

**PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2004**

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PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004

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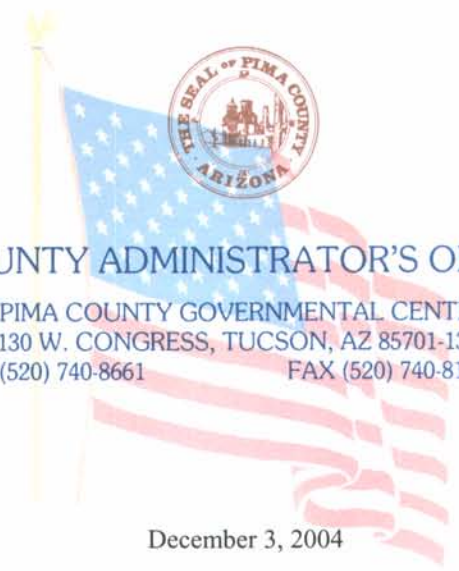
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C. H. HUCKELBERRY
County Administrator

December 3, 2004

The Honorable Board of Supervisors
Pima County, Arizona

We are pleased to submit, in accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of Pima County, prepared by the Finance Department, for the fiscal year ended June 30, 2004. 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 and notes to the statements, required supplementary information, and supporting statements and schedules necessary to fairly present the financial position and results of operations of the County in conformity with generally accepted accounting principles.
- The **STATISTICAL** section, which contains comprehensive statistical data on the County's financial, physical, economic and demographic characteristics.

Pima County and its Services

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

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

Pima County includes in its financial statements all funds, agencies, boards, commissions and authorities for which the Pima County Board of Supervisors is financially accountable. As the primary government, Pima County is financially accountable if it appoints a voting majority of an organization's governing body and either: 1) it is able to impose its will on that organization; or 2) a potential exists for that organization to provide specific benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government.

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

- *Justice and Law Enforcement:* Clerk of the Superior Court, Constables, County Attorney, Superior Court, Juvenile Court, Justice Court system, Sheriff's Department, Indigent Defense and Public Fiduciary
- *Medical Services:* Pima Health Care System, including Pima Health System, Kino Community Hospital (see page 4), Department of Institutional Health, Public Health Department (including Health & Animal Control) and Forensic Science Center
- *Community Resources:* Superintendent of Schools, Employment and Training, Community Services, Community Resources, County Free Library District, Southwestern Fair Commission and Stadium District
- *Public Works:* Flood Control District, Development Services (including Planning & Zoning), Transportation, Wastewater Management (including Solid Waste Management), Environmental Quality, Capital Projects, Fleet Services, Natural Resources, Parks & Recreation, and Graphics Services
- *County Administration:* Board of Supervisors, County Administrator, Assessor's Office, Clerk of the Board, Elections, Finance, Human Resources, Information Technology, Non-Departmental (including Contingency), Procurement, Recorder, Risk Management, Treasurer, Facilities Management, Communications and Parking Garages

Pima County is also responsible for reporting the financial activities of its component units. These units are either discretely presented or blended. Although they are separate legal entities, blended component units are substantially a part of the County's financial activities and are combined with data for the County. Blended and discrete component units include:

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

- *Southwestern Fair Commission.* Activities of the Commission are reported as a discrete component of the County in the accompanying financial statements.
- *Pima County Stadium District, Flood Control District, and Library District.* Activities are reported in special revenue funds as blended component units in the accompanying financial statements.
- *Municipal Property Corporation.* Activities of the corporation are reported as a special revenue fund as a blended component unit in the accompanying financial statements.
- *Special Districts.* Pima County includes the financial activities of various improvement districts in its financial statements. Improvement districts are established to pay for the construction of specific public works projects that benefit citizens of a limited geographical area. The County's currently active improvement districts include La Cholla Boulevard, Country Club Estates, Cimarron, Hayhook 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 Private Industry Council. The financial statements of such districts and entities are not included in the accompanying financial statements except to reflect amounts held in a fiduciary capacity by the County Treasurer.

Economic Outlook

According to *Arizona's Economy*, a publication of the University of Arizona's Economic & Business Research Program, Pima County's population increased 2.3% to 929,000 persons for the year ended June 30, 2004. Over the same period, per capita income rose 1.7% to \$25,395. The County's population is expected to steadily increase over the next few years at a rate of about 2.5%. By 2010, the County's population is expected to reach one million.

For the Tucson metropolitan area, non-farm payrolls are expected to decrease 1.7% to 352,800 jobs during 2004. For all of 2004, per-capita wage income is forecast to rise 4.0% to \$32,566 and aggregate retail sales are forecast to rise 8.4% to \$9.975 billion. The number of residential permits is forecast to increase 7.1% to 8,903, signaling a boost in the housing sector.

The property tax base will grow due to an increase in residential construction. Rising personal income, incoming wealth, and continued low financing rates will substantially increase the value per residential parcel. The interest and penalties collection from delinquent property taxes will also grow due to the anticipated increase of valuation in future years.

The State Shared Sales Tax growth rate has increased over 6% for the past few years since a decline of almost 3.5% three years ago. The increase in growth rate is due to federal fiscal stimulus from lower, retroactive, income tax rates, business tax incentives for capital investments, and low long-term interest rates. The increase in growth rate is expected to slow in the near future due to the expected discontinuation of federal stimuli.

The growth rate of Vehicle License Tax (VLT) revenues has been declining since fiscal year 2001/02. This is attributed to slowing new car sales and the decreasing basis of revenue from the cars already registered in the County. VLT revenue is expected to grow again beginning in fiscal year 2007/08, based on the previous historical surge of VLT.

Expenditure Limitation

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

Major Program Initiatives and Developments

Some of the major developments that occurred in Pima County during the fiscal year ended June 30, 2004 include:

Lease of property and Closure of Kino Community Hospital

To meet the healthcare needs of the County in a fiscally responsible manner, the Board of Supervisors approved a 25 year lease with an option to renew for an additional 25 years with University Physicians, Inc. (UPI), a non-profit organization affiliated with the University of Arizona School of Medicine. Under the terms of the lease, UPI will assume full responsibility for the operation of Kino Community Hospital and, over the next few years, expand and increase services as set forth in the lease. Pima County retains ownership of the land and buildings.

Capital Improvement Projects

In May 2004 Pima County voters approved a general obligation bond authorization of \$582.25 million and sewer revenue bonds of \$150 million. The County's progress in improvements of infrastructure, land, and buildings is continuing with a significant portion of the 1997 program completed.

During the fiscal year, the County issued \$65 million of general obligation bonds that was a combination of both the 1997 and 2004 authorization.

For the fiscal year ended June 30, 2004, major completed transportation projects included: Skyline Drive between Chula Vista and Campbell and Ajo Road between Country Club and Alvernon.

During the year, some of the more significant projects the County completed using general obligation bonds included the Kino Youth Library and Resource Center, Green Valley Performing Arts Center, Anamax Neighborhood Park Improvements, Marana Northwest Pool, Flowing Wells Park, Agua Caliente Regional Park, and Linda Vista Neighborhood Park.

Sonoran Desert Conservation Plan

Background and Purpose: The Pima County Board of Supervisors continues to support the Sonoran Desert Conservation Plan (SDCP). This comprehensive plan aims to: (1) prevent urban sprawl through the protection of natural and cultural resources; (2) provide a basis for natural resource protection; (3) lead to the recovery of the pygmy owl and other species protected under the Endangered Species Act (ESA); (4) stabilize the ecosystem and plant communities supporting indigenous plants and animals and mitigate a need for future endangered species listings; and (5) lead to the issuance of a regional conservation plan that

balances environmental and economic considerations. In 2001 and 2002, parts of the Plan were adopted into Pima County's Comprehensive Land Use Plan and updated in accordance with state law.

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

Recent Developments: During 2003, the SDCP's steering committee, comprised of over 70 community members, voted to support the Plan and asked the Board of Supervisors to pursue an open space bond initiative to fund the plan's efforts. In 2004 the community voted in support of a \$174.3 million open space bond. Another \$19.9 million was approved in support of cultural resource protection. Implementation of the ESA permit is scheduled for 2005.

Financial Information

Accounting System and Budgetary Control

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

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

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

Capital Assets System

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

Cash Management

Most cash, other than imprest accounts, is on deposit with the County Treasurer or the State Treasurer. Amounts temporarily available during the course of the fiscal year are invested on a short-term basis. To

address cash flow needs in the short term, the County instituted internal borrowings among funds that were recorded formally in its accounting records.

Risk Management

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

Other Information

Independent Audit

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

Single Audit

As a recipient of federal and state financial assistance, the County is required to ensure adequate internal controls are in place to comply with applicable laws and regulations related to administration of these programs. This internal control structure is subject to periodic evaluation by management of Pima County.

As a part of the County's single audit, tests are made to determine 1) the adequacy of the internal control structure, including that portion related to federal financial assistance programs and 2) whether the County has complied with applicable laws and regulations.

The results of the County's single audit for the fiscal year ended June 30, 2003 included two reportable conditions. The first reportable condition cited inadequate policies and procedures for ensuring PILT monies received under 31 United States Code (U.S.C.) § 6904 and 16 U.S.C. § 715s were distributed to all affected local government units and school districts.

The second reportable condition cited inadequate policies and procedures over the Workforce Improvement Act federal programs. Specifically, the reportable condition pertained to a review of four of the State required monthly Contractor Requests for Funds and Disbursement Reports in which none of the reported amounts agreed to the financial records, nor could the County explain the differences. This reportable condition was also considered a material weakness. The County has since submitted a corrective plan of action.

The Single Audit for Pima County for the fiscal year ended June 30, 2004 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

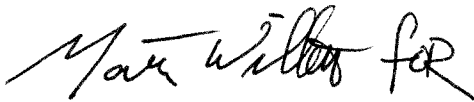
comprehensive annual financial report for all fiscal years ended June 30, 1984 through 2003, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline.

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

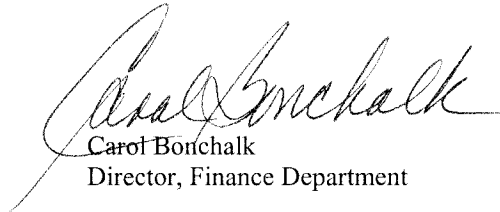
Acknowledgements

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

Respectfully submitted,



C. H. Huckelberry
County Administrator



Carol Bonchalk
Director, Finance Department

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pima County,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

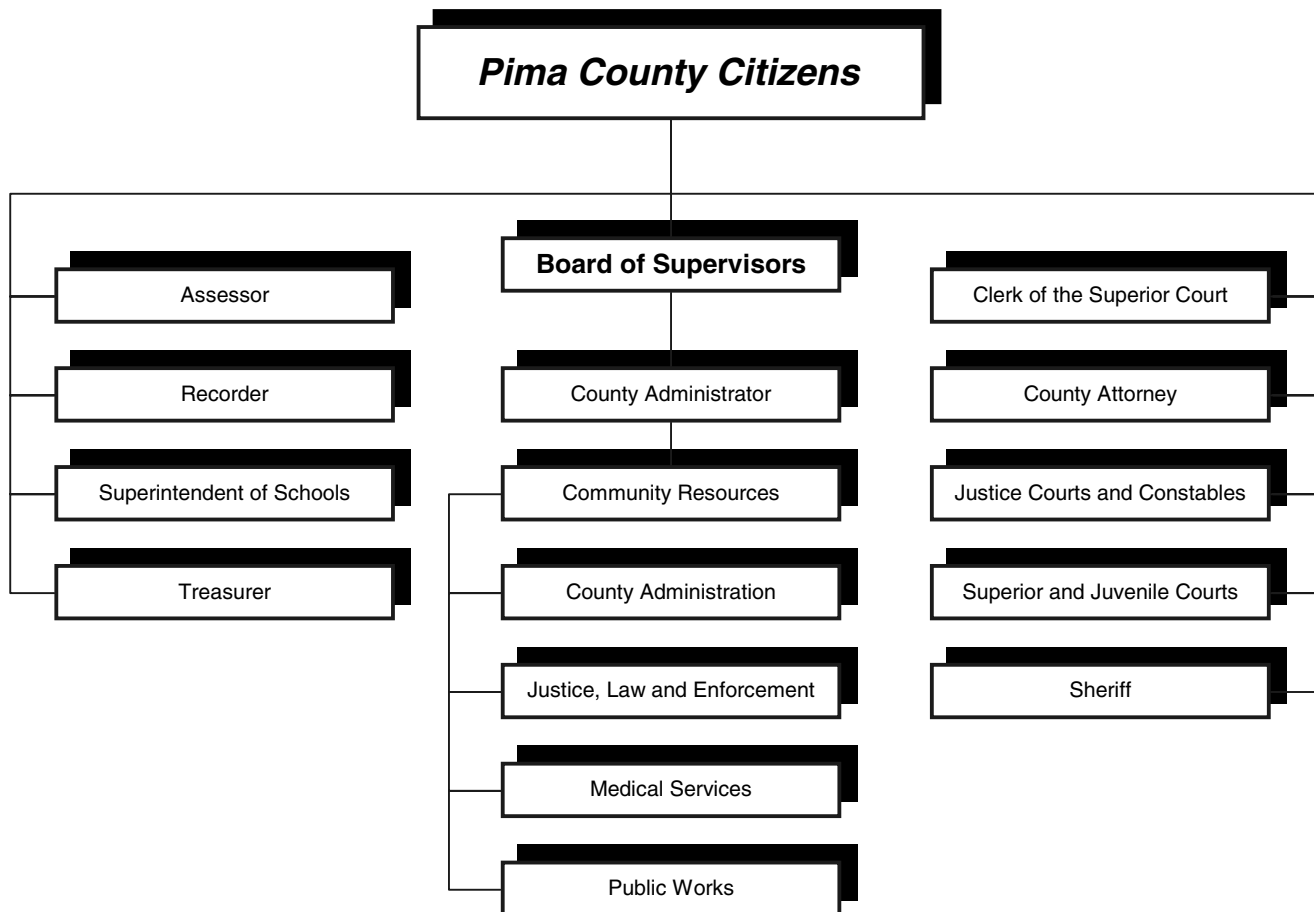
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

PIMA COUNTY ORGANIZATIONAL CHART



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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2004, 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 the aggregate discretely presented component units of Pima County. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units of Pima County, is based solely on the reports of the other auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 27, the Budgetary Comparison Schedule on pages 81 and 82, and the Schedule of Agent Retirement Plans' Funding Progress on page 83 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we will also issue our report on our consideration of the County's internal control over financial reporting and 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 3, 2004



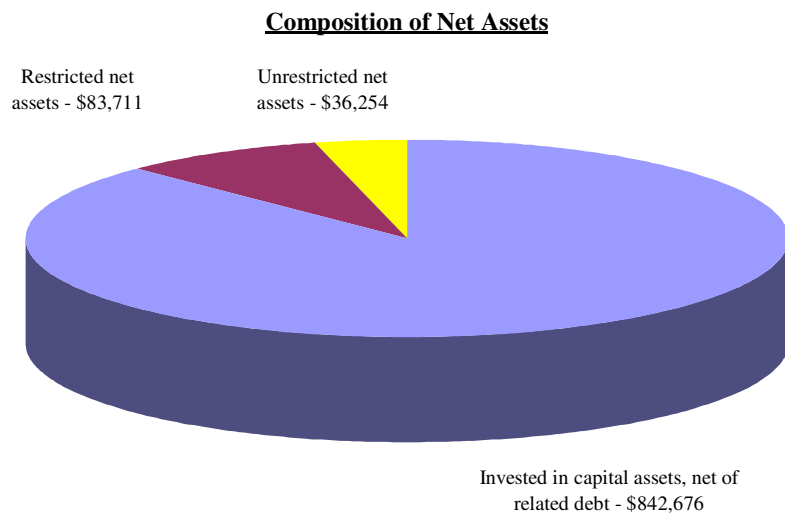
Management's Discussion and Analysis

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, 2004 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, 2004, the County's combined assets exceeded combined liabilities (*net assets*) by \$962,641, an increase of 13.6% from the prior year. Of this amount, \$36,254 is available for general government expenditures (*unrestricted net assets*), \$83,711 is restricted for specific purposes (*restricted net assets*), and \$842,676 is invested in capital assets, net of related debt and accumulated depreciation.



- Of the total fund balances of the County's governmental funds, total fund balance increased \$17,499 to \$182,894, with \$166,344 of this amount available for expenditure. Within the general fund, capital projects fund and the County's other governmental funds, \$25,628, \$97,270 and \$43,446 are available for future expenditures, respectively.
- The general fund unreserved fund balance decreased \$5,371 from the previous year to \$25,628. This balance accounts for approximately 7.9% of the County's general fund expenditures and 3.9% of total governmental funds expenditures.
- Pima Health Care System increased its operating loss to \$38,953, an increase of \$17,926 from the prior year. A significant portion of the operating loss was attributed to Kino Community Hospital, which suffered an operating loss of \$30,767.
- Effective June 16, 2004, the County entered into a 25 year lease with University Physicians, Inc. (UPI), a non-profit organization. UPI has assumed full fiscal and operational responsibility of Kino

Community Hospital. Over the next 10 years, the County will pay UPI annual service fees, totaling a maximum amount of \$127,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, (3) Component unit financial statements, and (4) Notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

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

The *statement of net assets* presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation or sick leave).

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health Care System (PHCS), which includes Kino Community Hospital, Wastewater Management, Development Services and the County's downtown parking garages.

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

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

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on *near-term inflows and outflows of expend-*

able resources, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

The County maintains fourteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds are maintained in two ways. *Enterprise funds* are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The County uses enterprise funds to account for certain health care services, including medical and long-term health care, sewer systems maintenance and operation, real estate-related development services, and parking garage operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for risk management, automotive fleet maintenance and operations, printing and communications. Because these services predominantly benefit governmental rather than business-type functions, most of the assets and liabilities of these services have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Wastewater Management and Pima Health Care System operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

The fiduciary fund financial statements can be found on pages 39-40 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 43-79 of this report.

Required Supplementary Information (RSI) is presented concerning the County General Fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 81-83 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental and enterprise funds and internal service funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 86-116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. In the case of the County, assets exceeded liabilities by \$962,641 at June 30, 2004. The following table shows condensed information for the Statement of Net Assets:

Table 1
Statement of Net Assets
At June 30, 2004

	Governmental Activities Fiscal Year		Business-type Activities Fiscal Year		Total Fiscal Year	
	2003-2004	2002-2003*	2003-2004	2002-2003	2003-2004	2002-2003*
Current and other assets	\$ 312,193	\$ 276,801	\$ 65,345	\$ 58,814	\$ 377,538	\$ 335,615
Capital assets:						
Land, buildings, equipment & other	676,131	590,509	594,221	570,391	1,270,352	1,160,900
Total assets	988,324	867,310	659,566	629,205	1,647,890	1,496,515
Current and other liabilities	88,779	68,936	39,066	39,077	127,845	108,013
Long-term liabilities	391,594	375,919	165,810	149,143	557,404	525,062
Total liabilities	480,373	444,855	204,876	188,220	685,249	633,075
Net assets :						
Invested in capital assets, net of related debt	391,514	288,506	451,162	444,590	842,676	733,096
Restricted net assets	75,417	67,934	8,294	21,139	83,711	89,073
Unrestricted net assets (deficit)	41,020	66,015	(4,766)	(24,744)	36,254	41,271
Total net assets	\$ 507,951	\$ 422,455	\$ 454,690	\$ 440,985	\$ 962,641	\$ 863,440

*As restated - See Note 2 of the financial statements

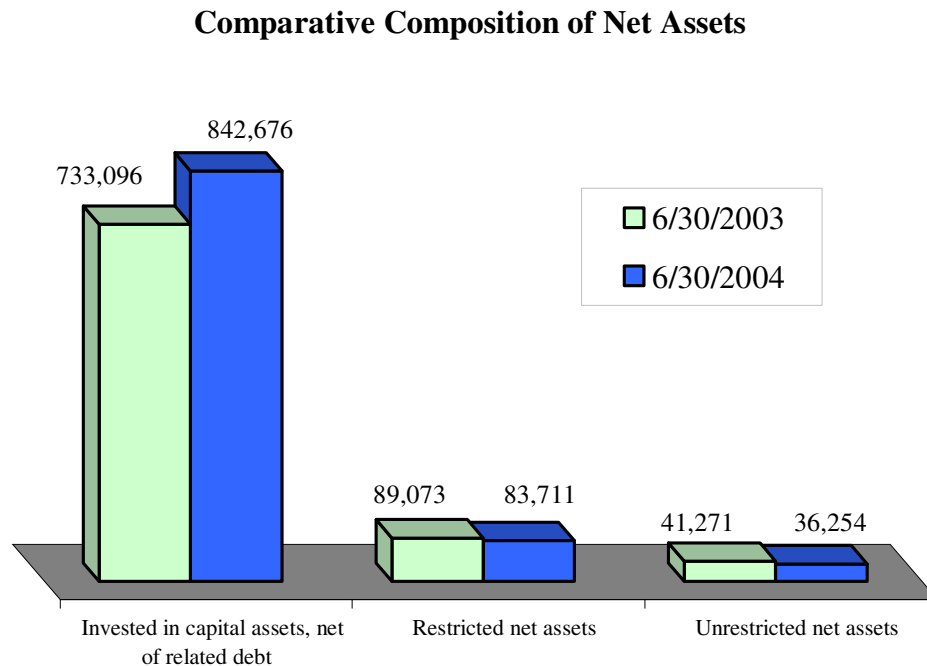
The largest portion of the County's net assets reflects its investment in capital assets (i.e. land, buildings, infrastructure, equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2004, investment in capital assets totaled \$842,676, comprising approximately 87.5% 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 \$109,580 increase in capital assets, net of related debt, for fiscal year 2003-2004 is mostly 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, 2004, restricted net assets totaled \$83,711 and comprised approximately 8.7% of total net

assets. This represents a \$5,362 decrease in restricted net assets from the \$89,073 balance of fiscal year 2002-2003.

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, 2004, unrestricted net assets totaled \$36,254 and comprised approximately 3.8% of total net assets.

The following chart shows the composition and changes in net assets for the fiscal years ended June 30, 2004 and June 30, 2003:



Governmental activities

Governmental activities contributed \$85,496, or 86.2%, of the County's \$99,201 increase in total net assets during fiscal year 2003-2004. The following table shows changes in net assets for governmental activities:

Table 2
Governmental Activities
Comparative Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Program revenues:				
Charges for services	\$ 54,939	\$ 45,527	\$ 9,412	20.7%
Operating grants and contributions	135,119	121,587	13,532	11.1%
Capital grants and contributions	17,413	5,665	11,748	207.4%
Total program revenues	207,471	172,779	34,692	20.1%
General revenues:				
Property taxes	272,507	251,844	20,663	8.2%
State-shared taxes	106,615	100,408	6,207	6.2%
Investment earnings	3,102	5,064	(1,962)	-38.7%
Other general revenues	33,480	35,985	(2,505)	-7.0%
Total general revenues	415,704	393,301	22,403	5.7%
Total primary government revenues	623,175	566,080	57,095	10.1%
Expenses:				
General government	140,827	131,925	8,902	6.7%
Public safety	151,860	132,939	18,921	14.2%
Highways and streets	42,133	39,492	2,641	6.7%
Health	30,165	23,917	6,248	26.1%
Welfare	76,894	84,457	(7,563)	-9.0%
Culture and recreation	32,727	31,326	1,401	4.5%
Education and economic opportunity	33,093	35,033	(1,940)	-5.5%
Unallocated depreciation and amortization	1,772	1,474	298	20.2%
Interest on long-term debt	15,012	15,779	(767)	-4.9%
Total expenses	524,483	496,342	28,141	5.7%
Excess before transfers and extraordinary item	98,692	69,738	28,954	41.5%
Extraordinary Item:				
Loss from State Treasurer's				
Local Government Investment Pool	-	(7,447)	7,447	n/a
Transfers out	(13,196)	(17,980)	4,784	-26.6%
Change in net assets	\$ 85,496	\$ 44,311	\$ 41,185	92.9%

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

- Program revenues increased \$34,692, reflecting an increase of \$11,748 in capital grants and contributions, specifically Surface Transportation Program monies from the Federal Highway Administration.
- General revenues increased by \$22,403, primarily due to increases in property tax revenues and state-shared tax revenues. Increases in real property assessed valuations and residential construction activity were the primary reasons property tax revenues increased by \$20,663.
- Investment earnings continued to decrease in fiscal year 2003-2004. The County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. The interest rate for this pool has declined for a fourth consecutive year, resulting in less investment earnings.
- The increase of \$18,921 for Public Safety expenses resulted primarily from the Sheriff department due to increases in personnel costs, increases in state and federal Racketeering Influenced

Corrupted Organization expenditures and reclassification of inmate welfare and commissary costs from an Agency fund.

- General government expenses increased primarily because of the passage of State legislation creating the County Contribution Fund. This legislation required the County to pay \$3,828 during the course of the fiscal year. Additionally, a \$1,042 payment was made to University Physicians, Inc. as part of the Kino Community Hospital closure.
- Health expenses increased \$6,248 due to an expansion of the Health and Environmental Quality department programs in the course of the fiscal year. Increases in personnel costs, supplies and services for these new programs comprised most of the increase.
- Welfare expenses decreased by \$7,563 due to a decline in costs associated with Title 36 Psychiatric Services and reduced costs associated with ALTCS (Arizona Long-Term Care System).

Business-type activities

Business-type activities contributed \$13,705, or 13.8%, of the County's increase of \$99,201 in total net assets during the year ended June 30, 2004. The following table shows changes in revenues and expenses for business-type activities between the current and prior year:

Table 3
Business-type Activities
Comparative Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Program revenues:				
Charges for services	\$ 320,542	\$ 277,375	\$ 43,167	15.6%
Operating grants and contributions	4,777	4,909	(132)	-2.7%
Total program revenues	325,319	282,284	43,035	15.2%
General revenues:				
Capital contributions	22,214	12,479	9,735	78.0%
Investment earnings	747	1,727	(980)	-56.7%
Other general revenues	3,896	6,787	(2,891)	42.6%
Total general revenues	26,857	20,993	5,864	27.9%
Total primary government revenues	352,176	303,277	48,899	16.1%
Expenses:				
Wastewater Management	71,804	74,816	(3,012)	-4.0%
Pima Health Care System	268,869	221,970	46,899	21.1%
Development Services	9,617	8,373	1,244	14.9%
Parking Garages	1,377	1,346	31	2.3%
Total expenses	351,667	306,505	45,162	14.7%
Excess before transfers and extraordinary item	509	(3,228)	3,737	-115.8%
Extraordinary item: Loss from State Treasurer's				
Local Government Investment Pool	-	(2,673)	2,673	n/a
Transfers in	13,196	17,980	(4,784)	-26.6%
Increase in net assets	\$ 13,705	\$ 12,079	\$ 1,626	13.5%

Key elements to the increase in net assets from business-type activities include:

- Charges for services increased by \$43,167 during the year primarily due to a \$28,948 increase in revenues for Pima Health Care System. This increase was driven by an increase in Capitation revenues, which comprises ambulatory and long-term care contracts with AHCCCS.
- Expenses for Pima Health Care System increased by \$46,899, or 21.1%, from the prior year. This change was driven primarily by a \$56,581 increase in medical claims and a \$12,713 increase in consultants and professional services that was offset by a \$23,160 decrease in employee compensation.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds

The County's general government functions are accounted for in the General, Special Revenue, Debt Service, and Capital Project funds. Included in these funds are special districts governed by the Board of Supervisors. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2004, the County's governmental funds reported combined fund balances of \$182,894, an increase of \$17,499 in comparison with the prior year. Approximately 91% of the combined fund balances, or \$166,344, constitutes unreserved fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has been committed to the following:

- \$4,202 to pay debt service
- \$7,538 to reflect inventories and prepaid amounts
- \$2,073 for a loan receivable
- \$783 committed to specific programs
- \$75 reserved for capital repairs and refurbishments
- \$1,879 designated for debt payment

The General Fund is the chief operating fund of the County. At June 30, 2004, unreserved fund balance of the general fund was \$25,628 while total fund balance reached \$32,696. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.9% of total general fund expenditures, while total fund balance represents 10.1% of that same amount.

Revenues for governmental functions totaled approximately \$622,912 in fiscal year 2003-2004, which represents an increase of \$56,773 (10%) from the previous year.

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

Table 4
Revenues Classified by Source
All Government Funds

	Fiscal Year					
	2003-2004		2002-2003		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
Revenues by source:						
Taxes	\$ 279,527	44.9%	\$ 258,375	45.7%	\$ 21,152	8.2%
Special assessments	505	0.1%	1,023	0.2%	(518)	-50.6%
Licenses and permits	6,566	1.0%	6,087	1.1%	479	7.9%
Intergovernmental	273,225	43.9%	245,378	43.3%	27,847	11.3%
Charges for services	43,505	7.0%	35,721	6.3%	7,784	21.8%
Fines and forfeits	5,010	0.8%	5,047	0.9%	(37)	-0.7%
Interest	2,656	0.4%	4,152	0.7%	(1,496)	-36.0%
Miscellaneous	11,918	1.9%	10,356	1.8%	1,562	15.1%
Total revenues	<u>\$ 622,912</u>	<u>100.0%</u>	<u>\$ 566,139</u>	<u>100.0%</u>	<u>\$ 56,773</u>	<u>10.0%</u>

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

- Property taxes. Revenues from property taxes increased \$21,152. This was a result of growth in construction activity within the County over the past year, as well as continued increases in assessed property valuations and greater real estate market values.
- Intergovernmental revenue. The \$27,847 increase in intergovernmental revenue is due primarily to a \$12,213 increase observed for Capital Projects. The following monies were received for construction projects: \$2.47 million in State funding for the Old Nogales Highway project; \$2.2 million in federal funding for the Veteran's Memorial Overpass project; \$4 million in federal funding for the General Hitchcock Highway project; and \$5.01 million in federal funding for the Wetmore/Ruthrauff project.
- Charges for services. The \$7,784 increase in charges for services revenue is due primarily to a \$5,854 increase observed in Capital Projects. The Board of Supervisors approved an increase in Impact Fee Charges and the addition of ten new benefit areas to which the charges will also be applied.
- Interest revenue. As previously mentioned, the County invests a majority of its funds in the State Treasurer's Local Government Investment Pool. Interest rates are down again for fiscal year 2003-2004 due to a continued decline in the investment pool's interest rate, resulting in decreased interest revenue.

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

Table 5
Expenditures by Function
All Governmental Funds

Government Function	Fiscal Year					
	2003-2004		2002-2003		Increase (Decrease)	
	Amount	Percent	Amount	Percent	Amount	Percent
General government	\$ 140,319	21.6%	\$ 132,416	21.6%	\$7,903	6.0%
Public safety	146,275	22.5%	127,155	20.7%	19,120	15.0%
Highways and streets	29,170	4.5%	26,741	4.4%	2,429	9.1%
Health	30,322	4.7%	24,029	3.9%	6,293	26.2%
Welfare	76,725	11.8%	84,238	13.7%	(7,513)	-8.9%
Culture and recreation	27,141	4.2%	25,214	4.1%	1,927	7.6%
Education and economic opportunity	32,146	5.0%	35,057	5.7%	(2,911)	-8.3%
Capital outlay	103,167	15.9%	97,147	15.9%	6,020	6.2%
Debt service:						
- Principal	49,025	7.5%	45,544	7.4%	3,481	7.6%
- Interest	14,851	2.3%	15,695	2.6%	(844)	-5.4%
- Miscellaneous	161	0.0%	24	0.0%	137	570.8%
Total expenditures	<u>\$ 649,302</u>	<u>100.0%</u>	<u>\$ 613,260</u>	<u>100.0%</u>	<u>\$36,042</u>	<u>5.9%</u>

Total expenditures in governmental funds increased during fiscal year 2003-2004 by \$36,042 (See related discussion on page 19).

Capital outlay increased by \$6,020 this year and was due to the following factors:

- Expenditures for land and right of way/easements increased \$23,389 and \$2,064, respectively. The largest land purchases were \$11,741 for Tucson Mountain Park Sweetwater (Open Space – Bonded) and \$10,534 for Flood Prone Land Acquisition Program (due to Aspen Fire damage). The largest rights of way/easements expenditures were \$1,291 for River Road: Campbell to Al-vernion Way and \$1,072 for La Cholla Boulevard: Omar Drive to Magee Road.
- Expenditures for buildings increased \$831. The breakdown for this increase is \$584 for the new jail and \$247 for the new forensics science center under the Sheriff’s department.

The \$3,481 increase for debt service principal payments was due to the issuance and payment of the short-term 2004 General Obligation (GO) Bonds in the amount of \$6,880. In addition, initial payments were made in the amount of \$1,500 for the 2003 Series of Transportation Bonds.

Budget to Actual Comparison for the General Fund

Overall, budgeted revenues and expenditures for the General Fund were generally consistent with actual fund activity. Actual revenues exceeded budgeted revenues by \$10,152 and actual expenditures were less than budgeted by \$8,503. No variances between the budget to actual amounts were significant enough to affect the County’s ability to provide future services.

Proprietary funds

The County’s proprietary fund functions are contained in the Enterprise and Internal Service funds. The enterprise funds of the County are Pima Health Care System, Wastewater Management, Development

Services, and Parking Garages. These business-type activities are accounted for in a similar fashion to private-sector businesses, and the costs for services provided are expected to be covered either fully or in part by current revenues generated, which include fees charged to external users.

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

Table 6
Summary Statement of Revenues, Expenses and Changes in Fund Net Assets
Total Enterprise Funds
For the Fiscal Years ended June 30, 2004 and 2003

	Fiscal Year		Variance	
	2003-2004	2002-2003	Amount	Percent
Operating revenues:				
Net patient services	\$ 222,918	\$ 195,872	\$ 27,046	13.8%
Charges for services	67,704	61,223	6,481	10.6%
Other	3,209	29,346	(26,137)	-89.1%
State reimbursement of disproportionate share	-	(23,518)	23,518	-100.0%
Total net operating revenues	<u>293,831</u>	<u>262,923</u>	<u>30,908</u>	11.8%
Operating expenses:				
Employee compensation	70,673	90,824	(20,151)	-22.2%
Medical claims	183,816	127,235	56,581	44.5%
Operating supplies & services	12,663	13,864	(1,201)	-8.7%
Utilities	4,934	3,575	1,359	38.0%
Sludge and refuse disposal	2,462	2,242	220	9.8%
Repair and maintenance	3,591	6,801	(3,210)	-47.2%
Landfill closure and post-closure care costs	377	1,078	(701)	-65.0%
General and administrative	16,748	19,098	(2,350)	-12.3%
Consultants and professional services	29,703	17,551	12,152	69.2%
Depreciation and amortization	18,857	18,497	360	1.9%
Total operating expenses	<u>343,824</u>	<u>300,765</u>	<u>43,059</u>	14.3%
Operating loss	<u>(49,993)</u>	<u>(37,842)</u>	<u>(12,151)</u>	32.1%
Nonoperating revenues (expenses):				
Grants	4,777	4,909	(132)	-2.7%
Shared State tax revenue	1,146	959	187	19.5%
Interest income	747	1,727	(980)	-56.7%
Sewer connection fees	29,404	20,280	9,124	45.0%
Interest expense	(4,530)	(5,434)	904	-16.6%
Loss on disposal of capital assets	(109)	(338)	229	-67.8%
Amortization of deferred charges	(91)	(89)	(2)	2.2%
Premium Tax	(3,160)	-	(3,160)	n/a
Loss on closure of business	(139)	-	(139)	n/a
Total nonoperating revenues (expenses)	<u>28,045</u>	<u>22,014</u>	<u>6,031</u>	27.4%
Loss before extraordinary item, contributions and transfers	(21,948)	(15,828)	(6,120)	38.7%
Extraordinary Item: Loss on State Treasurer's Local Government Investment Pool	-	(2,673)	2,673	-100.0%
Capital contributions	22,697	15,521	7,176	46.2%
Transfers in	31,149	23,065	8,084	35.0%
Transfers (out)	(18,436)	(8,127)	(10,309)	126.8%
Change in net assets	<u>\$ 13,462</u>	<u>\$ 11,958</u>	<u>\$ 1,504</u>	12.6%

Key activity within the enterprise funds for fiscal year 2003-2004 include the following:

- While net operating revenues for the County's enterprise funds increased \$30,908 (11.8%), operating expenses also increased \$43,059 (14.3%), resulting in an operating loss of \$49,993, an increase of \$12,151, or 32.1%. The increase in operating losses was due to increased health care service costs for PHCS.
- Net Patient Services revenues increased by \$27,046 from fiscal year 2002-2003. This is attributable to increased membership enrollment for Pima Health System services, which generated increases in capitation revenues and reinsurance claim revenues.
- Other revenues decreased \$26,137 primarily due to the closure of Kino Community Hospital. In fiscal year 2002-03, state laws required Pima Health Care System and its subfund, Kino Community Hospital, to return disproportionate share revenue received. The closure of Kino Community Hospital in fiscal year 2003-04, discontinued the receipt of disproportionate share revenues previously reported as other revenues.
- Employee compensation decreased as the result of the closing of Kino Hospital and the subsequent reassignment of hospital employees.
- Medical claims continued to increase this year as a result of the passage of Proposition 204 in the prior fiscal year, which expanded the eligibility for medical care within the Arizona Health Care Cost Containment System (AHCCCS), resulting in higher enrollment for Pima Health Care System. An increase in doctor fees is also responsible for a portion of the rise in medical claims expenditures.
- Consultants and professional services increased due to a rise in costs associated with ancillary and administrative services for Kino Hospital.
- Sewer connection fees charged by Wastewater Management increased by \$9,124 due to increased connection fees.

Capital Assets and Debt Administration

Capital Assets

The County's investment in capital for its governmental and business-type activities as of June 30, 2004 amounted to \$1,270,352 (net of accumulated depreciation), an increase of 10.9%. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

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

- Land increased by \$32,880 due mainly to open space acquisitions.
- A number of roads and flood control projects were completed and capitalized in fiscal year 2003-2004, increasing infrastructure by \$61,956.

- Construction in Progress decreased by \$19,365 since the number of projects completed was greater than the number of new projects initiated during the year.

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

Table 7
Capital Assets
Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total	
	Fiscal Year		Fiscal Year		Fiscal Year	
	2003-2004	2002-2003*	2003-2004	2002-2003	2003-2004	2002-2003*
Land	\$ 160,586	\$ 127,895	\$ 13,054	\$ 12,865	\$ 173,640	\$ 140,760
Buildings and improvements	228,160	203,344	140,560	147,183	368,720	350,527
Sewage conveyance systems	-	-	279,617	264,665	279,617	264,665
Machinery and equipment	34,668	32,894	8,569	9,507	43,237	42,401
Infrastructure	155,147	93,191	-	-	155,147	93,191
Construction in progress	97,570	133,185	152,421	136,171	249,991	269,356
Total	<u>\$ 676,131</u>	<u>\$ 590,509</u>	<u>\$ 594,221</u>	<u>\$ 570,391</u>	<u>\$ 1,270,352</u>	<u>\$ 1,160,900</u>

*As restated - See Note 2 of the financial statements

The County's infrastructure assets are recorded at historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 53 –56 of this report.

Long-term Debt

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

Table 8
Long-Term Debt
Governmental Funds

	Fiscal Year	
	2003-2004	2002-2003
Bonds issued (at face value):		
General obligation refunding	\$ -	\$ -
General obligation	65,000	50,000
Transportation revenue	-	35,000
Flood control district refunding	-	-
Special assessment with government commitment	-	-
Sewer revenue refunding	-	-
Capital leases	2,680	177
Loan proceeds	-	-
Total	<u>\$ 67,680</u>	<u>\$ 85,177</u>

General obligation bonds issued in FY 2003-2004 amounted to \$65,000; the proceeds of this issue were allocated as follows:

- \$14,749 to Sonoran Desert Open Space and Habitat Protection,
- \$28,542 to Parks and Recreational Facilities,
- \$2,652 to River Parks and Flood Control Improvements,
- \$3,733 to Public Safety and Justice Facilities,
- \$14,561 to Public Health and Community Facilities,
- \$763 to improve solid waste disposal facilities.

The \$2,680 reported for capital leases represents the 2003 refinance of jail facilities being leased back by the County.

Pima County maintains an “A+” rating from Standard & Poor’s and an “A1” rating from Moody’s for general obligation bonds, street and highway revenue bonds, sewer revenue bonds, and flood control general obligation bonds, except for the General Obligation Bonds, Series 2004 which Standard & Poor’s upgraded to AA-.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total asset valuation. The current debt limitation for Pima County is \$783,191, which is significantly in excess of Pima County’s outstanding general obligation debt.

Refunding of 1979 bonds

Pima County was advised that \$925 of bonds were not called as planned in 2002 and again in 2003. The Pima County Treasurer was named as paying agent for these bonds. We have evaluated the possibility of noncompliance with regard to this matter and have concluded that the funds received from the irrevocable trust for use in calling the bonds met the requirements for a sinking fund as defined by the bond covenants. On November 1, 2004, a redemption notice was issued to call the \$1,850 of bonds outstanding.

Additional information regarding the County’s debt can be found in Note 7 of the financial statements on pages 58-72 of this report.

Economic Factors and Next Year’s Budget

Pima County continues to record steady increases in various aspects of its economy. Increases in residential construction continue to contribute to increases in the real property taxes, along with increases in valuation. Increases in per-capita wage income and sales taxes have also provided indications of economic growth.

The budget for fiscal year 2004/05 has expenditures for the General Fund increasing by approximately \$40 million for the following reasons:

- \$25 million in expenditures for Kino Community Hospital. Prior to fiscal year 2004/05, operating transfers were used to subsidize this division of Pima Health Care System.
- \$5 million attributable to a 5% increase in employee salaries
- \$5 million for increased operating costs associated with the Adult Detention Facility

- \$3 million of funds were set aside to cover the salaries of former Kino Community Hospital employees as they transition to other jobs throughout the County.
- approximately \$2 million for other miscellaneous adjustments related to the Presidential election, increases in operations and maintenance costs, etc.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 130 W. Congress, 7th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY
STATEMENT OF NET ASSETS

Exhibit A-1

As of June 30, 2004
(in thousands)

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
ASSETS				
Cash and cash equivalents	\$ 64,804	\$ 41,928	\$ 106,732	\$ 5,543
Property taxes receivable (net)	8,739		8,739	
Interest receivable	377	52	429	
Internal balances	6,330	(6,330)		
Due from other governments	47,769	4,566	52,335	
Accounts receivable (net)	6,244	11,653	17,897	1,835
Inventories	2,277	2,793	5,070	315
Prepays	6,571	112	6,683	200
Other assets	372	945	1,317	3,319
Restricted assets:				
Cash and cash equivalents	166,637	9,626	176,263	6,517
Investments				1,275
Regulatory asset				7,421
Loans receivable	2,073		2,073	
Capital assets (net):				
Land	160,586	13,054	173,640	995
Water supply and recharge rights				1,200
Buildings and improvements	228,160	140,560	368,720	3,378
Sewage conveyance system		279,617	279,617	
Equipment	34,668	8,569	43,237	1,086
Infrastructure	155,147		155,147	43,608
Construction in progress	97,570	152,421	249,991	5,767
Total assets	988,324	659,566	1,647,890	82,459
LIABILITIES				
Accounts payable	34,395	27,925	62,320	2,362
Interest payable	196	71	267	519
Contract retentions	371		371	
Employee compensation	34,785	7,233	42,018	
Due to other governments	12,996	107	13,103	
Deposits and rebates	3,321		3,321	212
Deferred revenues	2,715	3,730	6,445	
Noncurrent liabilities:				
Due within one year	48,232	9,656	57,888	2,497
Due in more than one year	343,362	156,154	499,516	56,843
Total liabilities	480,373	204,876	685,249	62,433
NET ASSETS				
Invested in capital assets, net of related debt	391,514	451,162	842,676	1,897
Restricted for:				
Special revenue	52,363		52,363	
Debt service	5,686	499	6,185	3,339
Capital projects	17,368	88	17,456	581
Wastewater management		3,696	3,696	
Health care		4,011	4,011	
Unrestricted (deficit)	41,020	(4,766)	36,254	14,209
Total net assets	\$ 507,951	\$ 454,690	\$ 962,641	\$ 20,026

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004
(in thousands)

Functions/Programs
Primary governmental activities:

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

Total governmental activities

Business-type activities:

Wastewater Management
Pima Health Care System
Development Services
Parking Garages

Total business-type activities

Total primary government

Component units:

Metropolitan Domestic Water Imp. District
Marana Domestic Water Improvement District
Southwestern Fair Commission
Green Valley Domestic Water Imp. District

Total component units

Net (Expense) Revenue and
Changes in Net Assets

Program Revenues

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units
					Governmental Activities	Business-type Activities	
\$	140,827	\$ 21,422	\$ 12,412	\$ 165	\$ (106,828)	\$ (106,828)	
	151,860	10,289	34,299	242	(107,030)	(107,030)	
	42,133	11,728	51,367	16,648	37,610	37,610	
	30,165	8,772	11,779		(9,614)	(9,614)	
	76,894	918	534		(75,442)	(75,442)	
	32,727	1,709	267	306	(30,445)	(30,445)	
	33,093	101	24,461	52	(8,479)	(8,479)	
	805				(805)	(805)	
	967				(967)	(967)	
	15,012				(15,012)	(15,012)	
	524,483	54,939	135,119	17,413	(317,012)	(317,012)	

	71,804	82,432	379		\$ 11,007	\$ 11,007	
	268,869	224,820	4,398		(39,651)	(39,651)	
	9,617	11,830			2,213	2,213	
	1,377	1,460			83	83	
	351,667	320,542	4,777		(26,348)	(26,348)	
	876,150	375,481	139,896	17,413	(317,012)	(343,360)	

General revenues:

Property taxes, levied for general purposes
Property taxes, levied for 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
Capital contributions
Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year, as restated

Net assets at end of year

	203,013						
	15,945						
	11,012						
	42,537						
	2,745						
	1,709						
	84,348			1,146			
	23,413						
	3,201						
	6,321			747			
	3,849			2,750			
	16,813			22,214			
	27,655			13,196			
	402,508			40,053			
	85,496			13,705			
	422,455			440,985			
	507,951	\$	454,690	\$	962,641	\$	20,026

PIMA COUNTY

Exhibit A-3

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 22,368	\$ 99,872	\$ 63,592	\$ 185,832
Investments		3		3
Property taxes receivable (net of allowances for uncollectables)	6,516		2,223	8,739
Interest receivable	63	86	134	283
Interfund receivable	97			97
Due from other funds	12,930	2,020	1,544	16,494
Due from other governments	21,844	4,263	21,583	47,690
Accounts receivable	4,477	388	1,185	6,050
Inventory			1,954	1,954
Prepaid expenditures	4,995	2	587	5,584
Loan receivable	2,073			2,073
Restricted cash equivalent		3,170		3,170
Total assets	<u>\$ 75,363</u>	<u>\$ 109,804</u>	<u>\$ 92,802</u>	<u>\$ 277,969</u>
<u>Liabilities and fund balances</u>				
Liabilities:				
Accounts payable	\$ 14,680	\$ 8,537	\$ 9,026	\$ 32,243
Interest payable	7	4	185	196
Contract retentions		339	32	371
Employee compensation	10,978	50	4,072	15,100
Due to other funds	2,868	397	6,763	10,028
Due to other governments	302		12,694	12,996
Deposits and rebates	137	3,170	14	3,321
Deferred revenues	13,695	35	7,090	20,820
Total liabilities	<u>42,667</u>	<u>12,532</u>	<u>39,876</u>	<u>95,075</u>
Fund balances:				
Reserved for:				
Inventory			1,954	1,954
Prepaid expenditures	4,995	2	587	5,584
Debt service			4,202	4,202
Capital repairs and refurbishments			75	75
Loan receivable	2,073			2,073
Specified programs			783	783
Unreserved:				
Designated for debt payment			1,879	1,879
Undesignated	25,628	97,270	43,446	166,344
Total fund balances	<u>32,696</u>	<u>97,272</u>	<u>52,926</u>	<u>182,894</u>
Total liabilities and fund balances	<u>\$ 75,363</u>	<u>\$ 109,804</u>	<u>\$ 92,802</u>	<u>\$ 277,969</u>

See Notes to the Financial Statements

PIMA COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004
(in thousands)

Exhibit A-4

Fund balances - total governmental funds	\$	182,894
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds

Governmental capital assets	\$ 794,211	
Less accumulated depreciation	<u>(134,856)</u>	659,355

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

Bonds payable	(333,555)	
Loans and leases payable	(32,343)	
Unamortized deferred issuance costs reported as other assets	<u>372</u>	(365,526)

Some compensated absences are not due and payable shortly after
June 30, 2004, and therefore are not reported in the governmental funds

Employee compensation	(18,950)
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Deferred revenue in governmental funds is susceptible to full accrual on the
government-wide statements

18,105

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

32,073

Net assets of governmental activities	<u>\$</u>	<u>507,951</u>
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See Notes to the Financial Statements

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDSFor the Year Ended June 30, 2004
(in thousands)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 209,672		\$ 69,855	\$ 279,527
Special assessments			505	505
Licenses and permits	2,166		4,400	6,566
Intergovernmental	120,058	\$ 16,855	136,312	273,225
Charges for services	24,133	9,537	9,835	43,505
Fines and forfeits	4,023		987	5,010
Interest	530	997	1,129	2,656
Miscellaneous	2,132	1,642	8,144	11,918
Total revenues	362,714	29,031	231,167	622,912
Expenditures:				
Current:				
General government	120,755		19,564	140,319
Public safety	100,650		45,625	146,275
Highways and streets			29,170	29,170
Health	2,898		27,424	30,322
Welfare	76,619		106	76,725
Culture and recreation	14,448		12,693	27,141
Education and economic opportunity	5,578		26,568	32,146
Capital outlay		103,167		103,167
Debt service - principal	1,610		47,415	49,025
- interest	1,030		13,821	14,851
- miscellaneous	3		158	161
Total expenditures	323,591	103,167	222,544	649,302
Excess (deficiency) of revenues over (under) expenditures	39,123	(74,136)	8,623	(26,390)
Other financing sources (uses):				
Premium on bonds			148	148
Proceeds from sale of capital assets	2		404	406
Proceeds - refunding debt			6,880	6,880
Payments to escrow agent			(6,846)	(6,846)
Face amount of long-term debt		65,000		65,000
Transfers in	11,762	25,035	31,786	68,583
Transfers (out)	(51,739)	(1,461)	(36,716)	(89,916)
Total other financing sources (uses)	(39,975)	88,574	(4,344)	44,255
Net change in fund balances	(852)	14,438	4,279	17,865
Fund balance at beginning of year	33,548	82,834	49,013	165,395
Change in reserve for inventory			(379)	(379)
Change in reserve for prepaids			13	13
Fund balance at end of year	\$ 32,696	\$ 97,272	\$ 52,926	\$ 182,894

See Notes to the Financial Statements

PIMA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds \$ 17,865

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	\$ 93,695		
Less current year depreciation	(20,197)		\$ 73,498

Transfers of capital assets between governmental activities and
proprietary funds are not reported in the governmental funds but are
recognized in the statement of activities

Enterprise funds	\$ 8,278		
Internal service funds	107		\$ 8,385

The issuance of long-term debt (e.g., bonds, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds report
the effect of issuance costs, premiums, discounts and similar items when debt is
first issued, whereas these amounts are deferred and amortized in the statement
of activities. This amount is the net effect of these differences in the treatment
of long-term debt and related items

Face amount of long-term debt	\$ (65,000)		
Debt service - principal payments	49,025		
Proceeds on refunding bonds	(6,880)		
Payments to escrow agent	6,846		
Premium on bonds	(148)		
Amortization expense	(967)		\$ (17,124)

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. Also, collections of property taxes
in the governmental funds exceeded revenues reported in the
statement of activities

Donations of capital assets	\$ 5,441		
Property tax revenues	(1,499)		
Other	2,066		\$ 6,008

Some expenses reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in the
governmental funds

Change in compensated absences	(1,204)		
Loss on disposal of capital assets	(1,740)		
Change in reservation of fund balances	(366)		\$ (3,310)

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

174

Change in net assets of governmental activities			\$ 85,496
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See Notes to the Financial Statements

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 June 30, 2004
 (in thousands)

	Business-type Activities Enterprise Funds				Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 23,655	\$ 5,777	\$ 12,496	\$ 41,928	\$ 42,436
Interest receivable	29	12	11	52	94
Due from other funds		81	93	174	16
Due from other governments	4,110	439	17	4,566	79
Accounts receivable	5,130	6,511	12	11,653	194
Inventory	97	2,696		2,793	323
Prepaid expense		92	20	112	987
Total current assets	33,021	15,608	12,649	61,278	44,129
Noncurrent assets:					
Restricted:					
Cash and cash equivalents		9,626		9,626	
Total restricted assets		9,626		9,626	
Capital assets:					
Land and other improvements		12,397	657	13,054	592
Buildings and improvements	1,116	225,007	12,927	239,050	462
Sewage conveyance system		423,337		423,337	
Equipment	1,282	18,721	1,089	21,092	27,863
Less accumulated depreciation	(1,184)	(246,111)	(7,438)	(254,733)	(12,141)
Construction in progress		152,421		152,421	
Total capital assets (net of accumulated depreciation)	1,214	585,772	7,235	594,221	16,776
Deferred financing costs		945		945	
Total noncurrent assets	1,214	596,343	7,235	604,792	16,776
Total assets	34,235	611,951	19,884	666,070	60,905
<u>Liabilities</u>					
Current liabilities:					
Accounts payable	22,295	5,287	343	27,925	2,152
Employee compensation	2,922	3,398	913	7,233	735
Interest payable	2	69		71	
Interfund payable	97			97	
Due to other funds	6,145	125	350	6,620	36
Due to other governments			107	107	
Deferred revenues	2	3,728		3,730	
Current portion of sewer revenue bonds		4,705		4,705	
Current portion of wastewater loans payable		4,951		4,951	
Current portion reported but unpaid losses					2,441
Current portion incurred but not reported losses					3,268
Total current liabilities	31,463	22,263	1,713	55,439	8,632
Noncurrent liabilities:					
Contracts and notes		5,783		5,783	
Landfill closure payable		16,022		16,022	
Sewer revenue bonds		55,359		55,359	
Wastewater loans payable		78,990		78,990	
Reported but unpaid losses					8,402
Incurred but not reported losses					11,585
Total noncurrent liabilities		156,154		156,154	19,987
Total liabilities	31,463	178,417	1,713	211,593	28,619
<u>Net assets</u>					
Invested in capital assets, net of related debt	1,214	442,713	7,235	451,162	16,776
Restricted for:					
Debt service		499		499	
Capital projects		88		88	
Wastewater management		3,696		3,696	
Health care	4,011			4,011	
Unrestricted	(2,453)	(13,462)	10,936	(4,979)	15,510
Total net assets	\$ 2,772	\$ 433,534	\$ 18,171	454,477	\$ 32,286

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.

213

Net assets of business-type activities

\$ 454,690

See Notes to the Financial Statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDSFor the Year Ended June 30, 2004
(in thousands)

	Business-type Activities Enterprise Funds			Total Enterprise Funds	Governmental Activities- Internal Service Funds
	Pima Health Care System	Wastewater Management	Other Enterprise Funds		
Operating revenues:					
Net patient services	\$ 222,918			\$ 222,918	
Charges for services	1,902	\$ 52,512	\$ 13,290	67,704	\$ 30,323
Other	1,670	1,376	163	3,209	1,486
Total net operating revenues	226,490	53,888	13,453	293,831	31,809
Operating expenses:					
Employee compensation	35,880	27,554	7,239	70,673	6,010
Medical claims	183,816			183,816	
Operating supplies and services	6,801	4,866	996	12,663	3,530
Utilities	1,582	3,069	283	4,934	
Sludge and refuse disposal		2,462		2,462	
Repair and maintenance	1,328	1,981	282	3,591	3,007
Landfill closure and postclosure care costs		377		377	
Incurred losses					7,468
Insurance premiums					5,374
General and administrative	8,656	6,779	1,313	16,748	2,883
Consultants and professional services	26,147	3,100	456	29,703	706
Depreciation and amortization	1,233	17,184	440	18,857	1,935
Total operating expenses	265,443	67,372	11,009	343,824	30,913
Operating income (loss)	(38,953)	(13,484)	2,444	(49,993)	896
Nonoperating revenues (expenses):					
Grants	4,398	379		4,777	
Shared state tax revenue		1,146		1,146	
Interest income	369	253	125	747	547
Sewer connection fees		29,404		29,404	
Interest expense	(74)	(4,456)		(4,530)	
Gain/(loss) on disposal of capital assets	(165)	57	(1)	(109)	(778)
Amortization of deferred charges		(91)		(91)	
Premium tax	(3,160)			(3,160)	
Loss on closure of business activity	(139)			(139)	
Total nonoperating revenues (expenses)	1,229	26,692	124	28,045	(231)
Income (loss) before contributions and transfers	(37,724)	13,208	2,568	(21,948)	665
Capital contributions	19	22,678		22,697	6
Transfers in	31,100	49		31,149	389
Transfers (out)	(17,104)	(1,029)	(303)	(18,436)	(643)
Change in net assets	(23,709)	34,906	2,265	13,462	417
Net assets at beginning of year	26,481	398,628	15,906	441,015	31,869
Net assets at end of year	\$ 2,772	\$ 433,534	\$ 18,171	454,477	\$ 32,286

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

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Change in net assets of business-type activities

\$ 13,705

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDSFor the Year Ended June 30, 2004
(in thousands)

	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	\$ 3,064		\$ 503	\$ 3,567	\$ 30,323
Cash received from customers for goods and services provided	212,190	\$ 52,885	13,274	278,349	
Cash received from miscellaneous operations	1,670	1,201	184	3,055	1,298
Cash payments to suppliers for goods and services	(192,506)	(13,535)	(1,580)	(207,621)	(13,464)
Cash payments to other funds for goods and services	(3,789)	(8,791)	(2,818)	(15,398)	(2,189)
Cash payments for incurred losses					(7,726)
Cash payments to employees for services	(51,980)	(27,303)	(6,492)	(85,775)	(5,938)
Net cash provided by (used for) operating activities	(31,351)	4,457	3,071	(23,823)	2,304
Cash flows from noncapital financing activities:					
Interest paid on short-term credit	(74)			(74)	
Interest received from Medicare	30			30	
Cash transfers in from other funds	28,000	49		28,049	389
Cash transfers out from other funds	(115)	(5)	(14)	(134)	(66)
Loan payments from other funds	2,837		104	2,941	30
Loan payments to other funds		(10,934)		(10,934)	(16)
Shared State tax revenues		1,146		1,146	
Premium Tax	(3,160)			(3,160)	
Grant revenues	4,768	379		5,147	
Net cash provided by (used for) noncapital financing activities	32,286	(9,365)	90	23,011	337
Cash flows from capital and related financing activities:					
Proceeds of loans		24,873		24,873	
Principal paid on bonds and loans		(7,980)		(7,980)	
Interest paid on bonds and loans		(4,124)		(4,124)	
Sewer connection fees		29,342		29,342	
Proceeds from sale of capital assets	15	20		35	238
Proceeds from intergovernmental contract		2,443		2,443	
Purchase of capital assets from other funds		(1,024)		(1,024)	
Purchase of capital assets	(1,389)	(32,375)	(162)	(33,926)	(3,560)
Net cash provided by (used for) capital and related financing activities	(1,374)	11,175	(162)	9,639	(3,322)
Cash flows from investing activities:					
Interest received on cash and investments	346	268	134	748	568
Net cash provided by investing activities	346	268	134	748	568
Net increase (decrease) in cash and cash equivalents	(93)	6,535	3,133	9,575	(113)
Cash and cash equivalents at beginning of year	23,748	8,868	9,363	41,979	42,549
Cash and cash equivalents at end of year	\$ 23,655	\$ 15,403	\$ 12,496	\$ 51,554	\$ 42,436

(Continued)

See Notes to the Financial Statements

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2004
 (in thousands)
 (Continued)

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	Pima Health Care System	Wastewater Management	Other Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
Operating income (loss)	\$ (38,953)	\$ (13,484)	\$ 2,444	\$ (49,993)	\$ 896
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	1,233	17,184	440	18,857	1,935
Provision for doubtful accounts	4,051			4,051	
Landfill closure and postclosure care costs		377		377	
Decrease (increase) in accounts receivable	(1,864)	349	22	(1,493)	(182)
Increase in interfund receivables	(188)			(188)	
Decrease (increase) in due from other governments		(152)	(17)	(169)	(6)
Decrease (increase) in inventory and other assets	(372)	(48)	(4)	(424)	6
Increase (decrease) in accounts payable	12,580	(20)	76	12,636	(50)
Increase (decrease) in interfund payables	(321)			(321)	(113)
Increase (decrease) in due to other funds			58	58	
Increase (decrease) in due to other governments	(5,625)		(45)	(5,670)	
Decrease in reported but unpaid losses					(2,184)
Increase in incurred but not reported losses					1,926
Increase (decrease) in other current liabilities	(1,892)	251	97	(1,544)	76
Net cash provided by (used) for operating activities	\$ (31,351)	\$ 4,457	\$ 3,071	\$ (23,823)	\$ 2,304

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2004:

Wastewater Management Enterprise Fund retired assets with a net book value of \$4.

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling \$22,214. These contributions were recorded as an increase in capital assets and capital contributions (a non-cash transaction).

Wastewater Management Enterprise Fund performed a physical inventory of capital assets during the year and increased the net book value of capital assets by \$41.

Wastewater Management Enterprise Fund issued \$25,770 of Sewer Revenue Refunding Bonds, Series 2004, at a premium of \$1,258 to refund sewer revenue bonds issued in 1994. Bond issuance costs totaling \$424 were deducted from the refunding bond proceeds and \$26,604 was deposited immediately to refund \$25,520 of 1994a sewer revenue bonds.

Pima Health Care System had unpaid transfers totaling \$1,600 at year end.

Pima Health Care System disposed of assets with a net book value of \$180.

Pima Health Care System sold assets to University Physicians, Inc. at a loss of \$139.

Pima Health Care System transferred assets to the County's general government with a net book value of \$13,489.

Pima Health Care System received capital assets with a net book value of \$19 from the County's general capital assets.

Other Enterprise Funds disposed of capital assets with a net book value of \$1.

Other Enterprise Funds had unpaid transfers totaling \$290 at year-end.

Other Enterprise Funds transferred \$7 of completely depreciated capital assets to the County's general capital assets.

Internal Service Funds transferred capital assets with a net book value of \$464 to the Wastewater Management Enterprise Fund.

Internal Service Funds transferred \$113 of capital assets to the County's general capital assets.

Internal Service Funds disposed of assets with a net book value of \$1,016.

Internal Service Funds received a capital asset with a value of \$6 from the County's general capital assets.

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004
(in thousands)

Exhibit A-10

	Investment Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 135,883	\$ 36,578
Interest receivable	252	
Due from other governments		3,101
Total assets	<u>136,135</u>	<u>39,679</u>
LIABILITIES		
Employee compensation		73
Due to other governments		16,200
Deposits and rebates		23,406
Total liabilities		<u>\$ 39,679</u>
NET ASSETS		
Held in trust for pool participants	<u>\$ 136,135</u>	

See Notes to the Financial Statements

PIMA COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2004
(in thousands)

Exhibit A-11

	Investment Trust Funds
ADDITIONS	
Contributions from participants	\$ 1,889,746
Total contributions	<u>1,889,746</u>
Investment interest earnings	1,927
Total investment earnings	<u>1,927</u>
Total additions	<u>1,891,673</u>
DEDUCTIONS	
Distributions to participants	1,878,715
Total deductions	<u>1,878,715</u>
Change in net assets	12,958
Net assets held in trust July 1, 2003	123,177
Net assets held in trust June 30, 2004	<u><u>\$ 136,135</u></u>

See Notes to the Financial Statements

PIMA COUNTY
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2004
(in thousands)

Exhibit A-12

	Metropolitan Domestic Water Improvement District	Marana Domestic Water Improvement District	Southwestern Fair Commission	Green Valley Domestic Water Improvement District	Total
ASSETS					
Cash and cash equivalents	\$ 3,920	\$ 243	\$ 1,010	\$ 370	\$ 5,543
Accounts receivable (net)	1,610	54	32	139	1,835
Inventories	273	3	39		315
Prepays	178		20	2	200
Other assets	1,455	13	7	1,844	3,319
Restricted assets:					
Cash and cash equivalents	5,506	24		987	6,517
Investments	1,275				1,275
Regulatory asset	7,421				7,421
Capital assets (net):					
Land	950	28		17	995
Water supply and recharge rights				1,200	1,200
Buildings and improvements	1,703	73	1,474	128	3,378
Machinery and equipment	496	77	237	276	1,086
Water system	36,669	1,987		4,952	43,608
Construction in progress	5,767				5,767
Total assets	67,223	2,502	2,819	9,915	82,459
LIABILITIES					
Accounts payable	1,802	12	206	342	2,362
Interest payable	519				519
Deposits and rebates	176	18	10	8	212
Noncurrent liabilities:					
Due within one year:					
Contracts and notes	129	26	104	6	265
Revenue bonds	2,065	7		160	2,232
Due in more than one year:					
Contracts and notes	1,673	1,084	430	17	3,204
Revenue bonds	44,111	383		9,145	53,639
Total liabilities	50,475	1,530	750	9,678	62,433
NET ASSETS					
Invested in capital assets, net of related debt	2,161	678	1,177	(2,119)	1,897
Restricted for:					
Debt service	2,328	24		987	3,339
Capital projects	536		45		581
Unrestricted	11,723	270	847	1,369	14,209
Total net assets	\$ 16,748	\$ 972	\$ 2,069	\$ 237	\$ 20,026

See Notes to the Financial Statements

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	MDWID	MARANA	SFC	GVDWID	Total
Metropolitan Domestic Water Improvement District (MDWID)								
Operations	\$ 10,107	\$ 10,983		\$ 876			\$	876
Total MDWID	10,107	10,983		876				876
Marana Domestic Water Improvement District (MARANA)								
Operations	461	503	\$ 812		\$ 854			854
Total MARANA	461	503	812		854			854
Southwestern Fair Commission (SFC)								
Operations	4,747	4,666	88		\$	7		7
Total SFC	4,747	4,666	88			7		7
Green Valley Domestic Water Improvement District (GVDWID)								
Operations	885	1,027				\$	142	142
Total GVDWID	885	1,027					142	142
Total component units	\$ 16,200	\$ 17,179	\$ 900	876	854	7	142	1,879
General revenues:								
Investment earnings				191			3	194
Miscellaneous				219		133		352
Capital contributions				692			92	784
Total general revenues				1,102		133	95	1,330
Change in net assets				1,978	854	140	237	3,209
Net assets at beginning of year, as restated				14,770	118	1,929		16,817
Net assets at end of year	\$ 16,748	\$ 972	\$ 2,069	\$ 237	\$		\$	20,026

See Notes to the Financial Statements

PIMA COUNTY

Notes to Financial Statements

June 30, 2004

(in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County is a general-purpose local government that is governed by a separately elected board of Pima County supervisors. The accompanying financial statements present the activities of the County (the primary government) and its component units.

Component units are legally separate entities for which the County is considered financially accountable. Blended component units, although legally separate entities, are in substance part of the County's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Each blended and discretely presented component unit discussed below has a June 30 year-end, except for the Green Valley Domestic Water Improvement District, which has a December 31 year-end.

The Municipal Property Corporation (MPC) is a nonprofit corporation created by the Pima County Board of Supervisors to assist in the development of the County, among other things, by acquiring, constructing and improving any facilities, including real property and improvements and personal property, entirely for use by the County. The MPC undertook its first bond issue in October, 1992. The MPC is governed by a five-member board elected by the Pima County Board of Supervisors to one-year terms. The MPC is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the MPC are not available.

The Pima County Stadium District, a legally separate entity, was formed to promote and establish major league baseball spring training in Pima County. The Board of Directors of the District comprises the same individuals who constitute the Pima County Board of Supervisors. Acting in the capacity of the Board of Directors, the Pima County Board of Supervisors is able to impose its will on the District. The Board of Directors levies the car rental surcharge rates and the recreation vehicle (RV) park tax for the District. The District is reported as a special revenue fund (blended component unit) in these financial statements. Complete financial statements for the District can be obtained from the Pima County Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

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

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

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

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

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, and because the District 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 Finance Department located at 130 West Congress Street, Tucson, Arizona 85701.

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

The Green Valley Domestic Water Improvement District (GVDWID) of Pima County, a legally separate entity, was formed on December 17, 2002, by the Pima County Board of Supervisors. It was formed for the purpose of purchasing a water system and operating the water system, with operations commencing on May 21, 2003. The initial nine members of the Board of Directors were appointed by the Pima County Board of Supervisors with five having four-year terms and four having two-year terms. The residents of the District will elect the succeeding Board of Directors, who will all have four-year terms. The Pima County Board of Supervisors may review all financial transactions of the Board of Directors of the District. Additionally, the Pima County Board of Supervisors may revoke at any time the authority of the Board of Directors of the District in order to protect the residents of the District. Based on these factors, and because the District does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, the District is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements of the District can be obtained from its administrative offices located at 3290 S. Camino Del Sol, Green Valley, Arizona 85614.

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the County as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements - provide information about the primary government (Pima County) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units. Governmental activities 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:

- 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 nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary funds are financed mainly by fees and charges to users of the services provided by the funds' operations. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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 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 COUNTY

Notes to Financial Statements

June 30, 2004

(in thousands)

Pima Health Care System – provides health care services through Kino Hospital, Pima Health System, and Posada del Sol 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. Kino Hospital ceased operations on June 15, 2004 and no financial activity will be reported in future years (see Note 15 to the Financial Statements).

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

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, graphics services, and communications services.

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

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

C. Basis of Accounting

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments 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.

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

D. Cash and Investments

For purposes of its statement of cash flows, the County considers only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents. All other investments are stated at fair value.

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

E. Inventories

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

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

Inventories of Wastewater Management, 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 the lower of cost or market, cost being determined using the moving average method.

F. Property Tax Calendar

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

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

G. Capital Assets

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

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

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	All	N/A	N/A
Buildings and building improvements	All	Straight Line	7 to 40 Years
Equipment	\$ 5	Straight Line	4 to 25 Years
Fleet service vehicles	\$ 5	Units of Production Based on number of hours or miles	5 to 15 Years
Infrastructure	\$100	Straight Line	20 to 50 Years
Land improvements	All	Straight Line	20 to 25 Years
Wastewater sewer conveyance	\$ 20	Straight Line	20 to 50 Years
Wastewater treatment facilities, transfer stations and other property and equipment	\$ 20	Straight Line	50 Years

H. Investment Income

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

I. Compensated Absences

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

Employees may accumulate up to 240 hours of vacation depending upon years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate an unlimited number of sick leave hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees, however an estimate is made for non-vested sick leave. Employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave to be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts are accrued.

PIMA COUNTY

Notes to Financial Statements

June 30, 2004

(in thousands)

NOTE 2: NET ASSET BEGINNING BALANCES RESTATED

The beginning governmental activities net asset balance was restated to correct errors in reporting capital assets acquired in prior years.

		Governmental Activities
Net assets, June 30, 2003, as previously reported	\$	406,079
Correction of error		16,376
Net assets, July 1, 2003, as restated	\$	<u>422,455</u>

NOTE 3: CASH AND INVESTMENTS

PRIMARY GOVERNMENT

The County's cash and investment policies are governed by State statutes and by bond covenants. The County Treasurer is authorized to invest public monies in the State Treasurer's Investment Pool; interest bearing savings accounts, certificates of deposit and repurchase agreements in eligible depositories; bonds or other obligations issued or guaranteed by the United States government; and bonds of the State of Arizona or any of its counties, cities, towns, school districts as specified by statute. State statutes also require collateral for demand deposits, certificates of deposit and repurchase agreements at 101 percent of all deposits not covered by Federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, and obligations of the various states and their municipalities, school districts and special districts. At least monthly, the Treasurer's Office determines that the collateral is adequate to cover the deposits by calculating the lower amount of par or fair value of individual securities pledged as collateral.

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

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.

Deposits—At June 30, 2004, the investment pool had cash on hand of \$4. The carrying amount of the pool's total cash in bank was \$8,925 and the bank balance was \$21,051. Of the bank balance, \$100 was covered by federal depository insurance and \$20,951 was covered by collateral held by the pledging financial institution's agent in the County's name.

Investments—At June 30, 2004, the County Treasurer's Investment Pool's investments consisted of \$280,705 invested in the State Treasurer's Investment Pool. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments, are not subject to custodial credit risk, and have no stated interest rate or maturity date.

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

Statement of Net Assets

Net assets held in trust for:

Internal participants	\$ 169,557
External participants	120,210
Total liabilities	0
Total net assets held in trust	<u>\$ 289,767</u>

Statement of Changes in Net Assets

Total additions	\$ 4,955,812
Total deductions	(4,918,817)
Net increase	36,995

Net assets held in trust:

July 1, 2003	252,772
June 30, 2004	<u>\$ 289,767</u>

Other Cash and Investments—At June 30, 2004, the total nonpooled cash on hand was \$74. The carrying amount of the total nonpooled cash in bank was \$22,191, and the bank balance was \$22,964. Of the bank balance, \$17,012 was covered by federal depository insurance; \$4,675 was covered by collateral held by the pledging financial institution's agent in the County's name; and \$1,277 was uninsured and uncollateralized.

Deposits held in escrow total \$5,215. They are not reflected in a risk category.

The County's nonpooled investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered in the County's name or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. The County's investment in the State Treasurer's Investment Pool represents shares of the pool's portfolio. Those shares are not identified with specific investments and are not subject to custodial credit risk.

Investment Type	Category			Reported Amount	Fair Value
	1	2	3		
U.S. Government Issues	\$ 0	\$ 0	\$ 1,460	\$ 1,460	\$ 1,460
State Treasurer's Investment Pool				136,882	136,882
Total				<u>\$ 138,342</u>	<u>\$ 138,342</u>

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

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

Basic Financial Statements:

Government-Wide Statement of Net Assets:

Cash and cash equivalents	\$ 106,732
Restricted assets:	
Cash and cash equivalents	173,090
Investments	3,173

Statement of Fiduciary Net Assets:

Investment Trust Funds	135,883
Agency Funds	36,578
Total	<u>\$ 455,456</u>

Note 3

Cash in bank and on hand	\$ 31,194
Deposits held in escrow	5,215
County Treasurer's Investment Pool	280,705
Other investments	138,342
Total	<u>\$ 455,456</u>

DISCRETELY PRESENTED COMPONENT UNITS

Metropolitan Domestic Water Improvement District (MDWID) — At June 30, 2004, MDWID's cash deposits had a carrying balance of \$1,190 and a corresponding bank balance of \$1,189. Of the bank balance \$429 was covered by federal depository insurance and the remaining amount, with the exception of operating cash accounts, was fully insured or collateralized with securities held by MDWID or its agents in MDWID's name.

The MDWID cash and cash equivalents also include \$2,417 in operating funds held by the Pima County Treasurer, which represent a portion of the Pima County Treasurer investment pool portfolio for the year ended June 30, 2004; \$4,674 deposited with the State of Arizona Treasurer; and \$1,145 in money market funds. These deposits are not subject to custodial credit risk. At June 30, 2004, MDWID's investments had a fair value of \$1,275. These investments were with federally insured agencies and were considered custodial credit risk category 1, indicating they were insured or registered in MDWID's name or the securities were held by MDWID or its agent in MDWID's name.

Marana Domestic Water Improvement District (MARANA) — At June 30, 2004, the District's cash and cash equivalents were \$243 and included cash on hand and amounts held by the Pima County Treasurer.

Southwestern Fair Commission (SFC) — At June 30, 2004, the Commission's \$1,010 of cash and cash equivalents consisted of deposits with financial institutions, of which \$710 was uninsured and uncollateralized.

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

Green Valley Domestic Water Improvement District (GVDWID) — At December 31, 2003, GVDWID's cash and cash equivalents were \$1,357 and included the bond reserve funds of \$987. The cash deposit had a carrying balance of \$370 and a corresponding bank balance of \$379. Of the bank balance, \$126 was covered by federal depository insurance and \$253 was in excess of FDIC insurance and therefore uninsured and uncollateralized.

NOTE 4: DUE FROM OTHER GOVERNMENTS

Governmental Activities:

	General	Capital Projects Fund	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Federal government:					
Grants and contributions	\$ 1,560	\$ 3,869	\$ 11,113	\$ 1	\$ 16,543
State of Arizona:					
Taxes and shared revenues	18,477		4,438		22,915
Grants and contributions		113	5,110	3	5,226
Reimbursement for services			33		33
City of Tucson:					
Reimbursement for services	1,791	281	729		2,801
Due from other governments:					
Reimbursement for services	16		160	75	251
Total due from other governments	<u>\$ 21,844</u>	<u>\$ 4,263</u>	<u>\$ 21,583</u>	<u>\$ 79</u>	<u>\$ 47,769</u>

Business-type Activities:

	Pima Health Care System	Wastewater Management	Other Business-type Activities	Total Business-type Activities
Federal Government:				
Grants and contributions	\$ 195	\$ 153		\$ 348
State of Arizona:				
Grants and contributions	3,915	286		4,201
City of Tucson				
Reimbursement for services			\$ 14	14
Due from other governments				
Reimbursement for services			3	3
Total due from other governments	<u>\$ 4,110</u>	<u>\$ 439</u>	<u>\$ 17</u>	<u>\$ 4,566</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 127,895	\$ 33,468	\$ (777)	\$ 160,586
Construction in progress	133,185	56,894	(92,509)	97,570
Total capital assets not being depreciated	<u>261,080</u>	<u>90,362</u>	<u>(93,286)</u>	<u>258,156</u>
Capital assets being depreciated:				
Buildings and improvements	271,728	53,304	(1,068)	323,964
Infrastructure	95,257	71,434	(727)	165,964
Equipment	74,308	12,372	(11,636)	75,044
Total capital assets being depreciated	<u>441,293</u>	<u>137,110</u>	<u>(13,431)</u>	<u>564,972</u>
Less accumulated depreciation for:				
Buildings and improvements	(68,384)	(27,679)	259	(95,804)
Infrastructure	(2,066)	(8,751)		(10,817)
Equipment	(41,414)	(9,203)	10,241	(40,376)
Total accumulated depreciation	<u>(111,864)</u>	<u>(45,633)</u>	<u>10,500</u>	<u>(146,997)</u>
Total capital assets being depreciated, net	<u>329,429</u>	<u>91,477</u>	<u>(2,931)</u>	<u>417,975</u>
Governmental activities capital assets, net	<u>\$ 590,509</u>	<u>\$ 181,839</u>	<u>\$ (96,217)</u>	<u>\$ 676,131</u>
	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,865	\$ 504	\$ (315)	\$ 13,054
Construction in progress	136,171	27,272	(11,022)	152,421
Total capital assets not being depreciated	<u>149,036</u>	<u>27,776</u>	<u>(11,337)</u>	<u>165,475</u>
Capital assets being depreciated:				
Buildings and improvements	258,739	9,063	(28,752)	239,050
Sewer conveyance system	399,747	23,618	(28)	423,337
Equipment	27,847	3,356	(10,111)	21,092
Total capital assets being depreciated	<u>686,333</u>	<u>36,037</u>	<u>(38,891)</u>	<u>683,479</u>
Less accumulated depreciation for:				
Buildings and improvements	(111,556)	(8,188)	21,254	(98,490)
Sewer conveyance system	(135,082)	(8,883)	245	(143,720)
Equipment	(18,340)	(2,077)	7,894	(12,523)
Total accumulated depreciation	<u>(264,978)</u>	<u>(19,148)</u>	<u>29,393</u>	<u>(254,733)</u>
Total capital assets being depreciated, net	<u>421,355</u>	<u>16,889</u>	<u>(9,498)</u>	<u>428,746</u>
Business-type activities capital assets, net	<u>\$ 570,391</u>	<u>\$ 44,665</u>	<u>\$ (20,835)</u>	<u>\$ 594,221</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

The July 1, 2003 governmental activities capital asset balance was restated to correct capitalization errors made in previous years, as explained in Note 2 to the financial statements. The increases to governmental activities capital assets include capital assets transferred from the Pima Health Care System Enterprise Fund, with a value of \$31,798 less accumulated depreciation of \$23,501, as explained in Note 15 to the financial statements.

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	3,525
Public safety		6,665
Highway and streets		5,650
Health		380
Welfare		9
Culture and recreation		3,021
Education and economic opportunity		142
Unallocated		805
Internal service funds		1,935
Total governmental activities depreciation	\$	<u>22,132</u>

Business-type activities:

Pima Health Care System	\$	1,233
Parking garages		333
Wastewater management		17,184
Development services		107
Total business-type activities depreciation	\$	<u>18,857</u>

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Discretely presented component units:				
Metropolitan Domestic Water Improvement District (MDWID):				
Capital assets not being depreciated:				
Land	\$ 950			\$ 950
Construction in progress	2,785	\$ 5,402	\$ (2,420)	5,767
Total capital assets not being depreciated	<u>3,735</u>	<u>5,402</u>	<u>(2,420)</u>	<u>6,717</u>
Capital assets being depreciated:				
Buildings and improvements	1,982	4		1,986
Water systems	40,660	3,066		43,726
Equipment	2,009	146		2,155
Total capital assets being depreciated	<u>44,651</u>	<u>3,216</u>		<u>47,867</u>
Less accumulated depreciation for:				
Buildings and improvements	(233)	(50)		(283)
Water systems	(5,958)	(1,099)		(7,057)
Equipment	(1,448)	(211)		(1,659)
Total accumulated depreciation	<u>(7,639)</u>	<u>(1,360)</u>		<u>(8,999)</u>
Total capital assets being depreciated, net	<u>37,012</u>	<u>1,856</u>		<u>38,868</u>
MDWID capital assets, net	<u>40,747</u>	<u>7,258</u>	<u>(2,420)</u>	<u>45,585</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

	Balance July 1, 2003 (as restated)	Increases	Decreases	Balance June 30, 2004
Southwestern Fair Commission (SFC):				
Capital assets being depreciated:				
Buildings and improvements	3,511	43		3,554
Equipment	1,387	99	(151)	1,335
Total capital assets being depreciated	4,898	142	(151)	4,889
Less accumulated depreciation for:				
Buildings and improvements	(1,882)	(198)		(2,080)
Equipment	(1,175)	(63)	140	(1,098)
Total accumulated depreciation	(3,057)	(261)	140	(3,178)
Total capital assets being depreciated, net	1,841	(119)	(11)	1,711
SFC capital assets, net	1,841	(119)	(11)	1,711

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Marana Domestic Water Improvement District (MARANA):				
Capital assets not being depreciated:				
Land	8	20		28
Construction in progress	369		(369)	
Total capital assets not being depreciated	377	20	(369)	28
Capital assets being depreciated:				
Buildings and improvements	2	74		76
Water systems	1,150	1,099		2,249
Equipment	21	66		87
Total capital assets being depreciated	1,173	1,239		2,412
Less accumulated depreciation for:				
Buildings and improvements		(3)		(3)
Water systems	(178)	(84)		(262)
Equipment	(6)	(4)		(10)
Total accumulated depreciation	(184)	(91)		(275)
Total capital assets being depreciated, net	989	1,148		2,137
MARANA capital assets, net	1,366	1,168	(369)	2,165

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

	<u>Balance</u> <u>Jan. 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2003</u>
Green Valley Domestic Water Improvement District (GVDWID):				
Capital assets not being depreciated:				
Land		17		17
Water supply and recharge rights		1,200		1,200
Total capital assets not being depreciated		1,217		1,217
Capital assets being depreciated:				
Buildings and improvements		132		132
Water systems		5,101		5,101
Equipment		290		290
Total capital assets being depreciated		5,523		5,523
Less accumulated depreciation for:				
Buildings and improvements		(4)		(4)
Water systems		(149)		(149)
Equipment		(14)		(14)
Total accumulated depreciation		(167)		(167)
Total capital assets, being depreciated, net		5,356		5,356
GVDWID capital assets, net		6,573		6,573
Discretely presented component units capital assets, net	\$ 43,954	\$ 14,880	\$ (2,800)	\$ 56,034

NOTE 6: CLAIMS, JUDGMENTS and RISK MANAGEMENT

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

Wastewater Management

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

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

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

Other

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; environmental claims; and natural disasters. Claims against the County are accounted for in the Self Insurance Trust Fund (the Fund), an internal service fund. Annually, an actuarial evaluation is performed to determine the County's anticipated losses except for environmental and dental losses. Environmental losses are based on reported claims and the County risk manager's knowledge and experience. 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 and dental losses are reported at their present value using an expected future investment yield assumption of four percent. The County purchases commercial insurance for claims in excess of coverage provided by the Fund and for some other risks of loss. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

All funds of the County participate in the Fund. With the exception of environmental and dental losses, payments to the Fund are based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish some reserve for catastrophic losses. That reserve was estimated to be \$500 at June 30, 2004, and is included in the Fund net assets. Payments to the Fund for environmental losses are based on historical experience, since an actuarial basis is not available. Payments for dental losses are based on claims made.

The claims liability of \$25,696 reported in the Fund at June 30, 2004, 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.

	2004	2003
Claims liability balance—beginning	\$25,954	\$ 28,112
Current year claims and changes in estimates	7,468	7,036
Claims payments	<u>(7,726)</u>	<u>(9,194)</u>
Claims liability balance—ending	<u>\$25,696</u>	<u>\$ 25,954</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(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, 2004.

	Balance July 1, 2003 (as restated)	Additions	Reductions	Balance June 30, 2004	Due within 1 year
Governmental activities:					
General obligation bonds	\$ 200,280	\$ 65,000	\$ 33,175	\$ 232,105	\$ 29,835
Plus unamortized deferred amount	401	75	28	448	33
Total general obligation bonds	<u>200,681</u>	<u>65,075</u>	<u>33,203</u>	<u>232,553</u>	<u>29,868</u>
Flood control bonds	<u>4,585</u>		<u>780</u>	<u>3,805</u>	<u>795</u>
Transportation revenue bonds	105,465		10,215	95,250	8,905
Plus unamortized deferred amount	236		25	211	25
Total transportation revenue bonds	<u>105,701</u>		<u>10,240</u>	<u>95,461</u>	<u>8,930</u>
Lease revenue bonds	495		495		
Special assessment bonds with governmental commitment	2,121		385	1,736	460
Certificates of participation payable	1,560		1,560		
Loans and Leases:					
Transportation loans payable	4,060		1,040	3,020	1,040
Capital leases payable:					
Jail capital lease	30,455	2,680	1,610	31,525	1,440
Less unamortized deferred amount		(2,680)	(191)	(2,489)	(191)
Other capital leases	594		307	287	181
Total capital leases	<u>31,049</u>		<u>1,726</u>	<u>29,323</u>	<u>1,430</u>
Total loans and leases	<u>35,109</u>		<u>2,766</u>	<u>32,343</u>	<u>2,470</u>
Reported but unpaid losses (Note 6)	13,027	5,542	7,726	10,843	2,441
Incurred but not reported losses (Note 6)	12,927	1,926		14,853	3,268
Total governmental activities long-term liabilities	<u>\$ 376,206</u>	<u>\$ 72,543</u>	<u>\$ 57,155</u>	<u>\$ 391,594</u>	<u>\$ 48,232</u>

The beginning balances of the governmental activities' General Obligation and Transportation Bonds were restated to exclude \$387 of deferred issuance costs. The deferred issuance costs are now reported as an Other Asset. This had no effect on beginning net assets.

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>	<u>Due within 1 year</u>
Business-type activities:					
Sewer revenue bonds	\$ 68,240	\$ 25,770	\$ 29,230	\$ 64,780	\$ 4,705
Less unamortized deferred amount	(5,142)	(2,401)	(2,827)	(4,716)	
Total revenue bonds payable	<u>63,098</u>	<u>23,369</u>	<u>26,403</u>	<u>60,064</u>	<u>4,705</u>
Wastewater loans payable	63,879	24,623	4,270	84,232	4,951
Less unamortized deferred amount	(328)		(37)	(291)	
Total loans payable	<u>63,551</u>	<u>24,623</u>	<u>4,233</u>	<u>83,941</u>	<u>4,951</u>
Landfill closure and post-closure care costs	15,645	377		16,022	
Contracts and notes	6,849	1,447	2,513	5,783	
Total business-type activities long-term liabilities	<u>\$ 149,143</u>	<u>\$ 49,816</u>	<u>\$ 33,149</u>	<u>\$ 165,810</u>	<u>\$ 9,656</u>
Discretely presented component units:					
MDWID revenue bonds	\$ 48,720		\$ 1,980	\$ 46,740	\$ 2,065
Less unamortized deferred amount	(557)	\$ (95)	(88)	(564)	
Total revenue bonds	<u>48,163</u>	<u>(95)</u>	<u>1,892</u>	<u>46,176</u>	<u>2,065</u>
MDWID notes payable	1,821	101	120	1,802	129
Marana Domestic WID bonds	335	62	7	390	7
Marana Domestic WID notes payable	<u>1,133</u>		<u>23</u>	<u>1,110</u>	<u>26</u>
Total	<u>1,468</u>	<u>62</u>	<u>30</u>	<u>1,500</u>	<u>33</u>
Southwestern Fair Commission notes payable	<u>637</u>		<u>103</u>	<u>534</u>	<u>104</u>
Green Valley Domestic Water Improvement District presented for period ending December 31, 2003:					
GVDWID revenue bonds		9,305		9,305	160
GVDWID notes payable		24	1	23	6
Total discretely presented component unit long-term liabilities	<u>\$ 52,089</u>	<u>\$ 9,397</u>	<u>\$ 2,146</u>	<u>\$ 59,340</u>	<u>\$ 2,497</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

GENERAL OBLIGATION BONDS OUTSTANDING

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

General obligation bonds payable at June 30, 2004, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$2,919 from the November 2, 1982 bond election, \$40,591 from the May 20, 1997, and \$541,200 from the May 18, 2004 bond election remain unissued. The table below presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Series of 1998	\$ 42,420	4.40 – 5.00%	2005-13	\$ 25,465
Series of 1999	50,000	5.00 – 5.125%	2005-10	31,115
Series of 2000	50,000	4.00 – 5.00%	2005-14	38,000
2001 Refunding	17,835	4.00 – 5.00%	2005-09	13,175
Series of 2002	20,000	3.50 – 4.50%	2005-16	13,000
Series of 2003	50,000	3.25 – 4.25%	2005-17	46,350
Series of 2004	65,000	3.00 – 5.00%	2005-19	65,000
G.O. bonds outstanding				232,105
Plus unamortized deferred amount:				448
Total G.O. bonds outstanding				<u>\$ 232,553</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 29,835	\$ 10,524
2006	29,785	9,001
2007	25,825	7,612
2008	21,955	6,417
2009	17,075	5,416
2010-2014	70,110	16,350
2015-2019	<u>37,520</u>	<u>3,738</u>
Total	<u>\$ 232,105</u>	<u>\$ 59,058</u>

REFUNDED GENERAL OBLIGATION BONDS

In 2004, the County defeased \$5,785 of General Obligation Bonds, Series 1999, by issuing \$6,880 of short-term General Obligation Bonds that had 6-month maturities and an interest rate of 3.375%. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements. Also, the refunding bond debt is not included in the County's financial statements because as of June 30, 2004, the County had transferred cash to its paying agent to pay off the bonds. This refunding transaction resulted in an economic gain of \$690, and a reduction in debt service payments of \$1,247. Refunded amounts at June 30, 2004 were as follows:

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

<u>Issue</u>	<u>Outstanding June 30, 2004</u>
Series of 1999	<u>\$ 5,785</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, 2004, the following outstanding bonds were considered defeased:

<u>Issue</u>	<u>Outstanding June 30, 2004</u>
1979 General Obligation Refunding Bonds	<u>\$ 7,425</u>

FLOOD CONTROL REFUNDING BONDS OUTSTANDING

Governmental Activities

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

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

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
2001 Refunding	\$ 4,585	4.00 - 4.20%	2005-09	<u>\$ 3,805</u>

The following schedule details flood control bond debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 795	\$ 154
2006	780	123
2007	760	91
2008	745	61
2009	<u>725</u>	<u>31</u>
Total	<u>\$ 3,805</u>	<u>\$ 460</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

TRANSPORTATION BONDS

Governmental Activities

(Payments made from street and highway revenues)

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

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Series of 1998	\$ 40,000	4.50%	2005-08	\$ 16,000
Series of 2002	55,000	4.00 - 4.50%	2005-12	45,750
Series of 2003	35,000	3.375-4.38%	2005-18	<u>33,500</u>
Transportation bonds outstanding				95,250
Plus unamortized deferred amount:				<u>211</u>
Total transportation bonds outstanding				<u>\$ 95,461</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 8,905	\$ 3,965
2006	10,710	3,589
2007	11,435	3,140
2008	11,745	2,636
2009	8,075	2,160
2010-2014	31,895	5,869
2015-2019	<u>12,485</u>	<u>1,367</u>
Total	<u>\$ 95,250</u>	<u>\$ 22,726</u>

TRANSPORTATION LOANS PAYABLE

Governmental Activities

During the fiscal year ended June 30, 2002, Pima County Transportation Department entered into loan agreements to provide funds for the construction and improvement of certain highways and streets. Interest is payable 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, 2004</u>
2002 HELP Loan – Ajo	\$ 3,700	3.23%	2005-07	\$ 2,220
2002 HELP Loan – Shannon	1,400	3.23%	2005-07	<u>800</u>
Total transportation loans payable				<u>\$ 3,020</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

The following schedule details transportation loans debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,040	\$ 89
2006	1,040	55
2007	940	23
Total	<u>\$ 3,020</u>	<u>\$ 167</u>

LEASE REVENUE BONDS

Governmental Activities

(Payments made from revenues received in the
Governmental Funds)

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

In December 2003, Pima County called the remaining \$495 of outstanding bonds for redemption prior to their maturity date, at 101% of par value. The County realized an economic gain of \$44 by calling the bonds early.

SPECIAL ASSESSMENT BONDS OUTSTANDING

Governmental Activities

(Payments made from assessments received
in the Debt Service Fund and the Transportation Fund)

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

<u>Improvement District</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Country Club Estates	\$ 2,745	7.200%	2005	\$ 275
C.C. Estates 2nd Issue	30	7.200%	2005	3
La Cholla Boulevard	1,821	6.500%	2005-12	<u>1,458</u>
Total special assessment bonds outstanding				<u>\$ 1,736</u>

The following schedule details special assessment bond debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 460	\$ 99
2006	182	77
2007	182	65
2008	182	53
2009	182	41
2010-2012	<u>548</u>	<u>54</u>
Total	<u>\$ 1,736</u>	<u>\$ 389</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

REFUNDING CERTIFICATES OF PARTICIPATION OUTSTANDING

Governmental Activities

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

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

The final payment on the debt in the amount of \$1,560 principal, and \$41 interest was processed on June 30, 2004.

CAPITAL LEASES

Governmental Activities

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

On October 1, 2003, the County amended the jail capital lease to extend the lease term to 2018, with a range of interest rates from 2.00% - 5.00%. This amendment also increased the County's obligation under the lease agreement by \$2,680. This amount was deferred and is being amortized over the amended lease term.

The County has also entered into capital leases for election and other equipment. The outstanding balance as of June 30, 2004, for these leases totaled \$287.

The net book value of assets acquired through capital leases consists of \$21,485 of buildings and \$265 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2004.

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>
2005	\$ 1,440	\$ 1,324	\$ 181	\$ 8
2006	1,750	1,292	85	3
2007	1,785	1,230	21	1
2008	1,870	1,139		
2009	1,965	1,063		
2010-2014	11,645	3,793		
2015-2018	11,070	935		
Total	<u>\$31,525</u>	<u>\$10,776</u>	<u>\$ 287</u>	<u>\$ 12</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

SEWER REVENUE BONDS

Business-type Activities

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

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's wastewater management system. Of the total amount originally authorized, \$5,895 from the May 20, 1997, and \$150,000 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, 2004</u>
Series of 1993	\$ 6,000	6.50%	2005	\$ 315
Series of 1998	29,185	4.00 - 5.50%	2005-15	21,575
2001 Refunding	19,440	4.00 - 5.40%	2005-15	17,120
2004 Refunding	25,770	2.00 - 5.50%	2005-15	<u>25,770</u>
Sewer revenue bonds outstanding				64,780
Less unamortized deferred amount:				<u>(4,716)</u>
Total sewer revenue bonds outstanding				<u>\$ 60,064</u>

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,705	\$ 2,953
2006	4,550	2,760
2007	5,570	2,573
2008	5,800	2,340
2009	6,025	2,098
2010-2014	30,060	6,473
2015-2019	<u>8,070</u>	<u>383</u>
Total	<u>\$64,780</u>	<u>\$19,580</u>

REFUNDED SEWER REVENUE BONDS OUTSTANDING

In May 2004, the County defeased certain sewer revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding resulted in an economic gain of \$657 and a reduction in debt service payments of \$164.

The cash and investments held in the irrevocable trusts at June 30, 2004, amounted to \$26,603. Refunded amounts outstanding as of June 30, 2004 were as follows:

<u>Issue</u>	<u>Outstanding June 30, 2004</u>
Series of 1994 A	<u>\$25,520</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

LOANS PAYABLE

Business-type Activities

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

Wastewater Management (WWM) entered into loan agreements (1996, 1997, 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. For the 2004 loan payable, principal payments to maturity are subject to change based upon the total amounts drawn down. As of June 30, 2004, WWM has drawn down \$17,452 of the available \$18,015 from the 2004 loan amount.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
1996 Loan Payable	\$11,313	3.19%	2005-12	\$10,616
1997 Loan Payable	7,500	2.95%	2005-11	4,222
2000 Loan Payable	61,180	2.20%	2005-16	51,942
2004 Loan Payable	17,452	1.81%	2005-24	<u>17,452</u>
Loans payable				84,232
Less unamortized deferred amount				<u>(291)</u>
Total loans payable				<u>\$83,941</u>

The following schedule details loans payable debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,951	\$ 3,037
2006	5,503	2,856
2007	5,641	2,654
2008	5,871	2,450
2009	6,230	2,237
2010-2014	34,259	7,398
2015-2019	16,237	2,061
2020-2024	<u>5,540</u>	<u>526</u>
Total	<u>\$84,232</u>	<u>\$23,219</u>

CONTRACTS AND NOTES

Business-type Activities

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

Contracts and notes consist of contract retentions for several construction projects. Generally, interest is not accrued and the timing of payments is based on completion of the related construction projects.

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

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

<u>Description</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Series of 1999	\$27,985	3.7- 4.875%	2005-2019	\$23,025
Series of 2002	24,855	2.9-5.25%	2005-2022	<u>23,715</u>
Water revenue and refunding bonds				46,740
Less unamortized amounts				<u>(564)</u>
Total water revenue and refunding bonds				<u>\$46,176</u>

The following schedule details MDWID water revenue and refunding debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,065	\$ 2,135
2006	2,150	2,047
2007	2,240	1,958
2008	2,335	1,864
2009	2,435	1,763
2010-2014	14,040	7,148
2015-2019	18,645	3,343
2020-2024	<u>2,830</u>	<u>318</u>
Total	<u>\$46,740</u>	<u>\$20,576</u>

ADVANCED REFUNDINGS OF WATER REVENUE BONDS

In prior years, the District defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for these defeased bonds are not included in the County's financial statements. At June 30, 2004, the following outstanding bonds were considered defeased:

<u>Issue</u>	<u>Outstanding June 30, 2004</u>
1992 Water Revenue Bonds	\$ 14,105
1998 Water Revenue Bonds	5,390

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

NOTES PAYABLE

Component Unit - Metropolitan Domestic Water Improvement District (MDWID)
(Payments made from user charges)

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

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Credit company	6.00%	July 2004 - June 2019	\$1,690
Credit company	6.60%	July 2004 - May 2005	4
Credit company	6.25%	July 2004 - July 2005	5
Credit company	6.25%	July 2004 - July 2005	7
Credit company	6.40%	July 2004 - July 2005	10
Credit company	5.70%	July 2004 - July 2006	19
Credit company	5.20%	July 2004 - April 2007	67
Total			<u>\$1,802</u>

The following schedule details MDWID's notes payable debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$129	\$104
2006	111	98
2007	101	91
2008	86	86
2009	92	80
2010-2014	550	391
2015-2019	<u>733</u>	<u>119</u>
Total	<u>\$1,802</u>	<u>\$969</u>

BONDS PAYABLE

Component Unit - Marana Domestic Water Improvement District (MARANA)

On February 19, 2003, Rural Utility Services entered into a bond agreement with the Marana Domestic Water Improvement District, Inc., in the amount of \$397. The bond is payable commencing January 1, 2004, in annual installments of \$25, including interest at 4.625% through January 1, 2032. At June 30, 2004 the outstanding balance of the bonds payable was \$390.

The following schedule details bond debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 7	\$ 18
2006	7	18
2007	8	17
2008	8	17
2009	8	17
2010-2014	49	77
2015-2019	61	65
2020-2024	77	49
2025-2029	96	30
2030-2032	<u>69</u>	<u>6</u>
Total	<u>\$390</u>	<u>\$314</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

LOAN PAYABLE

Component Unit - Marana Domestic Water Improvement District (MARANA)

On February 22, 2002, the Water Infrastructure Finance Authority of Arizona (WIFA), entered into a loan agreement under the Drinking Water Revolving Fund Loan program with the Marana Domestic Water Improvement District, Inc., in the amount of \$1,156. The loan is payable in monthly installments, commencing September 1, 2002, in the amount of \$6, including interest at 2.918% through February 2032. At June 30, 2004 the outstanding balance was \$1,110.

The following schedule details notes payable debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 27	\$ 32
2006	27	31
2007	28	30
2008	29	31
2009	26	28
2010-2014	139	159
2015-2019	153	117
2020-2024	223	87
2025-2029	266	47
2030-2032	192	5
Total	<u>\$1,110</u>	<u>\$567</u>

NOTES PAYABLE

Component Unit - Southwestern Fair Commission (SFC)

(Payments made from user charges)

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

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Pima County	None	Annual installments until June 2007	\$150

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

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding June 30, 2004</u>
Bank	Prime with 4% floor	Monthly installments until July 2008	\$293
Bank	Wall Street Journal interest rate	Monthly installments until July 2008	91
Total			<u>\$384</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

The following schedule details Southwestern Fair Commission's notes payable debt service requirements to maturity at June 30, 2004.

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>
2005	\$104	\$18
2006	104	15
2007	104	12
2008	54	10
2009	<u>168</u>	<u>0</u>
Total	<u>\$534</u>	<u>\$55</u>

LEASE REVENUE BONDS AND NOTES PAYABLE OUTSTANDING
Component Unit – Green Valley Domestic Water Improvement District (GVDWID)
(Payments made from lease payments and water revenues)

The Green Valley Domestic Water Improvement District (GVDWID) of Pima County, Arizona was formed on December 17, 2002 by the Pima County Board of Supervisors for the purpose of purchasing and operating a water system, with a fiscal year ending December 31 each year.

On February 21, 2003, the GVDWID Board of Directors formed the Green Valley Municipal Property Corporation, for the sole purpose of assisting the district in financing the acquisition of substantially all of the operating assets of Green Valley Water Company.

On May 21, 2003, Green Valley Municipal Property Corporation, an Arizona nonprofit corporation, acquired substantially all of the operating assets of Green Valley Water Company for lease to Green Valley Domestic Water Improvement District (GVDWID), an Arizona tax levying improvement district. The purchase was financed through lease revenue bonds issued May 1, 2003, in the amount of \$ 9,305.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding December 31, 2003</u>
Series of 2003	\$ 9,305	2.50-5.25%	2004-33	<u>\$ 9,305</u>
Lease revenue bonds outstanding				<u>\$ 9,305</u>

The following schedule details bonds debt service requirements to maturity at December 31, 2003.

<u>Year Ending December 31.</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 160	\$ 526
2005	165	446
2006	170	442
2007	170	438
2008	180	433
2009 – 2013	990	2,066
2014 – 2018	1,230	1,824
2019 – 2023	1,580	1,474
2024 – 2028	2,030	1,021
2029 – 2033	<u>2,630</u>	<u>428</u>
Total	<u>\$9,305</u>	<u>\$9,098</u>

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

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

<u>Description</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Outstanding December 31, 2003</u>
Credit company	7.49%	Monthly installments until September 2007	<u>\$23</u>
Total			<u>\$23</u>

The following schedule details notes payable debt service requirements to maturity at December 31, 2003.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$6	\$1
2005	6	1
2006	6	1
2007	<u>5</u>	<u>0</u>
Total	<u>\$23</u>	<u>\$3</u>

LEGAL DEBT MARGIN

COUNTY GENERAL OBLIGATION BONDS

General obligation debt may not exceed six percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to 15 percent of the value of taxable property. The legal debt margin at June 30, 2004, is as follows:

Net assessed valuation:		\$5,221,271
<u>Debt Limit (15% of net assessed valuation):</u>		783,191
<u>Amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$232,105	
Less net assets in debt service fund available for payment of general obligation bond principal	<u>(2,648)</u>	<u>(229,457)</u>
Legal debt margin available		<u>\$ 553,734</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

FLOOD CONTROL GENERAL OBLIGATION BONDS

Flood Control general obligation debt may not exceed five percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2004, is as follows:

Net assessed valuation:	\$4,511,100
<u>Debt Limit (5% of net assessed valuation):</u>	225,555
<u>Amount of debt applicable to debt limit:</u>	
Flood Control general obligation bonds outstanding	\$3,805
Less net assets in debt service fund available for payment of flood control bond principal	<u>(26)</u> <u>(3,779)</u>
Legal debt margin available	<u>\$ 221,776</u>

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, 2004, the County had an outstanding balance of \$0. Advances on the line of credit are payable on demand. The credit line is secured by the County's general taxing authority.

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending Balance</u>
Line of credit	\$0	\$55,800	\$55,800	\$0

NOTE 9: LANDFILL LIABILITIES

SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS:

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and postclosure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$16,022 reported as landfill closure and postclosure care liability in the Wastewater Management Enterprise Fund represents the cumulative amount reported to date based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and postclosure care of \$5,515 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and postclosure care in the fiscal year ended June 30, 2004; actual costs may change due to inflation, changes in technology, or changes in regulations.

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

<u>Landfill Site</u>	<u>Capacity Used June 30, 2004</u>	<u>Estimated Year of Closure</u>
Ajo	99%	2005
Sahuarita *	41%	2019
Tangerine	88%	2006

*The Sahuarita Landfill was increased from 2,069,819 cu. yd. at June 30, 2003 to 5,130,192 cu. yd. at June 30, 2004. Concurrently, the estimated year of closure was adjusted to 2019.

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

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, postclosure, and corrective action when needed. The County is in compliance with these requirements.

NOTE 10: RETIREMENT PLANS

Plan Descriptions

The County contributes to the Arizona State Retirement System (**ASRS**), the Corrections Officer Retirement Plan (**CORP**), the Public Safety Personnel Retirement System (**PSPRS**), consisting of Pima County Sheriffs and Pima County - County Attorney Investigators, and the Elected Officials Retirement Plan (**EORP**). The **EORP** and the **PSPRS** - Pima County, County Attorney Investigators, are not described due to their relative insignificance to the County's financial statements. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The **ASRS** administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the County. The **ASRS** is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The **PSPRS** is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The **PSPRS**, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 199 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The **CORP** is an agent multiple-employer defined benefit pension plan that covers certain employees of the State of Arizona, Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and 19 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

PIMA COUNTY

Notes to Financial Statements June 30, 2004 (in thousands)

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

ASRS

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

PSPRS and CORP

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

Funding Policy

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

Cost-sharing plans For the year ended June 30, 2004, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 5.70 percent (5.2 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The County's contributions to **ASRS** for the years ended June 30, 2004, 2003, and 2002 were \$13,231, \$6,307 and \$6,351 respectively, which were equal to the required contributions for the year.

Agent plans For the year ended June 30, 2004, 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 7.71 percent. As allowed by statute, the County contributed 3.65 percent of the members' required contribution, with the members contributing 4.00 percent. Active **CORP** members were required by statute to contribute 8.50 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 4.38 percent.

Annual Pension Cost: The County's pension cost for the two agent plans for the year ended June 30, 2004, and related information follow:

	<u>PSPRS</u>	<u>CORP</u>
Contribution rates:		
County	11.36%	4.38%
Plan members	4.00%	8.50%
Annual pension cost	\$ 2,694	\$ 632
Contributions made	\$ 2,694	\$ 632
Actuarial valuation date	June 30, 2002	June 30, 2002
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	9.00%	9.00%
Projected salary increases	6.50% - 9.50%	5.50% - 9.50%
includes inflation at	5.50%	5.50%
Amortization method	Level percent open	Level percent open
Remaining amortization period	20 years	20 years
Asset valuation method	smoothed market	smoothed market

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

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

Contributions Required and Contributions Made

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS	2004	\$ 2,694	100%	\$ -
	2003	1,463	100%	-
	2002	1,319	100%	-
CORP	2004	\$ 632	100%	\$ -
	2003	296	100%	-
	2002	274	100%	-

NOTE 11: SEGMENT INFORMATION

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

Condensed Statement of Net Assets

	Wastewater Management Liquid Waste
Assets:	
Current assets	\$ 11,199
Due from other funds	81
Restricted assets	9,626
Capital assets, net	574,205
Other non-current assets	945
Total Assets	<u>596,056</u>
Liabilities:	
Current liabilities	21,538
Due to other funds	108
Non-current liabilities	140,132
Total Liabilities	<u>161,778</u>
Net Assets:	
Invested in capital assets (net of related debt)	431,145
Restricted	4,283
Unrestricted	(1,150)
Total Net Assets	<u>\$ 434,278</u>

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

Condensed Statement of Revenues, Expenses and Change in Net Assets

	Wastewater Management Liquid Waste
Operating revenues/(expenses):	
Charges for services	\$ 48,989
Depreciation expense	(16,737)
Other operating expenses	(44,704)
Operating loss	(12,452)
Non-operating revenues/(expenses):	
Sewer connection revenue	29,404
Other non-operating revenue	592
Interest expense	(4,456)
Gain on disposal of fixed assets	150
Other non-operating expense	(91)
Capital contributions	22,214
Transfers in from other county funds	49
Transfers out to other county funds	(1,027)
Change in net assets	34,383
Beginning net assets	399,895
Ending net assets	\$ 434,278

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 4,503
Non-capital financing activities	(12,489)
Capital and related financing activities	11,492
Investing activities	228
Net increase	3,734
Beginning cash and cash equivalents	7,905
Ending cash and cash equivalents	\$ 11,639

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

NOTE 12: INTERFUND TRANSACTIONS

A. Interfund Assets/Liabilities

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

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Pima Health Care System	\$ 97
Total General Fund interfund receivable		<u>\$ 97</u>

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

		The following funds recorded amounts as due to:						
		<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Pima Health Care System</u>	<u>Wastewater Management</u>	<u>Other Enterprise</u>	<u>Internal Service</u>
The following funds recorded amounts as due from:	General		25	6,707	6,145	42	5	6
	Capital Projects	1,893		45		82		
	Other Governmental	865	372	9		1	296	1
	Pima Health Care System							
	Wastewater Management	2		1			49	29
	Other Enterprise	93						
	Internal Service	15		1				
	Total	2,868	397	6,763	6,145	125	350	36

B. Transfers

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

		The following funds recorded amounts as transfers out:						
		<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Pima Health Care System</u>	<u>Wastewater Management</u>	<u>Other Enterprise</u>	<u>Internal Service</u>
The following funds recorded amounts as transfers in:	General			2,918	8,807			37
	Capital Projects	7,514		16,497		1,024		
	Other Governmental	12,882	1,461	17,180			241	22
	Pima Health Care System	31,100						
	Wastewater Management						49	
	Other Enterprise							
	Internal Service	243		121		5	13	7
	Total	51,739	1,461	36,716	8,807	1,029	303	66
Transfers out of capital assets:					8,297			577
Total:		51,739	1,461	36,716	17,104	1,029	303	643

In the fund financial statements, total transfers in of \$100,121 are less than total transfers out of \$108,995 because of the following. First, Pima Health Care System and the Internal Service funds reported capital assets transfers out of

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

\$8,297 and \$113, respectively. No amounts were reported in the governmental funds because the amounts did not involve financial resources. Second, the Internal Service funds reported capital asset transfers out of \$464. This amount was reported as a capital contribution in the Wastewater Management fund.

The government-wide financial statements include transfers between governmental and business-type activities that are reported above, as well as \$19 general capital asset transfer into the Pima Health Care System. This amount is reported as a capital contribution in the Pima Health Care System.

NOTE 13: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

At June 30, 2004, Pima County had the following major contractual commitments related to Transportation Projects, Flood Control Projects, General Government Projects and Wastewater Management Projects.

Transportation Projects

At June 30, 2004, the Pima County Transportation Department had contractual commitments of \$112,919. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary sources of revenue for the Transportation Department.

Flood Control Projects

At June 30, 2004, the Pima County Flood Control District had contractual commitments of \$13,688. Funding for these expenditures will be primarily provided from general obligation bonds and the Flood Control District's tax levy of property within Pima County, the primary sources of revenue for the Flood Control District.

General Government Projects

At June 30, 2004, Pima County had contractual commitments related to various Facilities Management Projects of \$12,758 and Parks and Recreation Projects of \$60,010. Funding for these expenditures will be primarily provided from general obligation bonds.

Wastewater Management Projects

At June 30, 2004, the Wastewater Management Enterprise Fund had commitments under construction contracts that totaled \$ 27,746.

The County enters into operating leases for various equipment and office space. These leases are entered into with the provision that they may be canceled at the end of each fiscal year if future funding is not provided. Accordingly, these leases totaled \$3,449 for the year ended June 30, 2004.

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

The Stadium District Special Revenue Fund (a nonmajor governmental fund) had a deficit fund balance at June 30, 2004, of \$3,225. Management plans to eliminate the deficit by transferring cash from the General Fund and operating the Baseball Complex profitably in the future.

PIMA COUNTY

Notes to Financial Statements
June 30, 2004
(in thousands)

NOTE 15: SIGNIFICANT EVENT

Pima County operated Kino Community Hospital, which was reported within the Pima Health Care System Enterprise Fund through June 15, 2004. On June 15, 2004, the Pima County Board of Supervisors entered into a contract with University Physicians Incorporated (UPI). This contract, effective June 16, 2004, contained an operating lease of Kino Community Hospital's buildings, improvements and land to UPI for 25 years for ten dollars per year. UPI may terminate the lease after 5 years, subject to certain conditions. Administrative control of the leased assets was transferred to the capital assets of the general governmental activities. In addition, the County will pay UPI an annual service fee during the first ten years of the contract to support the continued operations of the Hospital. The service fee will be subject to maximum amounts defined within the agreement. The maximum service fee for fiscal year ending June 30, 2005 is \$25.8 million. The maximum service fee for all ten years combined is \$127 million.

The net assets transferred to Pima County's general government were as follows:

Current assets	\$	12,041
Capital assets (net of accumulated depreciation of \$23,501)		8,297
Current liabilities		(6,734)
Net assets transferred	\$	<u>13,604</u>

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Required Supplementary Information

Other Than MD&A

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

For the Year Ended June 30, 2004
(in thousands)

	Original Budget	Final Amended Budget	Actual	Variance Over/(Under)
Revenues:				
Taxes	\$ 210,153	\$ 210,153	\$ 209,672	\$ (481)
Licenses and permits	2,009	2,009	2,166	157
Intergovernmental	111,235	111,235	120,058	8,823
Charges for services	22,144	22,144	24,133	1,989
Fines and forfeits	3,624	3,624	4,023	399
Interest	1,035	1,035	530	(505)
Miscellaneous	2,362	2,362	2,132	(230)
Total revenues	<u>352,562</u>	<u>352,562</u>	<u>362,714</u>	<u>10,152</u>
Expenditures:				
Assessor	6,917	6,917	6,681	236
Board of Supervisors	1,396	1,396	1,349	47
Clerk of Superior Court	8,608	8,608	8,654	(46)
Community Resources	22,512	22,512	22,591	(79)
Constables	536	536	581	(45)
County Administration	35,187	34,094	30,387	3,707
County Attorney	15,167	15,363	15,364	(1)
Justice Courts	5,484	5,484	5,267	217
Juvenile Court	20,536	20,536	20,481	55
Justice & Law Enforcement	20,527	20,779	22,066	(1,287)
Dept. of Institutional Health	73,972	73,972	65,525	8,447
Medical Examiner	1,885	1,885	2,062	(177)
Facilities Management	10,389	10,389	10,355	34
Recorder	1,723	1,723	1,892	(169)
Sheriff	76,458	77,103	79,758	(2,655)
Superior Court	23,445	23,445	23,355	90
Superior Court Mandated Services	1,575	1,575	1,521	54
Supt. of Schools	1,134	1,134	1,110	24
Treasurer	2,080	2,080	1,949	131
Debt Service - principal	1,043	1,043	1,610	(567)
- interest	1,514	1,514	1,030	484
- miscellaneous	6	6	3	3
Total expenditures	<u>332,094</u>	<u>332,094</u>	<u>323,591</u>	<u>8,503</u>
Excess of revenues over expenditures	20,468	20,468	39,123	18,655
Other financing sources (uses):				
Proceeds from sale of fixed assets			2	2
Transfers in	7,750	7,750	11,762	4,012
Transfers (out)	(40,321)	(40,321)	(51,739)	(11,418)
Total other financing uses	<u>(32,571)</u>	<u>(32,571)</u>	<u>(39,975)</u>	<u>(7,404)</u>
Net change in Fund Balance	(12,103)	(12,103)	(852)	11,251
Fund balance at beginning of year	25,503	25,503	33,548	8,045
Fund balance at end of year	<u>\$ 13,400</u>	<u>\$ 13,400</u>	<u>\$ 32,696</u>	<u>\$ 19,296</u>

See Notes to this schedule on the following page

PIMA COUNTY

Required Supplementary Information

Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance –Budget and Actual –General Fund
June 30, 2004
(in thousands)

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

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

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

NOTE 2: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2004, expenditures exceeded appropriations in the following General Fund departments (the legal level of budgetary control) by the following amounts: Sheriff, \$2,655; Justice & Law Enforcement, \$1,287; Medical Examiner, \$177; Recorder, \$169; Community Resources, \$79; Debt Service, \$80; Clerk of Superior Court, \$46; Constables, \$45 and County Attorney, \$1. These overexpenditures were funded by greater than anticipated revenues.

PIMA COUNTY
SCHEDULE OF AGENT RETIREMENT PLANS' FUNDING PROGRESS

Exhibit B-2

June 30, 2004
(in thousands)

Plan	Year Ended June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability (Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
PSPRS	2004	\$ 132,797	\$ 145,427	\$ 12,630	91.3%	\$ 23,493	53.8%
	2003	135,555	133,541	(2,014)	101.5%	23,834	0.0%
	2002	135,706	120,044	(15,662)	113.0%	23,272	0.0%
CORP	2004	\$ 39,537	\$ 41,741	\$ 2,204	94.7%	\$ 15,401	14.3%
	2003	38,297	37,800	(497)	101.3%	14,636	0.0%
	2002	36,932	32,704	(4,228)	112.9%	13,937	0.0%

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Combining Statements and Other Schedules –

Other (Non-Major) Governmental Funds

OTHER GOVERNMENTAL FUNDS (Non-Major)

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

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

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

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

Other Special Revenue Fund - to account for resources specifically identified to be expended for the various other programs of the County. These include various probation programs, consumer protection programs, family support, antiracketeering programs, law library, etc. Revenues are provided by fines, intergovernmental revenues, fees and forfeitures, and charges for services.

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

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

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

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

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

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

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

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PIMA COUNTY

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

(in thousands)

	Special Revenue Funds					
	Transportation	Health and Animal Control	Flood Control District	Employment and Training	Other	Library District
<u>Assets</u>						
Cash and cash equivalents	\$ 14,155	\$ 1,161	\$ 2,502		\$ 26,642	\$ 10,420
Property taxes receivable (net of allowances for uncollectables)			503			355
Interest receivable	28		8		32	16
Due from other funds	431	1	412	\$ 141	48	13
Due from other governments	8,254	3,057	450	2,764	476	
Accounts receivable	753	35		87	238	
Inventory	1,749	170			35	
Prepaid expenditures	65	65	15	294	50	5
Total assets	<u>\$ 25,435</u>	<u>\$ 4,489</u>	<u>\$ 3,890</u>	<u>\$ 3,286</u>	<u>\$ 27,521</u>	<u>\$ 10,809</u>
<u>Liabilities and fund balances</u>						
Liabilities:						
Accounts payable	\$ 1,368	\$ 1,394	\$ 414	\$ 1,407	\$ 784	\$ 130
Interest payable					1	
Contract retentions					32	
Employee compensation	1,137	908	166	253	258	4
Due to other funds	135	10	53	766	308	
Due to other governments	3,204	91		15	48	9,308
Deposits and rebates	14					
Deferred revenues	3,189		420		827	303
Total liabilities	<u>9,047</u>	<u>2,403</u>	<u>1,053</u>	<u>2,441</u>	<u>2,258</u>	<u>9,745</u>
Fund balances:						
Reserved for inventory	1,749	170			35	
Reserved for prepaid expenditures	65	65	15	294	50	5
Reserved for debt service						
Reserved for capital repairs and refurbishments						
Reserved for specified programs						
Unreserved:						
Designated for payment of debt						
Undesignated	<u>14,574</u>	<u>1,851</u>	<u>2,822</u>	<u>551</u>	<u>25,178</u>	<u>1,059</u>
Total fund balances	<u>16,388</u>	<u>2,086</u>	<u>2,837</u>	<u>845</u>	<u>25,263</u>	<u>1,064</u>
Total liabilities and fund balances	<u>\$ 25,435</u>	<u>\$ 4,489</u>	<u>\$ 3,890</u>	<u>\$ 3,286</u>	<u>\$ 27,521</u>	<u>\$ 10,809</u>

Special Revenue Funds				Debt Service Fund	Total Other Governmental Funds
Stadium District	Other Grants	School Reserve	Environmental Quality		
\$ 1,879	\$ 251	\$ 1,264	\$ 1,249	\$ 4,069	\$ 63,592
	3		1	1,365	2,223
249	198			46	134
338	5,657	214	373	51	1,544
12	28		32		21,583
					1,185
					1,954
1	79	13			587
<u>\$ 2,479</u>	<u>\$ 6,216</u>	<u>\$ 1,491</u>	<u>\$ 1,655</u>	<u>\$ 5,531</u>	<u>\$ 92,802</u>
\$ 185	\$ 3,135	\$ 104	\$ 105		\$ 9,026
1	1			\$ 182	185
					32
5	1,189		152		4,072
5,300	188		3		6,763
	28				12,694
					14
213	884	6	101	1,147	7,090
<u>5,704</u>	<u>5,425</u>	<u>110</u>	<u>361</u>	<u>1,329</u>	<u>39,876</u>
					1,954
1	79	13			587
				4,202	4,202
75					75
			783		783
1,879					1,879
<u>(5,180)</u>	<u>712</u>	<u>1,368</u>	<u>511</u>		<u>43,446</u>
<u>(3,225)</u>	<u>791</u>	<u>1,381</u>	<u>1,294</u>	<u>4,202</u>	<u>52,926</u>
<u>\$ 2,479</u>	<u>\$ 6,216</u>	<u>\$ 1,491</u>	<u>\$ 1,655</u>	<u>\$ 5,531</u>	<u>\$ 92,802</u>

PIMA COUNTY

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

For the Year Ended June 30, 2004
(in thousands)

	Special Revenue Funds					
	Transportation	Health and Animal Control	Flood Control District	Employment and Training	Other	Library District
Revenues:						
Taxes			\$ 15,984			\$ 11,073
Special assessments	\$ 283					
Licenses and permits	296	\$ 2,102				
Intergovernmental	53,345	11,739	547	\$ 16,660	\$ 3,621	6
Charges for services	618	2,087			6,284	
Fines and forfeits		191			777	
Interest	326	1	71		326	74
Miscellaneous	909	111	30	129	6,377	
Total revenues	55,777	16,231	16,632	16,789	17,385	11,153
Expenditures:						
Current:						
General government	7,412				7,268	
Public safety			7,283		6,105	
Highways and streets	29,170					
Health		23,316			102	
Welfare					106	
Culture and recreation					2	10,787
Education and economic opportunity				17,414		
Debt service - principal	182				200	
- interest	101				11	
- miscellaneous					3	
Total expenditures	36,865	23,316	7,283	17,414	13,797	10,787
Excess (deficiency) of revenues over (under) expenditures	18,912	(7,085)	9,349	(625)	3,588	366
Other financing sources (uses):						
Proceeds - sale of refunding bonds					1	
Proceeds from sale of capital assets	403					
Premium on bonds						
Payments to bond escrow agent						
Transfers in	183	6,912	185	290	899	10
Transfers (out)	(22,979)	(28)	(9,323)		(1,460)	(100)
Total other financing sources (uses)	(22,393)	6,884	(9,138)	290	(560)	(90)
Net change in fund balances	(3,481)	(201)	211	(335)	3,028	276
Fund balance at beginning of year	20,233	2,302	2,626	1,180	22,235	788
Change in reserve for inventory	(364)	(15)				
Change in reserve for prepaid expenditures						
Fund balance at end of year	\$ 16,388	\$ 2,086	\$ 2,837	\$ 845	\$ 25,263	\$ 1,064

Special Revenue Funds						Total Other Governmental Funds
Stadium District	Other Grants	School Reserve	Environmental Quality	Municipal Property Corporation	Debt Service Fund	
					\$ 42,798	\$ 69,855
					222	505
			\$ 2,002			4,400
\$ 1,702	\$ 44,773	\$ 2,302	1,595		22	136,312
828			18			9,835
			19			987
	19		12		300	1,129
133	432		17		6	8,144
2,663	45,224	2,302	3,663		43,348	231,167
	4,884					19,564
	32,237					45,625
			4,006			29,170
						27,424
1,630	274					106
	6,745	2,409				12,693
	35				46,998	26,568
	7				13,702	47,415
				\$ 27	128	13,821
1,630	44,182	2,409	4,006	27	60,828	158
1,033	1,042	(107)	(343)	(27)	(17,480)	222,544
						8,623
					6,880	6,880
					148	404
4,340	77		355		(6,846)	148
(2,562)	(71)		(9)	(71)	18,535	(6,846)
					(113)	31,786
1,778	6		346	(71)	18,604	(36,716)
						(4,344)
2,811	1,048	(107)	3	(98)	1,124	4,279
(6,036)	(257)	1,475	1,291	98	3,078	49,013
						(379)
		13				13
\$ (3,225)	\$ 791	\$ 1,381	\$ 1,294		\$ 4,202	\$ 52,926

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Combining Statements and Other Schedules

Budget to Actual –
Other Governmental Funds

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 19,039	\$ 16,855	\$ (2,184)
Charges for services	3,140	9,537	6,397
Interest	6,000	997	(5,003)
Miscellaneous	1,308	1,642	334
Total revenues	<u>29,487</u>	<u>29,031</u>	<u>(456)</u>
Expenditures:			
Capital outlay	<u>106,177</u>	<u>103,167</u>	<u>3,010</u>
Total expenditures	<u>106,177</u>	<u>103,167</u>	<u>3,010</u>
Deficiency of revenues under expenditures	<u>(76,690)</u>	<u>(74,136)</u>	<u>2,554</u>
Other financing sources (uses):			
Face amount of long-term debt		65,000	65,000
Transfers in	23,253	25,035	1,782
Transfers (out)	(25)	(1,461)	(1,436)
Total other financing sources	<u>23,228</u>	<u>88,574</u>	<u>65,346</u>
Net change in fund balance	(53,462)	14,438	67,900
Fund balance at beginning of year	<u>93,240</u>	<u>82,834</u>	<u>(10,406)</u>
Fund balance at end of year	<u>\$ 39,778</u>	<u>\$ 97,272</u>	<u>\$ 57,494</u>

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

TRANSPORTATION - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Special assessments		\$ 283	\$ 283
Licenses and permits	\$ 440	296	(144)
Intergovernmental	51,672	53,345	1,673
Charges for services	458	618	160
Interest	500	326	(174)
Miscellaneous	234	909	675
Total revenues	<u>53,304</u>	<u>55,777</u>	<u>2,473</u>
Expenditures:			
General government	7,957	7,412	545
Highways and streets	33,762	29,170	4,592
Debt service - principal		182	(182)
- interest		101	(101)
Total expenditures	<u>41,719</u>	<u>36,865</u>	<u>4,854</u>
Excess of revenues over expenditures	<u>11,585</u>	<u>18,912</u>	<u>7,327</u>
Other financing sources (uses):			
Transfers in		183	183
Transfers (out)	(23,132)	(22,979)	153
Proceeds from sale of capital assets	5	403	398
Total other financing uses	<u>(23,127)</u>	<u>(22,393)</u>	<u>734</u>
Net change in fund balance	(11,542)	(3,481)	8,061
Fund balance at beginning of year	23,580	20,233	(3,347)
Change in reserve for inventory		(364)	(364)
Fund balance at end of year	<u>\$ 12,038</u>	<u>\$ 16,388</u>	<u>\$ 4,350</u>

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

HEALTH & ANIMAL CONTROL - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Licenses and permits	\$ 2,091	\$ 2,102	\$ 11
Intergovernmental	11,293	11,739	446
Charges for services	1,568	2,087	519
Fines and forfeits	195	191	(4)
Interest		1	1
Miscellaneous	134	111	(23)
Total revenues	<u>15,281</u>	<u>16,231</u>	<u>950</u>
Expenditures:			
Health	12,019	12,621	(602)
Health grants	10,477	10,695	(218)
Total expenditures	<u>22,496</u>	<u>23,316</u>	<u>(820)</u>
Deficiency of revenues under expenditures	<u>(7,215)</u>	<u>(7,085)</u>	<u>130</u>
Other financing sources (uses):			
Transfers in	6,890	6,912	22
Transfers (out)		(28)	(28)
Total other financing sources	<u>6,890</u>	<u>6,884</u>	<u>(6)</u>
Net change in fund balance	(325)	(201)	124
Fund balance at beginning of year	1,648	2,302	654
Change in reserve for inventory		(15)	(15)
Fund balance at end of year	<u>\$ 1,323</u>	<u>\$ 2,086</u>	<u>\$ 763</u>

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

FLOOD CONTROL DISTRICT - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Taxes	\$ 15,965	\$ 15,984	\$ 19
Intergovernmental		547	547
Interest	150	71	(79)
Miscellaneous	8	30	22
Total revenues	<u>16,123</u>	<u>16,632</u>	<u>509</u>
Expenditures:			
Flood control	<u>6,891</u>	<u>7,283</u>	<u>(392)</u>
Total expenditures	<u>6,891</u>	<u>7,283</u>	<u>(392)</u>
Excess of revenues over expenditures	<u>9,232</u>	<u>9,349</u>	<u>117</u>
Other financing sources (uses):			
Transfers in		185	185
Transfers (out)	<u>(9,240)</u>	<u>(9,323)</u>	<u>(83)</u>
Total other financing uses	<u>(9,240)</u>	<u>(9,138)</u>	<u>102</u>
Net change in fund balance	(8)	211	219
Fund balance at beginning of year	<u>427</u>	<u>2,626</u>	<u>2,199</u>
Fund balance at end of year	<u>\$ 419</u>	<u>\$ 2,837</u>	<u>\$ 2,418</u>

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

EMPLOYMENT AND TRAINING - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 18,889	\$ 16,660	\$ (2,229)
Miscellaneous	6	129	123
Total revenues	<u>18,895</u>	<u>16,789</u>	<u>(2,106)</u>
Expenditures:			
Employment and training	<u>19,190</u>	<u>17,414</u>	<u>1,776</u>
Total expenditures	<u>19,190</u>	<u>17,414</u>	<u>1,776</u>
Deficiency of revenues under expenditures	<u>(295)</u>	<u>(625)</u>	<u>(330)</u>
Other financing sources:			
Transfers in	<u>289</u>	<u>290</u>	<u>1</u>
Total other financing sources	<u>289</u>	<u>290</u>	<u>1</u>
Net change in fund balance	(6)	(335)	(329)
Fund balance at beginning of year	178	1,180	1,002
Fund balance at end of year	<u>\$ 172</u>	<u>\$ 845</u>	<u>\$ 673</u>

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

OTHER - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 1,352	\$ 3,621	\$ 2,269
Charges for services	5,990	6,284	294
Fines and forfeits	612	777	165
Interest	272	326	54
Miscellaneous	4,752	6,377	1,625
Total revenues	<u>12,978</u>	<u>17,385</u>	<u>4,407</u>
Expenditures:			
Current:			
General government	13,983	7,268	6,715
Public Safety	6,940	6,105	835
Health		102	(102)
Welfare	425	106	319
Culture and recreation	8	2	6
Education and economic opportunity	1,018		1,018
Debt service - principal	133	200	(67)
- interest	6	11	(5)
- miscellaneous	2	3	(1)
Total expenditures	<u>22,515</u>	<u>13,797</u>	<u>8,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,537)</u>	<u>3,588</u>	<u>13,125</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		1	1
Transfers in	1,057	899	(158)
Transfers (out)	(120)	(1,460)	(1,340)
Total other financing sources (uses)	<u>937</u>	<u>(560)</u>	<u>(1,497)</u>
Net change in fund balance	(8,600)	3,028	11,628
Fund balance at beginning of year	<u>12,508</u>	<u>22,235</u>	<u>9,727</u>
Fund balance at end of year	<u>\$ 3,908</u>	<u>\$ 25,263</u>	<u>\$ 21,355</u>

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

LIBRARY DISTRICT - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Taxes	\$ 10,929	\$ 11,073	\$ 144
Intergovernmental		6	6
Interest	150	74	(76)
Total revenues	<u>11,079</u>	<u>11,153</u>	<u>74</u>
Expenditures:			
Current:			
Culture and recreation	10,199	10,787	(588)
Total expenditures	<u>10,199</u>	<u>10,787</u>	<u>(588)</u>
Excess of revenues over expenditures	<u>880</u>	<u>366</u>	<u>(514)</u>
Other financing sources (uses):			
Transfers in		10	10
Transfers (out)	(600)	(100)	500
Total other financing uses	<u>(600)</u>	<u>(90)</u>	<u>510</u>
Net change in fund balance	280	276	(4)
Fund balance at beginning of year	<u>620</u>	<u>788</u>	<u>168</u>
Fund balance at end of year	<u>\$ 900</u>	<u>\$ 1,064</u>	<u>\$ 164</u>

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

STADIUM DISTRICT - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 1,550	\$ 1,702	\$ 152
Charges for services		828	828
Miscellaneous	1,133	133	(1,000)
Total revenues	<u>2,683</u>	<u>2,663</u>	<u>(20)</u>
Expenditures:			
Stadium District	1,700	1,630	70
Total expenditures	<u>1,700</u>	<u>1,630</u>	<u>70</u>
Excess of revenues over expenditures	<u>983</u>	<u>1,033</u>	<u>50</u>
Other financing sources (uses):			
Transfers in	4,599	4,340	(259)
Transfers (out)	(2,562)	(2,562)	
Total other financing sources	<u>2,037</u>	<u>1,778</u>	<u>(259)</u>
Net change in fund balance	3,020	2,811	(209)
Fund balance at beginning of year	(5,891)	(6,036)	(145)
Fund balance at end of year	<u>\$ (2,871)</u>	<u>\$ (3,225)</u>	<u>\$ (354)</u>

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

OTHER GRANTS - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 49,012	\$ 44,773	\$ (4,239)
Interest	1	19	18
Miscellaneous	322	432	110
Total revenues	<u>49,335</u>	<u>45,224</u>	<u>(4,111)</u>
Expenditures:			
Community Services Grants	8,879	6,745	2,134
County Attorney Grants	3,442	2,624	818
Justice Court Grants	40	68	(28)
Juvenile Court Grants	11,217	11,150	67
Legal Defender Grants	34	14	20
Parks and Recreation Grants		30	(30)
Public Defender Grants	40	48	(8)
Sheriff Grants	16,757	14,219	2,538
Superior Court Grants	8,614	8,998	(384)
County Administrator	1,000	244	756
Debt Service - principal		35	(35)
- interest		7	(7)
Total expenditures	<u>50,023</u>	<u>44,182</u>	<u>5,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(688)</u>	<u>1,042</u>	<u>1,730</u>
Other financing sources (uses):			
Transfers in		77	77
Transfers (out)		(71)	(71)
Total other financing sources		<u>6</u>	<u>6</u>
Net change in fund balance	(688)	1,048	1,736
Fund balance at beginning of year	312	(257)	(569)
Fund balance at end of year	<u>\$ (376)</u>	<u>\$ 791</u>	<u>\$ 1,167</u>

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

SCHOOL RESERVE - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Intergovernmental	\$ 4,327	\$ 2,302	\$ (2,025)
Total revenues	<u>4,327</u>	<u>2,302</u>	<u>(2,025)</u>
Expenditures:			
School Reserve Grants	<u>4,327</u>	<u>2,409</u>	<u>1,918</u>
Total expenditures	<u>4,327</u>	<u>2,409</u>	<u>1,918</u>
Deficiency of revenues under expenditures		<u>(107)</u>	<u>(107)</u>
Net change in fund balance		(107)	(107)
Fund balance at beginning of year	1,631	1,475	(156)
Change in reserve for prepaid expenditures		13	13
Fund balance at end of year	<u>\$ 1,631</u>	<u>\$ 1,381</u>	<u>\$ (250)</u>

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

ENVIRONMENTAL QUALITY - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004

(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Licenses and permits	\$ 2,140	\$ 2,002	\$ (138)
Intergovernmental	1,899	1,595	(304)
Charges for services	14	18	4
Fines and forfeits		19	19
Interest	5	12	7
Miscellaneous	13	17	4
Total revenues	<u>4,071</u>	<u>3,663</u>	<u>(408)</u>
Expenditures:			
Environmental quality	3,304	2,843	461
Environmental quality grants	1,375	1,163	212
Total expenditures	<u>4,679</u>	<u>4,006</u>	<u>673</u>
Deficiency of revenues under expenditures	<u>(608)</u>	<u>(343)</u>	<u>265</u>
Other financing sources (uses):			
Transfers in	355	355	
Transfers (out)		(9)	(9)
Total other financing sources	<u>355</u>	<u>346</u>	<u>(9)</u>
Net change in fund balance	(253)	3	256
Fund balance at beginning of year	431	1,291	860
Fund balance at end of year	<u>\$ 178</u>	<u>\$ 1,294</u>	<u>\$ 1,116</u>

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

MUNICIPAL PROPERTY CORPORATION - SPECIAL REVENUE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Interest	\$ 3		\$ (3)
Total revenues	3		(3)
Expenditures:			
Debt service - miscellaneous	7	\$ 27	(20)
Total expenditures	7	27	(20)
Deficiency of revenues under expenditures	(4)	(27)	(23)
Other financing uses:			
Transfers (out)		(71)	(71)
Total other financing uses		(71)	(71)
Net change in fund balance	(4)	(98)	(94)
Fund balance at beginning of year		98	98
Fund balance at end of year	\$ (4)		\$ 4

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

DEBT SERVICE FUND

For the Year Ended June 30, 2004
(in thousands)

	Budget	Actual	Variance Over/(Under)
Revenues:			
Taxes	\$ 41,848	\$ 42,798	\$ 950
Special assessments	231	222	(9)
Intergovernmental	5	22	17
Interest	412	300	(112)
Miscellaneous		6	6
Total revenues	<u>42,496</u>	<u>43,348</u>	<u>852</u>
Expenditures:			
Debt service - principal	48,007	46,998	1,009
- interest	14,014	13,702	312
- miscellaneous	16	128	(112)
Total expenditures	<u>62,037</u>	<u>60,828</u>	<u>1,209</u>
Deficiency of revenues under expenditures	<u>(19,541)</u>	<u>(17,480)</u>	<u>2,061</u>
Other financing sources (uses):			
Proceeds on refunding bonds		6,880	6,880
Premium on bonds		148	148
Payment to escrow agent		(6,846)	(6,846)
Transfers in	16,938	18,535	1,597
Transfers (out)		(113)	(113)
Total other financing sources	<u>16,938</u>	<u>18,604</u>	<u>1,666</u>
Net change in fund balance	(2,603)	1,124	3,727
Fund balance at beginning of year	6,790	3,078	(3,712)
Fund balance at end of year	<u>\$ 4,187</u>	<u>\$ 4,202</u>	<u>\$ 15</u>

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Combining Statements and Other Schedules

Other (Non-Major) Enterprise Funds

Other (Non-Major) Enterprise Funds

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

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

COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS

June 30, 2004

(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,790	\$ 3,706	\$ 12,496
Interest receivable	8	3	11
Due from other funds		93	93
Due from other governments	17		17
Accounts receivable		12	12
Prepaid expense	20		20
Total current assets	<u>8,835</u>	<u>3,814</u>	<u>12,649</u>
Noncurrent assets:			
Capital assets:			
Land and other improvements		657	657
Buildings and improvements		12,927	12,927
Equipment	860	229	1,089
Less accumulated depreciation	<u>(520)</u>	<u>(6,918)</u>	<u>(7,438)</u>
Total capital assets (net of accumulated depreciation)	<u>340</u>	<u>6,895</u>	<u>7,235</u>
Total noncurrent assets	<u>340</u>	<u>6,895</u>	<u>7,235</u>
Total assets	<u>9,175</u>	<u>10,709</u>	<u>19,884</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	173	170	343
Employee compensation	900	13	913
Due to other funds	350		350
Due to other governments		107	107
Total current liabilities	<u>1,423</u>	<u>290</u>	<u>1,713</u>
Total liabilities	<u>1,423</u>	<u>290</u>	<u>1,713</u>
<u>Net assets</u>			
Invested in capital assets	340	6,895	7,235
Unrestricted	<u>7,412</u>	<u>3,524</u>	<u>10,936</u>
Total net assets	<u>\$ 7,752</u>	<u>\$ 10,419</u>	<u>\$ 18,171</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
NONMAJOR ENTERPRISE FUNDSFor the Year Ended June 30, 2004
(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
Operating revenues:			
Charges for services	\$ 11,830	\$ 1,460	\$ 13,290
Other	163		163
Total net operating revenues	11,993	1,460	13,453
Operating expenses:			
Employee compensation	7,087	152	7,239
Operating supplies and services	978	18	996
Utilities	108	175	283
Repair and maintenance	129	153	282
General and administrative	1,050	263	1,313
Consultants and professional services	171	285	456
Depreciation and amortization	107	333	440
Total operating expenses	9,630	1,379	11,009
Operating income	2,363	81	2,444
Nonoperating revenues (expenses):			
Interest income	84	41	125
Loss on disposal of capital assets	(1)		(1)
Total nonoperating revenues (expenses):	83	41	124
Income before transfers	2,446	122	2,568
Transfers (out)	(303)		(303)
Change in net assets	2,143	122	2,265
Net assets at beginning of year	5,609	10,297	15,906
Net assets at end of year	\$ 7,752	\$ 10,419	\$ 18,171

COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS

For the Year Ended June 30, 2004

(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
Cash flows from operating activities:			
Cash received from other funds for goods and services provided	\$ 503		\$ 503
Cash received from customers for goods and services provided	11,813	\$ 1,461	13,274
Cash received from miscellaneous operations	184		184
Cash payments to suppliers for goods and services	(827)	(753)	(1,580)
Cash payments to other funds for goods and services	(2,624)	(194)	(2,818)
Cash payments to employees for services	(6,341)	(151)	(6,492)
Net cash provided by operating activities	2,708	363	3,071
Cash flows from noncapital financing activities:			
Transfers out	(14)		(14)
Loan payments from other funds		104	104
Net cash provided by (used for) noncapital financing activities	(14)	104	90
Cash flows from capital and related financing activities:			
Purchase of capital assets	(153)	(9)	(162)
Net cash used for capital and related financing activities	(153)	(9)	(162)
Cash flows from investing activities:			
Interest on cash and investments	92	42	134
Net cash provided by investing activities	92	42	134
Net increase in cash and cash equivalents	2,633	500	3,133
Cash and cash equivalents at beginning of year	6,157	3,206	9,363
Cash and cash equivalents at end of year	\$ 8,790	\$ 3,706	\$ 12,496

(Continued)

COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
(Continued)

For the Year Ended June 30, 2004
(in thousands)

	Development Services	Parking Garages	Total Other Enterprise Funds
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 2,363	\$ 81	\$ 2,444
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	107	333	440
Decrease in accounts receivable	21	1	22
Increase in due from other governments	(17)		(17)
Increase in prepaid expenses	(4)		(4)
Increase (decrease) in accounts payable	84	(8)	76
Increase in due to other funds	58		58
Decrease in due to other governments		(45)	(45)
Increase in other current liabilities	96	1	97
Net cash provided by operating activities	<u>\$ 2,708</u>	<u>\$ 363</u>	<u>\$ 3,071</u>

Noncash investing, capital, and financing activities:

During the year ended June 30, 2004, the Development Services Enterprise Fund disposed of capital assets with an original cost of \$36 and accumulated depreciation of \$35 for a loss on disposal of \$1.

At June 30, 2004, the Development Services Enterprise Fund had unpaid transfers of \$290.

During the year ended June 30, 2004, the Parking Garages Enterprise Fund transferred \$7 of capital assets and accumulated depreciation of \$7 to the County's general capital assets.



Combining Statements and Other Schedules

Internal Service Funds

Internal Service Funds

Self Insurance Trust Fund – to account for the risk management function of the County. The Fund provides self-insurance coverage to the County for medical malpractice, workers' compensation, unemployment, dental, general liability, environmental liability and property damage as well as acquiring coverage for other risks.

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

COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS

June 30, 2004

(in thousands)

	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 39,387	\$ 3,049	\$ 42,436
Interest receivable	91	3	94
Due from other funds	16		16
Due from other governments		79	79
Accounts receivable	153	41	194
Inventory		323	323
Prepaid expense	914	73	987
Total current assets	<u>40,561</u>	<u>3,568</u>	<u>44,129</u>
Noncurrent assets:			
Capital assets:			
Land and other improvements	592		592
Buildings and improvements		462	462
Equipment	94	27,769	27,863
Less accumulated depreciation	<u>(82)</u>	<u>(12,059)</u>	<u>(12,141)</u>
Total capital assets (net of accumulated depreciation)	<u>604</u>	<u>16,172</u>	<u>16,776</u>
Total noncurrent assets	<u>604</u>	<u>16,172</u>	<u>16,776</u>
Total assets	<u>41,165</u>	<u>19,740</u>	<u>60,905</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	675	1,477	2,152
Employee compensation	120	615	735
Due to other funds	30	6	36
Current portion reported but unpaid losses	2,441		2,441
Current portion incurred but not reported losses	3,268		3,268
Total current liabilities	<u>6,534</u>	<u>2,098</u>	<u>8,632</u>
Noncurrent liabilities:			
Reported but unpaid losses	8,402		8,402
Incurred but not reported losses	11,585		11,585
Total noncurrent liabilities	<u>19,987</u>		<u>19,987</u>
Total liabilities	<u>26,521</u>	<u>2,098</u>	<u>28,619</u>
<u>Net assets</u>			
Invested in capital assets	604	16,172	16,776
Unrestricted	<u>14,040</u>	<u>1,470</u>	<u>15,510</u>
Total net assets	<u>\$ 14,644</u>	<u>\$ 17,642</u>	<u>\$ 32,286</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
INTERNAL SERVICE FUNDS

For the Year Ended June 30, 2004

(in thousands)

	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 15,323	\$ 15,000	30,323
Other	601	885	1,486
Total operating revenues	15,924	15,885	31,809
Operating expenses:			
Employee compensation	1,619	4,391	6,010
Operating supplies and services	343	3,187	3,530
Incurred losses	7,468		7,468
Insurance premiums	4,391	983	5,374
General and administrative	619	2,264	2,883
Repairs and maintenance	82	2,925	3,007
Consultants and professional services	682	24	706
Depreciation and amortization	15	1,920	1,935
Total operating expenses	15,219	15,694	30,913
Operating income	705	191	896
Nonoperating revenues (expenses):			
Interest income	504	43	547
Loss on disposal of capital assets		(778)	(778)
Total nonoperating revenues (expenses):	504	(735)	(231)
Income (loss) before capital contributions and transfers:	1,209	(544)	665
Capital Contributions		6	6
Transfers in	196	193	389
Transfers (out)	(172)	(471)	(643)
Change in net assets	1,233	(816)	417
Net assets at beginning of year	13,411	18,458	31,869
Net assets at end of year	\$ 14,644	\$ 17,642	\$ 32,286

COMBINING STATEMENT OF CASH FLOWS -
INTERNAL SERVICE FUNDSFor the Year Ended June 30, 2004
(in thousands)

	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	\$ 15,323	\$ 15,000	\$ 30,323
Cash received from miscellaneous operations	506	792	1,298
Cash payments to suppliers for goods and services	(5,107)	(8,357)	(13,464)
Cash payments to other funds for goods and services	(661)	(1,528)	(2,189)
Cash payments for incurred losses	(7,726)		(7,726)
Cash payments to employees for services	(1,685)	(4,253)	(5,938)
Net cash provided by operating activities	650	1,654	2,304
Cash flows from noncapital financing activities:			
Transfers in	196	193	389
Transfers (out)	(59)	(7)	(66)
Loan payments to other funds	(16)		(16)
Loan payments from other funds	30		30
Net cash provided by noncapital financing activities	151	186	337
Cash flows from capital and related financing activities:			
Proceeds from sale of equipment		238	238
Purchase of capital assets	(65)	(3,495)	(3,560)
Net cash used for capital and related financing activities	(65)	(3,257)	(3,322)
Cash flows from investing activities:			
Interest on cash and investments	522	46	568
Net cash provided by investing activities	522	46	568
Net increase (decrease) in cash and cash equivalents	1,258	(1,371)	(113)
Cash and cash equivalents at beginning of year	38,129	4,420	42,549
Cash and cash equivalents at end of year	\$ 39,387	\$ 3,049	\$ 42,436

(Continued)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
(Continued)

For the Year Ended June 30, 2004
(in thousands)

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	Self Insurance Trust	Other Internal Service	Total Internal Service Funds
Operating income	\$ 705	\$ 191	\$ 896
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	15	1,920	1,935
Increase in accounts receivable	(153)	(29)	(182)
(Increase) decrease in due from other governments	58	(64)	(6)
(Increase) decrease in inventory and other assets	(4)	10	6
Increase (decrease) in accounts payable	466	(516)	(50)
Decrease in interfund payables	(113)		(113)
Decrease in reported but unpaid losses	(2,184)		(2,184)
Increase in incurred but not reported losses	1,926		1,926
Increase (decrease) in other current liabilities	(66)	142	76
Net cash provided by operating activities	<u>\$ 650</u>	<u>\$ 1,654</u>	<u>\$ 2,304</u>

Noncash investing, capital, and financing activities:

During the year ended June 30, 2004, the Self Insurance Trust Fund transferred \$113 of capital assets to the County's general government.

During the year ended June 30, 2004, the Self Insurance Trust Fund retired assets with an original cost of \$33 and accumulated depreciation of \$33.

During the year ended June 30, 2004, Other Internal Service Funds (Graphic Services) retired assets that cost \$362 with accumulated depreciation of \$302, resulting in a loss on disposal of \$60.

During the year ended June 30, 2004, Other Internal Service Funds (Fleet Services) received proceeds of \$238 for retired assets that cost \$2,902 with accumulated depreciation of \$1,946, resulting in a loss on disposal of \$718.

During the year ended June 30, 2004, Other Internal Service Funds (Fleet Services) transferred \$464 of capital assets to the Wastewater Management Enterprise Fund.

During the year ended June 30, 2004, Other Internal Service Funds (Communications) acquired an asset from the County's general government with a value of \$6.



Combining Statements and Other Schedules

Fiduciary Funds

PIMA COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2004
 (in thousands)

Exhibit C-22

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
ASSETS			
Cash and cash equivalents	\$ 120,077	\$ 15,806	\$ 135,883
Interest receivable	133	119	252
Total assets	<u>120,210</u>	<u>15,925</u>	<u>136,135</u>
LIABILITIES			
Total liabilities	<u></u>	<u></u>	<u></u>
NET ASSETS			
Held in trust for pool participants	<u>\$ 120,210</u>	<u>\$ 15,925</u>	<u>\$ 136,135</u>

PIMA COUNTY
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Fiduciary Funds
 For the Year Ended June 30, 2004
 (in thousands)

Exhibit C-23

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
ADDITIONS			
Contributions:			
Participants	\$ 1,799,930	\$ 89,816	\$ 1,889,746
Total contributions	<u>1,799,930</u>	<u>89,816</u>	<u>1,889,746</u>
Investment earnings:			
Interest	1,347	580	1,927
Total investment earnings	<u>1,347</u>	<u>580</u>	<u>1,927</u>
Total additions	<u>1,801,277</u>	<u>90,396</u>	<u>1,891,673</u>
DEDUCTIONS			
Distributions to participants	1,784,536	94,179	1,878,715
Total deductions	<u>1,784,536</u>	<u>94,179</u>	<u>1,878,715</u>
Net increase (decrease)	16,741	(3,783)	12,958
Net assets held in trust July 1, 2003	103,469	19,708	123,177
Net assets held in trust June 30, 2004	<u>\$ 120,210</u>	<u>\$ 15,925</u>	<u>\$ 136,135</u>

PIMA COUNTY
 COMBINING STATEMENT OF ASSETS AND LIABILITIES -
 AGENCY FUNDS
 June 30, 2004
 (in thousands)

Exhibit C-24

	Payroll	Treasurer's Clearing	Other	Total
ASSETS				
Cash and cash equivalents	\$ 73	\$ (2,578)	\$ 39,083	\$ 36,578
Due from other governments		3,101		3,101
Total assets	<u>\$ 73</u>	<u>\$ 523</u>	<u>\$ 39,083</u>	<u>\$ 39,679</u>
LIABILITIES				
Employee compensation	\$ 73			\$ 73
Due to other governments			\$ 16,200	16,200
Deposits and rebates		\$ 523	22,883	23,406
Total liabilities	<u>\$ 73</u>	<u>\$ 523</u>	<u>\$ 39,083</u>	<u>\$ 39,679</u>

PIMA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
For the Year Ended June 30, 2004
(in thousands)

Exhibit C-25

	Balance 07/01/03	Additions	Deductions	Balance 06/30/04
<u>Payroll Clearing</u>				
Assets				
Cash and cash equivalents	\$ 2,522	\$ 331,936	\$ 334,385	\$ 73
Total assets	<u>\$ 2,522</u>	<u>\$ 331,936</u>	<u>\$ 334,385</u>	<u>\$ 73</u>
Liabilities				
Employee compensation	\$ 2,522	\$ 331,936	\$ 334,385	\$ 73
Total liabilities	<u>\$ 2,522</u>	<u>\$ 331,936</u>	<u>\$ 334,385</u>	<u>\$ 73</u>
<u>Treasurer's Clearing</u>				
Assets				
Cash and cash equivalents	\$ (2,961)	\$ 1,085,229	\$ 1,084,846	\$ (2,578)
Due from other governments	3,978	3,101	3,978	3,101
Total assets	<u>\$ 1,017</u>	<u>\$ 1,088,330</u>	<u>\$ 1,088,824</u>	<u>\$ 523</u>
Liabilities				
Deposits and rebates	\$ 1,017	\$ 264,655	\$ 265,149	\$ 523
Due to other governments		823,675	823,675	
Total liabilities	<u>\$ 1,017</u>	<u>\$ 1,088,330</u>	<u>\$ 1,088,824</u>	<u>\$ 523</u>
<u>Other</u>				
Assets				
Cash and cash equivalents	\$ 34,023	\$ 481,668	\$ 476,608	\$ 39,083
Total assets	<u>\$ 34,023</u>	<u>\$ 481,668</u>	<u>\$ 476,608</u>	<u>\$ 39,083</u>
Liabilities				
Due to other governments	\$ 13,531	\$ 370,705	\$ 368,036	\$ 16,200
Deposits and rebates	20,492	110,963	108,572	22,883
Total liabilities	<u>\$ 34,023</u>	<u>\$ 481,668</u>	<u>\$ 476,608</u>	<u>\$ 39,083</u>
<u>Totals - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 33,584	\$ 1,898,833	\$ 1,895,839	\$ 36,578
Due from other governments	3,978	3,101	3,978	3,101
Total assets	<u>\$ 37,562</u>	<u>\$ 1,901,934</u>	<u>\$ 1,899,817</u>	<u>\$ 39,679</u>
Liabilities				
Employee compensation	\$ 2,522	\$ 331,936	\$ 334,385	\$ 73
Due to other governments	13,531	1,194,380	1,191,711	16,200
Deposits and rebates	21,509	375,618	373,721	23,406
Total liabilities	<u>\$ 37,562</u>	<u>\$ 1,901,934</u>	<u>\$ 1,899,817</u>	<u>\$ 39,679</u>

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

Fiscal Year	Property Taxes (2)	Licenses & Permits	Inter-governmental	Charges for Services	Fines & Forfeits	Interest Income	Miscellaneous & Other	Total
1994-95	\$ 162,289	\$ 3,263	\$ 147,973	\$ 21,831	\$ 3,434	\$ 5,730	\$ 11,593	\$ 356,113
1995-96	164,525	3,210	156,924	22,058	2,940	4,399	8,242	362,298
1996-97	168,350	3,275	164,850	22,283	3,802	3,690	12,624	378,874
1997-98	182,323	3,389	179,512	18,714	3,411	2,801	13,445	403,595
1998-99	195,822	4,306	201,540	21,207	3,930	4,287	9,698	440,790
1999-00	215,035	4,541	229,244	24,125	4,245	8,701	8,099	493,990
2000-01	228,387	4,882	237,176	23,363	4,365	10,008	6,932	515,113
2001-02	245,247	6,077	242,654	27,561	4,882	4,887	7,333	538,641
2002-03	259,398	6,087	240,736	32,038	5,047	2,910	8,892	555,108
2003-04	280,032	6,566	256,254	34,068	5,010	1,675	10,276	593,881

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

(2) Includes special assessment districts.

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

Fiscal Year	General Government	Public Safety	Highways & Streets	Sanitation (2)	Health	Welfare	Culture & Recreation	Education & Economic Opportunity	Debt Service (3)	Total
1994-95	\$ 87,162	\$ 81,622	\$ 20,403	\$ 4,685	\$ 15,273	\$ 58,851	\$ 13,687	\$ 24,154	\$ 43,874	\$ 349,711
1995-96	88,764	89,473	20,567	4,747	16,272	60,671	15,568	26,915	40,767	363,744
1996-97	132,240	91,563	22,715	4,754	18,632	63,808	17,364	28,720	47,924	427,720
1997-98	101,156	91,835	21,166		18,763	68,101	18,605	29,486	40,830	389,942
1998-99	102,390	103,679	21,923		20,142	69,687	19,447	30,103	57,769	425,140
1999-00	110,022	109,815	25,689		22,579	69,368	20,263	33,135	51,544	442,415
2000-01	122,023	117,058	24,977		22,584	71,260	22,242	32,458	55,012	467,614
2001-02	125,416	123,021	27,835		23,102	73,136	25,581	37,524	51,861	487,476
2002-03	132,416	127,155	26,741		24,029	84,238	25,214	35,057	60,924	515,774
2003-04	140,320	146,275	29,170		30,322	76,725	27,141	32,146	64,037	546,136

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

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

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

PIMA COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Original Real Property Tax Levy	Tax Roll Corrections	Adjusted Levy	Collected to June 30, End of Tax Fiscal Year (2)		Collected to June 30, 2004 (2)		Delinquent Taxes Receivable (3)
				Amount	Percent of Original Levy	Amount	Percent of Adjusted Levy	
1994-95	\$ 143,765	\$ (1,115)	\$ 142,650	\$ 136,440	94.90%	\$ 141,432	99.15%	\$ 1,218
1995-96	147,786	(594)	147,192	140,805	95.28%	146,632	99.62%	560
1996-97	152,009	(1,066)	150,943	145,204	95.52%	150,543	99.73%	400
1997-98	168,688	(748)	167,940	160,593	95.20%	167,225	99.57%	715
1998-99	180,550	(1,671)	178,879	172,330	95.45%	179,475	100.33%	(596)
1999-00	201,925	(992)	200,933	192,409	95.29%	200,981	100.02%	(48)
2000-01	214,642	(794)	213,848	204,424	95.24%	213,542	99.86%	306
2001-02	228,477	(752)	227,725	218,192	95.50%	227,273	99.80%	452
2002-03	241,416	(704)	240,712	231,619	95.94%	240,735	100.01%	(23)
2003-04	260,570	(427)	260,143	250,929	96.30%	250,929	96.46%	9,214

NOTES:

- (1) Unsecured personal property taxes are not included in this schedule because the dates of the monthly tax rolls vary each year. On the average 93% of unsecured property taxes are collected within 90 days after the due date.
- (2) Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.
- (3) Represents the difference between the adjusted levy and collected to June 30, 2004.

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

Fiscal Year		Net Assessed Value	Limited and Full Cash Values (1)	Ratio of Net Assessed to Full Cash Value
1994-95	Primary	3,049,266	27,753,938	10.99%
1994-95	Secondary	3,150,105	28,575,801	11.02%
1995-96	Primary	3,130,753	28,973,933	10.81%
1995-96	Secondary	3,218,884	29,751,166	10.82%
1996-97	Primary	3,208,291	30,042,703	10.68%
1996-97	Secondary	3,247,512	30,433,238	10.67%
1997-98	Primary	3,468,269	31,002,247	11.19%
1997-98	Secondary	3,700,218	34,304,545	10.79%
1998-99	Primary	3,682,397	33,930,287	10.85%
1998-99	Secondary	3,852,574	35,295,924	10.92%
1999-00	Primary	3,853,630	32,800,358	11.75%
1999-00	Secondary	4,000,624	33,892,170	11.80%
2000-01	Primary	4,111,664	34,898,918	11.78%
2000-01	Secondary	4,236,070	35,819,667	11.83%
2001-02	Primary	4,361,493	37,257,921	11.71%
2001-02	Secondary	4,491,395	38,196,337	11.76%
2002-03	Primary	4,669,336	39,908,791	11.70%
2002-03	Secondary	4,835,561	41,109,997	11.76%
2003-04	Primary	5,022,474	42,927,737	11.70%
2003-04	Secondary	5,221,271	44,423,165	11.75%

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

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

Fiscal Year	County Primary	County Secondary	Flood Control District (1)	County Library District	Fire District Assistance	Total	State of Arizona	Education Assistance	Community College District
1995-96	3.5137	1.0201	0.3596	0.2124	0.0539	5.1597	0.4700	0.5300 (4)	1.2183
1996-97	3.5137	0.9701	0.3596	0.2224	0.0549	5.1207	0.0000	0.5300	1.2433
1997-98	3.5839	1.0000	0.3296	0.2224	0.0517	5.1876	0.0000	0.5300	1.1836
1998-99	3.6852	0.9650	0.3246	0.2224	0.0515	5.2487	0.0000	0.5300	1.1922
1999-00	4.0720	0.9350	0.3046	0.2024	0.0511	5.5651	0.0000	0.5217	1.3696
2000-01	4.0720	0.9350	0.3046	0.2024	0.0495	5.5635	0.0000	0.5123	1.5574
2001-02	4.0720	0.8950	0.3546	0.2124	0.0488	5.5828	0.0000	0.4974	1.5470
2002-03	4.0720	0.8150	0.3546	0.2124	0.0458	5.4998	0.0000	0.4889	1.5333
2003-04	4.0720	0.8150	0.3546	0.2124	0.0441	5.4981	0.0000	0.4717	1.4884
2004-05	4.0720	0.8150	0.3546	0.2124	0.0427	5.4967	0.0000	0.4560	1.3428

Fiscal Year	City of Tucson	City of South Tucson	Central AZ Water Conserv District	Flowing Wells Irrigation District (2)	Silverbell Irrigation District (2)	Cortaro-Marana Irrigation District (2)	Mobile Home Relocation District (3)	Town of Casas Adobes Incorporation Costs	Town of Tortolita Incorporation Costs	Gladden Farms Community Facilities District
1995-96 (4)	1.1490	0.3100	0.1400	6.9300	1.5000	1.0000	0.5000			
1996-97	1.1489	0.2937	0.1400	6.9300	1.5000	1.0000	0.5000			
1997-98	0.9916	0.2937	0.1400	6.9300	2.0000	1.0000	0.5000			
1998-99	0.9601	0.2937	0.1400	6.9300	3.0000	1.0000	0.5000			
1999-00	1.0238	0.2937	0.1400	6.9300	3.0000	1.0000	0.5000			
2000-01	1.1270	0.2918	0.1300	6.9300	3.0000	1.0000	0.5000			
2001-02	1.1202	0.2828	0.1300	10.4000	3.0000	24.7500	0.5000			
2002-03	1.1202	0.2706	0.1300	10.4000	3.0000	24.7500	0.0000			
2003-04	1.1569	0.2513	0.1200	10.4000	3.0000	50.0000	0.0000	0.1438	0.2313	
2004-05	1.1847	0.2383	0.1200	12.9000	3.0000	60.0000	0.0000			2.8000

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

(2) Irrigation districts tax rates shown are levied on a per acre basis.

(3) Mobile Home Relocation levy applies only to unsecured mobile homes (not presented after 2001-02).

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

Notes:

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

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

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

School District	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Tucson Unified (#1)	\$ 8.9060	\$ 9.4708	\$ 8.9101	\$ 8.8281	\$ 8.7869	\$ 9.0494	\$ 9.8088	\$ 9.2780	\$ 8.7610	\$ 8.3286
Marana Unified (#6)	7.2597	6.9775	6.6480	6.9743	7.6408	7.5418	7.7028	7.3623	6.7979	6.5034
Flowing Wells Unified (#8)	7.2255	6.5723	7.2592	7.7804	8.8612	8.4928	8.0490	7.2175	6.6568	6.5883
Amphitheater Unified (#10)	8.1646	7.6789	7.5099	7.0881	7.1715	6.8816	7.4427	7.0207	6.7601	6.3375
Sunnyside Unified (#12)	11.2560	10.5055	10.6503	10.5437	10.6897	10.3609	10.3706	9.6945	9.1041	8.4846
Tanque Verde Unified (#13)	7.3043	7.4922	6.9303	6.9273	6.8939	6.9434	6.8484	6.6818	7.1785	5.6661
Ajo Unified (#15)	6.5463	4.0261	4.0992	4.9511	4.6791	6.0973	7.0508	4.1555	5.3016	4.4316
Catalina Foothills Unified (#16)	7.8948	8.0098	7.5160	7.9121	7.8515	7.7258	7.5344	7.0956	7.0256	6.6459
Vail Elementary (#20)	8.7207	7.6203	6.9153	7.5128	7.3298	7.2604	7.2314	7.2295	7.1748	7.0008
Sahuarita Unified (#30)	5.4218	7.0353	6.7570	7.6282	8.3204	8.7007	8.7860	9.1329	9.0113	8.3095
Empire Elementary (#37)	5.8927	5.8100	6.2398	7.0259	10.3858	8.5371	7.6596	6.6965	6.4699	6.1171
Continental Elementary (#39)	1.8636	2.4913	2.6630	2.6371	2.5439	2.4983	2.4346	2.4398	2.3198	2.2216
Indian Oasis Unified (#40)		9.3934	10.6021	9.9071	10.4568	9.1002				
Redington Elementary (#44)	5.0535	3.9803	4.4378	4.6590	7.7641	5.0186	6.3661	6.4230	5.6853	3.9915
Altar Valley Elementary (#51)	6.0884	9.1132	8.5139	7.3093	6.3348	6.5620	6.3052	6.3035	6.3615	6.2759
Unorganized*	2.3600	2.2000	2.2000	2.2000	2.1654	2.1265	2.0647	2.0296	1.9583	1.8931

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

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

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

<u>Fiscal Year</u>	<u>Current Assessments Billed</u>	<u>Total Assessments Collected</u>	<u>Ratio of Collections to Amts Due</u>	<u>Amount Uncollected</u>	<u>Amount Prepaid</u>	<u>Total Outstanding Assessments</u>
1994-95	\$ 417	\$ 830	99.8%	\$ 1	\$ 414	\$ 4,300
1995-96	316	397	100.0%		81	3,900
1996-97	617	699	99.0%	6	88	3,337
1997-98	608	684	100.0%		76	2,828
1998-99	594	680	99.7%	2	88	2,300
1999-00	450	562	100.0%		112	1,697
2000-01	371	407	100.0%		36	1,053
2001-02	275	297	99.6%	1	23	2,507
2002-03	426	815 (a)	99.8%	1	390 (a)	2,121
2003-04	352	442	100.0%		90	1,736

- (a) At June 30, 2003, special assessments from the Transportation Fund for the year 2002-03 were omitted in error. At June 30, 2004, the error was corrected, and special assessments from the Transportation Fund for the year 2003-04 were included.

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

Fiscal Year	Population at July 1	Secondary Net Assessed Value	Gross General Bond Debt	Debt Service Funds Available for Principal	Net General Bond Debt	Percent Net General Bond Debt to Assessed Value	Net General Bond Debt per Capita*
1994-95	759,600	\$ 3,150,105	\$ 230,760	\$ 14,537	\$ 216,223	6.86%	\$ 284.65
1995-96	775,100	3,218,884	207,745	15,062	192,683	5.99%	248.59
1996-97	799,375	3,247,512	183,680	8,032	175,648	5.41%	219.73
1997-98	817,851	3,700,218	186,990	10,931	176,059	4.76%	215.27
1998-99	845,775	3,852,574	153,295	6,827	146,468	3.80%	173.18
1999-00	854,329	4,000,624	173,985	6,249	167,736	4.19%	196.34
2000-01	872,394	4,236,070	192,640	4,309	188,331	4.45%	215.88
2001-02	890,356	4,491,395	183,085	4,883	178,202	3.97%	200.15
2002-03	908,227	4,835,561	200,280	2,226	198,054	4.10%	218.07
2003-04	926,052	5,221,271	232,105	2,515	229,590	4.40%	247.92

*In dollars and cents.

NOTE:

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

PIMA COUNTY
 COMPUTATION OF DIRECT AND OVERLAPPING GENERAL BOND DEBT
 At June 30, 2004
 (\$ Amounts in thousands)

Jurisdiction	Net General Bond Debt Outstanding	Applicable to Pima County	
		Percentage	Amount
Direct:			
Pima County*	\$ 232,553	100%	\$ 232,553
Flood Control District	3,805	100%	3,805
Total Direct	<u>236,358</u>		<u>236,358</u>
Overlapping:			
School Districts	588,545	100%	588,545
City of Tucson	266,989	100%	266,989
Total Overlapping	<u>855,534</u>		<u>855,534</u>
	<u>\$ 1,091,892</u>		<u>\$ 1,091,892</u>

*Excludes improvement districts.

PIMA COUNTY
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
 GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
 Last Ten Fiscal Years
 (Amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service To General Expenditures</u>
1994-95	\$ 24,711	\$ 15,261	\$ 39,972	\$ 349,711	11.4%
1995-96	24,765	14,328	39,093	363,744	10.7%
1996-97	33,328	12,976	46,304	427,720	10.8%
1997-98	26,128	10,533	36,661	389,942	9.4%
1998-99	39,118	12,809	51,927	425,140	12.2%
1999-00	34,803	12,122	46,925	442,415	10.6%
2000-01	36,873	13,173	50,046	467,614	10.7%
2001-02	35,358	12,366	47,724	487,476	9.8%
2002-03	43,648	13,904	57,552	515,774	11.2%
2003-04	46,998	13,702	60,700	546,136	11.1%

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

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

Fiscal Year	Gross Revenue (2)	Direct Operating Expense (3)	Net Revenue Available for Debt Service	Debt Service Requirements (1)			Coverage Ratio (4)
				Principal	Interest	Total	
1994-95	\$ 40,541	\$ 24,029	\$ 16,512	\$ 975	\$ 4,747	\$ 5,722	2.89
1995-96	39,467	25,686	13,781	1,030	4,064	5,094	2.71
1996-97	42,278	26,559	15,719	1,610	4,509	6,119	2.57
1997-98	48,235	33,920	14,315	3,169	5,594	8,763	1.63
1998-99	49,979	31,114	18,865	4,727	5,031	9,758	1.93
1999-00	56,589	34,742	21,847	5,006	4,650	9,656	2.26
2000-01	58,647	36,438	22,209	6,611	4,783	11,394	1.95
2001-02	59,021	39,183	19,838	8,887	5,704	14,591	1.36
2002-03	66,756	46,378	20,378	9,235	5,666	14,901	1.37
2003-04	78,393	44,704	33,689	9,656	5,990	15,646	2.15

NOTES:

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

PIMA COUNTY
DEMOGRAPHIC STATISTICS - POPULATION AND EMPLOYMENT
Last Ten Years

Calendar Year	Population as of July 1	Civilian Labor Force	Total Unemp Rate	EMPLOYMENT				
				Mining	Construction	Manufacturing	Trades and Services	Finance, Insurance and Real Estate
1995	759,600	385,912	3.8%	3,000	18,900	28,300	159,600	11,800
1996	775,100	393,107	3.6%	2,400	20,200	27,800	162,500	12,000
1997	799,375	401,611	3.2%	2,300	18,800	29,600	167,600	12,500
1998	817,851	421,039	2.7%	2,300	20,900	29,500	169,800	12,600
1999	845,775	440,254	2.7%	2,000	21,600	29,600	182,600	13,400
2000	854,329	394,100	2.6%	1,800	22,100	33,500	191,600	13,800
2001	872,394	393,200	2.8%	1,800	21,600	34,000	190,800	14,100
2002	890,356	397,900	4.7%	1,500	21,800	32,300	184,500	15,100
2003	908,227	424,400	4.8%	1,400	23,700	29,100	184,500	14,800
2004	926,052	431,400	3.5%	1,200	24,000	28,500	185,000	15,600

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

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

Calendar Year	Transportation				Real Estate		
	Aircraft Movements	No. of Air Passengers	Bus Ridership	Riders Per Mile	Residential Bldg Permits	Multiple Listings	Sales Volume In \$ 000's
1995	242,315	3,412,297	15,466,961	2.02	2,540	7,761	\$ 916,825
1996	250,768	3,494,758	15,813,141	2.00	2,267	8,645	1,073,569
1997	239,263	3,500,330	15,943,383	2.03	2,136	8,071	1,047,805
1998	242,966	3,484,674	14,925,612	1.91	2,101	8,906	1,221,214
1999	284,149	3,497,788	15,279,274	1.90	2,508	10,627	1,517,076
2000	262,845	3,526,164	15,334,429	1.90	2,453	11,127	1,667,928
2001	260,258	3,733,205	14,513,188	1.87	3,182	11,229	1,775,178
2002	259,794	3,459,183	13,628,899	1.80	3,367	11,860	1,955,348
2003	271,802	3,522,401	15,016,131	1.91	9,441	12,933	2,271,131
2004	239,966	3,611,696	15,393,817	1.96	10,432	15,054	2,899,013

Sources: "Arizona's Economy," U of A Business Research Program (EBR), College of Business & Public Administration,
and Pima County Development Services Department. "MLS Month in Review" August 2004, Tucson Association of
of Realtors, Multiple Listing Service, Inc.

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

Fiscal Year	Limited (1) Property Values						Construction Activity			
	Commercial Property	Residential Property	Vacant Land	Mines (3)	Utilities (3)	Other	Total	Const Awards (4)	No. Dwelling Units Awarded (2)	Bank Deposits
1994-95	\$ 3,997,932	\$ 14,754,539	\$ 7,726,300	\$ 208,300	\$ 998,433	\$ 68,434	\$ 27,753,938	\$ 1,080,008	8175	\$ 5,123,831
1995-96	3,921,248	15,950,339	7,809,340	206,450	1,015,254	71,302	28,973,933	1,090,534	6,528	5,119,874
1996-97	3,949,588	16,724,071	7,962,069	240,840	1,092,508	73,627	30,042,703	1,016,559	5,355	5,584,239
1997-98	4,095,613	18,600,065	7,939,668	234,500	1,096,482	179,172	32,145,500	1,001,909	5,667	5,428,634
1998-99	4,324,570	20,203,759	7,874,733	234,604	1,096,164	196,457	33,930,287	1,041,542	8,806	5,475,232
1999-00	4,428,290	21,729,070	5,097,384	157,938	1,207,311	181,725	32,801,718	1,561,110	8,489	5,059,897
2000-01	4,882,504	23,449,128	5,124,238	155,128	1,101,458	186,486	34,898,942	1,536,760	7,694	5,812,485
2001-02	6,617,058	25,129,561	5,279,147	-	-	232,156	37,257,922	1,678,354	7,716	6,029,443
2002-03	6,947,106	27,282,579	5,436,420	-	-	242,686	39,908,791	-	8,015	6,642,554
2003-04	7,103,935	29,758,065	5,774,160	-	-	291,576	42,927,736	-	9,281	7,597,961

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

- (1) Limited Values are the basis for Primary Taxes and annual changes therein are restricted by the State Constitution.
- (2) Includes multi-family units (apartments & condominiums).
- (3) Arizona Revised Statutes has redefined the categories, combining mines and utilities with commercial property.
- (4) This statistic was discontinued in "Arizona's Economy" after the month of October, 2002.

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

Calendar Year	Aggregate Retail Sales	Total Personal Income	Per Capita Personal Income*
1995	\$ 6,302,384	\$ 14,616,474	\$ 19,283
1996	6,586,348	15,626,844	20,112
1997	6,937,227	16,409,122	20,640
1998	7,260,497	17,687,372	21,468
1999	7,807,773	18,999,743	22,464
2000	8,170,826	20,855,000	24,057
2001	8,632,021	21,827,000	24,698
2002	8,728,079	21,991,000	24,787
2003	8,804,946	22,973,000	25,395
2004	9,550,501	23,965,000	25,797

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

*Amounts in dollars.

Exhibit D-12

PIMA COUNTY
PRINCIPAL TAXPAYERS
June 30, 2004
(Amounts in thousands)

Taxpayer	Estimated 2004 Assessed Value (1)	Percent of Total 2004-05 Assessed Value
Tucson Electric Power Company	\$ 125,597	2.2%
QWEST	104,944	1.9%
Southwest Gas Corporation	59,528	1.1%
Arizona Portland Cement	21,296	0.4%
Tucson Mall	19,364	0.3%
Westin La Paloma	15,943	0.3%
Phelps Dodge	15,250	0.3%
El Conquistador Hotel	14,655	0.3%
Raytheon	13,895	0.2%
TRICO	<u>12,925</u>	0.2%
Total Top Ten	<u><u>\$ 403,397</u></u>	7.2%

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

(1) Secondary Assessed Valuation for Tax Year 2004. Total: \$5,620,156

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

Jurisdiction	FY 2003-04 (Tax Year 2003)		FY 2004-05 (Tax Year 2004)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 5,022,474	\$0.0000	\$ 5,412,550	\$0.0000
<u>Pima County</u>				
General Fund - Primary	5,022,474	4.0720	5,412,550	4.0720
Debt Service - Secondary	5,221,271	0.8150	5,620,156	0.8150
Free Library - Secondary	5,221,271	0.2124	5,620,156	0.2124
Total County - Primary	5,022,474	4.0720	5,412,550	4.0720
Total County - Secondary	5,221,271	1.0274	5,620,156	1.0274
Grand Total		<u>5.0994</u>		<u>5.0994</u>
<u>Education Assistance</u>	5,022,474	0.4717	5,412,550	0.4560
<u>Flood Control District - Secondary</u>	4,511,100	0.3546	4,907,357	0.3546
<u>Fire District Assistance - Secondary</u>	5,221,271	0.0441	5,620,156	0.0427
<u>Pima Community College District</u>				
Primary	5,022,474	1.1358	5,412,550	1.1143
Secondary	5,221,271	0.3526	5,620,156	0.2285
Total		<u>1.4884</u>		<u>1.3428</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	5,221,271	0.1200	5,620,156	0.1200
<u>Cities & Towns</u>				
City of Tucson				
Primary	2,344,619	0.2089	2,477,050	0.3531
Secondary	2,427,121	0.9480	2,558,231	0.8316
Total		<u>1.1569</u>		<u>1.1847</u>
City of South Tucson				
Primary	16,763	0.2513	17,553	0.2383
<u>School Districts</u>				
Unorganized - Primary	8,881	1.9583	7,705	1.8931
Tucson Unified (District #1)				
Primary	2,277,124	7.1831	2,420,755	6.8278
Secondary	2,352,798	1.5779	2,498,086	1.5008
Total		<u>8.7610</u>		<u>8.3286</u>

(Continued)

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

Jurisdiction	FY 2003-04 (Tax Year 2003)		FY 2004-05 (Tax Year 2004)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	380,700	4.3538	433,203	4.3282
Secondary	398,731	2.4441	454,309	2.1752
Total		<u>6.7979</u>		<u>6.5034</u>
Flowing Wells Unified (District #8)				
Primary	153,525	4.2426	159,169	4.1926
Secondary	161,591	2.4142	164,539	2.3957
Total		<u>6.6568</u>		<u>6.5883</u>
Amphitheater Unified (District #10)				
Primary	921,124	4.7554	996,072	4.5111
Secondary	962,109	2.0047	1,036,843	1.8264
Total		<u>6.7601</u>		<u>6.3375</u>
Sunnyside Unified (District #12)				
Primary	280,339	4.5121	297,175	4.2292
Secondary	292,461	4.5920	311,227	4.2554
Total		<u>9.1041</u>		<u>8.4846</u>
Tanque Verde Unified (District #13)				
Primary	119,092	5.3464	130,154	4.0332
Secondary	123,998	1.8321	135,899	1.6329
Total		<u>7.1785</u>		<u>5.6661</u>
Ajo Unified (District #15)				
Primary	12,835	5.3016	13,194	4.4316
Secondary	13,578	0.0000	13,580	0.0000
Total		<u>5.3016</u>		<u>4.4316</u>
Catalina Foothills Unified (District #16)				
Primary	393,193	4.4882	425,298	4.2383
Secondary	406,628	2.5374	440,944	2.4076
Total		<u>7.0256</u>		<u>6.6459</u>
Vail Elementary (District #20)				
Primary	188,022	5.0744	215,837	4.9197
Secondary	199,319	2.1004	228,914	2.0811
Total		<u>7.1748</u>		<u>7.0008</u>

(Continued)

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

Jurisdiction	FY 2003-04 (Tax Year 2003)		FY 2004-05 (Tax Year 2004)	
	Valuation	Rate	Valuation	Rate
Sahuarita Unified (District #30)				
Primary	80,114	4.7307	92,417	4.1694
Secondary	84,837	4.2806	98,750	4.1401
Total		<u>9.0113</u>		<u>8.3095</u>
San Fernando Elementary (District #35)				
Primary	677	0.0000	907	0.0000
Secondary	686	0.0000	911	0.0000
Total		<u>0.0000</u>		<u>0.0000</u>
Empire Elementary (District #37)				
Primary	3,720	6.4699	4,072	6.1171
Secondary	4,230	0.0000	4,428	0.0000
Total		<u>6.4699</u>		<u>6.1171</u>
Continental Elementary (District #39)				
Primary	175,384	1.9583	188,225	1.8931
Secondary	181,629	0.3615	193,866	0.3285
Total		<u>2.3198</u>		<u>2.2216</u>
Indian Oasis Unified (District #40)				
Primary	3,613	0.0000	2,943	0.0000
Secondary	3,613	0.0000	2,935	0.0000
Total		<u>0.0000</u>		<u>0.0000</u>
Redington Elementary (District #44)				
Primary	939	5.6853	1,120	3.9915
Secondary	951	0.0000	1,126	0.0000
Total		<u>5.6853</u>		<u>3.9915</u>
Altar Valley Elementary (District #51)*				
Primary	23,191	5.2408	24,304	5.2335
Secondary	24,501	1.1207	25,600	1.0424
Total		<u>6.3615</u>		<u>6.2759</u>

*Formerly known as the Mary E. Dill School District

PIMA COUNTY
SCHOOL DISTRICT OUTSTANDING BOND ISSUES
June 30, 2004
(\$ Amounts in thousands)

School District	Issue Date	Issue Amount	Amount Redeemed/ Retired	Amount Outstanding	Maturity Date
Tucson Unified District #1	08/01/92	\$ 82,360	\$ 36,240	\$ 46,120	07/01/10
	08/01/92	110,000	110,000	0	07/01/07
	08/01/93	90,000	82,175	7,825	07/01/13
	08/01/93	49,660	45,690	3,970	07/01/10
	08/01/94	30,000	27,000	3,000	07/01/14
	04/01/95	42,950	40,825	2,125	07/01/14
	12/11/97	69,470	2,270	67,200	07/01/12
	04/02/04	140,140	3,780	136,360	07/01/14
		<u>614,580</u>	<u>347,980</u>	<u>266,600</u>	
Marana Unified District #6	06/01/95	7,500	7,065	435	07/01/10
	03/01/98	26,705	14,105	12,600	07/01/10
	06/30/98	5,400	1,445	3,955	07/01/17
	10/01/98	8,535	120	8,415	07/01/12
	06/01/00	10,515	0	10,515	07/01/17
	08/01/00	19,435	16,625	2,810	07/01/15
	08/01/01 (1)	14,545	2,055	12,490	07/01/12
	12/01/03	23,385	275	23,110	07/01/15
		<u>116,020</u>	<u>41,690</u>	<u>74,330</u>	
Flowing Wells Unified District #8	05/15/95	6,050	5,330	720	07/01/05
	06/01/96	12,695	8,970	3,725	07/01/14
	09/01/98	8,390	1,010	7,380	07/01/14
		<u>27,135</u>	<u>15,310</u>	<u>11,825</u>	
Amphitheater Unified District #10	02/01/90	34,495	34,495	0	07/01/04
	03/01/92	5,000	5,000	0	07/01/03
	10/01/92	19,000	10,300	8,700	07/01/06
	10/01/92	26,235	26,235	0	07/01/04
	02/01/95	14,500	14,500	0	07/01/07
	11/01/95	29,000	27,000	2,000	07/01/09
	02/19/97	19,350	5,950	13,400	07/01/10
	10/15/98	12,680	3,155	9,525	07/01/06
	12/01/99	33,835	28,035	5,800	07/01/12
	12/19/02	64,980	4,510	60,470	07/01/11
		<u>259,075</u>	<u>159,180</u>	<u>99,895</u>	
Sunnyside Unified District #12	03/01/94	9,000	7,500	1,500	07/01/08
	04/15/94	9,000	7,000	2,000	07/01/11
	05/14/94	12,000	10,920	1,080	07/01/11
	08/01/97	6,445	4,400	2,045	07/01/11
	08/25/98	12,925	7,625	5,300	07/01/15
	11/01/99	11,040	10,140	900	07/01/13
	08/08/01	21,570	415	21,155	07/01/13
	06/27/03	7,625	120	7,505	07/01/14
	04/01/04	10,270	150	10,120	07/01/13
		<u>99,875</u>	<u>48,270</u>	<u>51,605</u>	

(Continued)

PIMA COUNTY
SCHOOL DISTRICT OUTSTANDING BOND ISSUES
June 30, 2004
(\$ Amounts in thousands)

School District	Issue Date	Issue Amount	Amount Redeemed/ Retired	Amount Outstanding	Maturity Date
Tanque Verde Unified District #13	11/15/94	9,065	9,065	0	07/01/10
	03/01/98	4,995	980	4,015	07/01/10
	04/01/04	2,155	0	2,155	07/01/10
		<u>16,215</u>	<u>10,045</u>	<u>6,170</u>	
Catalina Foothills Unified District #16	03/01/91	20,000	17,500	2,500	07/01/05
	01/01/94	26,675	22,190	4,485	07/01/10
	02/01/94	5,000	5,000	0	07/01/10
	05/01/95	5,500	4,450	1,050	07/01/10
	03/01/96	5,485	4,135	1,350	07/01/06
	01/01/98	10,600	7,775	2,825	07/01/13
	06/30/98	9,120	2,530	6,590	07/01/10
	10/01/01	7,815	180	7,635	07/01/10
	04/01/04	13,370	0	13,370	07/01/13
		<u>103,565</u>	<u>63,760</u>	<u>39,805</u>	
Vail Elementary District #20	09/01/92	4,470	4,470	0	07/01/04
	08/01/94	5,300	5,300	0	07/01/09
	06/01/98	4,200	3,220	980	07/01/17
	03/01/01	10,000	645	9,355	07/01/15
	12/03/02	6,600	810	5,790	07/01/12
		<u>30,570</u>	<u>14,445</u>	<u>16,125</u>	
Sahuarita Unified District #30	01/01/96	9,500	8,570	930	07/01/11
	01/29/97	9,750	7,470	2,280	07/01/11
	01/28/98	10,645	6,410	4,235	07/01/11
		<u>29,895</u>	<u>22,450</u>	<u>7,445</u>	
Continental Elementary District #39	08/01/93	1,625	1,045	580	07/01/08
	04/01/97	3,785	975	2,810	07/01/12
		<u>5,410</u>	<u>2,020</u>	<u>3,390</u>	
Indian Oasis Unified District #40	05/01/02	13,105	1,750	11,355	07/01/14
		<u>13,105</u>	<u>1,750</u>	<u>11,355</u>	
Altar Valley Elementary District #51(2)	10/21/93	290	290	0	07/01/03
		<u>290</u>	<u>290</u>	<u>0</u>	
TOTAL SCHOOL BONDED INDEBTEDNESS		<u>\$ 1,315,735</u>	<u>\$ 727,190</u>	<u>\$ 588,545</u>	

Notes:

(1) Interest supplement

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

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

Fiscal Year	Hotel Excise Tax (1)	Car Rental Surcharges (2)	Recreational Vehicle Tax (3)
1994-95	\$ 922	\$ 941	
1995-96	945	986	
1996-97	1,794	1,340	
1997-98	2,378	1,385	182
1998-99	2,438	1,396	217
1999-00	2,625	1,477	213
2000-01	2,824	1,557	199
2001-02	2,495	1,377	190
2002-03	2,536	1,436	195
2003-04	2,717	1,277	209

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

Source: Pima County Finance Department

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

Fiscal Year	Amount
1994-95	\$ 24,208
1995-96	25,764
1996-97	30,412
1997-98	33,370
1998-99	39,535
1999-00	47,699
2000-01	48,317
2001-02	47,071
2002-03	48,072
2003-04	51,334

Source: Pima County Finance Department

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

Function/Department	FY 02-03	FY 03-04	FY 04-05
Elections	\$ 460		
Clerk of Superior Court	133	\$ 195	\$ 147
Jail (1)	2,557	3,824	2,764
Juvenile Court	74	74	
Legal Services Building			
Public Works Building	1,645	1,643	
Sheriff	42	42	42
Superior Court	77		
	<u>\$ 4,988</u>	<u>\$ 5,778</u>	<u>\$ 2,953</u>

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

Source: Pima County Finance Department

PIMA COUNTY
POPULATION STATISTICS
June 30, 2004

<u>Age Group</u>	<u>Population</u>
0-4	61,749
5-9	60,487
10-14	62,487
15-19	62,934
20-24	70,136
25-39	186,201
40-54	189,688
55-59	47,894
60-64	39,205
65-69	35,659
70-74	34,213
75+	<u>75,399</u>
Total	<u><u>926,052</u></u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2004	926,052
2005	943,795
2010	1,031,623
2015	1,119,342
2020	1,206,244
2040	1,522,615

Source: Arizona Department of Economic Security

PIMA COUNTY
AVERAGE ANNUAL JAIL POPULATION
Last Ten Calendar Years
June 30, 2004

<u>Calendar Year</u>	<u>Average Jail Population</u>
1994	1,069
1995	1,036
1996	1,098
1997	1,229
1998	1,362
1999	1,339
2000	1,330
2001	1,481
2002	1,462
2003	1,539

Source: Pima County Sheriff's Department