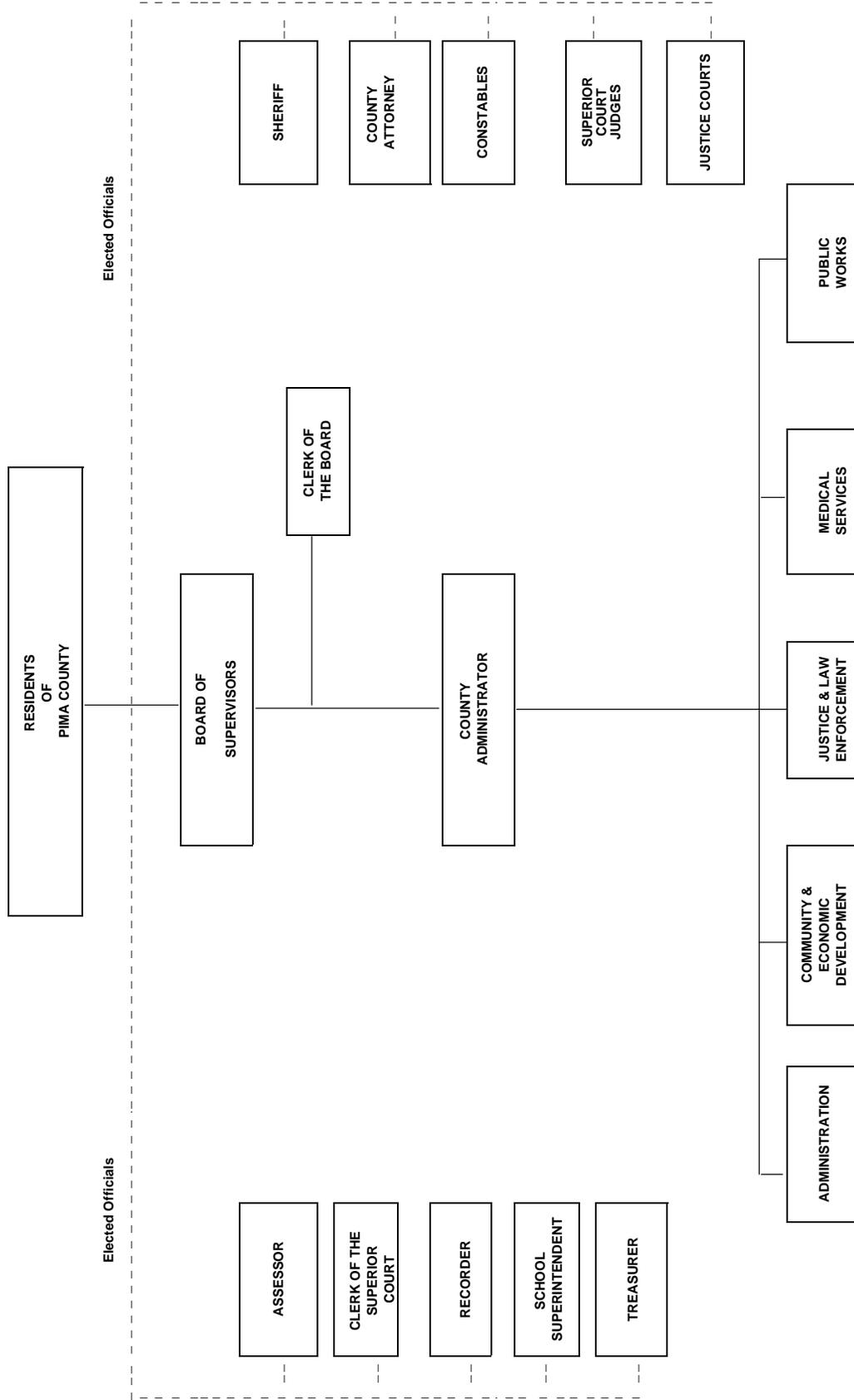
Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

PIMA COUNTY ORGANIZATIONAL CHART



PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2008

INTRODUCTORY SECTION

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information Other than Management's Discussion and Analysis

Combining Statements and Other Schedules

STATISTICAL SECTION

FINANCIAL SECTION

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



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. 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 certain departments, two major funds, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Government-Wide Statements</u>				
Governmental Activities:				
Stadium District	0.09%	0.04%	0.42%	0.42%
School Reserve Fund	0.15%	0.05%	0.51%	0.51%
Self Insurance Trust	2.39%	4.19%	0.25%	0.11%
Business-Type Activities:				
Regional Wastewater Reclamation Department	92.16%	86.05%	24.82%	25.67%
Pima Health System & Services	6.17%	13.34%	67.45%	70.59%
Development Services	0.67%	0.48%	2.19%	3.56%
Self Insurance Trust	0.00%	0.00%	0.00%	0.06%
Component Unit—Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%

Opinion Unit/Department	Assets	Liabilities	Revenues	Expenses/ Expenditures
<u>Fund Statements</u>				
Major Funds:				
Regional Wastewater Reclamation Department	100.00%	100.00%	100.00%	100.00%
Pima Health System & Services	100.00%	100.00%	100.00%	100.00%
Aggregate Remaining Fund Information:				
Stadium District	0.28%	0.19%	0.96%	0.92%
School Reserve Fund	0.46%	0.26%	1.16%	1.13%
Development Services	1.41%	0.98%	2.69%	4.24%
Self Insurance Trust	7.28%	21.25%	5.91%	5.25%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement Nos. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*; 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*; 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; and 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)*, for the year ended June 30, 2008, which represent changes in accounting principles.

The Management's Discussion and Analysis on pages 13 through 29, the Budgetary Comparison Schedules on pages 79 and 80, and the Schedule of Retirement Plans' Funding Progress on pages 81 and 82 are not required parts 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 introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Debbie Davenport
Auditor General

December 19, 2008

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Management's Discussion and Analysis

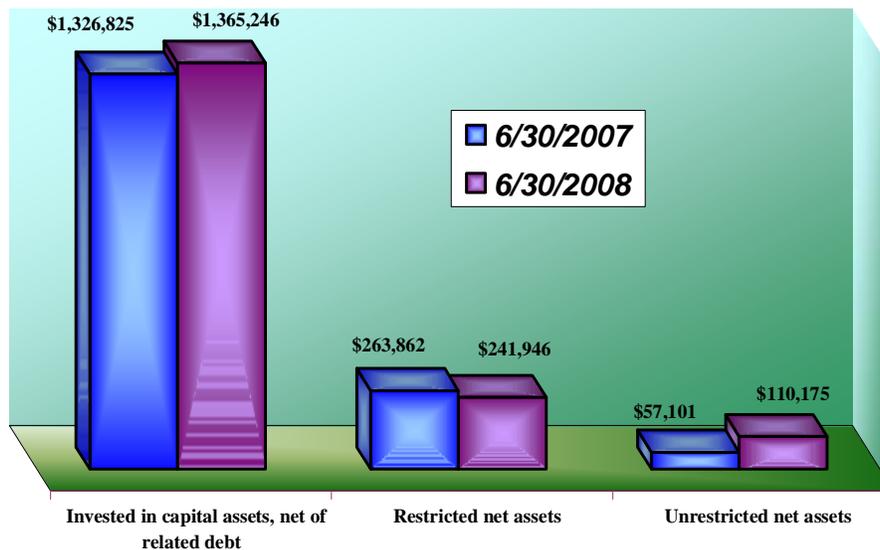
Management's Discussion & Analysis

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, 2008, 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, 2008, the County's combined assets exceeded combined liabilities (*net assets*) by \$1,717,367, an increase of 4.2% from the prior year. Of this amount, \$110,175 is available for general government expenses (*unrestricted net assets*), \$241,946 is restricted for specific purposes (*restricted net assets*), and \$1,365,246 is invested in capital assets, net of related debt and accumulated depreciation.

Comparative Composition of Pima County Net Assets



- Of the total fund balances of the County's governmental funds, total fund balance increased \$86,917 to \$317,577, with \$295,068 of this amount available for expenditure. The amount available for expenditure is comprised of \$64,974 for the General Fund, \$152,643 for the Capital Projects Fund and \$77,451 for the County's other governmental funds.
- The General Fund unreserved, undesignated fund balance decreased \$13,233 from the previous year to \$35,438. This balance represents approximately 7.7% of the County's General fund expenditures and 4.0% of total governmental funds expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) 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 a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Regional Wastewater Reclamation Department, Development Services and the County's downtown parking garages.

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

The government-wide financial statements can be found on pages 31 - 33 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 Office of Management and Budget (OMB) budgeting guidelines. All of the funds can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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 fifteen 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 and Capital Projects funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found on pages 34 - 37 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 services, telecommunications, wireless and IT network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, 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. Regional Wastewater Reclamation Department and Pima Health System & Services 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 38 - 41 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 42 - 43 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 44 -78 of this report.

Required Supplementary Information (RSI) is presented concerning the County's General Fund budgetary schedule and the Schedule of Retirement Plans' funding progress. Required supplementary information can be found on pages 79 - 82 of this report.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 84 - 114 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. County assets exceeded liabilities by \$1,717,367 at June 30, 2008. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

Table 1
Schedule of Assets, Liabilities, and Net Assets
At June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2007-2008	2006-2007*	2007-2008	2006-2007*	2007-2008	2006-2007*
Current and other assets	\$ 460,995	\$ 369,780	\$ 189,217	\$ 153,227	\$ 650,212	\$ 523,007
Capital assets:						
Land, buildings, equipment, infrastructure & other	1,413,881	1,335,344	714,548	645,602	2,128,429	1,980,946
Total assets	<u>1,874,876</u>	<u>1,705,124</u>	<u>903,765</u>	<u>798,829</u>	<u>2,778,641</u>	<u>2,503,953</u>
Current and other liabilities	87,975	90,562	63,919	51,327	151,894	141,889
Long-term liabilities	667,157	538,529	242,223	175,747	909,380	714,276
Total liabilities	<u>755,132</u>	<u>629,091</u>	<u>306,142</u>	<u>227,074</u>	<u>1,061,274</u>	<u>856,165</u>
Net assets :						
Invested in capital assets, net of related debt	882,424	850,582	482,822	476,243	1,365,246	1,326,825
Restricted	183,542	179,195	58,404	84,667	241,946	263,862
Unrestricted	53,778	46,256	56,397	10,845	110,175	57,101
Total net assets	<u>\$ 1,119,744</u>	<u>\$ 1,076,033</u>	<u>\$ 597,623</u>	<u>\$ 571,755</u>	<u>\$ 1,717,367</u>	<u>\$ 1,647,788</u>

*As restated - See Note 2 in notes to the financial statements

The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2008, investment in capital assets totaled \$1,365,246, comprising approximately 79.5% 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 \$38,421 increase in capital assets, net of related debt, is primarily due to the significant 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, 2008, restricted net assets totaled \$241,946 and comprised approximately 14.1% of total net assets. This represents a \$21,916 decrease in restricted net assets from the \$263,862 balance of fiscal year 2006-07.

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, 2008, unrestricted net assets totaled \$110,175 and comprised approximately 6.4% of total net assets.

Governmental activities

The change in net assets for governmental activities was \$43,711, an increase of \$3,907 from the prior year. The following table shows details of the changes in net assets for governmental activities:

Table 2
Governmental Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007*	Amount	Percent
Program revenues:				
Charges for services	\$ 64,010	\$ 66,898	\$ (2,888)	-4.3%
Operating grants and contributions	144,479	139,324	5,155	3.7%
Capital grants and contributions	48,672	15,085	33,587	222.7%
Total program revenues	257,161	221,307	35,854	16.2%
General revenues:				
Property taxes	377,809	343,525	34,284	10.0%
State-shared taxes	130,337	133,952	(3,615)	-2.7%
Investment earnings	16,326	16,439	(113)	-0.7%
Other general revenues	39,657	41,525	(1,868)	-4.5%
Total general revenues	564,129	535,441	28,688	5.4%
Total revenues	821,290	756,748	64,542	8.5%
Expenses:				
General government	239,398	223,266	16,132	7.2%
Public safety	165,715	148,831	16,884	11.3%
Highways and streets	88,488	92,985	(4,497)	-4.8%
Sanitation	9,658	9,623	35	0.4%
Health	36,977	33,800	3,177	9.4%
Welfare	106,546	97,154	9,392	9.7%
Culture and recreation	60,616	55,482	5,134	9.3%
Education and economic opportunity	47,296	42,483	4,813	11.3%
Amortization	138	168	(30)	-17.9%
Interest on long-term debt	22,860	18,924	3,936	20.8%
Total expenses	777,692	722,716	54,976	7.6%
Excess before contributions and transfers	43,598	34,032	9,566	28.1%
Contributions		5,051	(5,051)	-100.0%
Transfers in	113	721	(608)	-84.3%
Change in net assets	43,711	39,804	3,907	9.8%
Ending net assets (as restated)	\$ 1,119,744	\$ 1,076,033	\$ 43,711	4.2%

*As restated - See Note 2 in notes to the financial statements

Key elements of the change in net assets from governmental activities include:

- Revenue from capital grants and contributions increased by \$33,587. \$23,597 of the increase is due to a change in reporting from fiscal year 2006-07, from "Contributions", a general revenue, to "Capital grants and contributions", a program revenue. The \$23,597 change was comprised of \$14,708 received from developers for roadways and \$8,889 in land contributions. In addition, there was a \$4,701 increase in Regional Transportation Authority (RTA) funding, a \$1,982 increase in outside contributions to Transportation capital improvement projects for utility infrastructure relocation and a \$1,392 increase from the Pima Association of Governments (PAG) HURF funds to repay the HELP loan on a roadway project.

- Property taxes increased by \$34,284 as a result of an increase in property valuations for primary and secondary taxes that was partially offset by a decrease in the primary tax rate.
- General government expenses increased by \$16,132, of which \$11,510 were increases in the General Fund that reflect a 45% increase in personal services, 30% increases in utilities and repair & maintenance, and a 25% increase due to the state-wide Qwest property lawsuit settlement. In addition, there was \$3,013 of other postemployment benefits (OPEB) expenses not reported in the prior fiscal year.
- Public Safety expenses increased by \$16,884 due to a \$14,578 increase within the General Fund as a result of a \$9,000 increase in personal services for the Sheriff's department and the addition of \$2,047 for OPEB expenses not reported in the prior fiscal year.
- Welfare expenses increased by \$9,392 due to an increase in the payments to University Physicians, Inc. from approximately \$14,800 to \$25,000.

Business-type activities

Business-type activities added \$25,868, or 37.2%, of the County's \$69,579 change in total net assets for the year ended June 30, 2008. The following table shows changes in net assets for business-type activities:

Table 3
Business-type Activities
Schedule of Changes in Net Assets
For the Years Ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007*	Amount	Percent
Program revenues:				
Charges for services	\$ 409,140	\$ 376,195	\$ 32,945	8.8%
Operating grants and contributions	4,806	5,174	(368)	-7.1%
Capital grants and contributions	22,952	803	22,149	2758.3%
Total program revenues	436,898	382,172	54,726	14.3%
General revenues:				
Investment earnings	6,721	5,510	1,211	22.0%
Other general revenues	1,286	1,522	(236)	-15.5%
Total general revenues	8,007	7,032	975	13.9%
Total revenues	444,905	389,204	55,701	14.3%
Expenses:				
Wastewater Management	106,803	98,222	8,581	8.7%
Pima Health System & Services	295,494	261,859	33,635	12.8%
Development Services	14,750	15,400	(650)	-4.2%
Parking Garages	1,877	1,579	298	18.9%
Total expenses	418,924	377,060	41,864	11.1%
Excess before contributions and transfers	25,981	12,144	13,837	113.9%
Contributions		25,217	(25,217)	-100.0%
Transfers in (out)	(113)	(721)	608	84.3%
Change in net assets	25,868	36,640	(10,772)	-29.4%
Ending net assets (as restated)	\$ 597,623	\$ 571,755	\$ 25,868	4.5%

*As restated - See Note 2 in notes to financial statements

Key elements of the change in net assets from business-type activities include:

- Charges for services revenue increased by \$32,945 due primarily to a \$30,712 increase in capitation revenue associated with the AHCCCS/ALTCS program for Pima Health System & Services fund. Both the contractual rate and number of members increased for both programs for fiscal year 2007-08 compared to the prior year. This increase was partially offset by a decrease in revenue for Development Services due to a decline in the number of permits issued.
- Capital grants and contributions increased by \$22,149 as a result of a change in reporting from the prior year. In fiscal year 2006-07, outside contributions of assets were reported as “Contributions”, a general revenue. In the current fiscal year, contributions of \$22,910 are reported under “Capital grants and contributions”, a program revenue.
- Investment earnings increased by 22%, or \$1,211, due to higher cash balances generated from capitation revenue within Pima Health System & Services. Capitation revenue is advanced prior to the payment of related expenses during the fiscal year.
- Expenses for Regional Wastewater Reclamation Department increased by \$8,581 due primarily to increased costs for operations, such as employee compensation (\$4,846), general and administrative (\$2,707) and consultants and professional services (\$2,371).
- Expenses for Pima Health System & Services increased by \$33,635 due to higher expenses for medical claims that were based on increased member enrollment and rates paid to providers for both the AHCCCS and ALTCS programs.

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 (i.e. Flood Control, Library and Stadium Districts). The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County’s financing requirements. In particular, 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.

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the County. At June 30, 2008, unreserved, undesignated fund balance of the general fund was \$35,438 while total fund balance was \$70,389. As a measure of the General Fund’s liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 7.7% of total General Fund expenditures, while total fund balance represents 15.3% of that same amount.

Total fund balance for the General Fund increased \$12,829 compared to the prior fiscal year. Revenue increased by \$11,911 and reflects the following changes:

- An increase of \$16,143 for property taxes was primarily due to higher assessed property valuations that were partially offset by lower tax rates.
- Intergovernmental revenue declined by \$4,113 as a result of decreases of \$3,000 in State Sales Tax and \$789 in Hotel/Motel Tax revenues.

- Charges for services declined by \$1,297, as the prior year reported a one-time receipt of \$1,235 for the RTA special election.

Expenditures increased by \$39,051 as a result of the following changes:

- \$11,510 for general government expenditures due to higher personal services reflecting increased rates for salaries and retirement contributions, increased utility costs based on occupation of newly-added County facilities such as the Abrams Public Health Center, higher costs for motor pool charges due to the rising cost of fuel and the settlement of the state-wide Qwest property tax lawsuit.
- \$11,798 for public safety expenditures that also reflect higher costs for personal services related to salaries, medical/dental and retirement benefits costs and increased motor pool costs associated with the higher cost of fuel.
- \$9,818 for welfare expenditures related to increased payments to University Physicians, Inc. and their management of the Kino Campus.

The excess of revenues over expenditures was \$8,069, which is further increased by net operating transfers in of \$4,760. During fiscal year 2007-08, funds to be used for the repayment of the 2008 COPs issue were transferred into the General Fund.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were less than budgeted revenues by \$611 and actual expenditures were less than budgeted expenditures by \$28,233. No variances between the budget to actual amounts were significant enough to affect the County's ability to provide future services.

Capital Projects Fund

Total fund balance for the Capital Projects Fund increased \$63,195 compared to the prior fiscal year. Revenue increased by \$4,821 and reflects the following changes:

- Intergovernmental revenue increased by \$5,996 due to the construction on a larger number of RTA-funded roadway projects and also because of funding from the City of Tucson for utility relocation work on several roadway projects.
- Charges for services revenue is predominately a reflection of developer fees collected for a number of benefit areas. Fiscal year 2007-08 marks the second straight year that this revenue source has declined, dropping \$3,578 during the year, as home construction activity continues to be depressed, especially for the Mountain View, San Xavier and Avra Valley benefit areas.
- Miscellaneous revenue increased \$2,904 due to the following changes:
 - \$237 from the Tucson Unified School District for the Arroyo Chico Detention Basin project to alleviate flooding problems along the High School Wash.
 - \$300 from the Continental Family Medical Center for the Continental Health Clinic project for building construction.
 - \$768 from Kinder Morgan for the Thomas Jay Park Improvements project to compensate for environmental impact resulting from construction of a new oil pipeline.
 - \$1,705 from several companies, such as Tucson Electric Power Co., Southwest Gas, Comcast and Cox Communications, for utility relocation work on several roadway projects.

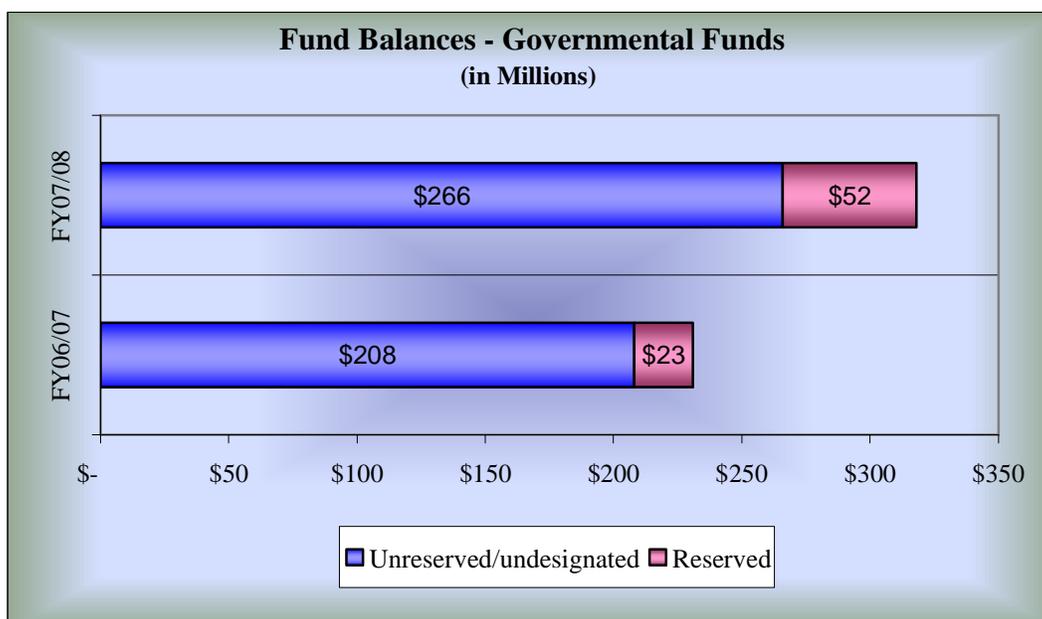
Capital project expenditures decreased by \$63,120 in fiscal year 2007-08 compared to the prior year. The following events identify significant portions of the decrease:

- Building acquisitions decreased significantly relative to the prior year, as the Bank of America building (\$25,000) and new emergency communications center (\$6,258) were acquired last fiscal year.
- Acquisitions under the Open Space Preservation program decreased by \$8,201. In fiscal year 2006-07, significant open space acquisitions totaled \$18,768, compared to the following acquisitions totaling \$9,920 that occurred in the current fiscal year:
 - Brown property for \$4,614
 - Cochie Canyon property for \$2,929
 - Tang property for \$2,377
- Spending on park improvement projects declined by \$5,283 due to the completion of the Flowing Wells Community Center, Curtis Park improvements, Brandi Fenton Park improvements and Picture Rocks Pool.
- The Sahuarita landfill expansion project was completed last fiscal year with spending of \$6,356 and minimal costs in the current year.
- Spending in the Transportation program decreased by \$17,614 due to the completion of several projects last fiscal year. In fiscal year 2006-07, there were 12 roadway projects that expended more than \$1,000 compared to 5 in the current year.

The deficiency of revenues under expenditures was \$105,698. Other financing sources during the year were the issuance of general obligation bonds of \$100,000, transportation bonds of \$25,000, and certificates of participation of \$50,000, resulting in a net change in fund balance for the Capital Projects Fund of \$63,195.

Overview of all governmental funds

At June 30, 2008, the County's governmental funds reported combined fund balances of \$317,577, an increase of \$86,917 from the prior year. Approximately 84% of the combined fund balances, or \$265,532, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs.



The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- \$29,536 for debt service specifically for the 2008 Certificates of Participation (COPs)
- \$12,395 for debt service on various bond and other debt instruments
- \$5,985 to reflect inventories and prepaid amounts
- \$2,766 for specified programs
- \$1,264 to reflect a loan receivable
- \$99 for capital repairs and refurbishments

Revenues for governmental functions totaled approximately \$804,102 in fiscal year 2007-08, which represents an increase of \$42,767 (5.6%) 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
Governmental Funds
Revenues Classified by Source

	Fiscal Year					
	2007-2008		2006-2007		Variance	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	\$ 381,862	47.5%	\$ 348,700	45.8%	\$ 33,162	9.5%
Special assessments	556	0.1%	521	0.1%	35	6.7%
Licenses and permits	7,710	0.9%	7,132	0.9%	578	8.1%
Intergovernmental	312,634	38.9%	303,392	39.9%	9,242	3.1%
Charges for services	58,890	7.3%	63,508	8.3%	(4,618)	-7.3%
Fines and forfeits	6,480	0.8%	6,550	0.9%	(70)	-1.1%
Interest	14,218	1.8%	13,988	1.8%	230	1.6%
Miscellaneous	21,752	2.7%	17,544	2.3%	4,208	24.0%
Total revenues	<u>\$ 804,102</u>	<u>100.0%</u>	<u>\$ 761,335</u>	<u>100.0%</u>	<u>\$ 42,767</u>	<u>5.6%</u>

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

- **Taxes** Revenues from property taxes increased \$33,162 reflecting higher primary tax revenues of \$16,143 and secondary tax revenues of \$17,019. Increased property tax revenue resulted from higher property valuations that were partially offset by a decrease in the primary tax rate.
- **Intergovernmental** The \$9,242 increase in intergovernmental revenue was due primarily to a \$5,996 increase within the Capital Projects Fund previously discussed. In addition, there was a \$4,804 increase in grant funding reimbursements for pass-through expenditures in Sheriff Department grants, \$1,500 for the Homeland Security grant and \$757 from the Arizona DPS Border Crimes grants.
- **Charges for services** The \$4,618 decrease in charges for services revenue resulted from a drop in permits issued and no revenue from RTA for special elections, as previously discussed, for both the General and Capital Projects Funds. In addition, there was a \$1,812 decrease in contributions compared to the prior year. However, the Solid Waste Fund reported an increase of \$1,096 due to the re-opening of the Sahuarita landfill to commercial traffic.

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

Table 5
Governmental Funds
Expenditures by Function

Government Function	Fiscal Year				Variance	
	2007-2008		2006-2007		Amount	Percent
	Amount	Percent	Amount	Percent		
General government	\$ 237,640	26.6%	\$ 222,434	24.9%	\$ 15,206	6.8%
Public safety	149,475	16.7%	132,930	14.9%	16,545	12.4%
Highways and streets	43,741	4.9%	42,683	4.8%	1,058	2.5%
Sanitation	8,310	0.9%	6,766	0.8%	1,544	22.8%
Health	34,352	3.8%	32,311	3.6%	2,041	6.3%
Welfare	106,607	11.9%	97,168	10.9%	9,439	9.7%
Culture and recreation	50,509	5.7%	45,197	5.1%	5,312	11.8%
Education and economic opportunity	42,286	4.7%	38,474	4.3%	3,812	9.9%
Capital outlay	139,539	15.6%	202,659	22.7%	(63,120)	-31.1%
<u>Debt service:</u>						
- Principal	59,719	6.7%	53,733	5.9%	5,986	11.1%
- Interest	22,639	2.5%	18,965	2.1%	3,674	19.4%
- Miscellaneous	330	0.0%	12	0.0%	318	2650.0%
Total expenditures	<u>\$ 895,147</u>	<u>100.0%</u>	<u>\$ 893,332</u>	<u>100.0%</u>	<u>\$ 1,815</u>	<u>0.2%</u>

Total expenditures in governmental funds increased during fiscal year 2007-08 by \$1,815.

- General government expenditures increased by \$15,206. Of this amount, 75.7% occurred within the General Fund, which has been previously discussed. Within the Recorder's office, there was an increase of \$1,958 due to the conversion from a PC-based to a mainframe system for document storage and retrieval. In addition, the County Attorney's anti-racketeering program had increased costs of \$424.
- Public safety expenditures increased by \$16,545 primarily due to a \$9,000 increase in personal services for the Sheriff's Department that was based on a \$1,100 increase in step pay, range adjustments and new positions, a \$2,400 pay increase for commissioned & corrections officers, an \$1,800 pay increase for civilian positions and a \$1,500 and \$650 increase in retirement contributions and medical/dental insurance costs, respectively. In addition, there was a \$2,000 increase in motor pool charges over last fiscal year.
- Welfare expenditures increased by \$9,439 for payments to University Physicians, Inc., as previously discussed under the General Fund section.
- Capital outlay expenditures decreased by \$63,120 as previously discussed under the Capital Projects Fund section.
- Debt service principal and interest costs increased \$5,986 and \$3,674, respectively. The most significant changes were as a result of the issuance of general obligation bonds with increases in both principal and interest of \$4,535 and \$1,832, respectively.

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 System and Services, Regional Wastewater Reclamation Department, 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
Enterprise Funds
Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years ended June 30, 2008 and 2007

	Fiscal Year		Variance	
	2007-2008	2006-2007	Amount	Percent
Operating revenues:				
Net patient services	\$ 289,651	\$ 255,275	\$ 34,376	13.5%
Charges for services	87,770	84,106	3,664	4.4%
Other	1,302	1,526	(224)	-14.7%
Total net operating revenues	<u>378,723</u>	<u>340,907</u>	<u>37,816</u>	11.1%
Operating expenses:				
Employee compensation	85,298	77,627	7,671	9.9%
Medical claims	237,926	208,122	29,804	14.3%
Operating supplies & services	10,078	11,140	(1,062)	-9.5%
Utilities	7,737	7,253	484	6.7%
Sludge and refuse disposal	1,602	1,649	(47)	-2.9%
Repair and maintenance	4,498	6,441	(1,943)	-30.2%
General and administrative	22,466	18,761	3,705	19.8%
Consultants and professional services	11,911	9,649	2,262	23.4%
Depreciation and amortization	25,288	23,844	1,444	6.1%
Total operating expenses	<u>406,804</u>	<u>364,486</u>	<u>42,318</u>	11.6%
Operating loss	<u>(28,081)</u>	<u>(23,579)</u>	<u>(4,502)</u>	-19.1%
Nonoperating revenues (expenses):				
Intergovernmental revenue	5,514	12,029	(6,515)	-54.2%
Investment earnings	6,822	5,556	1,266	22.8%
Sewer connection fees	31,037	30,757	280	0.9%
Interest expense	(6,653)	(6,540)	(113)	-1.7%
Loss on disposal of capital assets	(534)	(1,601)	1,067	66.7%
Amortization of deferred charges	(136)	(109)	(27)	-24.8%
Premium tax	(5,893)	(5,091)	(802)	-15.8%
Total nonoperating revenues	<u>30,157</u>	<u>35,001</u>	<u>(4,844)</u>	-13.8%
Income (loss) before contributions and transfers	2,076	11,422	(9,346)	-81.8%
Capital contributions	23,510	25,217	(1,707)	-6.8%
Transfers in	9,545	17	9,528	56047.1%
Transfers (out)	(10,259)	(738)	(9,521)	-1290.1%
Change in net assets	<u>\$ 24,872</u>	<u>\$ 35,918</u>	<u>\$ (11,046)</u>	-30.8%

While net operating revenues for the County's Enterprise Funds increased \$37,816, operating expenses increased \$42,318, resulting in an operating loss of \$28,081, an operating loss increase of \$4,502 from the prior year. The operating loss was due to reported losses of \$25,454 by the Regional Wastewater Reclamation Department, \$5,720 by Development Services and \$161 by Parking Garages, offset by operating income reported by Pima Health System and Services of \$3,254.

Key activity within the enterprise funds for fiscal year 2007-08 includes the following:

- Net patient services revenues increased by \$34,376 from fiscal year 2006-07. This is attributable to increased membership enrollment and rates for Pima Health System and Services, which generated increases in capitation revenues.
- Employee compensation expenses increased by \$7,671 from fiscal year 2006-07, due to an increase of \$4,846 for Regional Wastewater Reclamation Department and \$2,419 for Pima Health System & Services. Both increases were primarily due to the Board of Supervisors' approved salary and retirement rate increases, as well as the introduction of the OPEB liability not previously reported.
- Medical claims expense increased by \$29,804 due to an increase in the vendor rates and member enrollment for both the AHCCCS and ALTCS programs within Pima Health System and Services during the fiscal year.
- General and administrative expenses increased \$3,705, due primarily to sewer relocation projects undertaken by the City of Tucson of \$1,285 and to the cost-sharing agreement with the Transportation department for various sewer relocation projects of \$964.
- Intergovernmental revenue decreased \$6,515, as no revenues were received in the current year from Regional Wastewater Reclamation Department projects completed last fiscal year (i.e. Federal Prison Sewer System).
- Transfers in and out reflect the movement of 2008 COPs funding into and System Development Funding (SDF) out of the Regional Wastewater Reclamation Department. In addition, there was a budgeted transfer out of the Development Services Fund for a building remodel project that was cancelled. These funds, less expenses already incurred, were transferred back into the fund.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounted to \$2,128,429 (net of accumulated depreciation), an increase of 7.5%. Of the \$147,483 increase in net capital assets, \$78,537 (53.3%) came from governmental activities and \$68,946 (46.7%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

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

Table 7
Governmental and Business-type Activities
Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>Fiscal Year</u>		<u>Fiscal Year</u>		<u>Fiscal Year</u>	
	<u>2007-2008</u>	<u>2006-2007*</u>	<u>2007-2008</u>	<u>2006-2007*</u>	<u>2007-2008</u>	<u>2006-2007*</u>
Land	\$ 303,646	\$ 276,126	\$ 10,596	\$ 9,695	\$ 314,242	\$ 285,821
Construction in progress	90,098	109,307	72,060	35,637	162,158	144,944
Buildings and improvements	366,370	355,608	234,142	239,576	600,512	595,184
Sewage conveyance system			369,514	348,748	369,514	348,748
Equipment	44,655	39,560	28,236	11,946	72,891	51,506
Infrastructure	609,112	554,743			609,112	554,743
Total	<u>\$ 1,413,881</u>	<u>\$ 1,335,344</u>	<u>\$ 714,548</u>	<u>\$ 645,602</u>	<u>\$ 2,128,429</u>	<u>\$ 1,980,946</u>

*As restated - See Note 2 in notes to the financial statements

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

Land increased by \$27,520 due primarily to the following acquisitions for governmental activities:

- \$4,614 for the Brown property,
- \$2,929 for the Cochie Canyon property,
- \$2,377 for the Tang property,
- \$967 for the Chilton property,
- \$1,758 for various other open space acquisitions,
- \$3,169 for land acquisition related to flood control projects,
- \$2,426 for land acquisition related to transportation road projects.

In addition, the County received contributions in the form of land as follows:

- \$6,332 for land under developer-contributed roadways,
- \$1,239 for preservation easements on cultural resources projects,
- \$864 from the City of Tucson for the Animal Shelter & Jackson Employment Center projects,
- \$450 from the Town of Marana for the Library District.

Infrastructure for governmental activities increased by \$54,369 due primarily to completion of the following Transportation roadway projects:

- Craycroft Rd. - River to Sunrise for \$28,902,
- Valencia Rd. - Mark to Camino de la Tierra for \$17,947,
- Colossal Cave Rd. - Camino Loma Alta to Vail for \$8,312,
- Sunrise Dr. - Craycroft to Kolb for \$6,675,
- Country Club Rd. - 36th to Irvington for \$3,337.

In addition, the County received contributions from developers in the form of roadways in the amount of \$14,708. Flood Control District had several drainage improvement projects that were completed during the fiscal year in the amount of \$4,100.

Sewage conveyance systems increased by \$20,766 due primarily to the contribution of developer-built conveyance systems for \$23,667, as opposed to any significant project completion.

Construction-in-progress for governmental activities decreased by \$19,209, while construction-in-progress for business-type activities increased \$36,423. Construction-in-progress for governmental activities decreased due to a decline in spending for all governmental departments, primarily with Transportation and Facilities projects. In contrast, with the sale of Sewer Revenue bonds, spending within the Regional Wastewater Reclamation

Department's program significantly increased by \$55,500, which was partially reduced by capitalization of completed projects for \$18,600.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 to the financial statements on pages 56-57 of this report.

Long-term Debt

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

**Table 8
Long-Term Debt**

	Fiscal Year	
	<u>2007-2008</u>	<u>2006-2007</u>
Bonds issued (at face value):		
General obligation	\$ 100,000	\$ 95,000
Street and highway revenue	25,000	21,000
Sewer revenue	75,000	50,000
COPs	50,000	30,320
Capital leases	312	
Total	<u>\$ 250,312</u>	<u>\$ 196,320</u>

During the fiscal year, the county received \$100,000 in proceeds from the sale of general obligation bonds and \$25,000 from the sale of transportation revenue bonds. As of June 30, 2008, \$51,338 of proceeds from general obligation (GO) bonds and \$9,914 from transportation revenue (HURF) bonds were unspent. The majority of the general obligation bonds were spent on projects for Facilities Management, Flood Control District, open space and parks and recreational facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold \$50,000 in certificates of participation (COPs) primarily to fund wastewater and transportation infrastructure as well as to fund County-wide capital equipment purchases.

Pima County maintains the following ratings for its bonds and COPs as of June 30, 2008:

	<u>Moody's Investor Service</u>	<u>Standard and Poor's</u>
Certificates of Participation	A1	A+
General Obligation	Aa3	AA-
Transportation	A1	AA
Sewer Revenue	A1	A+

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is \$1,233,059, 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 to the financial statements on pages 60-68 of this report.

Economic Factors and Next Year's Budget

General fund

General government revenues, excluding property tax revenues, are budgeted in fiscal year 2008-09 at \$158.2 million, approximately \$6.2 million less than the amount budgeted for fiscal year 2007-08. The decline of several

types of projected revenues is reflective of slowing in the local and national economies and the significant shift of expenditures from the State of Arizona to local governments. Numerous factors, including a downturn in residential construction, a decline in housing prices, problems in the credit and capital markets and rising energy prices have all contributed to the current financial condition.

As of October 31, 2008, the most current projections of general government revenues for fiscal year 2008-09 indicate an additional decrease of \$11 million below the fiscal year 2008-09 budgeted revenues. After the County's adoption of the fiscal year 2008-09 budget, the State legislature shifted additional State costs to Pima County for fiscal year 2008-09. The State is experiencing a deficit estimated as of November 6, 2008 to be \$1.2 billion which could result in additional cost shifts to local governments before the end of fiscal year 2008-09.

The adopted budget for fiscal year 2008-09 has expenditures for the General Fund increasing by approximately \$12.6 million primarily due to the following:

- \$4.8 million to fund the costs of the primary and general elections held in 2008
- \$2.6 million net increase in state mandated employer contributions to the various state retirement systems; and \$1.1 million net increase in the County's contribution towards the cost of non-retirement benefits
- \$2.4 million increase to annualize the cost of fiscal year 2007-08 salary increases awarded to corrections and peace officers
- \$2.3 million of additional funding related to detention health care costs
- \$1.1 million for increased cost of fuel for vehicles and equipment

As part of its budget for fiscal year 2008-09, the County set aside \$7.2 million into the Budget Stabilization Fund in order to prepare for the potential negative financial impacts of cost shifts which the State may impose on the County to balance the State's budget for fiscal year 2008-09.

Transportation

By the end of October 2009, the County is projecting that the fiscal year 2008-09 HURF and VLT revenues received by the County will decrease by \$5.8 million below the amount adopted in the fiscal year 2008-09 budget. In an effort to reduce expenditures to deal with the revenue shortfall, the County has initiated cost saving measures within the Transportation department. Additionally, revenues from impact fees are substantially lower than budgeted for fiscal year 2008-09.

Development Services

Consistent with the slowdown in the housing industry for the last two fiscal years, the Development Services department is projecting further decline in housing permits and associated revenues by approximately \$5 million (46% of budgeted revenues) in fiscal year 2008-09. The economic situation is not expected to improve in the near future. The County has therefore initiated major cost saving measures within the Development Services department to reduce expenditures.

Regional Wastewater System

As with other activities impacted by real estate development, the number of new connections to the County's sewer system has declined during fiscal year 2008-09 as compared to prior years. The County expects an approximate \$10 million reduction in connection fees. To address this, the department is reducing expenditures within the system and requesting rate increases. The County has also requested permission to extend the time limits required by the Arizona Department of Environmental Quality for infrastructure improvements to the system.

Pima Health System and Services (PHS&S)

Effective October 1, 2008, Pima County's ambulatory services contract with the Arizona Healthcare Cost Containment System (AHCCCS) was not renewed. In response to the loss of that contract, the County reduced the budget for PHS&S by \$84 million, from the recommended expenditure budget of \$312 million to a final adopted budget of \$228 million.

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 and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY, ARIZONA
Statement of Net Assets
As of June 30, 2008
(in thousands)

Exhibit A-1

	Primary Government			Component Unit Southwestern Fair Commission
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 376,539	\$ 107,190	\$ 483,729	\$ 1,805
Property taxes receivable (net)	11,968		11,968	
Interest receivable	1,172	448	1,620	
Internal balances	510	(510)		
Due from other governments	49,341	959	50,300	
Accounts receivable (net)	3,492	21,263	24,755	38
Inventories	2,204	3,701	5,905	32
Prepays	5,036	199	5,235	
Special assessments receivable	1,340		1,340	
Other assets	7,058	2,401	9,459	
Restricted assets:				
Cash and cash equivalents	1,071	53,566	54,637	
Loans receivable	1,264		1,264	
Capital assets not being depreciated:				
Land	303,646	10,596	314,242	
Construction in progress	90,098	72,060	162,158	38
Capital assets being depreciated (net):				
Buildings and improvements	366,370	234,142	600,512	1,590
Sewage conveyance system		369,514	369,514	
Equipment	44,655	28,236	72,891	594
Infrastructure	609,112		609,112	
Total assets	1,874,876	903,765	2,778,641	4,097
Liabilities				
Accounts payable	36,668	17,229	53,897	258
Accrued medical and healthcare claims		34,375	34,375	
Interest payable	13	1,270	1,283	
Contract retentions	564		564	
Employee compensation	39,060	7,565	46,625	
Due to other governments	2,053	2,072	4,125	
Deposits and rebates	1,279		1,279	21
Deferred revenues	8,338	1,408	9,746	72
Noncurrent liabilities:				
Due within one year	83,744	14,414	98,158	
Due in more than one year	583,413	227,809	811,222	
Total liabilities	755,132	306,142	1,061,274	351
Net Assets				
Invested in capital assets, net of related debt	882,424	482,822	1,365,246	2,222
Restricted for:				
Facilities, justice, library, tax stabilization and community development	71,618		71,618	
Highways and streets	17,390		17,390	
Debt service	13,612	791	14,403	
Capital projects	80,922	37,925	118,847	
Regional wastewater		5,956	5,956	
Healthcare		13,732	13,732	
Unrestricted	53,778	56,397	110,175	1,524
Total net assets	\$ 1,119,744	\$ 597,623	\$ 1,717,367	\$ 3,746

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2008
(in thousands)

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 239,398	\$ 25,502	\$ 31,834	\$ 370
Public safety	165,715	9,550	12,868	1,160
Highways and streets	88,488	9,316	60,202	44,898
Sanitation	9,658	5,930	1,152	
Health	36,977	9,965	12,630	
Welfare	106,546		99	
Culture and recreation	60,616	3,031	4,826	1,904
Education and economic opportunity	47,296	716	20,868	340
Amortization - unallocated	138			
Interest on long-term debt	22,860			
Total governmental activities	777,692	64,010	144,479	48,672
Business-type activities:				
Regional Wastewater Reclamation Department	106,803	106,448	83	22,880
Pima Health System & Services	295,494	291,980	4,723	72
Development Services	14,750	8,992		
Parking Garages	1,877	1,720		
Total business-type activities	418,924	409,140	4,806	22,952
Total primary government	\$ 1,196,616	\$ 473,150	\$ 149,285	\$ 71,624
Component unit:				
Southwestern Fair Commission	\$ 5,144	\$ 5,472	\$ 120	
Total component units	\$ 5,144	\$ 5,472	\$ 120	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year, as restated				
Net assets at end of year				

See accompanying notes to financial statements

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Southwestern Fair Commission
\$ (181,692)		\$ (181,692)	
(142,137)		(142,137)	
25,928		25,928	
(2,576)		(2,576)	
(14,382)		(14,382)	
(106,447)		(106,447)	
(50,855)		(50,855)	
(25,372)		(25,372)	
(138)		(138)	
(22,860)		(22,860)	
(520,531)		(520,531)	
	\$ 22,608	22,608	
	1,281	1,281	
	(5,758)	(5,758)	
	(157)	(157)	
	17,974	17,974	
(520,531)	17,974	(502,557)	
			\$ 448
			448
263,681		263,681	
25,468		25,468	
32,564		32,564	
56,096		56,096	
8,176		8,176	
1,952		1,952	
103,171		103,171	
27,166		27,166	
7,748		7,748	
6,365		6,365	
16,326	6,721	23,047	
15,416	1,286	16,702	116
113	(113)		
564,242	7,894	572,136	116
43,711	25,868	69,579	564
1,076,033	571,755	1,647,788	3,182
\$ 1,119,744	\$ 597,623	\$ 1,717,367	\$ 3,746

Functions/Programs

Primary government:

Governmental activities:

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

Total governmental activities

Business-type activities:

- Regional Wastewater Reclamation Department
- Pima Health System & Services
- Development Services
- Parking Garages

Total business-type activities

Total primary government

Component unit:

- Southwestern Fair Commission

Total component units

General revenues:

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

Transfers

- Total general revenues and transfers
- Change in net assets

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

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2008
(in thousands)

Exhibit A-3

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 61,446	\$ 167,986	\$ 93,326	\$ 322,758
Property taxes receivable (net)	8,070		3,898	11,968
Interest receivable	167	474	359	1,000
Due from other funds	12,031	5,650	2,568	20,249
Due from other governments	24,714	4,200	20,247	49,161
Accounts receivable	1,480	540	1,325	3,345
Inventory			1,646	1,646
Prepaid expenditures	4,151		188	4,339
Special assessments receivable			1,340	1,340
Loan receivable	1,264			1,264
Other assets	160		5,200	5,360
Restricted cash equivalents		1,071		1,071
Total assets	\$ 113,483	\$ 179,921	\$ 130,097	\$ 423,501
<u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	\$ 11,759	\$ 11,997	\$ 11,165	\$ 34,921
Interest payable	2	5	6	13
Contract retentions	2	562		564
Employee compensation	8,840	46	3,330	12,216
Due to other funds	6,575	11,628	2,212	20,415
Due to other governments	58	1,206	784	2,048
Deposits and rebates	208	1,071		1,279
Deferred revenues	15,650	763	18,055	34,468
Total liabilities	43,094	27,278	35,552	105,924
Fund balances:				
Reserved for:				
Inventory			1,646	1,646
Prepaid expenditures	4,151		188	4,339
Debt service			12,395	12,395
Capital repairs and refurbishments			99	99
Specified programs			2,766	2,766
Loan receivable	1,264			1,264
Unreserved, designated for:				
Debt service	29,536			29,536
Unreserved, undesignated:				
General fund	35,438			35,438
Capital projects		152,643		152,643
Special revenue			77,451	77,451
Total fund balances	70,389	152,643	94,545	317,577
Total liabilities and fund balances	\$ 113,483	\$ 179,921	\$ 130,097	\$ 423,501

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2008
 (in thousands)

Exhibit A-4

Fund balances - total governmental funds		\$ 317,577
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$ 2,033,522	
Less accumulated depreciation	<u>(639,242)</u>	1,394,280
<p>Some liabilities and their associated issuance costs are not due and payable in the current period and therefore are not reported in the governmental funds</p>		
Bonds payable	(500,069)	
Certificates of participation payable	(81,612)	
Loans and leases payable	(24,223)	
Unamortized deferred issuance costs reported as other assets	<u>1,698</u>	(604,206)
<p>Some compensated absences are not due and payable shortly after June 30, 2008, and therefore are not reported in the governmental funds</p>		
Employee compensation		(26,958)
<p>Some liabilities are not due and payable shortly after June 30, 2008, and are therefore not reported in the governmental funds</p>		
Landfill liability	(18,419)	
Future postemployment health benefit liability	(8,779)	
Pollution remediation liability	<u>(1,784)</u>	(28,982)
<p>Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements</p>		
		26,130
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets</p>		
		41,903
Net assets of governmental activities		<u><u>\$ 1,119,744</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-5

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 268,493		\$ 113,369	\$ 381,862
Special assessments			556	556
Licenses and permits	2,971		4,739	7,710
Intergovernmental	148,158	\$ 17,023	147,453	312,634
Charges for services	32,307	8,839	17,744	58,890
Fines and forfeits	5,020		1,460	6,480
Investment earnings	3,343	4,812	6,063	14,218
Miscellaneous	8,314	3,167	10,271	21,752
Total revenues	468,606	33,841	301,655	804,102
Expenditures:				
Current:				
General government	192,839		44,801	237,640
Public safety	118,623		30,852	149,475
Highways and streets			43,741	43,741
Sanitation			8,310	8,310
Health	2,906		31,446	34,352
Welfare	106,502		105	106,607
Culture and recreation	16,325		34,184	50,509
Education and economic opportunity	17,418		24,868	42,286
Capital outlay		139,539		139,539
Debt service - principal	3,115		56,604	59,719
- interest	2,805		19,834	22,639
- miscellaneous	4		326	330
Total expenditures	460,537	139,539	295,071	895,147
Excess (deficiency) of revenues over (under) expenditures	8,069	(105,698)	6,584	(91,045)
Other financing sources (uses):				
Proceeds on capital leases			312	312
Premium on long-term debt		1,219	745	1,964
Face amount of long-term debt		175,000		175,000
Proceeds from sale of capital assets			27	27
Transfers in	47,854	29,160	51,392	128,406
Transfers (out)	(43,094)	(36,486)	(48,112)	(127,692)
Total other financing sources	4,760	168,893	4,364	178,017
Net change in fund balances	12,829	63,195	10,948	86,972
Fund balance at beginning of year	57,560	89,448	83,652	230,660
Change in reserve for inventory			(55)	(55)
Fund balance at end of year	\$ 70,389	\$ 152,643	\$ 94,545	\$ 317,577

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
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, 2008
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds \$ 86,972

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	\$ 105,819	
Less current year depreciation	<u>(51,609)</u>	54,210

Transfers of capital assets between governmental activities and
proprietary funds or internal service funds are not reported in the governmental
funds but are recognized in the statement of activities (615)

The issuance of long-term debt (e.g., bonds, leases) provides current financial
resources to governmental funds but increases long-term liabilities in the statement
of net assets. Repayment of the principal of debt is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the statement of net 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

Proceeds of long-term debt	(175,312)	
Debt service - principal payments	59,719	
Premium on long-term debt	(1,964)	
Deferred issuance costs	459	
Amortization expense	<u>(138)</u>	(117,236)

Some revenues reported in the statement of activities do not represent
the collection of current financial resources and, therefore, are not reported as
revenues in the governmental funds.

Donations of capital assets	23,943	
Property tax revenues	2,313	
Changes to other revenues	<u>(135)</u>	26,121

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	(2,215)	
Future postemployment health benefit liability	(8,779)	
Change in landfill liability	(1,089)	
Pollution remediation liability	(1,784)	
Net book value of capital asset disposals	(111)	
Change in reservation of fund balances	<u>(55)</u>	(14,033)

Internal service funds are used by management to charge the costs of certain
activities to individual funds. A portion of the net expense of the internal service funds is
reported with governmental activities 8,292

Change in net assets of governmental activities \$ 43,711

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Net Assets - Proprietary Funds
June 30, 2008
(in thousands)

Exhibit A-7

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 42,624	\$ 56,850	\$ 7,716	\$ 107,190	\$ 53,781
Restricted cash and cash equivalents		53,074		53,074	
Interest receivable	144	287	17	448	172
Due from other funds	1	1,988	2,641	4,630	1,414
Due from other governments	931	28		959	180
Accounts receivable (net)	11,390	9,860	13	21,263	147
Inventory	81	3,620		3,701	558
Prepaid expense	14	178	7	199	697
Total current assets	<u>55,185</u>	<u>125,885</u>	<u>10,394</u>	<u>191,464</u>	<u>56,949</u>
Noncurrent assets:					
Restricted cash and cash equivalents		492		492	
Capital assets:					
Land and other improvements		8,735	1,861	10,596	592
Buildings and improvements	694	347,847	12,927	361,468	614
Sewage conveyance system		580,096		580,096	
Equipment	1,138	35,614	1,707	38,459	33,364
Less accumulated depreciation	(1,231)	(337,729)	(9,171)	(348,131)	(14,969)
Construction in progress		72,060		72,060	
Total capital assets (net of accumulated depreciation)	<u>601</u>	<u>706,623</u>	<u>7,324</u>	<u>714,548</u>	<u>19,601</u>
Deferred financing costs		2,401		2,401	
Total noncurrent assets	<u>601</u>	<u>709,516</u>	<u>7,324</u>	<u>717,441</u>	<u>19,601</u>
Total assets	<u>55,786</u>	<u>835,401</u>	<u>17,718</u>	<u>908,905</u>	<u>76,550</u>
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	864	16,010	355	17,229	1,747
Accrued medical and health care claims	34,375			34,375	
Employee compensation	3,016	3,980	1,158	8,154	771
Interest payable	5	1,265		1,270	
Due to other funds	1,087	3,943	8	5,038	840
Due to other governments	1,880	88	104	2,072	5
Deferred revenues	1	1,407		1,408	
Current portion of sewer revenue bonds		7,870		7,870	
Current portion of wastewater loans payable		5,955		5,955	
Current portion of reported but unpaid losses					3,908
Current portion of incurred but not reported losses					2,321
Total current liabilities	<u>41,228</u>	<u>40,518</u>	<u>1,625</u>	<u>83,371</u>	<u>9,592</u>
Noncurrent liabilities:					
Contracts and notes		5,842		5,842	
Other postemployment healthcare benefits	689	718	258	1,665	181
Sewer revenue bonds		155,831		155,831	
Regional wastewater loans payable		64,471		64,471	
Reported but unpaid losses					15,514
Incurred but not reported losses					9,462
Total noncurrent liabilities	<u>689</u>	<u>226,862</u>	<u>258</u>	<u>227,809</u>	<u>25,157</u>
Total liabilities	<u>41,917</u>	<u>267,380</u>	<u>1,883</u>	<u>311,180</u>	<u>34,749</u>
<u>Net assets</u>					
Invested in capital assets, net of related debt	601	474,897	7,324	482,822	19,601
Restricted for:					
Debt service		791		791	
Capital projects		37,925		37,925	
Regional wastewater		5,956		5,956	
Healthcare	13,732			13,732	
Unrestricted	(464)	48,452	8,511	56,499	22,200
Total net assets	<u>\$ 13,869</u>	<u>\$ 568,021</u>	<u>\$ 15,835</u>	<u>\$ 597,725</u>	<u>\$ 41,801</u>

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.

(102)

Net assets of business-type activities

\$ 597,623

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-8

	Business-type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds		
Operating revenues:					
Net patient services	\$ 289,651			\$ 289,651	
Charges for services	2,329	\$ 74,729	\$ 10,712	87,770	\$ 45,420
Other	987	105	210	1,302	2,207
Total net operating revenues	292,967	74,834	10,922	378,723	47,627
Operating expenses:					
Employee compensation	39,096	34,527	11,675	85,298	7,398
Medical claims	237,926			237,926	
Operating supplies and services	1,587	8,187	304	10,078	6,918
Utilities	400	6,940	397	7,737	917
Sludge and refuse disposal		1,602		1,602	
Repair and maintenance	386	3,878	234	4,498	3,967
Incurred losses					10,227
Insurance premiums					4,911
General and administrative	8,332	11,184	2,950	22,466	2,721
Consultants and professional services	1,771	9,516	624	11,911	435
Depreciation	215	24,454	619	25,288	2,759
Total operating expenses	289,713	100,288	16,803	406,804	40,253
Operating income (loss)	3,254	(25,454)	(5,881)	(28,081)	7,374
Nonoperating revenues (expenses):					
Intergovernmental revenue	4,723	791		5,514	
Investment earnings	2,402	3,760	660	6,822	2,106
Sewer connection fees		31,037		31,037	
Interest expense	(93)	(6,560)		(6,653)	
Gain/(loss) on disposal of capital assets		(539)	5	(534)	(206)
Amortization of deferred charges		(136)		(136)	
Premium tax	(5,893)			(5,893)	
Total nonoperating revenues	1,139	28,353	665	30,157	1,900
Income (loss) before contributions and transfers	4,393	2,899	(5,216)	2,076	9,274
Capital contributions	72	23,438		23,510	20
Transfers in		6,995	2,550	9,545	4,352
Transfers (out)		(7,632)	(2,627)	(10,259)	(4,358)
Change in net assets	4,465	25,700	(5,293)	24,872	9,288
Net assets at beginning of year, as restated	9,404	542,321	21,128	572,853	32,513
Net assets at end of year	\$ 13,869	\$ 568,021	\$ 15,835	597,725	\$ 41,801

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

996

Change in net assets of business-type activities

\$ 25,868

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-9

	Pima Health System & Services	Regional Wastewater Reclamation Department	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	\$ 257		\$ 100	\$ 357	\$ 45,420
Cash received from customers for goods and services provided	299,344	\$ 76,216	10,710	386,270	
Cash received from miscellaneous operations	987	105	224	1,316	2,183
Cash payments to suppliers for goods and services	(235,385)	(34,323)	(2,550)	(272,258)	(17,377)
Cash payments to other funds for goods and services	(4,270)	(8,869)	(3,389)	(16,528)	(3,583)
Cash payments for incurred losses					(11,879)
Cash payments to employees for services	(39,822)	(33,018)	(10,317)	(83,157)	(6,380)
Net cash provided by (used for) operating activities	<u>21,111</u>	<u>111</u>	<u>(5,222)</u>	<u>16,000</u>	<u>8,384</u>
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(87)			(87)	
Cash transfers out to other funds		(636)		(636)	
Loans with other funds	(62)	1,750	(2,603)	(915)	447
Premium tax	(5,893)			(5,893)	
Intergovernmental revenues	4,803	83		4,886	
Net cash provided by (used for) noncapital financing activities	<u>(1,239)</u>	<u>1,197</u>	<u>(2,603)</u>	<u>(2,645)</u>	<u>447</u>
Cash flows from capital and related financing activities:					
Proceeds from issuance of bonds and loans		75,000		75,000	
Principal paid on bonds and loans		(13,071)		(13,071)	
Interest paid on bonds and loans		(6,351)		(6,351)	
Sewer connection fees		30,207		30,207	
Proceeds from sale or transfer of capital assets			39	39	216
Proceeds from intergovernmental contract		1,066		1,066	
Purchase of capital assets	(118)	(67,322)		(67,440)	(4,277)
Net cash provided by (used for) capital and related financing activities	<u>(118)</u>	<u>19,529</u>	<u>39</u>	<u>19,450</u>	<u>(4,061)</u>
Cash flows from investing activities:					
Interest received on cash and investments	2,324	3,881	693	6,898	2,268
Net cash provided by investing activities	<u>2,324</u>	<u>3,881</u>	<u>693</u>	<u>6,898</u>	<u>2,268</u>
Net increase (decrease) in cash and cash equivalents	22,078	24,718	(7,093)	39,703	7,038
Cash and cash equivalents at beginning of year	20,546	85,698	14,809	121,053	46,743
Cash and cash equivalents at end of year	<u>\$ 42,624</u>	<u>\$ 110,416</u>	<u>\$ 7,716</u>	<u>\$ 160,756</u>	<u>\$ 53,781</u>

(Continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-9.1

(Continued)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Pima Health System & Services	Regional Wastewater Reclamation Department	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	\$ 3,254	\$ (25,454)	\$ (5,881)	\$ (28,081)	\$ 7,374
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	215	24,454	619	25,288	2,759
Changes in assets and liabilities:					
Decrease (increase) in assets:					
Accounts receivable	3,662	(650)	12	3,024	64
Due from other governments	1,964	2,137		4,101	(88)
Inventory and other assets	7	(508)		(501)	(101)
Prepaid expenses	(3)	11	50	58	97
Increase (decrease) in liabilities:					
Accounts payable	8,706	(1,394)	(337)	6,975	(381)
Due to other governments	1,880	6	5	1,891	5
Reported but unpaid losses					(3,517)
Incurred but not reported losses					1,865
Other current liabilities	1,426	1,509	310	3,245	307
Net cash provided by (used for) operating activities	<u>\$ 21,111</u>	<u>\$ 111</u>	<u>\$ (5,222)</u>	<u>\$ 16,000</u>	<u>\$ 8,384</u>

Noncash investing, capital and noncapital financing activities during the year ended June 30, 2008:

Pima Health System and Services received equipment worth \$91. Of this amount, \$19 was transferred from construction in progress and \$72 was a capital contribution.

Pima Health System and Services disposed of capital assets with a net book value of \$1.

Regional Wastewater Reclamation Department Enterprise Fund disposed of capital assets with a net book value of \$539.

Regional Wastewater Reclamation Department Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling \$23,667. These contributions were recorded as increases to capital assets and capital contributions.

Regional Wastewater Reclamation Department Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of \$830. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Regional Wastewater Reclamation Department Enterprise Fund transferred in capital assets with a net book value of \$601 from the County's general government.

Other Enterprise Funds had a gain of \$5 on the disposal of capital assets with a net book value of \$34.

Internal Service Funds disposed of capital assets with a net book value of \$206.

Internal Service Funds transferred in capital assets with a net book value of \$20 from the County's general government.

Internal Service Funds transferred out capital assets with a net book value of \$6 to the County's general government.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2008
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 314,745	\$ 75,004
Interest receivable	584	
Due from other governments		1,809
Total assets	\$ 315,329	\$ 76,813
Liabilities		
Employee compensation		\$ 4,751
Due to other governments		46,048
Deposits and rebates		26,014
Total liabilities	\$	\$ 76,813
Net Assets		
Held in trust for pool participants	\$ 315,329	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit A-11

	Investment Trust Funds
Additions	
Contributions from participants	\$ 2,818,067
Total contributions	2,818,067
Investment earnings	12,359
Total investment earnings	12,359
Total additions	2,830,426
Deductions	
Distributions to participants	2,813,849
Total deductions	2,813,849
Change in net assets	16,577
Net assets held in trust July 1, 2007	298,752
Net assets held in trust June 30, 2008	\$ 315,329

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies

The accounting policies of Pima County (County) conform to U.S. generally accepted accounting principles (GAAP) applicable to governmental units as promulgated by the Governmental Accounting Standards Board (GASB) and the regulatory requirements of the State of Arizona. A summary of the County's significant accounting policies follows.

During the year ended June 30, 2008, Pima County implemented GASB Statements, Nos. 45, 48 and 50, and early implemented GASB Statement No. 49.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires systematic measurement and recognition of other postemployment benefits' (OPEB) cost over employees' years of service and provides information about actuarial accrued liabilities associated with OPEB. Although OPEB is not required to be funded, whether and to what extent progress is being made in funding the liabilities must be disclosed. As a result of the implementation of GASB 45, the County has recorded a net OPEB obligation offset by OPEB expense in the financial statements, related to the postemployment healthcare benefit participation by County retirees and their beneficiaries in Pima County's healthcare benefit plan. Further information regarding this measurement and disclosure is available in Note 10. GASB Statement No. 50, *Pensions Disclosure (an amendment of GASB Statements No. 25 and No. 27)* requires governmental employers to present certain additional pension disclosures in the notes and additional required supplementary information.

The provisions for GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity transfers of Assets and Future Revenues* require that the County disclose pledged revenue that is committed to collateralize or secure debt. Further information is available in Note 7.

The provisions for GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* require the County to disclose current or potential detrimental effects of existing pollution. Further information is available in Note 6.

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 are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Pima County Board of Supervisors is the Board of Directors of the District. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

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

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

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

Related Organization

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

B. Basis of Accounting

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting with the exception of agency funds, which have no measurement focus. 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,

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

revenues are recognized when measurable and available. The County considers all revenues reported in the government funds to be available if the revenues are collected within 30 days after year-end. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, 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. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

Discretely presented component unit:

SFC's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Commission's policy is to apply all FASB pronouncements issued after November 30, 1989.

C. 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.

Government-wide statements provide information about the primary government 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 unit. Governmental activities are financed primarily 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:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

- 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 funds are financed mainly by fees and charges received from users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for 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 System and Services (PHS&S) provides payment for health care services 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.

Regional Wastewater Reclamation Department (RWRD) accounts for the management and operation of wastewater treatment and water pollution control programs.

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 fleet maintenance and operation, insurance, graphic services 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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.

D. Cash and Investments

Primary government:

For purposes of its statements of cash flows, the County considers only those highly liquid investments, with a maturity period of 3 months or less when purchased, to be cash equivalents. All 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.

Discretely presented component unit:

SFC's cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

E. Inventories and Prepaids

The County accounts for its inventories in the Health and Animal Control Fund using the purchase method. Inventories of the Health and Animal Control Fund 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.

During the current fiscal year, Transportation transitioned from the purchase method to the consumption method eliminating the need to report a change in inventory reserve. Purchases are recorded as inventory and expensed when used. Amounts on hand at year-end are shown on the balance sheet as an asset and are offset by a fund balance reserve to indicate that they do not constitute "available spendable resources." Inventories in Transportation are valued at lower of cost or market, cost being determined using the moving average method.

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

Inventories of Pima Health System and Services, an enterprise fund, are valued at the lower of cost or market, cost being determined on the first-in, first-out method.

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

Inventories of Fleet Services, an internal service fund, are valued at lower of cost or market, cost being determined using the moving average method.

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

F. Property Tax Calendar

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

G. Capital Assets

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

Capitalization thresholds, depreciation methods and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows (excluding component unit):

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Land improvements	All	Straight Line	20 - 30 Years
Buildings and building improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Fleet service vehicles	\$5	Units of Production based on number of hours or miles	5 - 15 Years
Infrastructure	\$100	Straight Line	10 - 50 Years

Discretely presented component unit:

SFC capital assets are reported at actual cost. Depreciation is provided by the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

H. Investment Earnings

Investment earnings are 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

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 their 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 in Employee Compensation.

Employees may accumulate up to 1920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide financial statements in Employee Compensation.

Note 2: Net Asset Beginning Balances Restated

The beginning net assets for Governmental Activities were restated due to the addition of Transportation dedicated roadways and land parcels. These dedicated roadways and land parcels were not reported in prior fiscal years.

The following summarizes the restatement of net assets:

	Governmental Activities
Net assets – June 30, 2007, as previously reported	\$ 999,451
Infrastructure	57,843
Land	18,739
Net assets – July 1, 2007, as restated	<u>\$ 1,076,033</u>

In addition, due to restructuring of the Regional Wastewater Reclamation Department Enterprise Fund sewer conveyance assets, beginning net asset balances were restated as follows:

	Business-type Activities	Regional Wastewater Reclamation Department
Net assets – June 30, 2007, as previously reported	\$ 572,462	\$ 543,028
Sewer conveyance system	(707)	(707)
Net assets – July 1, 2007, as restated	<u>\$ 571,755</u>	<u>\$ 542,321</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 3: Cash and Investments

Primary Government

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; specified commercial paper, bonds, debentures and notes issued by corporations organized and doing business in the United States; and bonds of the State of Arizona or any of its counties, cities, towns, or school districts as specified by statute. In addition, the County Treasurer may invest trust funds in fixed income securities of corporations doing business in the United States or District of Columbia.

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

1. Commercial paper must be rated P1 by Moody's Investors Service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures and notes must be rated A or better by Moody's Investors Service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

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

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Deposits—At June 30, 2008, the carrying amount of the County's deposits was \$16,506 and the bank balance was \$36,096.

Custodial credit risk—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2008, \$3,775 of the County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 3: Cash and Investments (continued)

Investments—At June 30, 2008, the County’s investments consisted of \$271,549 invested in marketable securities and \$639,977 invested in the State Treasurer’s Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer’s Pool. The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

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

At June 30, 2008, credit risk for the County’s investments was as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Amount</u>
Commercial paper	A1/P1	S&P / Moody's	\$ 39,929
Corporate bonds	A/A1	S&P / Moody's	84,024
Federal Farm Credit Bank	AAA/Aaa	S&P / Moody's	18,536
Federal Home Loan Bank	AAA/Aaa	S&P / Moody's	35,892
Fannie Mae (Federal National Mortgage Association)	AA-/Aa2	S&P / Moody's	25,498
Freddie Mac (Federal Home Loan Mortgage Corp)	AAA/Aaa	S&P / Moody's	19,616
U. S. Treasury money market Fund	AAA/Aaa	S&P / Moody's	3,717
Tri-party Repurchase agreement	Unrated		1,090
State Treasurer Investment Pool	Unrated		639,977
Total			\$ 868,279

Custodial credit risk—For an investment, custodial risk is the risk that, in the event of the counterparty’s failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County’s \$911,526 of investments, \$267,832, consisting of the commercial paper, corporate bonds, Federal Farm Credit, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes, U.S. Treasury notes and tri-party repurchase agreement, is uninsured and held by a counterparty in the County’s name in book form. An additional \$3,717 in a U.S. Treasury money market fund is held by a counterparty as trustee.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County’s exposure as of June 30, 2008 is less than 5% per issuer.

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 3: Cash and Investments (continued)

As of June 30, 2008, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity (Years)</u>
State Treasurer Investment Pool 5	\$ 530,676	0.12
State Treasurer Investment Pool 7	109,301	0.06
Commercial paper	39,929	0.08
Corporate bonds	84,024	1.72
Federal Farm Credit Bank	18,536	2.62
Federal Home Loan Bank	35,892	1.27
Fannie Mae (Federal National Mortgage Association)	25,498	1.13
Freddie Mac (Federal Home Loan Mortgage Corp)	19,616	2.43
U.S. Treasury	43,247	2.12
U.S. Treasury money market fund	3,717	0.05
Tri-party repurchase agreement	1,090	0.00
Total	<u>\$ 911,526</u>	

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

	<u>Cash on Hand</u>	<u>Amount of Deposits</u>	<u>Amount of Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 83	\$ 16,506	\$ 911,526	\$928,115

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Totals</u>
Statement of Net Assets:					
Cash and cash equivalents	\$ 376,539	\$ 107,190	\$ 314,745	\$ 75,004	\$873,478
Restricted cash and cash equivalents	1,071	53,566			54,637
Total	<u>\$ 377,610</u>	<u>\$ 160,756</u>	<u>\$ 314,745</u>	<u>\$ 75,004</u>	<u>\$928,115</u>

County Treasurer's Investment Pool - Arizona Revised Statutes require community colleges, school districts, and other local governments to deposit certain public monies with the County Treasurer. The County Treasurer has a fiduciary responsibility to administer those and the County monies under her stewardship. The County Treasurer invests, on a pool basis, all idle monies not specifically invested for a fund or program. In addition, the County Treasurer determines the fair value of those pooled investments annually at June 30. The County Treasurer's Investment Pool is not registered with the Securities and Exchange Commission as an investment company and there is no regulatory oversight of its operations. The structure of the Pool does not provide for shares and the County has not provided or obtained any legally binding guarantees to support the value of the participants' investments. The County Treasurer allocates interest earnings to each of the Pool's participants.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 3: Cash and Investments (continued)

The Pool's assets are subject to applicable risks as discussed above and consist of the following:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Commercial paper	\$40,000	2.1-2.4%	07/08-08/08	\$ 39,929
Corporate bonds	82,433	3.4-6.3%	08/08-04/13	84,024
Federal Farm Credit Bank	17,500	5.0-5.4%	09/10-07/11	18,536
Federal Home Loan Bank	35,000	2.2-5.3%	08/08-08/10	35,892
Fannie Mae (Federal National Mortgage Association)	25,155	2.0-4.6%	07/08-05/11	25,498
Freddie Mac (Federal Home Loan Mortgage Corp)	19,200	3.3-4.1%	10/10-02/11	19,616
U.S. Treasury	42,050	2.8-4.8%	10/08-02/13	43,247
Tri-party repurchase agreement	1,090	1.7%	07/08	1,090
State Treasurer Investment Pool	359,249	N/A	N/A	359,249
Interest Receivable	522	N/A	N/A	522
Total assets				<u>627,603</u>
Less: Reduction to Pool's assets- warrants payable				<u>(7,386)</u>
Total				<u><u>\$ 620,217</u></u>

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

Statement of Net Assets

Assets held in trust for:

Internal participants	\$ 414,251
External Participants	<u>205,966</u>
Total liabilities	620,217
Total net assets held in trust	<u><u>\$ 620,217</u></u>

Statement of Changes in Net Assets

Total additions	\$ 7,960,413
Total deductions	<u>(7,906,718)</u>
Net increase	53,695
Net assets held in trust:	
July 1, 2007	<u>566,522</u>
June 30, 2008	<u><u>\$ 620,217</u></u>

Discretely Presented Component Unit

Southwestern Fair Commission—At June 30, 2008, the commission's cash and cash equivalents of \$1,805 consisted of deposits with financial institutions. Of the total balance, \$1,400 was exposed to custodial credit risk because it was uninsured and uncollateralized.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 4: Due from Other Governments

Governmental activities:

	General Fund	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	\$ 166	\$ 455	\$ 8,055		\$ 8,676
State of Arizona:					
Taxes and shared revenues	22,800	1,327	8,415		32,542
Grants and contributions			2,491	\$ 10	2,501
City of Tucson:					
Reimbursement for services	1,561	38	832		2,431
Due from other governments:					
Reimbursement for services	187	2,380	454	170	3,191
Total due from other governments fund based statements	<u>\$ 24,714</u>	<u>\$ 4,200</u>	<u>\$ 20,247</u>	<u>\$ 180</u>	<u>\$ 49,341</u>

Business-type activities:

	Pima Health System and Services	Regional Wastewater Reclamation Department	Business-type Activities Total
Federal government:			
Grants and contributions		\$ 28	\$ 28
Reimbursement for services	\$ 286		286
State of Arizona:			
Grants and contributions	645		645
Total due from other Governments	<u>\$ 931</u>	<u>\$ 28</u>	<u>\$ 959</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 276,126	\$ 27,520		\$ 303,646
Construction in progress	109,307	76,051	\$ (95,260)	90,098
Total capital assets not being depreciated	<u>385,433</u>	<u>103,571</u>	<u>(95,260)</u>	<u>393,744</u>
Capital assets being depreciated:				
Buildings and improvements	476,934	22,611	(321)	499,224
Infrastructure	980,568	87,634	(321)	1,067,881
Equipment	97,436	15,483	(5,676)	107,243
Total capital assets being depreciated	<u>1,554,938</u>	<u>125,728</u>	<u>(6,318)</u>	<u>1,674,348</u>
Less accumulated depreciation for:				
Buildings and improvements	(121,326)	(11,570)	42	(132,854)
Infrastructure	(425,825)	(32,944)		(458,769)
Equipment	(57,876)	(9,854)	5,142	(62,588)
Total accumulated depreciation	<u>(605,027)</u>	<u>(54,368)</u>	<u>5,184</u>	<u>(654,211)</u>
Total capital assets being depreciated, net	<u>949,911</u>	<u>71,360</u>	<u>(1,134)</u>	<u>1,020,137</u>
Governmental activities capital assets, net	<u>\$ 1,335,344</u>	<u>\$ 174,931</u>	<u>\$ (96,394)</u>	<u>\$ 1,413,881</u>

	Balance July 1, 2007 (as restated)	Increases	Decreases	Balance June 30, 2008
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,695	\$ 901		\$ 10,596
Construction in progress	35,637	56,720	\$ (20,297)	72,060
Total capital assets not being depreciated	<u>45,332</u>	<u>57,621</u>	<u>(20,297)</u>	<u>82,656</u>
Capital assets being depreciated:				
Buildings and improvements	355,260	6,415	(207)	361,468
Infrastructure	548,573	32,083	(560)	580,096
Equipment	20,252	18,984	(777)	38,459
Total capital assets being depreciated	<u>924,085</u>	<u>57,482</u>	<u>(1,544)</u>	<u>980,023</u>
Less accumulated depreciation for:				
Buildings and improvements	(115,684)	(11,726)	84	(127,326)
Infrastructure	(199,825)	(11,015)	258	(210,582)
Equipment	(8,306)	(2,547)	630	(10,223)
Total accumulated depreciation	<u>(323,815)</u>	<u>(25,288)</u>	<u>972</u>	<u>(348,131)</u>
Total capital assets being depreciated, net	<u>600,270</u>	<u>32,194</u>	<u>(572)</u>	<u>631,892</u>
Business-type activities capital assets, net	<u>\$ 645,602</u>	<u>\$ 89,815</u>	<u>\$ (20,869)</u>	<u>\$ 714,548</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	7,252
Public safety		9,654
Highway and streets		28,342
Sanitation		436
Health		672
Welfare		5
Culture and recreation		4,525
Education and economic opportunity		723
Internal service funds		2,759
Total governmental activities depreciation expense	<u>\$</u>	<u>54,368</u>

Business-type activities:

Pima Health System & Services	\$	215
Parking Garages		336
Regional Wastewater Reclamation Department		24,454
Development Services		283
Total business-type activities depreciation expense	<u>\$</u>	<u>25,288</u>

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Discretely presented component units:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	\$ 3	\$ 38	\$ (3)	\$ 38
Total capital assets not being depreciated	<u>3</u>	<u>38</u>	<u>(3)</u>	<u>38</u>
Capital assets being depreciated:				
Buildings and improvements	3,906	113		4,019
Equipment	1,773	233	(9)	1,997
Total capital assets being depreciated	<u>5,679</u>	<u>346</u>	<u>(9)</u>	<u>6,016</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,308)	(121)		(2,429)
Equipment	(1,298)	(114)	9	(1,403)
Total accumulated depreciation	<u>(3,606)</u>	<u>(235)</u>	<u>9</u>	<u>(3,832)</u>
Total capital assets being depreciated, net	<u>2,073</u>	<u>111</u>		<u>2,184</u>
SFC capital assets, net	<u>\$ 2,076</u>	<u>\$ 149</u>	<u>\$ (3)</u>	<u>\$ 2,222</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 6: Claims, Judgments and Risk Management

Risk Management and Claims Liability

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

The Fund is liable for any single general or automobile liability claim up to \$2,000,000 per occurrence, any workers' compensation claim up to \$750,000 per occurrence or any medical malpractice claims in aggregate up to \$5,000,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

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

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

The claims liability of \$31,205 reported in the Fund at June 30, 2008, 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>2008</u>	<u>2007</u>
Claims liability - beginning	\$ 32,857	\$ 35,508
Current-year claims and changes in estimates	10,227	8,118
Claims payment	<u>(11,879)</u>	<u>(10,769)</u>
Claims liability - ending	<u>\$ 31,205</u>	<u>\$ 32,857</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

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

Litigation

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

Pollution Remediation - El Camino del Cerro Site

The County has estimated and reported an environmental liability of \$1,784 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and north of El Camino del Cerro Road. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

In communication with the Arizona Department of Environmental Quality, the County has begun remediation efforts that will include a groundwater pump-and-treat system.

The estimated liability was calculated based upon the expected future outlays associated with the cost of one to three pump-and-treat systems for one to two years. The estimate of one pump-and-treat system for one year was considered to be a better estimate than any other amount.

There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction wells and/or changes in the estimated extent of contamination.

There are no estimated recoveries at this time.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(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, 2008.

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Due within</u> <u>1 year</u>
Governmental activities:					
General obligation bonds	\$ 289,590	\$100,000	\$ 41,255	\$ 348,335	\$ 33,660
Plus unamortized deferred amount	560	714	66	1,208	99
Total general obligation bonds	<u>290,150</u>	<u>100,714</u>	<u>41,321</u>	<u>349,543</u>	<u>33,759</u>
Flood control bonds	<u>1,470</u>		<u>745</u>	<u>725</u>	<u>725</u>
Transportation revenue bonds	136,400	25,000	11,745	149,655	12,365
Plus unamortized deferred amount	141	31	26	146	29
Total transportation revenue bonds	<u>136,541</u>	<u>25,031</u>	<u>11,771</u>	<u>149,801</u>	<u>12,394</u>
Certificates of participation	30,320	50,000	1,244	79,076	21,545
Plus unamortized deferred amount	1,411	1,219	94	2,536	500
Total certificates of participation	<u>31,731</u>	<u>51,219</u>	<u>1,338</u>	<u>81,612</u>	<u>22,045</u>
Loans and Leases:					
Transportation loans payable	<u>3,714</u>		<u>2,714</u>	<u>1,000</u>	<u>1,000</u>
Capital leases payable:					
Jail capital lease	26,550		1,870	24,680	1,965
Less unamortized deferred amount	(1,914)		(191)	(1,723)	(191)
Other capital leases	100	312	146	266	123
Total capital leases	<u>24,736</u>	<u>312</u>	<u>1,825</u>	<u>23,223</u>	<u>1,897</u>
Total loans and leases	<u>28,450</u>	<u>312</u>	<u>4,539</u>	<u>24,223</u>	<u>2,897</u>
Reported but unpaid losses (Note 6)	22,939	8,362	11,879	19,422	3,908
Incurred but not reported losses (Note 6)	9,918	1,865		11,783	2,321
Landfill closure and post-closure care costs (Note 9)	17,330	1,089		18,419	
Pollution remediation (Note 6)		1,784		1,784	566
Future postemployment health benefit liability (Note 10)		14,147	4,302	9,845	5,129
Total governmental activities long-term liabilities	<u>\$ 538,529</u>	<u>\$204,523</u>	<u>\$ 75,895</u>	<u>\$ 667,157</u>	<u>\$ 83,744</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Due within</u> <u>1 year</u>
Business-type activities:					
Sewer revenue bonds	\$ 97,290	\$ 75,000	\$ 7,350	\$ 164,940	\$ 7,870
Less unamortized deferred amount	(2,934)	1,281	(414)	(1,239)	
Total revenue bonds payable	<u>94,356</u>	<u>76,281</u>	<u>6,936</u>	<u>163,701</u>	<u>7,870</u>
Regional Wastewater Reclamation Department (RWRD) loans payable	76,293		5,721	70,572	5,955
Less unamortized deferred amount	(182)		(36)	(146)	
Total loans payable	<u>76,111</u>		<u>5,685</u>	<u>70,426</u>	<u>5,955</u>
Contracts and notes	5,280	1,412	850	5,842	
Future postemployment health benefit liability (Note 10)		2,634	380	2,254	589
Total business-type activities long-term liabilities	<u>\$ 175,747</u>	<u>\$ 80,327</u>	<u>\$ 13,851</u>	<u>\$ 242,223</u>	<u>\$ 14,414</u>

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

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

General obligation bonds payable at June 30, 2008, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$20,541 from the May 20, 1997, \$306,096 from the May 18, 2004, and \$52,044 from the May 16, 2006 bond election remain unissued. The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue</u> <u>Amount</u>	<u>Interest</u> <u>Rates</u>	<u>Maturities</u>	<u>Outstanding</u> <u>June 30, 2008</u>
Series of 1998	\$ 42,420	4.50 - 4.60%	2009-13	\$ 11,720
Series of 1999	50,000	5.00 - 5.07%	2009-10	6,615
Series of 2000	50,000	4.00 - 5.00%	2009-14	18,000
Series of 2001 Refunding	17,835	5.00%	2009	375
Series of 2002	20,000	4.25 - 4.50%	2009-16	7,000
Series of 2003	50,000	3.50 - 4.25%	2009-17	33,850
Series of 2004	65,000	3.00 - 5.00%	2009-19	47,145
Series of 2005	65,000	3.50 - 5.00%	2009-20	49,265
Series of 2007	95,000	3.00 - 4.50%	2009-21	84,365
Series of 2008	100,000	3.00 - 4.00%	2009-22	90,000
G.O. bonds outstanding				<u>348,335</u>
Plus unamortized deferred amount:				1,208
Total G.O. bonds outstanding				<u>\$ 349,543</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 33,660	\$14,351
2010	28,580	12,954
2011	26,240	11,723
2012	27,105	10,599
2013	28,005	9,424
2014 - 2018	125,330	30,038
2019 - 2022	79,415	6,778
Total	<u>\$348,335</u>	<u>\$95,867</u>

ADVANCED REFUNDINGS OF GENERAL OBLIGATION BONDS

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 liability for these defeased bonds are not included in the County's financial statements. At June 30, 2008, the following outstanding bonds were considered defeased:

<u>Issue</u>	<u>Outstanding June 30, 2008</u>
1979 General Obligation Refunding Bonds	\$ 33
Series of 1999	\$ 5,785

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

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

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2008 is presented below.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2008</u>
Series 2001 Refunding	\$ 4,585	4.20%	2009	\$ 725

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details flood control bond debt service requirements to maturity at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 725	\$ 30
Total	<u>\$ 725</u>	<u>\$ 30</u>

TRANSPORTATION BONDS AND LOANS PAYABLE

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, \$122,800 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, 2008</u>
Series of 2002	\$55,000	4.13 - 4.38%	2009-12	\$ 24,855
Series of 2003	35,000	3.38 - 4.38%	2009-18	27,600
Series of 2005	51,200	3.50 - 5.00%	2009-20	51,200
Series of 2007	21,000	3.25 - 4.75%	2009-22	21,000
Series of 2008	25,000	3.00 - 4.50%	2009-22	<u>25,000</u>
		Transportation bonds outstanding		149,655
		Plus unamortized deferred amount:		<u>146</u>
		Total transportation bonds outstanding		<u>\$ 149,801</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 12,365	\$ 6,147
2010	12,870	5,652
2011	13,430	5,091
2012	14,015	4,503
2013	9,970	3,912
2014 - 2018	57,160	13,098
2019 - 2022	29,845	2,452
Total	<u>\$ 149,655</u>	<u>\$ 40,855</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

During the fiscal year ended June 30, 2006, Pima County Transportation Department entered into a loan agreement to provide funds for roadway improvements of Alvernon Way. Interest on the Alvernon HELP loan is calculated and paid on an annual basis.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2008</u>
2006 HELP Loan - Alvernon	\$ 4,836	3.06%	2009	\$ 1,000
Total transportation loan payable				<u>\$ 1,000</u>

The following schedule details transportation loans debt service requirements to maturity at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	<u>\$ 1,000</u>	<u>\$ 61</u>
Total	<u>\$ 1,000</u>	<u>\$ 61</u>

Pima County has pledged future highway user revenues, net of specified operating expenses, to repay \$149,655 in transportation revenue bonds issued between 2002 and 2008, and \$1,000 in a transportation HELP loan issued in 2006. Proceeds from the bonds and loans provided financing for construction of various highways and streets within Pima County. The bonds and loans are payable from net highway user revenues and are payable through 2022. Annual principal and interest payments on the bonds are expected to require approximately 78 percent of net revenues. The annual principal and interest payments on the loan are expected to require approximately 9 percent of net revenues. Total principal and interest remaining to be paid on the bonds is \$190,510. Total principal and interest remaining to be paid on the loan is \$1,061. Principal and interest paid for bonds and the loan in the current year and total customer net revenues were \$17,734, \$2,828 and \$21,325, respectively.

CERTIFICATES OF PARTICIPATION
Governmental Activities
(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson, and Taxable Series 2007-B for \$1,555 to acquire and construct replacement facilities for the Pima County Community Services Department. On June 26, 2008, the County issued Certificates of Participation Series 2008 for \$50,000 to finance capital costs for public infrastructure of the County, including expansion and upgrades to the County's sewer treatment system and major road corridors.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

The following schedule details outstanding Certificates of Participation payable at June 30, 2008.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2008</u>
Series of 2007 A Justice Building Project	\$ 28,765	4.00 - 5.00%	2009-22	\$ 28,765
Series of 2007-B Justice Building Project - Taxable	1,555	5.04%	2009	311
Series of 2008	50,000	5.00%	2009-11	50,000
			Certificates of participation outstanding	79,076
			Plus unamortized deferred amount:	2,536
			Total certificates of participation outstanding	<u>\$ 81,612</u>

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 21,545	\$ 3,689
2010	21,610	2,799
2011	11,675	1,734
2012	1,740	1,167
2013	1,810	1,097
2014 - 2018	10,375	4,172
2019 - 2022	10,320	1,321
	<u>\$ 79,075</u>	<u>\$ 15,979</u>

**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 and October 1, 2003, 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 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for computer equipment. The outstanding balance as of June 30, 2008, for these leases totaled \$266.

The net book value of assets acquired through capital leases consists of \$18,697 of buildings and \$117 equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2008.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

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>
2009	\$ 1,965	\$ 1,062	\$ 123	\$ 8
2010	2,025	982	107	4
2011	2,125	878	36	1
2012	2,230	775		
2013	2,780	648		
2014 - 2018	13,555	1,446		
	<u>\$ 24,680</u>	<u>\$ 5,791</u>	<u>\$ 266</u>	<u>\$ 13</u>

SEWER REVENUE BONDS AND LOANS

Business-type Activities

(Payments made from user charges received in the Regional Wastewater Reclamation Department Enterprise Fund)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation Department system. Of the total amount originally authorized, \$706 from the May 20, 1997, and \$28,237 from the May 18, 2004 bond election remain unissued.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2008</u>
Series of 1998	\$ 29,185	4.00 - 5.50%	2009-15	\$ 13,355
Series 2001 Refunding	19,440	4.00 - 5.40%	2009-15	12,655
Series of 2004 Refunding	25,770	3.50 - 5.50%	2009-15	18,145
Series of 2007	50,000	3.75 - 5.00%	2009-26	45,785
Series of 2008	75,000	4.00 - 5.00%	2009-23	75,000
		Sewer revenue bonds outstanding		164,940
		Less unamortized deferred amount:		(1,239)
		Total sewer revenue bonds outstanding		<u>\$ 163,701</u>

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 7,870	\$ 7,175
2010	8,090	6,821
2011	7,410	6,470
2012	8,395	6,134
2013	9,340	5,751
2014 - 2018	52,335	21,742
2019 - 2023	60,835	10,153
2024 - 2026	10,665	867
	<u>\$164,940</u>	<u>\$ 65,113</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

The Regional Wastewater Reclamation Department entered into loan agreements (1996, 1997, 2000 and 2004 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.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2008</u>
1996 Loans Payable	\$ 11,313	3.19%	2009-12	\$ 5,976
1997 Loans Payable	7,500	2.95%	2009-11	2,517
2000 Loans Payable	61,180	2.20%	2009-16	42,941
2004 Loans Payable	19,967	1.81%	2009-24	19,138
Loans payable				<u>70,572</u>
Less unamortized deferred amount				(146)
Total loans payable				<u><u>\$ 70,426</u></u>

The following schedule details loans payable debt service requirements to maturity at June 30, 2008.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,955	\$ 2,423
2010	6,317	2,200
2011	7,605	1,948
2012	7,891	1,667
2013	6,937	1,397
2014 - 2018	26,691	3,591
2019 - 2023	6,338	1,007
2024	2,838	95
	<u>\$ 70,572</u>	<u>\$ 14,328</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$164,940 in sewer revenue bonds issued between 1998 and 2008, and \$70,572 in sewer revenue loans issued between 1996 and 2004. Proceeds from the bonds and loans provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds and loans are payable from net sewer revenues and are payable through 2026. Annual principal and interest payments on the bonds are expected to require approximately 33 percent of net revenues. The annual principal and interest payments on the loans are expected to require approximately 23 percent of net revenues. Total principal and interest remaining to be paid on the bonds is \$230,053. Total principal and interest remaining to be paid on the loans is \$84,900. Principal and interest paid for bonds and loans in the current year and total customer net revenues were \$11,954, \$8,312 and \$34,203, respectively.

CONTRACTS AND NOTES

Business-type Activities

(Payments made from restricted assets in the Regional Wastewater Reclamation Department Enterprise 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, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 7: Long-Term Liabilities (continued)

**LEGAL DEBT MARGIN
County General Obligation Bonds**

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, 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, 2008, is as follows:

Net assessed valuation	\$	8,220,396
<u>Debt Limit (15% of net assessed valuation):</u>		1,233,059
<u>Amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$	348,335
Less net assets in debt service fund available for payment of general obligation bond principal		(10,241)
		(338,094)
Legal debt margin available		\$ 894,965

Flood Control General Obligation Bonds

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2008, is as follows:

Net assessed valuation	\$	7,412,190
<u>Debt Limit (5% of net assessed valuation):</u>		370,610
<u>Amount of debt applicable to debt limit:</u>		
Flood Control obligation bonds outstanding	\$	725
Less net assets in debt service fund available for payment of flood control bond principal		(40)
		(685)
Legal debt margin available		\$ 369,925

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(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 to meet its short-term cash needs. At June 30, 2008, 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.

	July 1, 2007			June 30, 2008
	<u>Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Balance</u>
Line of credit	\$0	\$ 112,053	\$112,053	\$0

Note 9: Landfill Liabilities

SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used. The \$18,419 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$5,819 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2008; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2008</u>	<u>Estimated Remaining Service Life</u>
Ajo *	100%	0 Year
Sahuarita **	44%	25 Years
Tangerine	88%	2 Years

*Life extending facility development options are presently being considered for the Ajo Landfill, including vertical and/or horizontal expansion.

**Sahuarita's facility has incurred a decrease in annual solid waste tipping, because of this the expected service life of the landfill has increased.

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 9: Landfill Liabilities (continued)

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, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$9,520 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available, and there is no known pollution.

Note 10: Pensions and Other Postemployment Benefits (OPEB)

Pension Plan Descriptions

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

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

The **PSPRS** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers Pima County Sheriff's 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 the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers certain employees of the State of Arizona's 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 the participating 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.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

<u>ASRS</u>	<u>PSPRS and CORP</u>
3300 N. Central Ave Phoenix, AZ 85012 (602) 240-2000 or (800) 621-3778	3010 East Camelback Road Suite 200 Phoenix, AZ 85016-4416 (602) 255-5575

Funding Policy

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

Cost-sharing plans

For the year ended June 30, 2008, active **ASRS** members were required by statute to contribute at the actuarially determined rate of 9.60 percent (9.10 percent for retirement and 0.50 percent for long-term disability) of the members' annual covered payroll. The County was required by statute to contribute at the actuarially determined rate of 9.60 percent (8.05 percent for retirement, 1.05 percent for health insurance premium, and 0.50 percent for long-term disability) of the members' annual covered payroll.

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

	<u>ASRS Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
Year ended June 30,			
2008	\$ 20,981	\$ 2,737	\$ 1,303
2007	19,169	2,666	1,270
2006	13,685	2,680	1,186

Agent plans

For the year ended June 30, 2008, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 18.25 percent, the aggregate of which is the actuarially required amount. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. The health insurance premium portion of the contribution was set at 1.74 percent of covered payroll. Active **CORP** members were required by statute to contribute 7.96 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 7.44 percent, the aggregate of which is the actuarially required amount. The health insurance premium portion of the contribution rate was actuarially set at 1.15 percent of covered payroll.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Actuarial methods and assumptions

The contribution requirements for the year ended June 30, 2008 were established by the June 30, 2006 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the County and plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2008 contribution requirements, are as follows:

	PSPRS	CORP
Actuarial valuation date	June 30, 2006	June 30, 2006
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases includes inflation at	5.50% - 8.50% 5.00%	5.50% - 8.50% 5.00%
Amortization method	Level percentage open	Level percentage open
Remaining amortization period	30 Years for unfunded actuarial accrued liability, 20 years for excess	30 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Annual Pension and OPEB Cost

The County's pension/OPEB cost for the PSPRS and CORP agent plans for the year ended June 30, 2008, and related information follows:

	PSPRS		CORP	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	\$ 6,923	\$ 565	\$ 1,513	\$ 247
Contributions made	\$ 6,923	\$ 444	\$ 1,513	\$ 163

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Trend Information

Annual pension cost information for the current and 2 preceding years follows for the PSPRS and CORP agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows. Information about preceding years will be added over the next 2 years.

<u>Plan</u>	<u>Year Ended June 30</u>	<u>Annual Pension/ OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Pension/ OPEB Obligation</u>
PSPRS				
Pension	2008	\$ 6,923	100%	
Health insurance	2008	\$ 565	79%	\$ 121
Pension & health insurance	2007	\$ 5,422	100%	
Pension & health insurance	2006	\$ 4,720	100%	
CORP				
Pension	2008	\$ 1,513	100%	
Health insurance	2008	\$ 247	66%	\$ 84
Pension & health insurance	2007	\$ 1,224	100%	
Pension & health insurance	2006	\$ 782	100%	

Funded Status

The funded status of the plans, as of the most recent valuation date June 30, 2008, along with the actuarial assumptions and methods used in those valuations follow. Additionally, the required schedule of funding progress, presented as Exhibit B-2 following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

	<u>PSPRS</u>		<u>CORP</u>	
	<u>Pension Insurance</u>	<u>Health Insurance</u>	<u>Pension Insurance</u>	<u>Health Insurance</u>
Actuarial accrued liability	\$ 198,116	\$ 8,056	\$ 55,365	\$ 2,958
Actuarial value of assets	\$ 133,286	0	\$ 45,957	0
Unfunded actuarial accrued liability (funding excess)	\$ 64,830	\$ 8,056	\$ 10,292	\$ 2,958
Funded ratio	67.30 %	0 %	83.00 %	0 %
Covered payroll	\$ 32,495	\$ 32,495	\$ 21,455	\$ 21,455
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	199.50 %	24.79 %	43.8 %	13.79 %

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

	<u>PSPRS</u>	<u>CORP</u>
Actuarial valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Projected unit credit	Projected unit credit
Actuarial Assumptions:		
Investment rate of return	8.50%	8.50%
Projected salary increases	5.50% - 8.50%	5.50% - 8.50%
includes inflation at	5.00%	5.00%
Amortization method	Level percentage closed for unfunded actuarial accrued liability, open for excess	Level percentage closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	28 Years for unfunded actuarial accrued liability, 20 years for excess	28 Years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value	Smoothed market value

Postemployment Healthcare Plan

Retiree Insurance Program

Employees retiring from Pima County service, who receive monthly income from any of the Arizona State individual retirement plans, are eligible to continue medical and dental insurance coverage at group rates through the County (the Program). It is a single-employer plan and the benefits and premium rates are approved by the Board of Supervisors on an annual basis for active and retired members. Although Pima County does not explicitly pay a portion of the retiree's premiums, because of the inclusion of this risk class in the insured pool, there is an implicit rate subsidy or "premium rate differential" that is incurred by the County. No separate financial report is provided for the Program.

Funding Policy

The Program is currently funded on a pay-as-you-go basis.

Actuarial valuation date	7/1/2007
Actuarial accrued liability	\$ 155,437
Actuarial value of assets	0
Unfunded actuarial accrued liability (funding excess)	\$ 155,437
Funded ratio	0 %
Covered payroll	\$ 292,249
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	53.2 %

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 10: Pensions and Other Postemployment Benefits (OPEB) (continued)

Annual Pension Cost and Net Pension Obligation	Governmental Activities	Business-type Activities	Total Obligation
Annual required contribution	\$ 13,626	\$ 2,536	\$ 16,162
Interest on net pension obligation	521	98	619
Annual pension cost	14,147	2,634	16,781
Contributions made	(4,302)	(380)	(4,682)
Increase in net pension obligation	9,845	2,254	12,099
Net pension obligation at beginning of year			
Net pension obligation at end of year	<u>\$ 9,845</u>	<u>\$ 2,254</u>	<u>\$ 12,099</u>

Method/Assumption

Valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method for actuarial accrued liabilities	Level percentage of payroll
Remaining amortization period	30 years open
Investment rate of return	4.50%
Medicare coverage age	65
Retirement and disability age	Based on EORP, CORP, ASRS, and PSRS pension valuations
Salary increases	2.50%
Payroll growth	2.50%
Active members	6,728
LTD/Retiree and spouses currently receiving benefits	1,613

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 11: Interfund Transactions

A. Interfund Assets/ Liabilities

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

Amounts recorded as due from:

	<i>General</i>	<i>Capital Projects</i>	<i>Other Governmental</i>	<i>PHS & Services</i>	<i>RWRD</i>	<i>Other Enterprise</i>	<i>Internal Service</i>	<i>Total</i>
General	\$ 7,943	\$ 117	\$ 1,085	\$ 2,038	\$ 8	\$ 840	\$ 12,031	
Capital Projects	\$ 3,019	748	1,883				5,650	
Other Governmental	744	1,044	768	12			2,568	
Pima Health System & Services			1				1	
RWRD	1,986			2			1,988	
Other Enterprise		2,641					2,641	
Internal Service	826		578		10		1,414	
Total	<u>\$ 6,575</u>	<u>\$ 11,628</u>	<u>\$ 2,212</u>	<u>\$ 1,087</u>	<u>\$ 3,943</u>	<u>\$ 8</u>	<u>\$ 26,293</u>	

Amounts recorded as due to:

B. Transfers

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

Amounts recorded as transfers out:

	<i>General</i>	<i>Capital Projects</i>	<i>Other Governmental</i>	<i>RWRD</i>	<i>Other Enterprise</i>	<i>Internal Services</i>	<i>Total</i>
General	\$ 32,716	\$ 3,791	\$ 6,995	\$ 4,352	\$ 47,854		
Capital Projects	\$ 3,090	22,806	637	2,627	29,160		
Other Governmental	28,657	1,220	21,515		51,392		
RWRD	6,995				6,995		
Other Enterprise		2,550			2,550		
Internal Service	4,352				4,352		
Total	<u>\$ 43,094</u>	<u>\$ 36,486</u>	<u>\$ 48,112</u>	<u>\$ 7,632</u>	<u>\$ 2,627</u>	<u>\$ 4,352</u>	<u>\$ 142,303</u>

Amounts recorded as transfers in:

The table above does not include transfers of capital assets between the proprietary funds and the governmental activities because these are not reported in the governmental funds. The following proprietary funds transferred capital assets from/(to) the capital assets of Governmental Activities:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Transfer from</u>	<u>Transfer to</u>
		\$ (601)	Capital assets
		(20)	Capital assets
		<u>(621)</u>	
Internal services	Capital assets	6	
	Total	<u>\$ (615)</u>	

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 12: Stewardship, Compliance, and Accountability (Deficit Fund Balances)

The Special Districts Fund (non-major governmental fund) had a deficit fund balance at June 30, 2008, of \$1,302. This deficit can be eliminated in the future through normal operations.

Note 13: Construction and Other Significant Commitments

At June 30, 2008, Pima County had the following major contractual commitments related to Cultural Resources, Facilities Management, General Government, Library District, Pima Health Systems & Services, Transportation and Regional Wastewater Reclamation Department.

Cultural Resources

At June 30, 2008, the Pima County Cultural Resources Department had construction contractual commitments of \$6,336. Funding for these expenditures will be provided from general obligation bonds.

Facilities Management

At June 30, 2008, the Pima County Facilities Management Department had construction contractual commitments of \$8,828. Funding for these expenditures will be provided from general obligation bonds.

General Government

At June 30, 2008, Pima County had contractual commitments related to service contracts for Human Resources of \$1,370, Institutional Health of \$60,156 and Real Property of \$5. Funding for these expenditures will be primarily provided from general fund revenues.

Library District

At June 30, 2008, Pima County had contractual commitments related to service contracts for Library District of \$2,555. Funding for these expenditures will be primarily provided from library district revenues.

Pima Health Systems & Services

At June 30, 2008, Pima County had contractual commitments related to service contracts for Pima Health Systems & Services of \$155,062. Funding for these expenditures will be primarily provided from federal and state funding sources.

Transportation

At June 30, 2008, the Pima County Transportation Department had construction contractual commitments of \$42,918 and other contractual commitments related to service contracts of \$12,216. 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.

Regional Wastewater Reclamation Department

At June 30, 2008, the Regional Wastewater Reclamation Department Enterprise Fund had construction contractual commitments of \$28,525 and other contractual commitments related to service contracts of \$3,864. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2008
(in thousands)

Note 14: Subsequent Event

On May 13, 2008, PHS&S was notified that their ambulatory services contract with AHCCCS serving Pima and Santa Cruz counties would not be renewed. Effective October 1, 2008, PHS&S would be only providing care to an estimated 3,000 members that are both eligible through AHCCCS and Arizona Long Term Care System. This results in a reduction of approximately 27,000 members and \$84 million in reduced revenues and expenses. As a result of this contract termination, PHS&S has implemented a plan to significantly reduce expenses, initially through a reduction in workforce of 53 employees, effective September 30, 2008.



Required Supplementary Information

Other Than Management's Discussion & Analysis

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit B-1

	Budgeted Amounts		Actual	Variance Over/Under
	Original	Final		
Revenues:				
Taxes	\$ 267,784	\$ 267,784	\$ 268,493	\$ 709
Licenses and permits	2,927	2,927	2,971	44
Intergovernmental	152,524	152,524	148,158	(4,366)
Charges for services	31,486	31,486	32,307	821
Fines and forfeits	5,575	5,575	5,020	(555)
Investment earnings	2,307	2,307	3,343	1,036
Miscellaneous	6,614	6,614	8,314	1,700
Total revenues	469,217	469,217	468,606	(611)
Expenditures:				
Assessor	9,085	9,085	8,968	117
Board of Supervisors	1,922	1,922	1,732	190
Clerk of Superior Court	10,776	10,776	10,676	100
Community & Economic Development	16,439	16,439	15,956	483
Constables	924	924	931	(7)
County Administration	68,692	66,136	37,549	28,587
County Attorney	20,545	20,545	19,714	831
Department of Institutional Health	107,815	107,815	106,502	1,313
Forensic Science Center	2,838	2,838	2,906	(68)
Graphics	811	811	781	30
Justice Courts	7,993	7,993	7,954	39
Juvenile Court	23,980	23,980	23,984	(4)
Justice & Law Enforcement	29,807	29,807	29,894	(87)
Public Works	32,806	32,806	31,616	1,190
Recorder	2,756	2,756	2,628	128
Sheriff	111,392	113,798	118,623	(4,825)
Superior Court	28,688	28,688	28,583	105
Superior Court Mandated Services	1,575	1,725	1,933	(208)
School Superintendent	1,384	1,384	1,462	(78)
Treasurer	2,607	2,607	2,221	386
Debt Service - principal	3,124	3,124	3,115	9
- interest	2,805	2,805	2,805	
- miscellaneous	6	6	4	2
Total expenditures	488,770	488,770	460,537	28,233
Excess (deficiency) of revenues over (under) expenditures	(19,553)	(19,553)	8,069	27,622
Other financing sources (uses):				
Transfers in	5,116	5,116	47,854	42,738
Transfers (out)	(28,637)	(28,637)	(43,094)	(14,457)
Total other financing sources (uses)	(23,521)	(23,521)	4,760	28,281
 Net change in fund balance	 (43,074)	 (43,074)	 12,829	 55,903
Fund balance at beginning of year	43,074	43,074	57,560	14,486
Fund balance at end of year	<u>\$</u>	<u>\$</u>	<u>\$ 70,389</u>	<u>\$ 70,389</u>

See notes to budgetary comparison schedule

PIMA COUNTY, ARIZONA
Notes to Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
June 30, 2008
(in thousands)

Note 1: Budgetary Basis of Accounting

Arizona Revised Statutes (ARS § 42-17101) requires that on or before the third Monday in July of each year, the Board of Supervisors adopt 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 ARS § 42-17106, expenditures may not be in excess of the amounts specified for each purpose in the budget, except as provided by law. 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. ARS § 42-17106 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.

Note 2: Excess of Expenditures Over Appropriations

For the year ended June 30, 2008, expenditures exceeded appropriations in the following General Fund departments (the legal level of budgetary control) by the following amounts: Sheriff \$4,825; Superior Court Mandated Services \$208; Justice & Law Enforcement \$87; School Superintendent \$78; Forensic Science Center \$68; Constables \$7; and Juvenile Courts \$4. These expenditures were funded by greater than anticipated revenues.

PIMA COUNTY, ARIZONA
Schedule of Retirement Plans' Funding Progress
June 30, 2008
(in thousands)

Exhibit B-2

Plan	Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
<u>PSPRS</u>							
Pension	2008	\$ 133,286	\$ 198,116	\$ 64,830	67.3%	\$ 32,495	199.5%
Health Insurance	2008	0	8,056	8,056	0%	32,495	24.8%
Pension	2007	128,524	197,365	68,841	65.1%	29,428	233.9%
Health Insurance	2007	0	7,930	7,930	0%	29,428	27.0%
Pension	2006	133,450	181,084	47,634	73.7%	28,556	166.8%
Health Insurance	2006	0	7,143	7,143	0%	28,556	25.0%
<u>CORP</u>							
Pension	2008	\$ 45,957	\$ 55,365	\$ 9,408	83.0%	\$ 21,455	43.8%
Health Insurance	2008	0	2,958	2,958	0%	21,455	13.8%
Pension	2007	44,196	54,488	10,292	81.1%	20,190	51.0%
Health Insurance	2007	0	2,735	2,735	0%	20,190	13.6%
Pension	2006	43,318	49,891	6,573	86.8%	17,658	37.2%
Health Insurance	2006	0	2,600	2,600	0%	17,658	16.6%
<u>Pima County Retiree Insurance Program</u>							
Health Insurance	2007	0	\$ 155,437	\$ 155,437	0%	\$ 292,249	53.2%

See note to schedule of retirement plans' funding progress

PIMA COUNTY, ARIZONA
Note to the Schedule of Retirement Plans' Funding Progress
June 30, 2008
(in thousands)

Note 1: Actuarial Information Available

Actuarial measurements were not made for Pima County's Postemployment Healthcare Plan prior to the implementation of GASB Statement 45. In future years when additional actuarial measurements are made, trend information for the County's Postemployment Healthcare Plan will be presented.



Combining Statements and Other Schedules

Other (Nonmajor) Governmental Funds

OTHER GOVERNMENTAL FUNDS (Nonmajor)

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

Health 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.

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

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.

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

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

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

Special Districts Fund - to account for financial activity related to Improvement Districts, which are legally separate districts not accounted for elsewhere.

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

Library District Fund - to account for the resources used to finance activities to provide library services to Pima County and the City of Tucson. Revenues are provided primarily by Library District taxes. The Library District is a blended component unit of Pima County.

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

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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PIMA COUNTY, ARIZONA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008
(in thousands)

	Special Revenue Funds					
	Transportation	Health and Animal Control	Regional Flood Control District	Employment and Training	Other	Other Grants
<u>Assets</u>						
Cash and cash equivalents	\$ 8,688	\$ 472	\$ 2,196		\$ 44,719	\$ 270
Property taxes receivable (net of allowances for uncollectables)			901			
Interest receivable	18		11		109	6
Due from other funds	1,520	103	8		21	6
Due from other governments	8,324	3,780	504	\$ 1,938	268	3,796
Accounts receivable		63		4	680	39
Inventory	1,519	127				
Prepaid expenditures	38	20		15	67	37
Other assets					5,200	
Special assessments receivable						
Total assets	<u>\$ 20,107</u>	<u>\$ 4,565</u>	<u>\$ 3,620</u>	<u>\$ 1,957</u>	<u>\$ 51,064</u>	<u>\$ 4,154</u>
<u>Liabilities and fund balances</u>						
Liabilities:						
Accounts payable	\$ 2,488	\$ 899	\$ 1,155	\$ 817	\$ 2,035	\$ 1,571
Interest payable						6
Employee compensation	743	585	161	95	191	683
Due to other funds	21	17	13	13	564	7
Due to other governments	303		18			159
Deferred revenues	<u>3,821</u>	<u>1,470</u>	<u>1,251</u>	<u>616</u>	<u>6,288</u>	<u>540</u>
Total liabilities	<u>7,376</u>	<u>2,971</u>	<u>2,598</u>	<u>1,541</u>	<u>9,078</u>	<u>2,966</u>
Fund balances:						
Reserved for inventory	1,519	127				
Reserved for prepaid expenditures	38	20		15	67	37
Reserved for debt service						
Reserved for capital repairs and refurbishments						
Reserved for specified programs						
Unreserved	<u>11,174</u>	<u>1,447</u>	<u>1,022</u>	<u>401</u>	<u>41,919</u>	<u>1,151</u>
Total fund balances	<u>12,731</u>	<u>1,594</u>	<u>1,022</u>	<u>416</u>	<u>41,986</u>	<u>1,188</u>
Total liabilities and fund balances	<u>\$ 20,107</u>	<u>\$ 4,565</u>	<u>\$ 3,620</u>	<u>\$ 1,957</u>	<u>\$ 51,064</u>	<u>\$ 4,154</u>

Special Revenue Funds							Total Other Governmental Funds
School Reserve	Environmental Quality	Special Districts	Solid Waste	Library District	Stadium District	Debt Service Fund	
\$ 2,232	\$ 958	\$ 39	\$ 2,174	\$ 18,380	\$ 1,160	\$ 12,038	\$ 93,326
				1,110		1,887	3,898
1	3		5	46	2	158	359
			512		222	176	2,568
499	450		272	126	282	8	20,247
124	38		311	30	36		1,325
							1,646
9				1	1		188
							5,200
		1,340					1,340
<u>\$ 2,865</u>	<u>\$ 1,449</u>	<u>\$ 1,379</u>	<u>\$ 3,274</u>	<u>\$ 19,693</u>	<u>\$ 1,703</u>	<u>\$ 14,267</u>	<u>\$ 130,097</u>
\$ 285	\$ 90		\$ 374	\$ 1,082	\$ 49	\$ 320	\$ 11,165
							6
90	97		70	521	94		3,330
	4	\$ 1,341	4	228			2,212
				304			784
13	101	1,340		925	136	1,554	18,055
<u>388</u>	<u>292</u>	<u>2,681</u>	<u>448</u>	<u>3,060</u>	<u>279</u>	<u>1,874</u>	<u>35,552</u>
							1,646
9				1	1		188
		2				12,393	12,395
					99		99
	888		1,675	203			2,766
2,468	269	(1,304)	1,151	16,429	1,324		77,451
<u>2,477</u>	<u>1,157</u>	<u>(1,302)</u>	<u>2,826</u>	<u>16,633</u>	<u>1,424</u>	<u>12,393</u>	<u>94,545</u>
<u>\$ 2,865</u>	<u>\$ 1,449</u>	<u>\$ 1,379</u>	<u>\$ 3,274</u>	<u>\$ 19,693</u>	<u>\$ 1,703</u>	<u>\$ 14,267</u>	<u>\$ 130,097</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2008
(in thousands)

	Special Revenue Funds					Other Grants
	Transportation	Health and Animal Control	Regional Flood Control District	Employment and Training	Other	
Revenues:						
Taxes			\$ 25,331			
Special assessments						
Licenses and permits	\$ 200	\$ 2,405				
Intergovernmental	63,761	11,673	924	\$ 12,158	\$ 4,952	\$ 40,533
Charges for services	331	2,582	165		7,311	
Fines and forfeits		180			502	
Investment earnings	503	5	145		2,491	105
Miscellaneous	214	428	79	306	6,407	1,752
Total revenues	65,009	17,273	26,644	12,464	21,663	42,390
Expenditures:						
General government					19,819	24,982
Public safety			14,699		6,447	9,706
Highways and streets	43,685				53	
Sanitation						
Health		27,046				15
Welfare						105
Culture and recreation					446	201
Education and economic opportunity				13,106	2,220	5,562
Debt service - principal					145	
- interest					10	
- miscellaneous						
Total expenditures	43,685	27,046	14,699	13,106	29,140	40,571
Excess (deficiency) of revenues over (under) expenditures	21,324	(9,773)	11,945	(642)	(7,477)	1,819
Other financing sources (uses):						
Proceeds on capital leases					312	
Premium on bonds						
Proceeds from sale of capital assets	25				2	
Transfers in	3,450	10,108		289	11,093	112
Transfers (out)	(24,944)		(11,401)		(3,778)	(3)
Total other financing sources (uses)	(21,469)	10,108	(11,401)	289	7,629	109
Net change in fund balances	(145)	335	544	(353)	152	1,928
Fund balance at beginning of year	12,876	1,314	478	769	41,834	(740)
Change in reserve for inventory		(55)				
Fund balance at end of year	\$ 12,731	\$ 1,594	\$ 1,022	\$ 416	\$ 41,986	\$ 1,188

Special Revenue Funds							Total Other Governmental Funds
School Reserve	Environmental Quality	Special Districts	Solid Waste	Library District	Stadium District	Debt Service Fund	
		\$ 556		\$ 32,276		\$ 55,762	\$ 113,369
	\$ 2,134						556
\$ 4,228	1,686		\$ 1,152	4,421	\$ 1,949	16	4,739
			5,843		1,512		147,453
	88			690			17,744
	51	5	160	740	16	1,842	1,460
	15		89	981			6,063
							10,271
<u>4,228</u>	<u>3,974</u>	<u>561</u>	<u>7,244</u>	<u>39,108</u>	<u>3,477</u>	<u>57,620</u>	<u>301,655</u>
							44,801
		3					30,852
			8,310				43,741
	4,385						8,310
				30,298	3,239		31,446
3,980							105
							34,184
							24,868
		67				56,459	56,604
						19,757	19,834
						326	326
<u>3,980</u>	<u>4,385</u>	<u>70</u>	<u>8,310</u>	<u>30,298</u>	<u>3,239</u>	<u>76,542</u>	<u>295,071</u>
248	(411)	491	(1,066)	8,810	238	(18,922)	6,584
						745	312
							745
	423		500		2,793	22,624	27
		(1,200)		(3,772)	(3,014)		51,392
							(48,112)
	423	(1,200)	500	(3,772)	(221)	23,369	4,364
248	12	(709)	(566)	5,038	17	4,447	10,948
2,229	1,145	(593)	3,392	11,595	1,407	7,946	83,652
							(55)
<u>\$ 2,477</u>	<u>\$ 1,157</u>	<u>\$ (1,302)</u>	<u>\$ 2,826</u>	<u>\$ 16,633</u>	<u>\$ 1,424</u>	<u>\$ 12,393</u>	<u>\$ 94,545</u>

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Combining Statements and Other Schedules

Schedule of Revenues, Expenditures and Changes in Fund
Balance

Budget and Actual – Other Governmental Funds

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-3

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 13,781	\$ 17,023	\$ 3,242
Charges for services	23,517	8,839	(14,678)
Investment earnings	3,598	4,812	1,214
Miscellaneous	371	3,167	2,796
Total revenues	<u>41,267</u>	<u>33,841</u>	<u>(7,426)</u>
Expenditures:			
Capital outlay	<u>250,543</u>	<u>139,539</u>	<u>111,004</u>
Total expenditures	<u>250,543</u>	<u>139,539</u>	<u>111,004</u>
Deficiency of revenues under expenditures	<u>(209,276)</u>	<u>(105,698)</u>	<u>103,578</u>
Other financing sources (uses):			
Face amount of long-term debt	145,000	175,000	30,000
Premium on bonds		1,219	1,219
Transfers in	23,758	29,160	5,402
Transfers (out)		<u>(36,486)</u>	<u>(36,486)</u>
Total other financing sources	<u>168,758</u>	<u>168,893</u>	<u>135</u>
Net change in fund balance	(40,518)	63,195	103,713
Fund balance at beginning of year	<u>106,189</u>	<u>89,448</u>	<u>(16,741)</u>
Fund balance at end of year	<u>\$ 65,671</u>	<u>\$ 152,643</u>	<u>\$ 86,972</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Transportation - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-4

	Budget	Actual	Variance Over/Under
Revenues:			
Licenses and permits	\$ 311	\$ 200	\$ (111)
Intergovernmental	65,832	63,761	(2,071)
Charges for services	1,010	331	(679)
Investment earnings	400	503	103
Miscellaneous	136	214	78
Total revenues	<u>67,689</u>	<u>65,009</u>	<u>(2,680)</u>
Expenditures:			
Highways and streets	47,337	43,685	3,652
Total expenditures	<u>47,337</u>	<u>43,685</u>	<u>3,652</u>
Excess of revenues over expenditures	<u>20,352</u>	<u>21,324</u>	<u>972</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		25	25
Transfers in	3,758	3,450	(308)
Transfers (out)	(25,230)	(24,944)	286
Total other financing uses	<u>(21,472)</u>	<u>(21,469)</u>	<u>3</u>
Net change in fund balance	(1,120)	(145)	975
Fund balance at beginning of year	4,454	12,876	8,422
Fund balance at end of year	<u>\$ 3,334</u>	<u>\$ 12,731</u>	<u>\$ 9,397</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Health and Animal Control - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-5

	Budget	Actual	Variance Over/Under
Revenues:			
Licenses and permits	\$ 2,497	\$ 2,405	\$ (92)
Intergovernmental	10,376	11,673	1,297
Charges for services	2,428	2,582	154
Fines and forfeits	206	180	(26)
Investment earnings		5	5
Miscellaneous	192	428	236
Total revenues	<u>15,699</u>	<u>17,273</u>	<u>1,574</u>
Expenditures:			
Health	16,708	16,602	106
Health grants	9,472	10,444	(972)
Total expenditures	<u>26,180</u>	<u>27,046</u>	<u>(866)</u>
Deficiency of revenues under expenditures	<u>(10,481)</u>	<u>(9,773)</u>	<u>708</u>
Other financing sources:			
Transfers in	10,072	10,108	36
Total other financing sources	<u>10,072</u>	<u>10,108</u>	<u>36</u>
Net change in fund balance	(409)	335	744
Fund balance at beginning of year	2,046	1,314	(732)
Change in reserve for inventory		(55)	(55)
Fund balance at end of year	<u>\$ 1,637</u>	<u>\$ 1,594</u>	<u>\$ (43)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Regional Flood Control District - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-6

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/Under</u>
Revenues:			
Taxes	\$ 25,113	\$ 25,331	\$ 218
Intergovernmental	4,500	924	(3,576)
Charges for services	100	165	65
Investment earnings	200	145	(55)
Miscellaneous	185	79	(106)
Total revenues	<u>30,098</u>	<u>26,644</u>	<u>(3,454)</u>
Expenditures:			
Flood control	17,075	14,699	2,376
Total expenditures	<u>17,075</u>	<u>14,699</u>	<u>2,376</u>
Excess of revenues over expenditures	<u>13,023</u>	<u>11,945</u>	<u>(1,078)</u>
Other financing (uses):			
Transfers (out)	(11,401)	(11,401)	
Total other financing (uses)	<u>(11,401)</u>	<u>(11,401)</u>	
Net change in fund balance	1,622	544	(1,078)
Fund balance at beginning of year	1,120	478	(642)
Fund balance at end of year	<u>\$ 2,742</u>	<u>\$ 1,022</u>	<u>\$ (1,720)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Employment and Training - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-7

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 11,479	\$ 12,158	\$ 679
Miscellaneous	202	306	104
Total revenues	<u>11,681</u>	<u>12,464</u>	<u>783</u>
Expenditures:			
Employment and training	11,997	13,106	(1,109)
Total expenditures	<u>11,997</u>	<u>13,106</u>	<u>(1,109)</u>
Deficiency of revenues under expenditures	<u>(316)</u>	<u>(642)</u>	<u>(326)</u>
Other financing sources:			
Transfers in	289	289	
Total other financing sources	<u>289</u>	<u>289</u>	
Net change in fund balance	(27)	(353)	(326)
Fund balance at beginning of year	812	769	(43)
Fund balance at end of year	<u>\$ 785</u>	<u>\$ 416</u>	<u>\$ (369)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Other - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-8

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 5,047	\$ 4,952	\$ (95)
Charges for services	6,921	7,311	390
Fines and forfeits	606	502	(104)
Investment earnings	1,144	2,491	1,347
Miscellaneous	6,938	6,407	(531)
Total revenues	20,656	21,663	1,007
Expenditures:			
General government	34,580	19,819	14,761
Public safety	5,547	6,447	(900)
Highways and streets	50	53	(3)
Culture and recreation	2,149	446	1,703
Education and economic opportunity	2,477	2,220	257
Debt service - principal	75	145	(70)
- interest	6	10	(4)
Total expenditures	44,884	29,140	15,744
Deficiency of revenues under expenditures	(24,228)	(7,477)	16,751
Other financing sources (uses):			
Proceeds from sale of capital assets		314	314
Transfers in	11,153	11,093	(60)
Transfers (out)	(2,819)	(3,778)	(959)
Total other financing sources	8,334	7,629	(705)
Net change in fund balance	(15,894)	152	16,046
Fund balance at beginning of year	30,178	41,834	11,656
Fund balance at end of year	\$ 14,284	\$ 41,986	\$ 27,702

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Other Grants - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-9

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 38,749	\$ 40,533	\$ 1,784
Investment earnings	24	105	81
Miscellaneous	487	1,752	1,265
Total revenues	39,260	42,390	3,130
Expenditures:			
Clerk of Superior Court	20		20
Community Services	7,475	5,562	1,913
County Attorney	2,902	2,749	153
Institutional Health		105	(105)
Justice Court	120	103	17
Juvenile Court	12,340	11,819	521
Legal Defender	22	11	11
Parks and Recreation	144	201	(57)
Public Defender	66	67	(1)
Adult Probation	9,778	9,585	193
Sheriff	6,469	9,706	(3,237)
Superior Court	388	311	77
Medical Assistance		15	(15)
County Administrator	240	337	(97)
Total expenditures	39,964	40,571	(607)
Excess (deficiency) of revenues over (under) expenditures	(704)	1,819	2,523
Other financing sources (uses):			
Transfers in		112	112
Transfers (out)		(3)	(3)
Total other financing sources		109	109
Net change in fund balance	(704)	1,928	2,632
Fund balance at beginning of year	735	(740)	(1,475)
Fund balance at end of year	\$ 31	\$ 1,188	\$ 1,157

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
School Reserve - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-10

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 3,816	\$ 4,228	\$ 412
Total revenues	<u>3,816</u>	<u>4,228</u>	<u>412</u>
Expenditures:			
School Reserve grants	3,910	3,980	(70)
Total expenditures	<u>3,910</u>	<u>3,980</u>	<u>(70)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94)</u>	<u>248</u>	<u>342</u>
Net change in fund balance	(94)	248	342
Fund balance at beginning of year	2,220	2,229	9
Fund balance at end of year	<u>\$ 2,126</u>	<u>\$ 2,477</u>	<u>\$ 351</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Environmental Quality - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-11

	Budget	Actual	Variance Over/Under
Revenues:			
Licenses and permits	\$ 2,166	\$ 2,134	\$ (32)
Intergovernmental	1,344	1,686	342
Fines and forfeits		88	88
Investment earnings	30	51	21
Miscellaneous	25	15	(10)
Total revenues	<u>3,565</u>	<u>3,974</u>	<u>409</u>
Expenditures:			
Environmental quality	3,523	3,249	274
Environmental quality grants	1,175	1,136	39
Total expenditures	<u>4,698</u>	<u>4,385</u>	<u>313</u>
Deficiency of revenues under expenditures	<u>(1,133)</u>	<u>(411)</u>	<u>722</u>
Other financing sources:			
Transfers in	423	423	
Total other financing sources	<u>423</u>	<u>423</u>	
Net change in fund balance	(710)	12	722
Fund balance at beginning of year	1,332	1,145	(187)
Fund balance at end of year	<u>\$ 622</u>	<u>\$ 1,157</u>	<u>\$ 535</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Special Districts - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-12

	Budget	Actual	Variance Over/Under
Revenues:			
Special assesments	\$ 560	\$ 556	\$ (4)
Investment earnings		5	5
Total revenues	<u>560</u>	<u>561</u>	<u>1</u>
Expenditures:			
Highways and streets		3	(3)
Debt service - principal			
- interest		67	(67)
Total expenditures		<u>70</u>	<u>(70)</u>
Excess of revenues over expenditures	<u>560</u>	<u>491</u>	<u>(69)</u>
Other financing (uses):			
Transfers (out)	(560)	(1,200)	(640)
Total other financing (uses)	<u>(560)</u>	<u>(1,200)</u>	<u>(640)</u>
Net change in fund balance		(709)	(709)
Fund balance at beginning of year		(593)	(593)
Fund balance at end of year	<u>\$</u>	<u>\$ (1,302)</u>	<u>\$ (1,302)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Solid Waste - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-13

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 1,200	\$ 1,152	\$ (48)
Charges for services	5,553	5,843	290
Investment earnings	131	160	29
Miscellaneous	93	89	(4)
Total revenues	<u>6,977</u>	<u>7,244</u>	<u>267</u>
Expenditures:			
Sanitation	8,562	8,310	252
Total expenditures	<u>8,562</u>	<u>8,310</u>	<u>252</u>
Deficiency of revenues under expenditures	<u>(1,585)</u>	<u>(1,066)</u>	<u>519</u>
Other financing sources:			
Transfers in	500	500	
Total other financing sources	<u>500</u>	<u>500</u>	
Net change in fund balance	(1,085)	(566)	519
Fund balance at beginning of year	3,105	3,392	287
Fund balance at end of year	<u>\$ 2,020</u>	<u>\$ 2,826</u>	<u>\$ 806</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Library District - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-14

	Budget	Actual	Variance Over/Under
Revenues:			
Taxes	\$ 31,957	\$ 32,276	\$ 319
Intergovernmental	4,797	4,421	(376)
Fines and forfeits	500	690	190
Investment earnings	300	740	440
Miscellaneous	1,150	981	(169)
Total revenues	<u>38,704</u>	<u>39,108</u>	<u>404</u>
Expenditures:			
Culture and recreation	37,091	30,298	6,793
Total expenditures	<u>37,091</u>	<u>30,298</u>	<u>6,793</u>
Excess of revenues over expenditures	<u>1,613</u>	<u>8,810</u>	<u>7,197</u>
Other financing (uses):			
Transfers (out)	(3,772)	(3,772)	
Total other financing (uses)	<u>(3,772)</u>	<u>(3,772)</u>	
Net change in fund balance	(2,159)	5,038	7,197
Fund balance at beginning of year	7,125	11,595	4,470
Fund balance at end of year	<u>\$ 4,966</u>	<u>\$ 16,633</u>	<u>\$ 11,667</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Stadium District - Special Revenue Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-15

	Budget	Actual	Variance Over/Under
Revenues:			
Intergovernmental	\$ 1,905	\$ 1,949	\$ 44
Charges for services	1,116	1,512	396
Investment earnings		16	16
Miscellaneous	1		(1)
Total revenues	<u>3,022</u>	<u>3,477</u>	<u>455</u>
Expenditures:			
Culture and recreation	2,534	3,239	(705)
Total expenditures	<u>2,534</u>	<u>3,239</u>	<u>(705)</u>
Excess of revenues over expenditures	<u>488</u>	<u>238</u>	<u>(250)</u>
Other financing sources (uses):			
Transfers in	3,205	2,793	(412)
Transfers (out)	(3,014)	(3,014)	
Total other financing sources (uses)	<u>191</u>	<u>(221)</u>	<u>(412)</u>
Net change in fund balance	679	17	(662)
Fund balance at beginning of year	1,427	1,407	(20)
Fund balance at end of year	<u>\$ 2,106</u>	<u>\$ 1,424</u>	<u>\$ (682)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-16

	Budget	Actual	Variance Over/Under
Revenues:			
Taxes	\$ 56,252	\$ 55,762	\$ (490)
Intergovernmental	8	16	8
Investment earnings	1,000	1,842	842
Total revenues	<u>57,260</u>	<u>57,620</u>	<u>360</u>
Expenditures:			
Debt service - principal	55,459	56,459	(1,000)
- interest	22,456	19,757	2,699
- miscellaneous	30	326	(296)
Total expenditures	<u>77,945</u>	<u>76,542</u>	<u>1,403</u>
Deficiency of revenues under expenditures	<u>(20,685)</u>	<u>(18,922)</u>	<u>1,763</u>
Other financing sources:			
Premium on bonds		745	745
Transfers in	21,690	22,624	934
Total other financing sources	<u>21,690</u>	<u>23,369</u>	<u>1,679</u>
Net change in fund balance	1,005	4,447	3,442
Fund balance at beginning of year	11,187	7,946	(3,241)
Fund balance at end of year	<u>\$ 12,192</u>	<u>\$ 12,393</u>	<u>\$ 201</u>



Combining Statements and Other Schedules

Other (Nonmajor) Enterprise Funds

Other (Nonmajor) Enterprise Funds

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

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

PIMA COUNTY, ARIZONA
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008
(in thousands)

Exhibit C-17

	Development Services	Parking Garages	Total Other Enterprise Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 5,480	\$ 2,236	\$ 7,716
Interest receivable	12	5	17
Due from other funds	2,641		2,641
Accounts receivable	10	3	13
Prepaid expense	7		7
Total current assets	8,150	2,244	10,394
Noncurrent assets:			
Capital assets:			
Land and other improvements		1,861	1,861
Buildings and improvements		12,927	12,927
Equipment	1,456	251	1,707
Less accumulated depreciation	(909)	(8,262)	(9,171)
Total capital assets (net of accumulated depreciation)	547	6,777	7,324
Total noncurrent assets	547	6,777	7,324
Total assets	8,697	9,021	17,718
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	69	286	355
Employee compensation	1,134	24	1,158
Due to other funds	8		8
Due to other governments		104	104
Total current liabilities	1,211	414	1,625
Noncurrent liabilities:			
Other postemployment healthcare benefits	256	2	258
Total noncurrent liabilities	256	2	258
Total liabilities	1,467	416	1,883
<u>Net assets</u>			
Invested in capital assets	547	6,777	7,324
Unrestricted	6,683	1,828	8,511
Total net assets	\$ 7,230	\$ 8,605	\$ 15,835

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-18

	Development Services	Parking Garages	Total Other Enterprise Funds
Operating revenues:			
Charges for services	\$ 8,992	\$ 1,720	\$ 10,712
Other	210		210
Total net operating revenues	<u>9,202</u>	<u>1,720</u>	<u>10,922</u>
Operating expenses:			
Employee compensation	11,380	295	11,675
Operating supplies and services	296	8	304
Utilities	200	197	397
Repair and maintenance	102	132	234
General and administrative	2,043	907	2,950
Consultants and professional services	618	6	624
Depreciation	283	336	619
Total operating expenses	<u>14,922</u>	<u>1,881</u>	<u>16,803</u>
Operating loss	<u>(5,720)</u>	<u>(161)</u>	<u>(5,881)</u>
Nonoperating revenues:			
Investment earnings	556	104	660
Gain on disposal of assets	5		5
Total nonoperating revenues	<u>561</u>	<u>104</u>	<u>665</u>
Loss before contributions and transfers	<u>(5,159)</u>	<u>(57)</u>	<u>(5,216)</u>
Transfers in	2,550		2,550
Transfers (out)	<u>(2,627)</u>		<u>(2,627)</u>
Change in net assets	(5,236)	(57)	(5,293)
Net assets at beginning of year	<u>12,466</u>	<u>8,662</u>	<u>21,128</u>
Net assets at end of year	<u>\$ 7,230</u>	<u>\$ 8,605</u>	<u>\$ 15,835</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-19

	Development Services	Parking Garages	Total Other Enterprise Funds
Cash flows from operating activities:			
Cash received from other funds for goods and services provided	\$ 100		\$ 100
Cash received from customers for goods and services provided	8,992	\$ 1,718	10,710
Cash received from miscellaneous operations	224		224
Cash payments to suppliers for goods and services	(1,347)	(1,203)	(2,550)
Cash payments to other funds for goods and services	(3,368)	(21)	(3,389)
Cash payments to employees for services	(10,027)	(290)	(10,317)
Net cash provided by (used for) operating activities	<u>(5,426)</u>	<u>204</u>	<u>(5,222)</u>
Cash flows from noncapital financing activities:			
Loans with other funds	<u>(2,711)</u>	<u>108</u>	<u>(2,603)</u>
Net cash provided by (used for) noncapital financing activities	<u>(2,711)</u>	<u>108</u>	<u>(2,603)</u>
Cash flows from capital and related financing activities:			
Proceeds on sale of capital assets	<u>39</u>		<u>39</u>
Net cash provided by capital and related financing activities	<u>39</u>		<u>39</u>
Cash flows from investing activities:			
Interest on cash and investments	<u>588</u>	<u>105</u>	<u>693</u>
Net cash provided by investing activities	<u>588</u>	<u>105</u>	<u>693</u>
Net increase (decrease) in cash and cash equivalents	(7,510)	417	(7,093)
Cash and cash equivalents at beginning of year	<u>12,990</u>	<u>1,819</u>	<u>14,809</u>
Cash and cash equivalents at end of year	<u>\$ 5,480</u>	<u>\$ 2,236</u>	<u>\$ 7,716</u>

(Continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-19.1

(Continued)

Reconciliation of operating loss to net cash provided by (used for) operating activities	Development Services	Parking Garages	Total Other Enterprise Funds
	\$	\$	\$
Operating loss	(5,720)	(161)	(5,881)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	283	336	619
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	14	(2)	12
Prepaid expenses	50		50
Increase (decrease) in liabilities:			
Accounts payable	(358)	21	(337)
Due to other governments		5	5
Other current liabilities	305	5	310
	\$	\$	\$
Net cash provided by (used for) operating activities	(5,426)	204	(5,222)

Noncash investing, capital and financing activities during the year ended June 30, 2008:

Development Services enterprise fund received proceeds of \$39 on the sale of capital assets with a net book value of \$34, resulting in a gain on disposal of \$5.



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, graphics and telecommunication services to County departments.

PIMA COUNTY, ARIZONA
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(in thousands)

Exhibit C-20

	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 42,721	\$ 11,060	\$ 53,781
Interest receivable	152	20	172
Due from other funds	588	826	1,414
Due from other governments		180	180
Accounts receivable	26	121	147
Inventory		558	558
Prepaid expense	653	44	697
Total current assets	44,140	12,809	56,949
Noncurrent assets:			
Capital assets:			
Land and other improvements	592		592
Buildings and improvements		614	614
Equipment	243	33,121	33,364
Less accumulated depreciation	(96)	(14,873)	(14,969)
Total capital assets (net of accumulated depreciation)	739	18,862	19,601
Total noncurrent assets	739	18,862	19,601
Total assets	44,879	31,671	76,550
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	301	1,446	1,747
Employee compensation	116	655	771
Due to other funds		840	840
Due to other governments		5	5
Current portion reported but unpaid losses	3,908		3,908
Current portion incurred but not reported losses	2,321		2,321
Total current liabilities	6,646	2,946	9,592
Noncurrent liabilities:			
Other postemployment healthcare benefits	44	137	181
Reported but unpaid losses	15,514		15,514
Incurred but not reported losses	9,462		9,462
Total noncurrent liabilities	25,020	137	25,157
Total liabilities	31,666	3,083	34,749
<u>Net assets</u>			
Invested in capital assets	739	18,862	19,601
Unrestricted	12,474	9,726	22,200
Total net assets	\$ 13,213	\$ 28,588	\$ 41,801

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-21

	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 19,363	\$ 26,057	\$ 45,420
Other	327	1,880	2,207
Total operating revenues	<u>19,690</u>	<u>27,937</u>	<u>47,627</u>
Operating expenses:			
Employee compensation	2,238	5,160	7,398
Operating supplies and services	196	6,722	6,918
Utilities	31	886	917
Incurred losses	10,227		10,227
Insurance premiums	3,923	988	4,911
General and administrative	1,428	1,293	2,721
Repair and maintenance	74	3,893	3,967
Consultants and professional services	359	76	435
Depreciation	20	2,739	2,759
Total operating expenses	<u>18,496</u>	<u>21,757</u>	<u>40,253</u>
Operating income	<u>1,194</u>	<u>6,180</u>	<u>7,374</u>
Nonoperating revenues (expenses):			
Investment earnings	1,752	354	2,106
Loss on disposal of capital assets		(206)	(206)
Total nonoperating revenues	<u>1,752</u>	<u>148</u>	<u>1,900</u>
Income before capital contributions and transfers:	2,946	6,328	9,274
Capital contributions	15	5	20
Transfers in		4,352	4,352
Transfers (out)	(6)	(4,352)	(4,358)
Change in net assets	2,955	6,333	9,288
Net assets at beginning of year	<u>10,258</u>	<u>22,255</u>	<u>32,513</u>
Net assets at end of year	<u>\$ 13,213</u>	<u>\$ 28,588</u>	<u>\$ 41,801</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-22

	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from other funds for goods and services provided	\$ 19,363	\$ 26,057	\$ 45,420
Cash received from miscellaneous operations	503	1,680	2,183
Cash payments to suppliers for goods and services	(5,618)	(11,759)	(17,377)
Cash payments to other funds for goods and services	(1,858)	(1,725)	(3,583)
Cash payments for incurred losses	(11,879)		(11,879)
Cash payments to employees for services	(1,492)	(4,888)	(6,380)
Net cash provided by (used for) operating activities	(981)	9,365	8,384
Cash flows from noncapital financing activities:			
Loans with other funds	229	218	447
Net cash provided by noncapital financing activities	229	218	447
Cash flows from capital and related financing activities:			
Proceeds from sale of equipment		216	216
Purchase of capital assets	(17)	(4,260)	(4,277)
Net cash used for capital and related financing activities	(17)	(4,044)	(4,061)
Cash flows from investing activities:			
Interest on cash and investments	1,921	347	2,268
Net cash provided by investing activities	1,921	347	2,268
Net increase in cash and cash equivalents	1,152	5,886	7,038
Cash and cash equivalents at beginning of year	41,569	5,174	46,743
Cash and cash equivalents at end of year	\$ 42,721	\$ 11,060	\$ 53,781

(Continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-22.1

(Continued)

Reconciliation of operating income to net cash provided by (used for) operating activities	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
	\$	\$	\$
Operating income	1,194	6,180	7,374
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	20	2,739	2,759
Changes in assets and liabilities:			
Decrease (increase) in assets:			
Accounts receivable	176	(112)	64
Due from other governments		(88)	(88)
Inventory		(101)	(101)
Prepaid expenses	78	19	97
Increase (decrease) in liabilities:			
Accounts payable	(832)	451	(381)
Due to other governments		5	5
Reported but unpaid losses	(3,517)		(3,517)
Incurred but not reported losses	1,865		1,865
Other current liabilities	35	272	307
Net cash provided by (used for) operating activities	\$ (981)	\$ 9,365	\$ 8,384

Noncash investing, capital and financing activities during the year ended June 30, 2008:

Self Insurance Trust Fund transferred out capital assets with a net book value of \$6 to the County's general government.

Self Insurance Trust Fund transferred in capital assets with a net book value of \$15 from the County's general government.

Other Internal Service Funds (Communications) transferred in a capital asset with a net book value of \$5 from the County's general government.

Other Internal Service Funds (Fleet Services) sold capital assets with a net book value of \$196.

Other Internal Service Funds (Fleet Services) retired an asset with a net book value of \$10.



Combining Statements and Other Schedules

Fiduciary Funds

PIMA COUNTY, ARIZONA
Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2008
(in thousands)

Exhibit C-23

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Assets			
Cash and cash equivalents	\$ 205,444	\$ 109,301	\$ 314,745
Interest receivable	522	62	584
Total assets	205,966	109,363	315,329
Liabilities			
Total liabilities			
Net assets			
Held in trust for pool participants	\$ 205,966	\$ 109,363	\$ 315,329

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-24

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions			
Contributions:			
Participants	\$ 2,552,025	\$ 266,042	\$ 2,818,067
Total contributions	<u>2,552,025</u>	<u>266,042</u>	<u>2,818,067</u>
Investment earnings:			
Total investment earnings	<u>8,220</u>	<u>4,139</u>	<u>12,359</u>
Total additions	<u>2,560,245</u>	<u>270,181</u>	<u>2,830,426</u>
Deductions			
Distributions to participants	2,570,338	243,511	2,813,849
Total deductions	<u>2,570,338</u>	<u>243,511</u>	<u>2,813,849</u>
Net increase (decrease)	(10,093)	26,670	16,577
Net assets held in trust July 1, 2007	216,059	82,693	298,752
Net assets held in trust June 30, 2008	<u>\$ 205,966</u>	<u>\$ 109,363</u>	<u>\$ 315,329</u>

PIMA COUNTY, ARIZONA
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008
(in thousands)

Exhibit C-25

	Payroll	Treasurer's Clearing	Other	Total
Assets				
Cash and cash equivalents	\$ 4,751	\$ 778	\$ 69,475	\$ 75,004
Due from other governments		1,809		1,809
Total assets	<u>4,751</u>	<u>2,587</u>	<u>69,475</u>	<u>76,813</u>
Liabilities				
Employee compensation	4,751			4,751
Due to other governments			46,048	46,048
Deposits and rebates		2,587	23,427	26,014
Total liabilities	<u>\$ 4,751</u>	<u>\$ 2,587</u>	<u>\$ 69,475</u>	<u>\$ 76,813</u>

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Assets
Agency Funds
For the Year Ended June 30, 2008
(in thousands)

Exhibit C-26

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08
Payroll Clearing				
Assets				
Cash and cash equivalents	\$ 5,428	\$ 714,133	\$ 714,810	\$ 4,751
Total assets	<u>5,428</u>	<u>714,133</u>	<u>714,810</u>	<u>4,751</u>
Liabilities				
Employee compensation	5,428	714,133	714,810	4,751
Total liabilities	<u>5,428</u>	<u>714,133</u>	<u>714,810</u>	<u>4,751</u>
Treasurer's Clearing				
Assets				
Cash and cash equivalents	(1,724)	2,060,715	2,058,213	778
Due from other governments	2,636	1,809	2,636	1,809
Total assets	<u>912</u>	<u>2,062,524</u>	<u>2,060,849</u>	<u>2,587</u>
Liabilities				
Due to other governments		1,039,714	1,039,714	
Deposits and rebates	912	1,022,810	1,021,135	2,587
Total liabilities	<u>912</u>	<u>2,062,524</u>	<u>2,060,849</u>	<u>2,587</u>
Other				
Assets				
Cash and cash equivalents	71,521	465,492	467,538	69,475
Total assets	<u>71,521</u>	<u>465,492</u>	<u>467,538</u>	<u>69,475</u>
Liabilities				
Due to other governments	45,680	147,627	147,259	46,048
Deposits and rebates	25,841	317,865	320,279	23,427
Total liabilities	<u>71,521</u>	<u>465,492</u>	<u>467,538</u>	<u>69,475</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	75,225	3,240,340	3,240,561	75,004
Due from other governments	2,636	1,809	2,636	1,809
Total assets	<u>77,861</u>	<u>3,242,149</u>	<u>3,243,197</u>	<u>76,813</u>
Liabilities				
Employee compensation	5,428	714,133	714,810	4,751
Due to other governments	45,680	1,187,341	1,186,973	46,048
Deposits and rebates	26,753	1,340,675	1,341,414	26,014
Total liabilities	<u>\$ 77,861</u>	<u>\$ 3,242,149</u>	<u>\$ 3,243,197</u>	<u>\$ 76,813</u>

PIMA COUNTY

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

Financial Trends Information

Revenue Capacity Information

Debt Capacity Information

Demographic and Economic Information

Operating Information

STATISTICAL SECTION

FINANCIAL TRENDS:

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

PIMA COUNTY, ARIZONA
Net Assets by Component
Last Seven Fiscal Years
(in thousands)
(accrual basis of accounting)

Exhibit D-1

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Governmental activities							
Invested in capital assets, net of related debt	\$ 215,646	\$ 272,130	\$ 391,514	\$ 741,453	\$ 761,130	\$ 774,000	\$ 882,424
Restricted for:							
Special revenue	43,339	29,322	52,363	59,789	53,384	63,014	71,618
Highways and streets					21,353	16,734	17,390
Debt service	5,450	2,926	5,686	11,439	7,934	8,980	13,612
Capital projects	33,752	35,686	17,368	27,027	77,088	90,467	80,922
Worker's compensation				9,042			
Unrestricted	60,050	66,015	41,020	33,451	38,464	46,256	53,778
Total governmental activities net assets	<u>\$ 358,237</u>	<u>\$ 406,079</u>	<u>\$ 507,951</u>	<u>\$ 882,201</u>	<u>\$ 959,353</u>	<u>\$ 999,451</u>	<u>\$ 1,119,744</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 380,916	\$ 444,590	\$ 451,162	\$ 457,600	\$ 466,257	\$ 476,950	\$ 482,822
Restricted for:							
Debt service	1,216	1,245	499	468	438	574	791
Capital projects	18,982	3,008	88			35,480	37,925
Regional Wastewater Reclamation Department	15,748	3,669	3,696	3,511	48,379	38,628	5,956
Healthcare	19,684	13,217	4,011	6,319	5,464	9,985	13,732
Unrestricted (deficit)	(4,109)	(24,744)	(4,766)	20,851	15,284	10,845	56,397
Total business-type activities net assets	<u>\$ 432,437</u>	<u>\$ 440,985</u>	<u>\$ 454,690</u>	<u>\$ 488,749</u>	<u>\$ 535,822</u>	<u>\$ 572,462</u>	<u>\$ 597,623</u>
Primary government							
Invested in capital assets, net of related debt	\$ 596,562	\$ 716,720	\$ 842,676	\$ 1,199,053	\$ 1,227,387	\$ 1,250,950	\$ 1,365,246
Restricted for:							
Facilities, justice, library, tax stabilization and community development						63,014	71,618
Special revenue	43,339	29,322	52,363	59,789	53,384	16,734	17,390
Highways and streets					21,353	9,554	14,403
Debt service	6,666	4,171	6,185	11,907	8,372	125,947	118,847
Capital projects	52,734	38,694	17,456	27,027	77,088		
Worker's compensation				9,042			
Regional Wastewater Reclamation Department	15,748	3,669	3,696	3,511	48,379	38,628	5,956
Healthcare	19,684	13,217	4,011	6,319	5,464	9,985	13,732
Unrestricted	55,941	41,271	36,254	54,302	53,748	57,101	110,175
Total primary government net assets	<u>\$ 790,674</u>	<u>\$ 847,064</u>	<u>\$ 962,641</u>	<u>\$ 1,370,950</u>	<u>\$ 1,495,175</u>	<u>\$ 1,571,913</u>	<u>\$ 1,717,367</u>

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

Exhibit D-2

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Expenses							
Governmental activities:							
General government	\$ 137,296	\$ 131,925	\$ 140,827	\$ 194,873	\$ 208,293	\$ 223,266	\$ 239,399
Public safety	123,513	132,939	151,860	118,412	132,583	148,831	165,715
Highways and streets	42,515	39,492	42,133	65,414	70,392	92,985	88,488
Sanitation					7,258	9,623	9,658
Health	23,120	23,917	30,165	31,798	32,043	33,800	36,977
Welfare	73,243	84,457	76,894	96,199	103,085	97,154	106,546
Culture and recreation	27,081	31,326	32,727	29,663	34,510	55,482	60,616
Education and economic opportunity	37,565	35,033	33,093	39,714	39,517	42,483	47,296
Depreciation-unallocated *	727	820	805	849			
Amortization-unallocated	649	654	967	161	165	168	138
Interest on long-term debt	14,391	15,779	15,012	16,152	19,463	18,924	22,860
Total governmental activities expenses	480,100	496,342	524,483	593,235	647,309	722,716	777,693
Business-type activities:							
Regional Wastewater Reclamation Department	65,494	74,816	71,804	76,079	82,701	98,222	106,803
Pima Health System & Services	195,445	221,970	268,869	249,809	256,583	261,859	295,494
Development Services	7,917	8,373	9,617	10,857	14,422	15,400	14,750
Parking Garages	1,254	1,346	1,377	1,494	1,479	1,579	1,877
Total business-type activities expenses	270,110	306,505	351,667	338,239	355,185	377,060	418,924
Total primary government expenses	750,210	802,847	876,150	931,474	1,002,494	1,099,776	1,196,617
Program revenues							
Governmental activities:							
Charges for services							
General government	21,542	18,667	21,422	22,881	26,033	26,663	25,502
Public safety	8,498	10,804	10,289	6,985	8,136	9,797	9,550
Highways and streets	4,916	5,339	11,728	20,549	21,617	11,732	9,316
Sanitation					4,531	4,747	5,930
Health	6,971	7,822	8,772	9,526	9,693	10,270	9,965
Welfare	1,379	1,037	918				
Culture and recreation	1,787	1,662	1,709	1,643	1,797	2,991	3,031
Education and economic opportunity	214	196	101	298	314	698	716
Operating grants and contributions	121,934	121,587	135,119	125,121	133,113	139,324	144,479
Capital grants and contributions	18,207	5,665	17,413	23,663	12,188	15,085	48,672
Subtotal governmental activities program revenues	\$ 185,448	\$ 172,779	\$ 207,471	\$ 210,666	\$ 217,422	\$ 221,307	\$ 257,161

(continued)

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

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

(continued)

	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Program revenues							
Business-type activities:							
Charges for services	\$ 63,601	\$ 71,626	\$ 82,432	\$ 92,379	\$ 104,501	\$ 106,266	\$ 106,448
Regional Wastewater Reclamation Department	179,322	195,872	224,820	244,932	253,748	257,142	291,980
Prima Health System & Services	7,754	8,464	11,830	14,730	17,140	11,239	8,992
Development Services	1,454	1,413	1,460	1,507	1,485	1,548	1,720
Parking Garages	6,505	4,909	4,777	4,238	4,997	5,174	4,806
Operating grants and contributions					449	803	22,952
Capital grants and contributions	258,636	282,284	325,319	357,786	382,320	382,172	436,898
Total business-type activities program revenues	444,084	455,063	532,790	568,452	599,742	603,479	694,059
Total primary government program revenues							
Net (expense) revenue							
Governmental activities	(294,652)	(323,563)	(317,012)	(382,569)	(429,887)	(501,409)	(520,532)
Business-type activities	(11,474)	(24,221)	(26,348)	19,547	27,135	5,112	17,974
Total governmental activities net expense	(306,126)	(347,784)	(343,360)	(363,022)	(402,752)	(496,297)	(502,558)
General revenues and other changes in net assets							
Governmental activities:							
Taxes							
Property taxes	237,049	251,844	272,507	294,643	316,170	343,525	377,810
Hotel/motel taxes	2,495	2,557	2,745	2,822	6,856	8,715	8,176
Other taxes levied for stadium district	1,600	1,597	1,709	1,819	1,808	1,884	1,952
Shared sales tax	76,752	78,504	83,202	91,510	103,158	106,985	103,171
Shared vehicle licenses	21,093	21,904	23,413	23,630	25,894	26,967	27,166
Unrestricted grants and contributions	9,550	9,216	3,201	7,571	7,975	9,468	7,748
Interest and penalties on delinquent taxes	5,479	7,052	6,321	6,771	5,683	5,149	6,365
Investment earnings	8,157	5,064	3,102	6,140	12,942	16,439	16,326
Miscellaneous	10,340	12,774	14,063	16,254	12,828	16,309	15,416
Capital contributions		2,789	5,441	185	247	5,051	
Gain on sale of capital assets					323		
Extraordinary item	(7,447)						
Transfers	(13,954)	(17,980)	(13,196)	1,935	(134)	721	113
Total governmental activities	358,561	367,874	402,508	453,280	493,750	541,213	564,243
Business-type activities:							
State shared tax	905	959	1,146	1,163			
Investment earnings	2,888	1,727	747	1,609	3,849	5,510	6,721
Miscellaneous	3,309	5,828	2,750	2,865	1,348	1,522	1,286
Capital contributions	11,261	12,479	22,214	20,722	14,607	25,217	
Extraordinary item		(2,673)					
Transfers	13,954	17,980	13,196	(1,935)	134	(721)	(113)
Total business-type activities	32,317	36,300	40,053	24,424	19,938	31,528	7,894
Total primary government	390,878	404,174	442,561	477,704	513,688	572,741	572,137
Change in net assets							
Governmental activities	63,909	44,311	85,496	70,711	63,863	39,804	43,711
Business-type activities	20,843	12,079	13,705	43,971	47,073	36,640	25,868
Total primary government	\$ 84,752	\$ 56,390	\$ 99,201	\$ 114,682	\$ 110,936	\$ 76,444	\$ 69,579

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 2,479	\$ 1,846	\$ 2,233	\$ 2,486	\$ 2,549	\$ 7,068	\$ 4,056	\$ 5,152	\$ 8,889	\$ 5,415
Unreserved	6,030	24,721	19,653	28,656	30,999	25,628	33,171	46,423	48,671	64,974
Total general fund	<u>8,509</u>	<u>26,567</u>	<u>21,886</u>	<u>31,142</u>	<u>33,548</u>	<u>32,696</u>	<u>37,227</u>	<u>51,575</u>	<u>57,560</u>	<u>70,389</u>
All other governmental funds										
Reserved	10,472	10,412	9,176	8,542	6,742	7,603	12,746	11,784	13,999	17,094
Unreserved, reported in:										
Special revenue funds	27,114	40,785	48,616	61,134	42,312	45,325	54,384	66,167	69,773	77,451
Capital projects funds	34,580	27,790	30,986	46,985	82,793	97,270	147,650	84,472	89,328	152,643
Total all other governmental funds	<u>\$ 72,166</u>	<u>\$ 78,987</u>	<u>\$ 88,778</u>	<u>\$ 116,661</u>	<u>\$ 131,847</u>	<u>\$ 150,198</u>	<u>\$ 214,780</u>	<u>\$ 162,423</u>	<u>\$ 173,100</u>	<u>\$ 247,188</u>

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

Exhibit D-4

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues	\$ 194,948	\$ 214,332	\$ 227,542	\$ 244,807	\$ 258,375	\$ 279,527	\$ 300,972	\$ 321,474	\$ 348,700	\$ 381,862
Taxes	874	703	845	598	1,023	505	244	215	521	556
Special assessments	4,306	4,541	4,882	6,077	6,077	7,265	7,452	7,132	7,132	7,710
Licenses and permits	211,006	241,225	253,863	260,218	245,378	273,225	278,414	291,059	303,392	312,634
Intergovernmental	24,404	27,308	26,613	31,112	35,721	43,505	53,568	63,582	63,508	58,890
Charges for services	3,930	4,245	4,882	5,047	5,010	5,967	6,014	6,550	6,480	6,480
Fines and forfeits	9,009	11,384	15,468	6,952	4,152	2,656	5,181	11,382	13,988	14,218
Investment earnings	10,208	9,452	8,131	8,143	10,356	11,918	14,806	13,165	17,544	21,752
Miscellaneous										
Total revenues	458,685	513,190	541,709	562,789	566,139	622,912	666,417	714,343	761,335	804,102
Expenditures										
General government	102,390	110,022	122,023	125,416	132,416	140,319	193,308	203,881	222,434	237,640
Public safety	103,679	109,815	117,058	123,021	127,155	146,275	109,798	121,229	132,930	149,475
Highways and streets	21,923	25,689	24,977	27,835	26,741	29,170	38,363	39,394	42,683	43,741
Sanitation										
Health	20,142	22,579	22,584	23,102	24,029	30,322	30,802	30,038	32,311	34,352
Welfare	69,687	69,368	71,260	73,136	84,238	76,725	96,996	103,034	97,168	106,607
Culture and recreation	19,447	20,263	22,242	25,581	25,214	27,141	23,172	28,561	45,197	50,509
Education and economic opportunity	30,103	33,135	32,458	37,524	35,057	32,146	38,098	37,918	38,474	42,286
Capital outlay	66,671	89,215	87,673	109,670	97,147	103,167	127,632	121,007	202,659	139,539
Debt service - principal	42,833	37,480	39,823	37,342	45,544	49,025	42,891	50,547	53,733	59,719
- interest	14,860	13,981	15,003	14,128	15,695	14,851	16,127	19,448	18,965	22,639
- miscellaneous	76	83	186	391	24	161	25	15	12	330
Total expenditures	491,811	531,630	555,287	597,146	613,260	649,302	717,212	761,343	893,332	895,147
Excess (deficiency) of revenues over (under) expenditures	(33,126)	(18,440)	(13,578)	(34,357)	(47,121)	(26,390)	(50,795)	(47,000)	(131,997)	(91,045)
Other financing sources (uses):										
Refunding bonds				22,420	(163)	6,880				
Issuance cost on bonds				796	410	148	250		1,429	1,964
Premium on bonds				(22,551)	590	(6,846)				
Payments to refunded bond escrow agent										
Capital leases				590	177	406	27	231		312
Proceeds from sale of capital assets	332	54,129	50,358	81,921	85,000	65,000	116,200	4,836	1,426	27
Face amount of long-term debt	307	33,084	34,335	52,753	78,457	68,583	50,008	59,948	146,320	175,000
Transfers in	25,976	(46,218)	(72,276)	(65,658)	(93,597)	(89,916)	(46,962)	(56,263)	86,089	128,406
Transfers (out)	(26,024)								(86,688)	(127,692)
Total other financing sources (uses)	591	40,995	12,417	70,271	70,321	44,255	119,523	9,168	148,576	178,017
Extraordinary item					(6,237)					
Residual equity - net	1,588	348	4,315							
Change in reserves - net	92	160	(107)	50	629	(366)	385	(177)	(211)	(55)
Net change in fund balances	\$ (30,855)	\$ 23,063	\$ 3,047	\$ 35,964	\$ 17,592	\$ 17,499	\$ 69,113	\$ (38,009)	\$ 16,368	\$ 86,917
Debt service as a percentage of noncapital expenditures	13.59%	11.65%	11.76%	10.26%	11.56%	11.53%	9.87%	10.90%	9.88%	10.48%

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STATISTICAL SECTION

REVENUE CAPACITY:

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

PIMA COUNTY, ARIZONA
 Taxable Assessed Value and Estimated Actual Value of Property
 Last Ten Tax Years
 (in thousands)

Exhibit D-5

Tax Year	Commercial Property	Residential Property	Vacant Land	Other	Taxable Assessed Value	Total Direct Tax Rate	Estimated Limited Value	Assessed Value as a Percentage of Limited Value
1999	\$ 1,446,979	\$ 2,154,367	\$ 236,602	\$ 15,682	\$ 3,853,630	5.5651	\$ 32,801,718	11.75%
2000	1,532,186	2,324,927	239,298	15,253	4,111,664	5.5635	34,898,941	11.78%
2001	1,601,929	2,494,934	246,938	17,692	4,361,493	5.5828	37,257,921	11.71%
2002	1,678,649	2,709,068	263,270	18,348	4,669,335	5.4998	39,908,791	11.70%
2003	1,764,657	2,955,066	281,243	21,508	5,022,474	5.4981	42,927,737	11.70%
2004	1,823,592	3,265,040	302,323	21,595	5,412,550	5.4967	46,754,009	11.58%
2005	1,882,879	3,615,603	323,147	27,920	5,849,549	5.4611	50,631,267	11.55%
2006	2,001,137	4,076,600	359,662	29,803	6,467,202	5.3406	56,437,790	11.46%
2007	2,204,072	4,689,972	428,486	30,802	7,353,331	5.0674	64,347,659	11.43%
2008	2,358,259	5,352,916	493,055	35,442	8,239,672	4.6702	73,122,499	11.27%

Source: Pima County Assessor's Office.

Notes: Property in Pima County is assessed annually with values being set by either the County Assessor or the Arizona Department of Revenue. The values are the basis for Primary Taxes and annual changes therein are restricted by the State Constitution. Assessment ratios are set by the legislature for individual property types. The taxable assessed value is arrived at by multiplying an assessment ratio that has varied from ten percent for residential property, to twenty-five percent for commercial property. Tax rates are per \$100 of assessed value.

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

Exhibit D-6

Tax Year	County Direct Rates										Total	
	County Primary	County Secondary	County Control District (1)	County Library District	Fire District Assistance	Flowing Wells Irrigation District (2)	Silverbell Irrigation District (2)	Cortaro-Marana Irrigation District (2)	Mobile Home Relocation District (3)	Casas Adobes Incorporation Costs		Town of Tortolita Incorporation Costs
1999	4.0720	0.9350	0.3046	0.2024	0.0511							5.5651
2000	4.0720	0.9350	0.3046	0.2024	0.0495							5.5635
2001	4.0720	0.8950	0.3546	0.2124	0.0488							5.5828
2002	4.0720	0.8150	0.3546	0.2124	0.0458							5.4998
2003	4.0720	0.8150	0.3546	0.2124	0.0441							5.4981
2004	4.0720	0.8150	0.3546	0.2124	0.0427							5.4967
2005	4.0720	0.7150	0.3746	0.2575	0.0420							5.4611
2006	3.8420	0.7150	0.3746	0.3675	0.0415							5.3406
2007	3.6020	0.6850	0.3446	0.3975	0.0383							5.0674
2008	3.3913	0.6050	0.2935	0.3393	0.0411							4.6702

Overlapping Rates

Tax Year	State of Arizona	City of Tucson	Community College District	City of Tucson	Central AZ Conserv District	Flowing Wells Irrigation District (2)	Silverbell Irrigation District (2)	Cortaro-Marana Irrigation District (2)	Mobile Home Relocation District (3)	Casas Adobes Incorporation Costs	Town of Tortolita Incorporation Costs	Gladden Farms Community Facilities District	Vanderbilt Farms Community Facilities District	Qual Creek Community Facilities District
1999	0.0000	0.5217	1.3696	1.0238	0.2937	0.1400	6.9300	3.0000	1.0000	0.5000				
2000	0.0000	0.5123	1.5574	1.1270	0.2918	0.1300	6.9300	3.0000	1.0000	0.5000				
2001	0.0000	0.4974	1.5470	1.1202	0.2828	0.1300	10.4000	3.0000	24.7500	0.5000				
2002	0.0000	0.4889	1.5333	1.1202	0.2706	0.1300	10.4000	3.0000	24.7500					
2003	0.0000	0.4717	1.4884	1.1569	0.2513	0.1200	10.4000	3.0000	50.0000					
2004	0.0000	0.4560	1.3428	1.1847	0.2383	0.1200	12.9000	3.0000	60.0000					
2005	0.0000	0.4358	1.3114	1.2364	0.2383	0.1200	12.9000	3.0000	60.0000	0.1438	0.2313	2.8000	2.8000	
2006	0.0000	0.0000	1.2515	1.2257	0.2383	0.1200	12.9000	3.0000	60.0000			2.8000	2.8000	0.3000
2007	0.0000	0.0000	1.1845	1.1321	0.2258	0.1000	12.9000	3.0000	65.0000			2.8000	2.8000	3.3000
2008	0.0000	0.0000	1.1355	0.9601	0.2143	0.1000	19.3500	3.0000	66.0000			2.8000	2.8000	3.3000

- (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).

Notes:
 Primary and secondary tax rates (per \$100 of net assessed value) are set by the County Board of Supervisors or the governing boards of other taxing jurisdictions.
 (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, ARIZONA
 Direct and Overlapping Property Tax Rates - School Districts
 Last Ten Tax Years
 (per \$100 of assessed value)

Exhibit D-6a

School District	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Tucson Unified (#1)	8.7869	9.0494	9.8088	9.2780	8.7610	8.3286	7.8829	7.3857	7.0500	6.5659
Marana Unified (#6)	7.6408	7.5418	7.7028	7.3623	6.7979	6.5034	6.0991	5.9117	5.7887	5.4815
Flowing Wells Unified (#8)	8.8612	8.4928	8.0490	7.2175	6.6568	6.5883	7.1232	6.8677	6.5674	6.2665
Amphitheater Unified (#10)	7.1715	6.8816	7.4427	7.0207	6.7601	6.3375	6.4258	6.1193	5.4964	4.8589
Sunnyside Unified (#12)	10.6897	10.3609	10.3706	9.6945	9.1041	8.4846	8.6482	9.1529	8.1490	7.8009
Tanque Verde Unified (#13)	6.8939	6.9434	6.8484	6.6818	7.1785	5.6661	5.7985	5.4806	5.1033	4.3682
Ajo Unified (#15)	4.6791	6.0973	7.0508	4.1555	5.3016	4.4316	4.4994	4.4929	4.8627	4.5964
Catalina Foothills Unified (#16)	7.8515	7.7258	7.5344	7.0956	7.0256	6.6459	6.8422	6.7428	6.3942	6.1053
Vail Elementary (#20)	7.3298	7.2604	7.2314	7.2295	7.1748	7.0008	6.7510	6.7032	6.0327	5.5360
Sahuarita Unified (#30)	8.3204	8.7007	8.7860	9.1329	9.0113	8.3095	8.1495	7.7345	6.1807	5.9176
San Fernando Elementary (#35)							3.7121	3.7481	3.7900	3.7920
Empire Elementary (#37)	10.3858	8.5371	7.6596	6.6965	6.4699	6.1171	8.0930	8.4864	7.5703	4.9021
Continental Elementary (#39)	2.5439	2.4983	2.4346	2.4398	2.3198	2.2216	2.1532	2.0682	1.8970	1.7343
Indian Oasis Unified (#40)	10.4568	9.1002								
Redington Elementary (#44)	7.7641	5.0186	6.3661	6.4230	5.6853	3.9915	4.8856	4.8853	4.8952	7.4720
Altar Valley Elementary (#51)	6.3348	6.5620	6.3052	6.3035	6.3615	6.2759	6.2607	5.7696	5.8086	5.7451
Unorganized*	2.1654	2.1265	2.0647	2.0296	1.9583	1.8931	1.8090	1.7394	1.6020	1.4622

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

PIMA COUNTY, ARIZONA
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts in thousands)

Exhibit D-7

Taxpayer	1999			2000			2001			2002			2003		
	Estimated Assessed Value (I)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (I)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (I)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (I)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (I)	Rank	Percent of Total Assessed Value
Phelps Dodge	0		0.0%	0		0.0%	0		0.0%	18,250	6	0.4%	14,375	8	0.3%
Tucson Electric Power Co.	\$ 166,300	1	4.2%	\$ 166,949	1	3.9%	\$ 136,337	1	3.0%	137,315	1	2.8%	122,499	1	2.3%
QWEST	78,336	2	2.0%	78,642	2	1.9%	84,382	2	1.9%	87,757	2	1.8%	108,829	2	2.1%
Southwest Gas Corporation	46,441	3	1.2%	46,191	3	1.1%	51,214	3	1.1%	53,668	3	1.1%	55,710	3	1.1%
ASARCO Mining	35,170	4	0.9%	21,200	4	0.5%	18,911	5	0.4%	27,736	4	0.6%	0	0	0.0%
Raytheon/Hughes Aircraft **	14,193	8	0.4%	14,193	8	0.3%	13,642	9	0.3%	13,349	10	0.3%	13,290	9	0.3%
Arizona Portland Cement	13,363	9	0.3%	13,146	9	0.3%	16,614	6	0.4%	18,213	7	0.4%	19,990	4	0.4%
DND Neffson (Tucson Mall)	18,910	6	0.5%	15,168	6	0.4%	19,362	4	0.4%	18,733	5	0.4%	18,703	5	0.4%
TRICO	0		0.0%	0		0.0%	0		0.0%	0		0.0%	11,467	10	0.2%
Star Pass Resorts	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0	0	0.0%
Westin La Paloma	15,669	7	0.4%	15,097	7	0.4%	16,183	7	0.4%	16,703	8	0.3%	16,057	6	0.3%
El Conquistador Hotel	0		0.0%	0		0.0%	13,632	10	0.3%	13,898	9	0.3%	14,461	7	0.3%
Ventana Hotel Associates	12,983	10	0.3%	12,950	10	0.3%	0		0.0%	0		0.0%	0	0	0.0%
Cyprus/Sierrita Mining Co.	27,300	5	0.7%	20,000	5	0.5%	0		0.0%	0		0.0%	0	0	0.0%
A T & T	0		0.0%	0		0.0%	14,292	8	0.3%	0		0.0%	0	0	0.0%
HDP Northwest	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0	0	0.0%
Total Top Ten	\$ 428,665		10.9%	\$ 403,536		9.6%	\$ 384,569		8.5%	\$ 405,622		8.4%	\$ 395,381		7.7%

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

(I) Secondary Assessed Valuation for tax year

** Name change 2001

\$4,835,561

\$ 4,491,395

\$ 4,236,070

\$ 4,000,624

\$ 395,381

\$5,221,271

(continued)

PIMA COUNTY, ARIZONA
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts in thousands)

Exhibit D-7

Taxpayer	2004			2005			2006			2007			2008		
	Estimated Assessed Value (1)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (1)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (1)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (1)	Rank	Percent of Total Assessed Value	Estimated Assessed Value (1)	Rank	Percent of Total Assessed Value
Phelps Dodge	\$ 15,250	7	0.3%	\$ 21,209	6	0.4%	\$ 55,176	4	0.8%	\$ 93,656	3	1.1%	\$ 156,780	1	1.6%
Tucson Electric Power Co.	125,597	1	2.2%	145,937	1	2.4%	143,362	1	2.1%	150,771	1	1.8%	153,431	2	1.6%
QWEST	104,944	2	1.9%	104,468	2	1.7%	87,093	2	1.3%	94,300	2	1.1%	87,000	3	0.9%
Southwest Gas Corporation	59,528	3	1.1%	62,970	3	1.0%	62,846	3	0.9%	62,919	4	0.8%	63,698	4	0.7%
ASARCO Mining	0		0.0%	0		0.0%	0		0.0%	0		0.0%	44,047	5	0.5%
Raytheon/Hughes Aircraft **	13,895	9	0.2%	16,069	8	0.3%	21,665	6	0.3%	58,987	5	0.7%	33,833	6	0.4%
Arizona Portland Cement	21,296	4	0.4%	22,459	4	0.4%	22,858	5	0.3%	23,468	6	0.3%	23,593	7	0.2%
DND Neffson (Tucson Mall)	19,364	5	0.3%	22,377	5	0.4%	19,087	7	0.3%	19,897	7	0.2%	21,013	8	0.2%
TRICO	12,925	10	0.2%			0.0%	14,806	10	0.2%	18,044	8	0.2%	18,816	9	0.2%
Star Pass Resorts	0		0.0%	0		0.0%	17,068	8	0.2%	15,280	10	0.2%	15,889	10	0.2%
Westin La Paloma	15,943	6	0.3%	16,358	7	0.3%	15,504	9	0.2%	15,959	9	0.2%	0		0.0%
El Conquistador Hotel	14,655	8	0.3%	13,653	10	0.2%	0		0.0%	0		0.0%	0		0.0%
Ventana Hotel Associates	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
Cypus/Sierrita Mining Co.	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
A T & T	0		0.0%	0		0.0%	0		0.0%	0		0.0%	0		0.0%
HDP Northwest	0		0.0%	14,708	9	0.2%	0		0.0%	0		0.0%	0		0.0%
Total Top Ten	\$ 403,397		7.2%	\$ 440,208		7.3%	\$ 459,465		6.6%	\$ 553,281		6.6%	\$ 618,100		6.5%

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

(1) Secondary Assessed Valuation for Tax Year	\$5,620,156	\$6,050,950	\$6,869,955	\$8,220,396	\$9,594,862
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** Name change 2001

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

Exhibit D-8

Fiscal Year	Original		Real Property Tax Levy (Adjusted)		Collected to June 30, End of Tax Fiscal Year (2)		Collected to June 30, 2008 (2)		Delinquent Taxes Receivable (1)
	Property Tax Levy	Tax Roll Corrections	Tax Levy	Property Tax Levy	Amount	Percent of Original Levy	Amount	Percent of Adjusted Levy	
1998-99	\$ 180,550	\$ (1,553)	\$ 178,997	\$ 172,330	\$ 172,330	95.45%	\$ 179,489	100.27%	\$ (492)
1999-00	201,925	(1,167)	200,758	192,409	192,409	95.29%	200,970	100.11%	(212)
2000-01	214,642	(974)	213,668	204,424	204,424	95.24%	213,578	99.96%	90
2001-02	228,477	(1,023)	227,454	218,192	218,192	95.50%	227,178	99.88%	276
2002-03	241,416	(1,013)	240,403	231,619	231,619	95.94%	240,285	99.95%	118
2003-04	260,570	(987)	259,583	250,929	250,929	96.30%	259,564	99.99%	19
2004-05	281,172	(494)	280,678	271,841	271,841	96.68%	280,508	99.94%	170
2005-06	302,127	(78)	302,049	292,019	292,019	96.65%	301,464	99.81%	585
2006-07	330,240	(322)	329,918	318,520	318,520	96.45%	329,522	99.88%	396
2007-08	362,535	(602)	361,933	348,741	348,741	96.20%	348,741	96.36%	13,192

NOTES:

- (1) Represents the difference between the adjusted levy and collected to June 30, 2008.
- (2) Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.

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

Exhibit D-9

Fiscal Year	Net Assessed Value	Limited and Full Cash Values (1)	Ratio of Net Assessed to Full Cash Value
1998-99 Primary	\$ 3,682,397	\$ 33,930,287	10.85%
1998-99 Secondary	3,852,574	35,297,284	10.91%
1999-00 Primary	3,853,630	32,801,718	11.75%
1999-00 Secondary	4,000,624	33,893,530	11.80%
2000-01 Primary	4,111,664	34,898,941	11.78%
2000-01 Secondary	4,236,070	35,819,691	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%
2003-04 Primary	5,022,474	42,927,737	11.70%
2003-04 Secondary	5,221,271	44,423,165	11.75%
2004-05 Primary	5,412,550	46,754,009	11.58%
2004-05 Secondary	5,620,156	48,474,537	11.59%
2005-06 Primary	5,849,549	50,631,267	11.55%
2005-06 Secondary	6,050,950	52,335,111	11.56%
2006-07 Primary	6,467,202	56,437,790	11.46%
2006-07 Secondary	6,869,955	59,890,229	11.47%
2007-08 Primary	7,353,331	64,347,659	11.43%
2007-08 Secondary	8,220,396	72,101,321	11.40%

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

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

Exhibit D-10

Jurisdiction	FY 2007-08 (Tax Year 2007)		FY 2008-09 (Tax Year 2008)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 7,353,331	\$0.0000	\$ 8,230,967	\$0.0000
<u>Pima County</u>				
General Fund - Primary	7,353,331	3.6020	8,230,967	3.3913
Debt Service - Secondary	8,220,396	0.6850	9,594,862	0.6050
Free Library - Secondary	8,220,396	0.3975	9,594,862	0.3393
Total County - Primary	7,353,331	3.6020	8,230,967	3.3913
Total County - Secondary	8,220,396	1.0825	9,594,862	0.9443
Grand Total		<u>4.6845</u>		<u>4.3356</u>
<u>Education Assistance</u>	7,353,331	0.0000	8,230,967	0.0000
<u>Flood Control District - Secondary</u>	7,412,190	0.3446	8,684,572	0.2935
<u>Fire District Assistance - Secondary</u>	8,220,396	0.0383	9,594,862	0.0411
<u>Pima Community College District</u>				
Primary	7,353,331	1.0191	8,230,967	0.9787
Secondary	8,220,396	0.1654	9,594,862	0.1502
Total		<u>1.1845</u>		<u>1.1289</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	8,220,396	0.1000	9,594,862	0.1000
<u>Cities & Towns</u>				
City of Tucson				
Primary	3,133,310	0.3296	3,378,331	0.3231
Secondary	3,484,462	0.8025	3,895,582	0.6370
Total		<u>1.1321</u>		<u>0.9601</u>
City of South Tucson				
Primary	20,445	0.2258	22,175	0.2143
<u>School Districts</u>				
Unorganized - Primary	11,225	1.6020	11,950	1.4622
Tucson Unified (District #1)				
Primary	3,079,057	5.7500	3,334,344	5.3565
Secondary	3,436,035	1.3000	3,866,799	1.2094
Total		<u>7.0500</u>		<u>6.5659</u>

(continued)

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

Exhibit D-10

(continued)

Jurisdiction	FY 2007-08 (Tax Year 2007)		FY 2008-09 (Tax Year 2008)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	\$ 656,187	\$3.8368	\$ 788,663	\$ 3.7725
Secondary	750,524	1.9519	952,444	1.7090
Total		<u>5.7887</u>		<u>5.4815</u>
Flowing Wells Unified (District #8)				
Primary	191,524	4.4196	206,794	4.2244
Secondary	211,004	2.1478	234,267	2.0421
Total		<u>6.5674</u>		<u>6.2665</u>
Amphitheater Unified (District #10)				
Primary	1,322,814	3.7983	1,468,535	3.3570
Secondary	1,491,531	1.6981	1,714,181	1.5019
Total		<u>5.4964</u>		<u>4.8589</u>
Sunnyside Unified (District #12)				
Primary	389,900	4.6857	434,350	4.6010
Secondary	427,586	3.4633	488,676	3.1999
Total		<u>8.1490</u>		<u>7.8009</u>
Tanque Verde Unified (District #13)				
Primary	175,387	3.7882	198,996	3.4139
Secondary	203,700	1.3151	238,434	0.9543
Total		<u>5.1033</u>		<u>4.3682</u>
Ajo Unified (District #15)				
Primary	15,475	4.8627	16,539	4.5964
Secondary	16,570	0.0000	18,351	0.0000
Total		<u>4.8627</u>		<u>4.5964</u>
Catalina Foothills Unified (District #16)				
Primary	564,911	4.1359	620,912	4.1353
Secondary	634,764	2.2583	717,981	1.9700
Total		<u>6.3942</u>		<u>6.1053</u>
Vail Elementary (District #20)				
Primary	362,131	4.0570	433,249	3.9845
Secondary	414,651	1.9757	521,677	1.5515
Total		<u>6.0327</u>		<u>5.5360</u>

(continued)

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

Exhibit D-10

(continued)

Jurisdiction	FY 2007-08 (Tax Year 2007)		FY 2008-09 (Tax Year 2008)	
	Valuation	Rate	Valuation	Rate
Sahuarita Unified (District #30)				
Primary	\$ 248,840	\$4.0631	\$ 357,366	\$ 3.8010
Secondary	267,294	2.1176	384,176	2.1166
Total		<u>6.1807</u>		<u>5.9176</u>
San Fernando Elementary (District #35)				
Primary	858	3.7900	1,032	3.7920
Secondary	880	0.0000	1,119	0.0000
Total		<u>3.7900</u>		<u>3.7920</u>
Empire Elementary (District #37)				
Primary	5,374	7.5703	6,073	4.9021
Secondary	5,792	0.0000	6,945	0.0000
Total		<u>7.5703</u>		<u>4.9021</u>
Continental Elementary (District #39)				
Primary	278,996	1.6020	323,703	1.5067
Secondary	312,815	0.2950	390,323	0.2276
Total		<u>1.8970</u>		<u>1.7343</u>
Indian Oasis Unified (District #40)				
Primary	1,059	0.0000	1,586	0.0000
Secondary	1,059	0.0000	1,586	0.0000
Total		<u>0.0000</u>		<u>0.0000</u>
Redington Elementary (District #44)				
Primary	1,272	4.8952	1,428	7.4720
Secondary	1,387	0.0000	1,541	0.0000
Total		<u>4.8952</u>		<u>7.4720</u>
Altar Valley Elementary (District #51)				
Primary	29,071	4.8733	33,416	5.2462
Secondary	30,747	0.9353	41,902	0.4989
Total		<u>5.8086</u>		<u>5.7451</u>

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

Exhibit D-11

Fiscal Year	Hotel Excise Tax (1)	Car Rental Surcharges (2)	Recreational Vehicle Tax (3)
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
2003-04	2,717	1,277	209
2004-05	2,885	1,595	200
2005-06	5,212	1,589	214
2006-07	7,796	1,357	210
2007-08	6,901	1,732	222

- (1) Tax increased from 1% to 2% January 1, 1997; the additional 1% can only be used for County sports facilities.
 In January of 2006, the tax increased from 2% to 6%, of which only 34% can be used for sports facilities.
- (2) Car rental surcharges increased from \$2.50 to \$3.50 per rental contract July 1, 1996. Usage is restricted to County sports facilities.
- (3) Recreational vehicle taxes apply at the rate of \$0.50 per vehicle per night and became effective July 1, 1997. Usage of this tax is limited to Spring Training activities.

Source: Pima County Finance and Risk Management Department

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

Exhibit D-12

<u>Fiscal Year</u>	<u>Amount</u>
1998-99	\$ 39,535
1999-00	47,699
2000-01	48,317
2001-02	47,071
2002-03	48,072
2003-04	51,334
2004-05	53,878
2005-06	56,937
2006-07	44,607
2007-08	44,060

Source: Pima County Finance and Risk Management Department

STATISTICAL SECTION

DEBT CAPACITY:

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

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

PIMA COUNTY, ARIZONA
Ratios of Outstanding Debt by Type to Personal Income and Per Capita
Last Ten Fiscal Years
(\$ amounts in thousands)

Exhibit D-13

Fiscal Year	Governmental Activities										Business-Type Activities				
	General Obligation Bonds	Flood Control Bonds	Transportation Revenue Bonds	Lease Revenue Bonds	Special Assessment Bonds	Certificates of Participation	Transportation Loans	Capital Leases	Sewer Revenue Bonds	Regional Wastewater Loans Payable	Contracts and Notes	Total Primary Government			
1998-99	\$ 153,295	\$ 7,360	\$ 36,000	\$ 1,220	\$ 2,300	\$ 8,945	\$	\$ 36,368	\$ 79,473	\$ 13,967	\$ 264	\$ 339,192			
1999-00	173,985	6,595	32,000	1,095	1,697	6,725		35,338	75,564	14,477	2,479	349,955			
2000-01	192,640	5,840	28,000	965	1,053	4,505		34,008	71,444	32,314	112	370,881			
2001-02	183,381	5,348	79,206	825	2,506	3,045	\$ 5,100	32,596	67,811	57,456	3,685	440,959			
2002-03	200,554	4,585	105,541	495	2,121	1,560	4,060	31,049	63,098	63,551	6,849	483,463			
2003-04	232,553	3,805	95,461		1,736		3,020	29,323	60,064	83,941	5,783	515,686			
2004-05	267,927	3,010	137,736		1,093		1,943	27,879	55,809	83,978	4,852	584,227			
2005-06	231,918	2,230	127,000		911		5,739	26,426	51,710	80,148	4,562	530,644			
2006-07	290,150	1,470	136,541				3,714	24,736	94,356	76,111	5,280	664,089			
2007-08	349,542	725	149,801			81,612	1,000	23,223	163,701	70,426	5,842	845,872			

Fiscal Year	Total Primary Government	Personal Income	Percentage of Personal Income	Population at July 1 (a)	Debt per Capita
1998-99	\$ 339,192	\$ 18,999,743	1.79%	845,775	\$ 401
1999-00	349,955	20,855,000	1.68%	854,329	410
2000-01	370,881	21,827,000	1.70%	872,394	425
2001-02	440,959	21,991,000	2.01%	890,356	495
2002-03	483,463	22,973,000	2.10%	908,227	532
2003-04	515,686	23,965,000	2.15%	926,052	557
2004-05	584,227	26,302,000	2.22%	943,795	619
2005-06	530,644	28,421,000	1.87%	961,519	552
2006-07	664,089	30,899,000	2.15%	1,003,918	661
2007-08	845,872	33,009,000	2.56%	1,026,506	824

(a) See schedule D-20 for population data.

Note: Details regarding outstanding debt can be found in Note 7 page 60 in Notes to the Financial Statements.

PIMA COUNTY, ARIZONA
 Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years
 (\$ amounts in thousands)

Exhibit D-14

Fiscal Year	General Obligation Bond Debt		Flood Control General Obligation Bond Debt		Debt Service Funds Available for Principal		Net General Bond Debt		Secondary Net Assessed Value		Percent Net General Bond Debt to Assessed Value		Population at July 1		Net General Bond Debt (per Capita*)	
1998-99	\$	153,295	\$	7,360	\$	6,827	\$	153,828	\$	3,852,574	3.99%	845,775	\$	182		
1999-00		173,985		6,595		6,249		174,331		4,000,624	4.36%	854,329		204		
2000-01		192,640		5,840		4,309		194,171		4,236,070	4.58%	872,394		223		
2001-02		183,381		5,348		4,883		183,846		4,491,395	4.09%	890,356		206		
2002-03		200,554		4,585		2,226		202,913		4,835,561	4.20%	908,227		223		
2003-04		232,553		3,805		2,648		233,710		5,221,271	4.48%	926,052		252		
2004-05		267,927		3,010		8,899		262,038		5,620,156	4.66%	943,795		278		
2005-06		231,918		2,230		5,571		228,577		6,050,950	3.78%	961,519		238		
2006-07		290,150		1,470		7,431		284,189		6,869,955	4.14%	1,003,918		283		
2007-08		349,542		725		10,241		340,026		8,220,396	4.14%	1,026,506		331		

* The Debt per Capita is shown in actual dollars and not in thousands.

Note: Details regarding outstanding debt can be found in Note 7 on page 60 in Notes to the Financial Statements.

PIMA COUNTY, ARIZONA
 Ratio of Direct and Overlapping Debt to Property Values and Per Capita
 Last Ten Fiscal Years
 (\$ amounts in thousands)

Fiscal Year	Total Overlapping Debt	Secondary Net Assessed Value	Percentage of Assessed Value	Population at July 1	Debt per Capita*
1998-99	\$ 1,090,052	\$ 3,852,574	28.29%	845,775	\$ 1,289
1999-00	1,067,544	4,000,624	26.68%	854,329	1,250
2000-01	1,135,282	4,236,070	26.80%	872,394	1,301
2001-02	1,134,289	4,491,395	25.25%	890,356	1,274
2002-03	1,129,103	4,835,561	23.35%	908,227	1,243
2003-04	1,091,892	5,221,271	20.91%	926,052	1,179
2004-05	1,185,435	5,620,156	21.09%	943,795	1,256
2005-06	1,146,388	6,050,950	18.95%	961,519	1,192
2006-07	1,107,662	6,869,955	16.12%	1,003,918	1,103
2007-08	1,137,114	8,220,396	13.83%	1,026,506	1,108

* The Debt per Capita is shown in actual dollars and not in thousands.

Note: Overlapping governments are those that coincide (at least in part) with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Pima County. When considering the County's ability to issue and repay long-term debt, the process should recognize the entire debt burden borne by the residents and businesses therein. However, this does not imply that every taxpayer is a resident and is responsible for the repayment of debt of each overlapping government.

PIMA COUNTY, ARIZONA
 Computation of Direct and Overlapping
 Governmental Activities Debt Outstanding
 At June 30, 2008
 (\$ amounts in thousands)

Exhibit D-15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Amount Overlapping</u>
Debt repaid with property tax School Districts	\$ 503,280	\$ 503,280
City of Tucson	283,301	<u>283,301</u>
Total overlapping		<u>\$ 786,581</u>
Debt repaid with property tax Direct:		
Pima County *	\$ 349,542	\$ 349,542
Flood Control District	725	<u>725</u>
Total direct		<u>\$ 350,267</u>
Other Debt:		
Certificates of participation	\$ 81,612	\$ 81,612
Jail capital lease	22,957	22,957
Other capital leases	266	266
Transportation bonds	149,801	149,801
Transportation loans	1,000	<u>1,000</u>
Total other debt		<u>\$ 255,636</u>
Total direct and overlapping debt		<u><u>\$ 1,392,484</u></u>

*Excludes improvement districts.

Note: Overlapping governments are those that coincide with the geographic boundaries of the County. All overlapping governments are 100% within the County's boundaries. This schedule estimates the portion of the outstanding debt borne by the residents and businesses of Pima County. When considering the county's ability to issue and repay long-term debt, the process should recognize the entire debt burden borne by the residents and businesses therein. However, this does not imply that every taxpayer is a resident of each government and is responsible for the repayment of debt of each overlapping government.

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

Exhibit D-16

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Value	\$ 3,852,574	\$ 4,000,624	\$ 4,236,070	\$ 4,491,395	\$ 4,835,561	\$ 5,221,271	\$ 5,620,156	\$ 6,050,950	\$ 6,869,955	\$ 8,220,396
Legal Debt Margin										
Debt limit (15% of assessed value)	577,886	600,094	635,410	673,709	725,334	783,191	843,023	907,643	1,030,493	1,233,059
Debt applicable to limit:										
General obligation bonds	153,295	173,985	192,640	183,070	200,275	232,105	267,270	231,310	289,590	348,335
Less: Net assets reserved for repayment of general obligation debt	(6,827)	(6,249)	(4,309)	(4,883)	(2,226)	(2,648)	(8,899)	(5,571)	(7,431)	(10,241)
Total net debt applicable to the limit	146,468	167,736	188,331	178,187	198,049	229,457	258,371	225,739	282,159	338,094
Legal debt margin	\$ 431,418	\$ 432,358	\$ 447,079	\$ 495,522	\$ 527,285	\$ 553,734	\$ 584,652	\$ 681,904	\$ 748,334	\$ 894,965
Total net debt applicable to the limit as a percentage of debt limit.	25.35%	27.95%	29.64%	26.45%	27.30%	29.30%	30.65%	24.87%	27.38%	27.42%

Note: 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 fifteen percent of the value of taxable property. Amount reserved for payment of principal is the reserved fund balance of the Debt Service Fund.

See Notes to the Financial Statements (Note 7 page 68) for calculation of the legal debt margin for the current year.

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

Exhibit D-17a

Fiscal Year	Sewer User Revenues (2)	Less: Operating Expense (3)	Available Net Revenue	Debt Service (1)		Coverage Ratio (4)
				Principal	Interest	
1998-99	\$ 49,979	\$ 31,114	\$ 18,865	\$ 4,727	\$ 5,031	1.93
1999-00	56,589	34,742	21,847	5,006	4,650	2.26
2000-01	58,647	36,438	22,209	6,611	4,783	1.95
2001-02	59,021	39,183	19,838	8,887	5,704	1.36
2002-03	66,756	46,378	20,378	9,235	5,666	1.37
2003-04	78,393	44,704	33,689	9,656	5,990	2.15
2004-05	88,768	47,037	41,731	9,501	5,706	2.74
2005-06	104,494	56,902	47,592	11,073	5,350	2.90
2006-07	100,540	67,662	32,878	13,072	6,976	1.64
2007-08	105,871	75,834	30,037	13,825	9,598	1.28

(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, interest expense and amortization.

(4) Sewer revenue debt rate covenants require minimum coverage of 1.20.

Note: Details regarding outstanding debt can be found beginning on page 60 in Notes to Financial Statements.

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

Exhibit D-17b

Fiscal Year	Transportation Revenue	Less:		Available Net Revenue	Debt Service *		Coverage Ratio
		Operating Expense			Principal	Interest	
1998-99	\$ 42,017	\$ 27,173	\$	14,844	4,000	\$ 1,644	2.63
1999-00	52,345	31,714		20,631	4,000	1,444	3.79
2000-01	53,264	31,006		22,258	4,000	1,244	4.24
2001-02	50,599	34,855		15,744	8,535	3,370	1.32
2002-03	51,852	34,059		17,793	10,215	4,394	1.22
2003-04	55,777	36,865		18,912	8,905	3,965	1.47
2004-05	57,819	38,349		19,470	10,710	6,058	1.16
2005-06	61,944	39,336		22,608	11,435	5,257	1.35
2006-07	64,781	42,639		22,142	11,745	5,659	1.27
2007-08	65,009	43,490		21,519	12,365	6,147	1.16

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

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

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

Exhibit D-17c

Fiscal Year	Lease Revenue	Less: Operating Expense		Available Net Revenue	Debt Service		Coverage Ratio
					Principal	Interest	
1998-99	\$ 6	\$ 7		\$ (1)	\$ 125	\$ 75	(0.01)
1999-00	6	7		(1)	130	68	(0.01)
2000-01	6	7		(1)	140	61	(0.00)
2001-02	2	7		(5)	145	52	(0.03)
2002-03	1	7		(6)	155	31	(0.03)
2003-04	0	27		(27)	460	99	(0.05)
2004-05 *							
2005-06 *							
2006-07 *							
2007-08 *							

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

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

Exhibit D-18

Function/Department	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09
Clerk of Superior Court	\$ 195	\$ 147	\$ 31	\$ 82	\$ 82	\$ 131
Jail *	3,824	2,764	3,042	3,015	5,920	3,027
Juvenile Court	74					
Public Works Building	1,643					
Sheriff	42	42	42	21		
	<u>\$ 5,778</u>	<u>\$ 2,953</u>	<u>\$ 3,115</u>	<u>\$ 3,118</u>	<u>\$ 6,002</u>	<u>\$ 3,158</u>

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

Source: Pima County Finance and Risk Management Department

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

Exhibit D-19

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures *	Ratio of Debt Service To General Expenditures
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%
2003-04	46,998	13,702	60,700	546,136	11.1%
2004-05	41,255	14,794	56,049	589,708	9.5%
2005-06	48,672	18,147	66,819	640,336	10.4%
2006-07	50,940	17,672	68,612	689,968	9.9%
2007-08	56,459	19,757	76,216	755,413	10.1%

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

STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION:

The dual objectives of the demographic and economic information are to assist users in understanding certain aspects of the environment in which a government operates and to provide information that facilitates the comparisons of financial statement data over time and across governments.

Information of this type can help readers assess a government's condition by providing information about community expansion, average age increases or decreases and changes in personal income and unemployment. This type of data is important to readers in assessing economic condition.

PIMA COUNTY, ARIZONA
Demographic and Economic Statistics
Last Ten Years

Exhibit D-20

Calendar Year	Population (a)	Personal Income (b)	Per Capita Personal Income	Unemployment Rate (a)
1999	845,775	\$ 18,999,743	\$ 22,464	2.7%
2000	854,329	20,855,000	24,057	2.6%
2001	872,394	21,827,000	24,698	2.8%
2002	890,356	21,991,000	24,787	4.7%
2003	908,227	22,973,000	25,395	4.8%
2004	926,052	23,965,000	25,797	3.5%
2005	943,795	26,302,000	27,599	4.1%
2006	961,519	28,421,000	28,894	4.4%
2007	1,003,918	30,899,000	30,813	3.3%
2008	1,026,506	33,009,000	32,470	4.7%

Note :

- a) Population and unemployment data are obtained from projections supplied by the Arizona Department of Economic Security Statistics Unit.
- b) Personal income is obtained from "Arizona's Economy" magazine.

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

Exhibit D-21

Employer	1999			2000			2001			2002			2003		
	Employees	Percent of Total County Employment	Rank	Employees	Percent of Total County Employment	Rank	Employees	Percent of Total County Employment	Rank	Employees	Percent of Total County Employment	Rank	Employees	Percent of Total County Employment	Rank
Fort Huachuca	10,312	2.3%	2	11,140	2.8%	1	11,376	2.9%	1	10,969	2.9%	2	11,580	2.8%	1
Raytheon	7,700	1.7%	6	9,800	2.5%	4	10,149	2.6%	3	10,400	2.6%	3	10,100	2.6%	3
University of Arizona	10,520	2.4%	1	10,850	2.8%	2	11,032	2.8%	2	11,606	2.8%	1	11,335	2.9%	2
State of Arizona	9,694	2.2%	3	10,071	2.6%	3	9,978	2.5%	4	9,932	2.5%	4	9,732	2.5%	5
Davis-Monthan AFB	8,352	1.9%	4	8,346	2.1%	5	8,796	2.2%	6	9,200	2.2%	5	9,947	2.3%	4
Tucson Unified School District	8,187	1.9%	5	8,239	2.1%	6	9,102	2.3%	5	8,278	2.3%	6	8,234	2.1%	6
Pima County Government	7,028	1.6%	7	6,832	1.7%	7	7,119	1.8%	7	7,175	1.8%	7	7,135	1.8%	7
City of Tucson	5,497	1.2%	8	5,494	1.4%	8	6,058	1.5%	8	5,933	1.5%	8	6,168	1.5%	8
T M C HealthCare Inc.	3,060	0.7%	10							3,800	1.0%	9		1.0%	
Wal-Mart Stores, Inc.													4,000		9
Tohono O'odam Nation													3,375		10
Phelps Dodge				3,275	0.8%	10	4,200	1.1%	9	3,783	0.8%	10			
Carondelet Health Network	5,497	1.2%	9	3,596	0.9%	9	3,329	0.8%	10						
Total	75,847	17.1%		77,643	19.7%		81,139	20.5%		81,076	20.5%		81,606	20.5%	
Total Work Force	440,254			394,100			393,200			397,900			424,400		

(continued)

Note: Data is obtained from www.azstarmet.com/sn/star200, a website of the Arizona Daily Star.

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

Exhibit D-21

(continued)

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

Note: Data is obtained from www.azstarnet.com/sn/stiar200, a website of the Arizona Daily Star.

PIMA COUNTY, ARIZONA
Population and Employment
Last Ten Calendar Years

Exhibit D-22

Calendar Year	Population	Civilian Labor Force	Total Unemployment Rate	EMPLOYMENT					
				Mining	Construction	Manufacturing	Trades and Services	Finance, Insurance and Real Estate	
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	
2004	926,052	431,400	3.5%	1,200	24,000	28,500	185,000	15,600	
2005	943,795	443,100	4.1%	1,500	26,600	28,600	199,300	18,200	
2006	961,519	443,300	4.4%	1,700	28,500	29,300	219,200	17,500	
2007	1,003,918	453,500	3.3%	1,900	28,100	29,000	228,600	17,800	
2008	1,026,506	459,200	4.7%	2,100	23,600	26,900	221,600	16,300	

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

Note: Beginning with the July, 2003 issue, "Arizona's Economy" stopped using the Standard Industrial Classification System reporting format (SICS) and began using the North American Industrial Classification System reporting format (NAICS).

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

Exhibit D-23

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
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
2004	239,966	3,611,696	15,393,817	1.96	10,432	15,054	2,899,012
2005	261,037	3,928,773	15,847,429	2.00	12,103	17,039	3,908,054
2006	289,440	4,251,710	17,179,275	2.18	11,903	16,630	4,462,020
2007	263,910	4,284,880	17,857,865	2.21	6,265	13,821	3,757,536
2008	240,329	4,474,352	19,491,376	2.27	4,171	10,718	2,810,383

Sources: University of Arizona, "Arizona's Economy"
U of A Business Research Program, Eller Business Review (EBR), College of Business & Public Administration
Pima Association of Governments,
Tucson Association of Realtors, Multiple Listing Service, Inc.

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

Exhibit D-24

Calendar Year	Aggregate Retail Sales	Construction Activity		Bank Deposits
		Construction Awards	No. of Dwelling Units Awarded	
1999	\$ 7,807,773	\$ 1,041,542	8,806	\$ 5,737,000
2000	8,170,826	1,561,110	8,489	5,619,000
2001	8,632,021	1,536,760	7,694	5,664,000
2002	8,728,079	1,678,354	7,716	6,554,000
2003	8,804,946		8,015	7,175,000
2004	9,550,501		9,281	7,895,000
2005	10,366,181		12,640	9,013,000
2006	11,478,781		10,313	10,134,000
2007	11,829,081		6,110	10,497,000
2008	11,922,231		3,728	10,765,000

Source: University of Arizona "Arizona's Economy"
 U of A Business Research Program, Eller Business Review (EBR), College of Business & Public Administration

PIMA COUNTY, ARIZONA
 Population Statistics
 June 30, 2008

Exhibit D-25

<u>Age Group</u>	<u>Population</u>
0-4	68,381
5-9	66,432
10-14	61,950
15-19	66,940
20-24	74,033
25-39	212,151
40-54	205,057
55-59	63,073
60-64	53,603
65-69	42,225
70-74	34,778
75+	<u>77,883</u>
Total	<u><u>1,026,506</u></u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2008	1,026,506
2010	1,070,723
2015	1,175,967
2020	1,271,912
2040	1,585,983
2050	1,709,026

Source: Arizona Department of Economic Security

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

<u>Calendar Year</u>	<u>Average Jail Population</u>
1998	1,362
1999	1,339
2000	1,330
2001	1,481
2002	1,462
2003	1,539
2004	1,739
2005	2,009
2006	2,028
2007	2,008

Source: Pima County Sheriff's Department

STATISTICAL SECTION

OPERATING INFORMATION:

The objective of the operating information is to provide contextual information about a government's operations and resources to assist users in using financial information to understand and assess a government's economic condition. Two types of information are considered important.

1. Basic information about infrastructure assets, utilities and public works; in essence, the capital resources at the government's disposal. Examples include miles of streets and sewers and wastewater treatment volume.
2. Descriptive service information, which would help to evaluate the size of the government. This would include types of services, the related demand and volume, and the non-financial resources employed to provide the services.

PIMA COUNTY, ARIZONA
 Employees by Function
 Last Six Fiscal Years

Exhibit D-27

Function/Program	Full-time employees (FTEs) as of 6/30:					
	2003	2004	2005	2006	2007	2008
Governmental activities						
General government	1,851	2,040	2,952	2,911	2,776	2,860
Public safety	1,986	1,902	1,434	1,401	1,442	1,560
Highways and streets	290	288	351	526	334	330
Sanitation	0	0	0	45	41	40
Health	407	413	408	414	408	404
Welfare	174	185	20	23	22	26
Culture and recreation	180	197	164	180	466	485
Education and economic opportunity	140	117	250	289	179	186
Total governmental activities	5,028	5,142	5,579	5,789	5,668	5,891
Business-type activities						
Regional Wastewater Reclamation Department *	506	481	449	668	472	508
Wastewater Management-Solid Waste	43	42	42	0	0	0
Kino Hospital	607	548	0	0	0	0
Pima Health System & Services	511	162	631	634	559	563
Development Services	141	149	116	156	153	128
Parking Garages	3	3	3	3	3	3
Total business-type activities	1,811	1,385	1,241	1,461	1,187	1,202
Total	6,839	6,527	6,820	7,250	6,855	7,093

Note:

Internal service funds FTEs were added to the General Government function. Internal service fund employees contribute through their labors to Pima County funds.

Variances can be noted in the Governmental Activities categories due to a change in classification criteria in fiscal year 2005.

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

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

In fiscal year 2005 - 2006 Wastewater Management -solid was classified as a governmental fund . It now appears under the category "Sanitation".

* Previously known as Wastewater Management - Liquid Waste.

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

Exhibit D-28

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program:						
Sheriff						
Physical arrests	32,159	33,815	32,501	30,686	33,929	32,796
Traffic violations/citations						
Criminal						
Total	3,920	3,813	4,148	3,170	3,927	5,967
Civil						
Total	42,074	36,823	37,868	27,846	30,204	41,542
Total violations/citations	<u>45,994</u>	<u>40,636</u>	<u>42,016</u>	<u>31,016</u>	<u>34,131</u>	<u>47,509</u>
Wastewater						
Avg. daily sewage treated (MGD)	64.5	65.0	65.5	66.4	68.5	67.3
New connections	8,289	9,718	11,245	8,325	8,734	4,452
Cultural and Recreational						
Spring training attendance	137,302	147,117	146,739	155,377	142,773	160,626
Sidewinders attendance	167,552	165,387	165,441	171,179	153,595	143,611
Parks & Recreation						
Athletic field permits issued	101	107	129	135	141	147
Community center admissions	280,850	344,470	388,092	391,295	438,051	445,137
Volunteer hours	23,070	22,465	23,785	17,218	25,700	19,622
Library						
Volumes in collection	1,300,000	1,338,000	1,430,690	1,390,792	1,395,849	1,429,365
Total volumes borrowed	5,761,423	6,063,771	6,249,123	6,276,794	6,371,480	6,874,888
Number of cardholders	458,736	486,402	474,045	488,250	492,973	554,339
Capital projects completed						
Land	\$ 12,908,101	\$ 20,698,771	\$ 42,755,555	\$ 16,646,964	\$ 37,402,683	\$ 18,619,333
Buildings	9,356,754	18,609,343	42,916,920	2,018,849	66,095,100	17,591,833
Improvements	2,598,134	5,592,348	5,071,608	3,568,917	21,944,399	4,673,301
Infrastructure	72,540,294	67,890,856	7,476,315	76,950,908	29,146,482	72,925,857
	<u>\$ 97,403,283</u>	<u>\$ 112,791,318</u>	<u>\$ 98,220,398</u>	<u>\$ 99,185,638</u>	<u>\$ 154,588,664</u>	<u>\$ 113,810,324</u>

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

Exhibit D-29

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program:						
Sheriff						
Stations	6	6	6	6	7	7
Zone offices	5	5	5	5	4	4
Patrol Units	252	280	276	303	302	324
Transportation (streets and highways)						
Streets (miles)	1,750	1,773	1,782	1,798	1,801	1,893
Pothole repair	\$ 691,236	\$ 672,427	\$926,828	\$964,051	\$ 1,150,950	\$ 1,321,034
Flood Control						
Bank protection (miles)	138	138	138	138	139	140
Flood plain / drainageway (acres)	10,219	10,313	10,558	10,622	10,840	10,999
Parks & Recreation						
Urban parks (acres)	2,366	2,411	2,419	2,885	2,932	2,991
Playgrounds	30	32	34	36	41	41
(1) Baseball/softball diamonds	64	67	73	78	84	90
Soccer/football fields	12	12	14	14	16	17
Community centers	8	9	9	9	9	11
Swimming pools	7	8	8	9	9	9
Wastewater						
Sanitary sewers (miles)	3,049	3,177	3,249	3,314	3,464	3,492
Treatment capacity (MGD)	74.76	74.76	81.50	87.45	92.45	90.00
Libraries						
County	12	12	12	12	25	26
(2) City	12	12	12	13		
Open Space Acquisitions						
Properties added	2	7	7	17	18	9
Acres	606	10,334	13,942	1,235	3,668	757
Cumulative acreage	7,437	17,771	31,713	32,948	36,616	37,373
Total properties	18	25	32	49	67	76

(1) 2005 Baseball/softball diamonds adjusted after department review

(2) On July 1, 2006, the Pima County Library District assumed control of the operations of the libraries.

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