

# 2007

## Comprehensive Annual Financial Report



Pima County, Arizona

*For the Fiscal Year Ended June 30, 2007*

**PIMA COUNTY, ARIZONA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007**

**BOARD OF SUPERVISORS**

|                                            |                                       |                            |
|--------------------------------------------|---------------------------------------|----------------------------|
|                                            | Richard Elías<br>Chair<br>District #5 |                            |
| Ramón Valadez<br>Vice Chair<br>District #2 |                                       | Ann Day<br>District #1     |
| Sharon Bronson<br>District #3              |                                       | Ray Carroll<br>District #4 |

**COUNTY ADMINISTRATOR**

C. H. Huckelberry

**Prepared by the Pima County Department of Finance and Risk Management**

|                     |                                |
|---------------------|--------------------------------|
| Tom Burke, Director | Ellen Moulton, Deputy Director |
|---------------------|--------------------------------|

Paul Guerrero, CPA, Division Manager  
Financial Control & Reporting

Accountants

|                     |                      |
|---------------------|----------------------|
| Willie Ames         | Patrick McGee, CPA   |
| Claire Bice         | Grace Ochotorena     |
| Greg Combithis      | Janet Peete          |
| Brenda DeBoo-Nicely | Rosemarie Perry      |
| Dana Dmitroff       | Shirin Reynolds, CPA |
| Toni Dunn           | Pete Rodriguez       |
| Emilia Eveningred   | Blanca Rossetti      |
| Mary Fellows        | Phil Schroeck        |
| Chuo Holliday       | Jennifer Serrano     |
| Linda House         | Kathy Talcott        |
| Marilyn Hutzler     |                      |

PIMA COUNTY, ARIZONA  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007

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**PIMA COUNTY**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2007

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**INTRODUCTORY SECTION**

Letter of Transmittal  
Certificate of Achievement for Excellence in Financial Reporting  
Organizational Chart

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**FINANCIAL SECTION**

**STATISTICAL SECTION**

## INTRODUCTORY SECTION

The purpose of the Introductory Section in a comprehensive annual financial report (CAFR) is to familiarize readers with the organizational structure of the government, the nature and scope of the services it provides and the specifics of its legal operating environment.



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

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

Thomas E. Burke, Director

December 5, 2007

The Honorable Board of Supervisors  
Pima County, Arizona

We are pleased to submit, in accordance with state statutes, the Comprehensive Annual Financial Report (CAFR) of Pima County, prepared by the Finance and Risk Management Department, for the fiscal year ended June 30, 2007. This report presents comprehensive financial and operating information about the County's activities for the fiscal year that is useful to its property owners, businesses and other resource providers. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

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

We believe that the financial information, as presented, is accurate in all material aspects; that it is presented in a manner designed to openly disclose the financial position and results of operations of the County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The CAFR consists of three sections:

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

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

### **Pima County and 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 System & Services (including Posada del Sol), Department of Institutional Health, Public Health Department (including Health & Animal Control) and Forensic Science Center
- *Community and Economic Developments:* Superintendent of Schools, Community Development and Neighborhood Conservation, Economic Development and Tourism, Community Services, Employment and Training, Community Resources, County Free Library District, Southwestern Fair Commission and Stadium District
- *Public Works:* Regional Flood Control District, Development Services (including Planning & Zoning), Transportation, Wastewater Management, Solid Waste, Environmental Quality, Capital Improvement Program, 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 and Risk Management, Human Resources, Information Technology, Non-Departmental (including Contingency), Procurement, Recorder, 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:

- *Southwestern Fair Commission.* Activities of the Commission are reported as a discrete component unit of the County in the accompanying financial statements.

- *Pima County Stadium District, Regional Flood Control District, and Library District.* Activities are reported in special revenue funds as blended component units in the accompanying financial statements.
- *Special Districts.* Pima County includes the financial activities of various improvement districts in its financial statements. Improvement districts are established to pay for the construction of specific public works projects that benefit citizens of a limited geographical area. The County's currently active improvement districts include La Cholla Boulevard, Hayhook 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**

The County is expected to experience significant decrease in revenues related to the downturn in the housing market and other shortfalls from the construction activity on Interstate 10. Specifically, the Recorder's Office and the Development Services department expect further decreases in revenues related to permitting and title recording activity, while Tucson Justice Court revenues from traffic citations are also experiencing decreases in revenues.

Additional decreases in the State Shared Sales tax of \$2.8 million is expected, with similar decreases in the County's hotel/motel tax and vehicle license tax are expected.

Overall, the slowing of the economy and reduction in housing activity is having a negative impact on the County but not to the extent being experienced by the State and municipalities that are more reliant on sales and incomes taxes.

### **Expenditure Limitation**

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

### **Major Program Initiatives and Developments**

Some of the major developments that occurred in Pima County during the fiscal year ended June 30, 2007 include:

#### **Capital Improvement Program**

General Obligation, Street and Highway Revenue and Sewer Revenue bonds continue to fund a significant portion of the Capital Improvement Program. Bond sales are planned for February and April of 2008, with approximately \$100 million of general obligation bonds and \$25 million of Street and Highway Revenue bonds to be sold in February and \$75 million of Sewer Revenue bonds to be sold in April.

Several ongoing projects were completed in the fiscal year, primarily consisting of land acquisitions, building construction and acquisitions and improvements to the sewage conveyance system. Please refer to the Management Discussion and Analysis beginning on page 13 for details on these significant projects.

## **Financial Information**

### **Accounting System and Budgetary Control**

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

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

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

### **Capital Assets System**

This fiscal year the County completed construction of the Herbert K. Abrams Public Health Center on the Kino Campus. The new center provides a centralized location for the Pima County Health department, Pima Health System and Services, and the Department of Institutional Health.

During the fiscal year the County purchased the 22-story office tower located at 33 North Stone, increasing the County's available office space and reducing the need for leased space.

The first phase of a 20-acre expansion of the Sahuarita Municipal Solid Waste Landfill, which included new environmental safeguards, was completed during the fiscal year allowing for the landfill to begin accepting commercial waste again.

The implementation process of SPL/Synergen, a comprehensive asset management system, was completed during the year. The new asset management system now provides departments with a centralized system for reporting assets, while facilitating the processing of departmental work order and project activity. The system interfaces with the County's existing financial management system.

### **Cash Management**

Most cash, other than imprest accounts, is on deposit with the County Treasurer or the State Treasurer. Amounts temporarily available during the course of the fiscal year are invested by the County Treasurer according to statutory guidelines. To address cash flow needs in the short term, the County maintains a revolving line-of-credit with Bank of America, N.A. For short term needs within the County, the County has instituted internal borrowings among funds that were recorded in its accounting records.

### **Risk Management**

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

## **Other Information**

### **Independent Audit**

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

### **Single Audit**

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

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

The results of the County's single audit for the fiscal year ended June 30, 2006 included several reportable conditions. The reportable conditions cited inadequate policies and procedures over three of the County's numerous federal programs: High Intensity Drug Trafficking Areas (HIDTA), the Homeland Security Grant Program and the Help America Vote Act (HAVA).

The first reportable condition for HIDTA pertained to ensuring that federal cost principles and procurement procedures are used when purchasing program assets and services, specifically the rent of building space and the purchase of previously owned vehicles. The audit also reported a weakness in the County's monitoring of HIDTA grant subrecipients. For the Homeland Security Grant Program, the reportable condition pertained to inadequate retention of reimbursement requests and for quarterly program financial reports that were inaccurate and/or incomplete. Lastly, the HAVA reportable condition related to minimizing the time elapsing between receipt of monies and their disbursement. The County has submitted a corrective action plan and the reportable conditions have been corrected in fiscal year 2006-07.

The Single Audit for Pima County for the fiscal year ended June 30, 2007 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 2005, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline.

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

In addition, Pima County also received GFOA's Distinguished Budget Presentation Award for its annual budget for fiscal year ending June 30, 2006. In order to qualify for the Distinguished Budget Presentation Award, the government's budget had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. This is the seventh consecutive year the County's budget has been so recognized.

### Acknowledgements

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

Respectfully submitted,

  
C. H. Huckelberry  
County Administrator

  
Tom Burke, Director  
Finance and Risk Management

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pima County  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

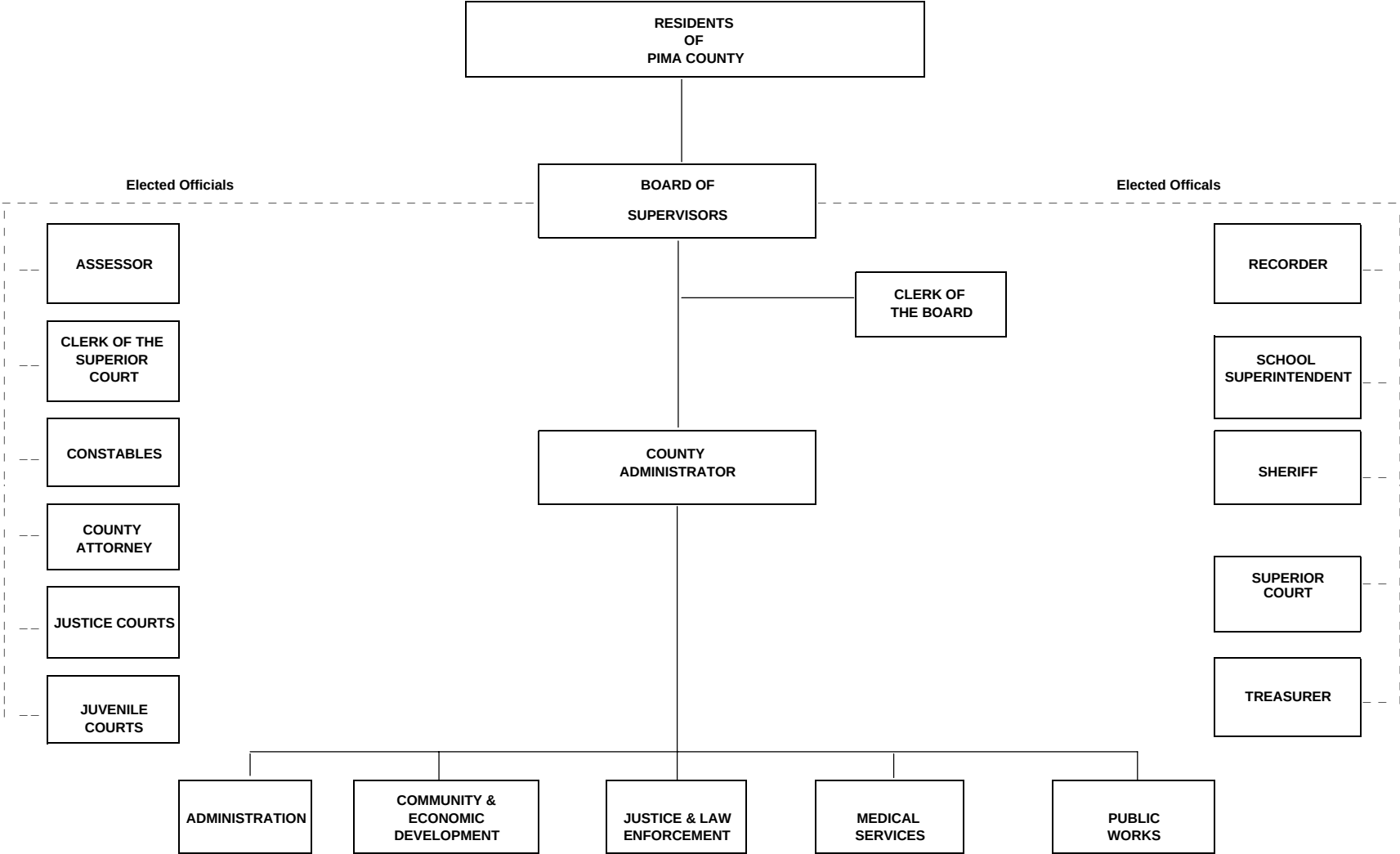
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

PIMA COUNTY ORGANIZATIONAL CHART



**PIMA COUNTY**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2007

**INTRODUCTORY SECTION**

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**FINANCIAL SECTION**

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information Other than Management's Discussion and Analysis

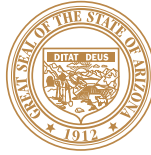
Combining Statements and Other Schedules

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**STATISTICAL SECTION**

## FINANCIAL SECTION

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



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

Independent Auditors' Report

Members of the Arizona State Legislature

The Board of Supervisors of  
Pima County, Arizona

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, two major funds, and the component unit, which account for the following percentages of the assets, liabilities, revenues, and expenses or expenditures of the opinion units affected:

| Opinion Unit/Department           | Assets  | Liabilities | Revenues | Expenses/<br>Expenditures |
|-----------------------------------|---------|-------------|----------|---------------------------|
| <u>Government-Wide Statements</u> |         |             |          |                           |
| Governmental Activities:          |         |             |          |                           |
| Stadium District                  | 0.10%   | 0.04%       | 0.33%    | 0.67%                     |
| School Reserve Fund               | 0.15%   | 0.04%       | 0.41%    | 0.43%                     |
| Self Insurance Trust              | 2.72%   | 5.42%       | 0.38%    | 0.29%                     |
| Business-Type Activities:         |         |             |          |                           |
| Wastewater Management             | 92.50%  | 86.57%      | 26.91%   | 26.18%                    |
| Pima Health System & Services     | 4.92%   | 12.71%      | 63.68%   | 69.50%                    |
| Development Services              | 1.75%   | 0.67%       | 2.95%    | 4.10%                     |
| Self Insurance Trust              | 0.00%   | 0.00%       | 0.00%    | 0.16%                     |
| Component Unit—Southwestern Fair  |         |             |          |                           |
| Commission                        | 100.00% | 100.00%     | 100.00%  | 100.00%                   |

| Opinion Unit/Department               | Assets  | Liabilities | Revenues | Expenses/<br>Expenditures |
|---------------------------------------|---------|-------------|----------|---------------------------|
| <u>Fund Statements</u>                |         |             |          |                           |
| Major Funds:                          |         |             |          |                           |
| Wastewater Management                 | 100.00% | 100.00%     | 100.00%  | 100.00%                   |
| Pima Health System & Services         | 100.00% | 100.00%     | 100.00%  | 100.00%                   |
| Aggregate Remaining Fund Information: |         |             |          |                           |
| Stadium District                      | 0.28%   | 0.15%       | 0.94%    | 0.78%                     |
| School Reserve Fund                   | 0.42%   | 0.16%       | 1.08%    | 0.93%                     |
| Development Services                  | 2.39%   | 1.02%       | 3.68%    | 4.79%                     |
| Self Insurance Trust                  | 7.59%   | 22.93%      | 6.16%    | 4.76%                     |

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis on pages 13 through 27, the budgetary comparison schedule on pages 71 through 72, and the Schedule of Agent Retirement Plans' Funding Progress on page 73 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Debbie Davenport  
Auditor General

December 19, 2007

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## **Management's Discussion and Analysis**

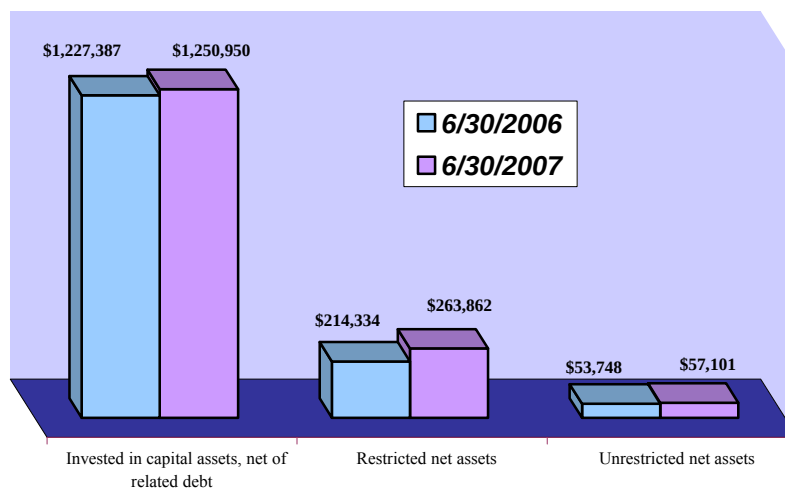
## Management's Discussion & Analysis

This section of Pima County's comprehensive annual financial report presents a discussion and analysis of the County's financial performance during the year ended June 30, 2007, 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, 2007, the County's combined assets exceeded combined liabilities (*net assets*) by \$1,571,913, an increase of 5.1% from the prior year. Of this amount, \$57,101 is available for general government expenditures (*unrestricted net assets*), \$263,862 is restricted for specific purposes (*restricted net assets*), and \$1,250,950 is invested in capital assets, net of related debt and accumulated depreciation.

Comparative Composition of Net Assets



- Of the total fund balances of the County's governmental funds, total fund balance increased \$16,662 to \$230,660, with \$207,772 of this amount available for expenditure. The amount available for expenditure is comprised of \$48,671 for the General fund, \$89,328 for the Capital Projects fund and \$69,773 for the County's other governmental funds.
- The General fund unreserved fund balance increased \$2,248 from the previous year to \$48,671. This balance represents approximately 11.5% of the County's General fund expenditures and 5.5% of total governmental funds expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of four components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required supplementary information (4) 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, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include Pima Health System & Services, Wastewater Management, Development Services and the County's downtown parking garages.

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

**The government-wide financial statements can be found on pages 29-31 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 can be divided into three categories: (1) *governmental funds*, (2) *proprietary funds*, and (3) *fiduciary funds*.

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

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

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

**The governmental fund financial statements can be found on pages 32-35 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 graphic services and telecommunications. 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 System & Services operations are considered to be major funds of the County. Data from the other enterprise funds are combined into a single, aggregated presentation. Similarly, the County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the other enterprise and internal service funds are provided in the form of *combining statements* elsewhere in this report.

**The proprietary fund financial statements can be found on pages 36-39 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 40-41 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 42-69 of this report.

**Required Supplementary Information (RSI)** is presented concerning the County's General fund budgetary schedule and the schedule of retirement plans' funding progress. Required supplementary information can be found on pages 71-73 of this report.

**Combining Statements and Other 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 76-106 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. County assets exceeded liabilities by \$1,571,913 at June 30, 2007. The following table shows condensed information for the Schedule of Assets, Liabilities, and Net Assets:

**Table 1**  
**Schedule of Assets, Liabilities, and Net Assets**  
**At June 30, 2007**

|                                                    | <b>Governmental Activities</b> |                   | <b>Business-type Activities</b> |                  | <b>Total</b>       |                   |
|----------------------------------------------------|--------------------------------|-------------------|---------------------------------|------------------|--------------------|-------------------|
|                                                    | <b>Fiscal Year</b>             |                   | <b>Fiscal Year</b>              |                  | <b>Fiscal Year</b> |                   |
|                                                    | <b>2006-2007</b>               | <b>2005-2006*</b> | <b>2006-2007</b>                | <b>2005-2006</b> | <b>2006-2007</b>   | <b>2005-2006*</b> |
| Current and other assets                           | \$ 369,780                     | \$ 342,488        | \$ 153,227                      | \$ 114,925       | \$ 523,007         | \$ 457,413        |
| Capital assets:                                    |                                |                   |                                 |                  |                    |                   |
| Land, buildings, equipment, infrastructure & other | 1,258,762                      | 1,146,334         | 646,309                         | 597,365          | 1,905,071          | 1,743,699         |
| Total assets                                       | 1,628,542                      | 1,488,822         | 799,536                         | 712,290          | 2,428,078          | 2,201,112         |
| Current and other liabilities                      | 90,562                         | 83,175            | 51,327                          | 40,048           | 141,889            | 123,223           |
| Long-term liabilities                              | 538,529                        | 446,000           | 175,747                         | 136,420          | 714,276            | 582,420           |
| Total liabilities                                  | 629,091                        | 529,175           | 227,074                         | 176,468          | 856,165            | 705,643           |
| Net assets :                                       |                                |                   |                                 |                  |                    |                   |
| Invested in capital assets, net of related debt    | 774,000                        | 761,130           | 476,950                         | 466,257          | 1,250,950          | 1,227,387         |
| Restricted                                         | 179,195                        | 160,053           | 84,667                          | 54,281           | 263,862            | 214,334           |
| Unrestricted                                       | 46,256                         | 38,464            | 10,845                          | 15,284           | 57,101             | 53,748            |
| Total net assets                                   | \$ 999,451                     | \$ 959,647        | \$ 572,462                      | \$ 535,822       | \$ 1,571,913       | \$ 1,495,469      |

\*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 and equipment), less any related outstanding debt used to acquire those assets. As of June 30, 2007, investment in capital assets totaled \$1,250,950, comprising approximately 79.6% of total net assets. The County uses a portion of these capital assets to provide services to its citizens, with the other portion available to its citizens for use; consequently, these assets are *not* available for future spending. The \$23,563 increase in capital assets, net of related debt, is primarily due to the significant amount of capital project activity that has been completed and capitalized over the past year. Although the County's investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. As of June 30, 2007, restricted net assets totaled \$263,862 and comprised approximately 16.8% of total net assets. This represents a \$49,528 increase in restricted net assets from the \$214,334 balance of fiscal year 2005-06.

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, 2007, unrestricted net assets totaled \$57,101 and comprised approximately 3.6% of total net assets.

### **Governmental activities**

Governmental activities contributed \$39,804, or 52.1% of the County's \$76,444 increase, in total net assets during fiscal year 2006-07. The following table shows changes in net assets for governmental activities:

**Table 2**  
**Governmental Activities**  
**Schedule of Changes in Net Assets**  
**For the Years Ended June 30, 2007 and 2006**

|                                           | Fiscal Year |            | Variance   |         |
|-------------------------------------------|-------------|------------|------------|---------|
|                                           | 2006-2007   | 2005-2006* | Amount     | Percent |
| Program revenues:                         |             |            |            |         |
| Charges for services                      | \$ 66,898   | \$ 72,121  | \$ (5,223) | -7.2%   |
| Operating grants and contributions        | 139,324     | 133,407    | 5,917      | 4.4%    |
| Capital grants and contributions          | 15,085      | 12,188     | 2,897      | 23.8%   |
| Total program revenues                    | 221,307     | 217,716    | 3,591      | 1.6%    |
| General revenues:                         |             |            |            |         |
| Property taxes                            | 343,525     | 316,170    | 27,355     | 8.7%    |
| State-shared taxes                        | 133,952     | 129,052    | 4,900      | 3.8%    |
| Investment earnings                       | 16,439      | 12,942     | 3,497      | 27.0%   |
| Other general revenues                    | 46,576      | 35,720     | 10,856     | 30.4%   |
| Total general revenues                    | 540,492     | 493,884    | 46,608     | 9.4%    |
| Total revenues                            | 761,799     | 711,600    | 50,199     | 7.1%    |
| Expenses:                                 |             |            |            |         |
| General government                        | 223,266     | 208,293    | 14,973     | 7.2%    |
| Public safety                             | 148,831     | 132,583    | 16,248     | 12.3%   |
| Highways and streets                      | 92,985      | 70,392     | 22,593     | 32.1%   |
| Sanitation                                | 9,623       | 7,258      | 2,365      | 32.6%   |
| Health                                    | 33,800      | 32,043     | 1,757      | 5.5%    |
| Welfare                                   | 97,154      | 103,085    | (5,931)    | -5.8%   |
| Culture and recreation                    | 55,482      | 34,510     | 20,972     | 60.8%   |
| Education and economic opportunity        | 42,483      | 39,517     | 2,966      | 7.5%    |
| Unallocated depreciation and amortization | 168         | 165        | 3          | 1.8%    |
| Interest on long-term debt                | 18,924      | 19,463     | (539)      | -2.8%   |
| Total expenses                            | 722,716     | 647,309    | 75,407     | 11.7%   |
| Excess before transfers                   | 39,083      | 64,291     | (25,208)   | -39.2%  |
| Transfers in (out)                        | 721         | (134)      | 855        | -638.1% |
| Change in net assets                      | 39,804      | 64,157     | (24,353)   | -38.0%  |
| Ending net assets                         | \$ 999,451  | \$ 959,647 | \$ 39,804  | 4.2%    |

\*As restated - See Note 2 of the financial statements

- Key elements of the change in net assets from governmental activities include: Program revenues increased \$3,591, reflecting increases in Operating grants and contributions and Capital grants and contributions of \$8,814 and a decrease of \$5,223 in Charges for services.
  - Revenue from Operating grants and contributions increased by \$5,917 due primarily to an increase of \$8,886 in the function class culture and recreation. The County received \$6,038 in city funding for transition costs of the County Free Library system. In addition, there was a \$4,943 increase in highways and streets functional category due primarily to increased state funding for highway user fees, vehicle license tax, and lottery revenue.

- Revenue from Capital grants and contributions increased by \$2,897 due primarily to an increase of \$3,928 in the function class highways and streets. The County received \$4,765 in Urban-area HURF monies from the Pima Association of Governments for the Valencia Road: Mission to I-19 project.
- Revenue from Charges for services decreased by \$5,223 due primarily to a decline in the home construction industry. Impact fee revenue has decreased by \$7,711, a direct result of the decrease in residential building permits issued.
- General revenues increased by \$46,608, primarily due to increases in property taxes and other general revenues. Increases in real property assessed valuations were the primary factor creating a \$27,355 increase in property tax revenues. Other general revenue increased by \$10,856, due to increased land and building contributions and rent revenue from newly acquired buildings.
- Total expenses for governmental activities increased by \$75,407 due to the following:
  - Expenses for Highways and streets increased by \$22,593, due primarily to capital project expenditures for other governmental agencies.
  - An increase of \$20,972 in the culture and recreation function expenditures was primarily due to the transition of public library branches from the City of Tucson to the County Free Library District.
  - The increase in expenditures for public safety of \$16,248 is due primarily to an increase in personnel services due to salary and retirement rate increases and an increase in capital project expenditures.
  - Expenditures for general government increased by \$14,973, primarily attributable to salary adjustments of 4.5% for County employees.

### **Business-type activities**

Business-type activities contributed \$36,640, or 47.9%, of the County's increase of \$76,444 in total net assets during the year ended June 30, 2007. The following table shows changes in net assets for business-type activities:

**Table 3**  
**Business-type Activities**  
**Schedule of Changes in Net Assets**  
**For the Years Ended June 30, 2007 and 2006**

|                                    | Fiscal Year |            | Variance  |         |
|------------------------------------|-------------|------------|-----------|---------|
|                                    | 2006-2007   | 2005-2006  | Amount    | Percent |
| Program revenues:                  |             |            |           |         |
| Charges for services               | \$ 376,195  | \$ 376,874 | \$ (679)  | -0.2%   |
| Operating grants and contributions | 5,174       | 4,997      | 177       | 3.5%    |
| Capital grants and contributions   | 803         | 449        | 354       | 78.8%   |
| Total program revenues             | 382,172     | 382,320    | (148)     | 0.0%    |
| General revenues:                  |             |            |           |         |
| Capital contributions              | 25,217      | 14,607     | 10,610    | 72.6%   |
| Investment earnings                | 5,510       | 3,849      | 1,661     | 43.2%   |
| Other general revenues             | 1,522       | 1,348      | 174       | 12.9%   |
| Total general revenues             | 32,249      | 19,804     | 12,445    | 62.8%   |
| Total revenues                     | 414,421     | 402,124    | 12,297    | 3.1%    |
| Expenses:                          |             |            |           |         |
| Wastewater Management              | 98,222      | 82,701     | 15,521    | 18.8%   |
| Pima Health System & Services      | 261,859     | 256,583    | 5,276     | 2.1%    |
| Development Services               | 15,400      | 14,422     | 978       | 6.8%    |
| Parking Garages                    | 1,579       | 1,479      | 100       | 6.8%    |
| Total expenses                     | 377,060     | 355,185    | 21,875    | 6.2%    |
| Excess before transfers            | 37,361      | 46,939     | (9,578)   | -20.4%  |
| Transfers in (out)                 | (721)       | 134        | (855)     | -638.1% |
| Change in net assets               | 36,640      | 47,073     | (10,433)  | -22.2%  |
| Ending net assets                  | \$ 572,462  | \$ 535,822 | \$ 36,640 | 6.8%    |

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

- Revenue for Capital contributions increased by \$10,610. Wastewater Management received developer conveyed capital assets with an estimated fair value of \$25,421 for the fiscal year 2006-07.
- Investment earnings increased by \$1,661 due primarily to higher average cash balances and an increase in interest rates to 5.2%. Wastewater Management issued sewer revenue bonds in January 2007, which contributed to the higher cash balance.
- Expenses for Wastewater Management increased by \$15,521 due primarily to increases of \$2,056 in employee compensation, the result of salary adjustments of 4.5% for County employees, \$2,258 in operating supplies, \$2,042 in general & administrative, \$2,573 in depreciation, \$1,434 loss on disposal of equipment, and \$1,875 in interest expense.
- Expenses for Pima Health System & Services increased by \$5,276 due primarily to increases of \$3,139 in medical & health care claims due to inflation and \$1,200 in transition costs for the new Abrams Public Health Center.

## 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, 2007, the County's governmental funds reported combined fund balances of \$230,660, an increase of \$16,662 from the prior year. Approximately 90.1% of the combined fund balances, or \$207,772, constitutes unreserved and undesignated fund balance, which is available to meet the County's current and future needs. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has been committed to the following:

- \$9,626 to reflect inventories and prepaid amounts
- \$8,155 to pay debt service
- \$3,276 for specified programs
- \$1,756 to reflect a loan receivable
- \$75 for capital repairs and refurbishments

The General Fund is the chief operating fund of the County. At June 30, 2007, unreserved fund balance of the general fund was \$48,671 while total fund balance reached \$57,560. 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 11.5% of total General fund expenditures, while total fund balance represents 13.7% of that same amount.

Total fund balance for the General Fund increased \$5,985 compared to the prior fiscal year. Revenue increased by \$26,915 due to an increase of \$9,402 for property taxes as a result of increased assessed property valuations, \$8,289 for intergovernmental revenue as a result of increased taxes for sales, transient lodging, and vehicle license, and \$6,502 for charges for services as a result of increased overhead for the Library District. Expenditures increased by \$18,675 primarily due to a rise in personnel services resulting from salary and retirement rate increases. The excess of revenues over expenditures was \$35,209, which is further reduced by net operating transfers out of \$29,224. Operating transfers to other funds were higher for the fiscal year due to increases of \$3,200 for the Facilities Renewal Fund, \$3,000 for public transit costs within the Transportation Fund, \$2,000 for the Information Technology Enhancement Fund, \$3,200 for a Property Tax Rate Stabilization Fund, and \$4,100 for the Space Acquisition Fund.

Total fund balance for the Capital Projects Fund increased \$4,976 compared to the prior fiscal year. The decrease of \$6,444 for total revenue is related to the problems currently affecting the housing market and its impact on construction activity. Expenditures rose by \$81,652 as a result of increases from construction activity on transportation projects of \$21,784, from acquisitions and completions of building projects of \$19,411, and from acquisitions of land under the open space preservation plan of \$15,250. The defi-

ciency of revenues under expenditures was \$173,639, which was offset by the issuance of general obligation bonds of \$95,000, transportation bonds of \$21,000, and certificates of participation of \$30,320. In addition, operating transfers into the fund totaled \$30,549, which included \$11,500 of highway user revenue from the Transportation Fund and \$14,883 of tax levy revenue from the Flood Control District Fund.

Revenues for governmental functions totaled approximately \$761,335 in fiscal year 2006-07, which represents an increase of \$46,698 (6.5%) from the previous year.

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

**Table 4**  
**Governmental Funds**  
**Revenues Classified by Source**

|                      | Fiscal Year       |               |                   |               |                  |             |
|----------------------|-------------------|---------------|-------------------|---------------|------------------|-------------|
|                      | 2006-2007         |               | 2005-2006*        |               | Variance         |             |
|                      | Amount            | Percent       | Amount            | Percent       | Amount           | Percent     |
| Revenues by source:  |                   |               |                   |               |                  |             |
| Taxes                | \$ 348,700        | 45.8%         | \$ 321,474        | 45.0%         | \$ 27,226        | 8.5%        |
| Special assessments  | 521               | 0.1%          | 215               | 0.0%          | 306              | 142.3%      |
| Licenses and permits | 7,132             | 0.9%          | 7,452             | 1.1%          | (320)            | -4.3%       |
| Intergovernmental    | 303,392           | 39.9%         | 291,353           | 40.8%         | 12,039           | 4.1%        |
| Charges for services | 63,508            | 8.3%          | 63,582            | 8.9%          | (74)             | -0.1%       |
| Fines and forfeits   | 6,550             | 0.9%          | 6,014             | 0.8%          | 536              | 8.9%        |
| Interest             | 13,988            | 1.8%          | 11,382            | 1.6%          | 2,606            | 22.9%       |
| Miscellaneous        | 17,544            | 2.3%          | 13,165            | 1.8%          | 4,379            | 33.3%       |
| Total revenues       | <u>\$ 761,335</u> | <u>100.0%</u> | <u>\$ 714,637</u> | <u>100.0%</u> | <u>\$ 46,698</u> | <u>6.5%</u> |

\*As restated - See Note 2 of the financial statements

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

- Taxes Revenues from property taxes increased \$27,226. This was the result of continued increases in assessed property valuations and a County Free Library District tax rate increase from \$0.2575 to \$0.3675 per \$100 of net assessed value.
- Intergovernmental The \$12,039 increase in intergovernmental revenue was due primarily to a \$9,261 increase in state revenue the major portion of which was an increase in urban-HURF funding for roadway projects. In addition, \$3,637 of sales tax revenue was received for the new Regional Transportation Authority roadway projects.
- Miscellaneous revenue The \$4,379 increase in miscellaneous revenue is due primarily to a \$1,893 increase in rents from newly acquired and constructed buildings, a \$1,542 increase in anti-racketeering revenue, and a \$1,233 increase in County Free Library District donations and grants.

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

**Table 5**  
**Governmental Funds**  
**Expenditures by Function**

| Government<br>Function             | Fiscal Year       |               |                   |               |                   |              |
|------------------------------------|-------------------|---------------|-------------------|---------------|-------------------|--------------|
|                                    | 2006-2007         |               | 2005-2006         |               | Variance          |              |
|                                    | Amount            | Percent       | Amount            | Percent       | Amount            | Percent      |
| General government                 | \$ 222,434        | 24.9%         | \$ 203,881        | 26.8%         | \$ 18,553         | 9.1%         |
| Public safety                      | 132,930           | 14.9%         | 121,229           | 15.9%         | 11,701            | 9.7%         |
| Highways and streets               | 42,683            | 4.8%          | 39,394            | 5.2%          | 3,289             | 8.4%         |
| Sanitation                         | 6,766             | 0.8%          | 6,271             | 0.8%          | 495               | 7.9%         |
| Health                             | 32,311            | 3.6%          | 30,038            | 3.9%          | 2,273             | 7.6%         |
| Welfare                            | 97,168            | 10.9%         | 103,034           | 13.5%         | (5,866)           | -5.7%        |
| Culture and recreation             | 45,197            | 5.1%          | 28,561            | 3.8%          | 16,636            | 58.3%        |
| Education and economic opportunity | 38,474            | 4.3%          | 37,918            | 5.0%          | 556               | 1.5%         |
| Capital outlay                     | 202,659           | 22.7%         | 121,007           | 15.9%         | 81,652            | 67.5%        |
| <u>Debt service:</u>               |                   |               |                   |               |                   |              |
| - Principal                        | 53,733            | 5.9%          | 50,547            | 6.6%          | 3,186             | 6.3%         |
| - Interest                         | 18,965            | 2.1%          | 19,448            | 2.6%          | (483)             | -2.5%        |
| - Miscellaneous                    | 12                | 0.0%          | 15                | 0.0%          | (3)               | -20.0%       |
| Total expenditures                 | <u>\$ 893,332</u> | <u>100.0%</u> | <u>\$ 761,343</u> | <u>100.0%</u> | <u>\$ 131,989</u> | <u>17.2%</u> |

Total expenditures in governmental funds increased during fiscal year 2006-07 by \$131,989.

- The \$81,652 increase in capital outlay expenditures was due primarily to a \$21,784 increase in roadway construction. In addition, there were increases of \$19,411 in facilities acquisitions and \$15,225 in land acquisitions.
- The \$18,553 increase in general government expenditures was due primarily to a 4.5% salary adjustment for County employees.
- The \$16,636 increase in culture and recreation expenditures resulted from the County assuming responsibility for the operations of all public library branches within the County Free Library District from the City of Tucson.

#### **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 \$13,642 and actual expenditures were less than budgeted expenditures by \$18,049. 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 System and Services, 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**  
**Enterprise Funds**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**For the Fiscal Years ended June 30, 2007 and 2006**

|                                                  | Fiscal Year |            | Variance    |         |
|--------------------------------------------------|-------------|------------|-------------|---------|
|                                                  | 2006-2007   | 2005-2006  | Amount      | Percent |
| Operating revenues:                              |             |            |             |         |
| Net patient services                             | \$ 255,275  | \$ 252,034 | \$ 3,241    | 1.3%    |
| Charges for services                             | 84,106      | 82,162     | 1,944       | 2.4%    |
| Other                                            | 1,526       | 1,348      | 178         | 13.2%   |
| Total net operating revenues                     | 340,907     | 335,544    | 5,363       | 1.6%    |
| Operating expenses:                              |             |            |             |         |
| Employee compensation                            | 77,627      | 73,452     | 4,175       | 5.7%    |
| Medical claims                                   | 208,122     | 205,951    | 2,171       | 1.1%    |
| Operating supplies & services                    | 11,140      | 9,105      | 2,035       | 22.4%   |
| Utilities                                        | 7,253       | 6,007      | 1,246       | 20.7%   |
| Sludge and refuse disposal                       | 1,649       | 1,298      | 351         | 27.0%   |
| Repair and maintenance                           | 6,441       | 5,184      | 1,257       | 24.2%   |
| General and administrative                       | 18,761      | 14,328     | 4,433       | 30.9%   |
| Consultants and professional services            | 9,649       | 8,018      | 1,631       | 20.3%   |
| Depreciation and amortization                    | 23,844      | 21,092     | 2,752       | 13.1%   |
| Total operating expenses                         | 364,486     | 344,435    | 20,051      | 5.8%    |
| Operating loss                                   | (23,579)    | (8,891)    | (14,688)    | 165.2%  |
| Nonoperating revenues (expenses):                |             |            |             |         |
| Intergovernmental revenue                        | 12,029      | 5,904      | 6,125       | 103.7%  |
| Interest income                                  | 5,556       | 3,849      | 1,707       | 44.4%   |
| Sewer connection fees                            | 30,757      | 42,220     | (11,463)    | -27.2%  |
| Interest expense                                 | (6,540)     | (4,720)    | (1,820)     | 38.6%   |
| Loss on disposal of capital assets               | (1,601)     | (22)       | (1,579)     | 7177.3% |
| Amortization of deferred charges                 | (109)       | (97)       | (12)        | 12.4%   |
| Premium tax                                      | (5,091)     | (4,949)    | (142)       | 2.9%    |
| Total nonoperating revenues                      | 35,001      | 42,185     | (7,184)     | -17.0%  |
| Income (loss) before contributions and transfers | 11,422      | 33,294     | (21,872)    | -65.7%  |
| Capital contributions                            | 25,217      | 14,607     | 10,610      | 72.6%   |
| Transfers in                                     | 17          | 156        | (139)       | -89.1%  |
| Transfers (out)                                  | (738)       | (22)       | (716)       | 3254.6% |
| Change in net assets                             | \$ 35,918   | \$ 48,035  | \$ (12,117) | -25.2%  |

Key activity within the enterprise funds for fiscal year 2006-07 include the following:

- While net operating revenues for the County's Enterprise Funds increased \$5,363, operating expenses increased \$20,051, resulting in an operating loss of \$23,579, or a decline of \$14,688 from the prior year. The operating loss was due to losses reported of \$20,868 by Wastewater Management, \$4,010 by Development Services, and \$41 by Parking Garages, as compared to the operating income reported by Pima Health System and Services of \$1,340.
- Net patient services revenues increased by \$3,241 from fiscal year 2005-06. This is attributable to increased membership enrollment for Pima Health System and Services, which generated increases in capitation revenues.
- Charges for services revenues increased by \$1,944 as compared to the prior year. Wastewater Management reported an increase of \$7,630 due to an increase in sewer utility service fee revenue. Development Services reported a decrease of \$5,902 due to a drop in permit revenue, as a result of a decrease in construction activity.
- Employee compensation expenses increased by \$4,175 from fiscal year 2005-06, due to an increase of \$2,056 for Wastewater Management and an increase of \$1,182 for Development Services. Both increases were primarily due to the Board of Supervisor's approved salary rate increases and position reclassifications.
- Medical claims expense increased by \$2,171 due to the cost of inflation and an increase in enrollment for Pima Health System and Services during the fiscal year.
- Operating supplies & services increased \$2,035 due to Wastewater Management treatment facility and odor control expansion.
- General and administrative expenses increased \$4,433 as compared to the prior year. Pima Health System and Services reported an increase of \$1,200 due to transition costs for the new Abrams Public Health Center. Wastewater Management reported an increase of \$2,041 due to increased interfund charges for motor pool, insurance, and overhead.
- Depreciation and amortization expense increased \$2,752 due to the completion of the Wastewater Management Ina Road Treatment Facility Expansion in June 2006.
- Intergovernmental revenue increased \$6,125 from fiscal year 2005-06. Wastewater Management reported an increase of \$5,855 due primarily to a contract to construct sewer lines for the Federal Bureau of Prisons.
- Sewer connection fees charged by Wastewater Management decreased by \$11,463 due to a significant decline in new construction within the County.

## **Capital Assets and Debt Administration**

### **Capital Assets**

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$1,905,071 (net of accumulated depreciation), an increase of 9.3%. Of the \$161,372 increase in net capital assets, \$112,428 (69.7%) came from governmental activities and \$48,944 (30.3%) came from business-type activities. The County's investment in capital assets consists of land, buildings, sewage conveyance systems, infrastructure, equipment and construction in progress.

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

**Table 7**  
**Governmental and Business-type Activities**  
**Capital Assets**

|                            | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                   | <b>Total</b>        |                     |
|----------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
|                            | <b>Fiscal Year</b>             |                     | <b>Fiscal Year</b>              |                   | <b>Fiscal Year</b>  |                     |
|                            | <b>2006-2007</b>               | <b>2005-2006</b>    | <b>2006-2007</b>                | <b>2005-2006</b>  | <b>2006-2007</b>    | <b>2005-2006</b>    |
| Land                       | \$ 257,387                     | \$ 222,954          | \$ 9,695                        | \$ 8,706          | \$ 267,082          | \$ 231,660          |
| Construction in progress   | 109,307                        | 115,305             | 35,637                          | 14,842            | 144,944             | 130,147             |
| Buildings and improvements | 355,608                        | 271,771             | 239,576                         | 239,799           | 595,184             | 511,570             |
| Sewage conveyance system   |                                |                     | 349,455                         | 327,335           | 349,455             | 327,335             |
| Equipment                  | 39,560                         | 38,634              | 11,946                          | 6,683             | 51,506              | 45,317              |
| Infrastructure             | 496,900                        | 497,670             |                                 |                   | 496,900             | 497,670             |
| Total                      | <u>\$ 1,258,762</u>            | <u>\$ 1,146,334</u> | <u>\$ 646,309</u>               | <u>\$ 597,365</u> | <u>\$ 1,905,071</u> | <u>\$ 1,743,699</u> |

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

- Land increased by \$35,422 due primarily to the following acquisitions for governmental activities: \$11,557 for the Goff property, \$5,103 for the Buckelew Farm property, \$5,193 for various other open space acquisitions, \$3,297 for land acquisition related to flood control projects, \$2,217 for land acquisition related to transportation road projects, \$2,100 for the 33 N. Stone Avenue property, \$2,088 for the new justice/municipal court complex property, and \$1,787 for the Sheriff's Emergency Communications Center property.
- Buildings and improvements increased by \$83,614 due primarily to the newly-constructed Abrams Public Health Center for \$26,863, the acquisitions of 33 N. Stone Avenue for \$22,870 and of 3434 E. 22<sup>nd</sup> Street for \$4,455, the expansion of the Sahuarita Landfill for \$7,529, and the capitalization of the following projects:
  - Brandi Fenton Memorial Park for \$5,610
  - Curtis Park for \$2,713
  - Improvements within the Summerhaven area for \$1,981
  - Picture Rocks pool for \$1,943
  - Midtown Public Library branch for \$1,763
- Sewage conveyance systems increased by \$22,120 due primarily to the contribution of developer-built conveyance systems for \$8,701, the capitalization of the Carillo School/El Paso Street rehabilitation project for \$3,634, and the capitalization of other miscellaneous conveyance rehabilitation projects for \$6,153.

The County's infrastructure assets are recorded at historical cost and estimated historical cost in the government-wide financial statements. Additional information regarding the County's capital assets can be found in Note 5 of the financial statements on pages 53-54 of this report.

### **Long-term Debt**

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

**Table 8**  
**Governmental Activities**  
**Long-Term Debt**

|                               | <b>Fiscal Year</b> |                  |
|-------------------------------|--------------------|------------------|
|                               | <b>2006-2007</b>   | <b>2005-2006</b> |
| Bonds issued (at face value): |                    |                  |
| General obligation            | \$ 95,000          |                  |
| Street and highway revenue    | 21,000             |                  |
| Loans                         |                    | \$ 4,836         |
| COPs                          | 30,320             |                  |
| Capital leases                |                    | 231              |
| Total                         | <u>\$ 146,320</u>  | <u>\$ 5,067</u>  |

During the fiscal year, the county received \$95,000 in proceeds from the sale of general obligation bonds and \$21,000 from the sale of transportation revenue bonds. As of June 30, 2007, \$13,201 of proceeds from general obligation bonds and \$1,572 from transportation revenue bonds were unspent. The majority of the general obligation bonds were spent on the Sonoran Desert open space and habitat protection plan, public safety, parks and recreational facilities, and public health and community facilities, while proceeds from transportation revenue bonds were allocated to various roadway projects.

In addition, during the fiscal year, the County sold \$30,320 in certificates of participation in order to finance the purchase and remodel of the 33 N. Stone Avenue building, as well as the remodel of the Jackson Employment Center for the Community Services department.

During the fiscal year, Moody's Investors Service raised its' rating on the County's General Obligation Debt Series 2007 from 'A1' to 'Aa3' and on the County's Certificates of Participation Series 2003 from 'A2' to 'A1'. Additionally, Standard & Poor's Ratings Services raised its' rating on the Street and Highway Revenue Bonds Series 2007 to "AA" from "A+".

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its net assessed valuation. The current debt limitation for Pima County is \$1,030,493, which is significantly in excess of Pima County's outstanding general obligation debt.

Additional information regarding the County's debt can be found in Note 7 of the financial statements on pages 56-64 of this report.

## **Economic Factors and Next Year's Budget**

General Government revenues, excluding property tax revenues, is budgeted in fiscal year 2007-08 at \$164.4 million, approximately \$7.7 million more than the budget for fiscal year 2006-07. The slowing in the growth of these revenues is reflective of the overall economy which has been moderated by numerous factors including a downturn in residential construction, slowing rate of increase in housing prices, uncertainty in the sub-prime mortgage market, rising fuel prices and a volatile stock market. Partially offsetting these negative factors are positive components of our State and local economies including continued population growth, relatively low inflation, rising wages and higher commodity prices.

Pima County is slightly less vulnerable to recession than the Phoenix metropolitan area primarily because the employment base is oriented towards national defense and higher education. Both of these sectors are expected to remain strong even though they may not grow substantially in the short term.

New construction has already declined to levels not experienced since the late nineties. Sales prices of homes being sold are slowly declining which will impact valuations for taxing purposes. Employment in

housing construction, real estate and finance are all expected to decline in fiscal year 2007-08 and also into the next fiscal year. Population growth in Pima County will continue to increase but at a slower pace than in the last few years.

The budget for fiscal year 2007-08 has expenditures for the General Fund increasing by approximately \$49.2 million primarily due to the following:

- \$24.5 million additional expenditure authority to provide for a General Fund Reserve equal to 5% of General Fund revenues
- \$15.0 million for advance payment under the agreement with University Physicians Healthcare to operate the former Kino Community Hospital
- \$7.5 million for an employee compensation plan (excluding commissioned and corrections officers) for a 2.1% general salary adjustment, a 2.5% market rate adjustment, and a 0.5% increase for employees who are members of the Arizona State Retirement System whose required contribution will increase by that percentage
- \$6.1 million in supplemental funding for individual departments
- \$2.9 million increase in General Fund Debt Service for certificates of participation issued in connection with the acquisition of the Bank of America building
- \$1.4 million net increase in the County's contribution toward the cost of non-retirement benefits: \$1.8 million net increase in state mandated employer contributions to the various state retirement system; \$1.4 million increase for the County's contribution to individual employees' Health Savings Accounts
- \$2.5 million increase in mileage costs charged to various departments
- \$2.4 million for a 10% increase in the step plan for commissioned officers effective January 6, 2008, a 5% increase in the step plan for correction officers and corrections specialists effective January 6, 2008, and a 10% increase in the step plan for corrections sergeants effective January 6, 2008
- \$1.0 million reserved for potential increases to critically deficient starting salaries - to be based on a pending market study
- \$500,000 reserve to cover the impact of the implementation of voter approved Proposition 100
- \$500,000 reserve for potential Solid Waste Program operating losses
- \$527,000 of various increases identified for General Fund departments that underwent a zero-base budget process
- \$400,000 increase in Restoration to Competency funding
- \$1.5 million net reduction for the primary and general elections held in 2006 partially offset by cost of the planned Presidential Preference Primary scheduled for early 2008
- \$18.7 million reduction in various fiscal year 2006/07 one-time expenditure items
- also includes the annualization of fiscal year 2006/07 supplemental requests, annualization of fiscal year 2006/07 salary adjustments, other position related adjustments, and adjustments for one time 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 and Risk Management Department, 130 W. Congress, 6<sup>th</sup> Floor, Tucson, AZ, 85701.

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## **Basic Financial Statements**

PIMA COUNTY, ARIZONA  
Statement of Net Assets  
As of June 30, 2007  
(in thousands)

Exhibit A-1

|                                                 | Primary Government |                   |                     | Component Unit    |
|-------------------------------------------------|--------------------|-------------------|---------------------|-------------------|
|                                                 | Governmental       | Business-type     | Total               | Southwestern Fair |
|                                                 | Activities         | Activities        |                     | Commission        |
| <b>ASSETS</b>                                   |                    |                   |                     |                   |
| Cash and cash equivalents                       | \$ 280,806         | \$ 71,047         | \$ 351,853          | \$ 1,368          |
| Property taxes receivable (net)                 | 9,219              |                   | 9,219               |                   |
| Interest receivable                             | 1,702              | 524               | 2,226               |                   |
| Internal balances                               | 2,343              | (2,343)           |                     |                   |
| Due from other governments                      | 52,665             | 5,140             | 57,805              |                   |
| Accounts receivable (net)                       | 4,941              | 24,287            | 29,228              | 58                |
| Inventories                                     | 2,411              | 3,200             | 5,611               | 30                |
| Prepays                                         | 8,466              | 257               | 8,723               |                   |
| Special assessments receivable                  | 1,781              |                   | 1,781               |                   |
| Other assets                                    | 1,532              | 1,109             | 2,641               | 2                 |
| Restricted assets:                              |                    |                   |                     |                   |
| Cash and cash equivalents                       | 2,158              | 50,006            | 52,164              |                   |
| Loans receivable                                | 1,756              |                   | 1,756               |                   |
| Capital assets not being depreciated:           |                    |                   |                     |                   |
| Land                                            | 257,387            | 9,695             | 267,082             |                   |
| Construction in progress                        | 109,307            | 35,637            | 144,944             | 3                 |
| Capital assets being depreciated (net):         |                    |                   |                     |                   |
| Buildings and improvements                      | 355,608            | 239,576           | 595,184             | 1,598             |
| Sewage conveyance system                        |                    | 349,455           | 349,455             |                   |
| Equipment                                       | 39,560             | 11,946            | 51,506              | 475               |
| Infrastructure                                  | 496,900            |                   | 496,900             |                   |
| <b>Total assets</b>                             | <b>1,628,542</b>   | <b>799,536</b>    | <b>2,428,078</b>    | <b>3,534</b>      |
| <b>LIABILITIES</b>                              |                    |                   |                     |                   |
| Accounts payable                                | 44,546             | 16,382            | 60,928              | 235               |
| Accrued medical and healthcare claims           |                    | 25,780            | 25,780              |                   |
| Interest payable                                | 30                 | 1,359             | 1,389               |                   |
| Contract retentions                             | 1,297              |                   | 1,297               |                   |
| Employee compensation                           | 34,648             | 6,575             | 41,223              |                   |
| Due to other governments                        | 1,495              | 181               | 1,676               |                   |
| Deposits and rebates                            | 2,410              |                   | 2,410               | 24                |
| Deferred revenues                               | 6,136              | 1,050             | 7,186               | 93                |
| Noncurrent liabilities:                         |                    |                   |                     |                   |
| Due within one year                             | 55,616             | 13,072            | 68,688              |                   |
| Due in more than one year                       | 482,913            | 162,675           | 645,588             |                   |
| <b>Total liabilities</b>                        | <b>629,091</b>     | <b>227,074</b>    | <b>856,165</b>      | <b>352</b>        |
| <b>NET ASSETS</b>                               |                    |                   |                     |                   |
| Invested in capital assets, net of related debt | 774,000            | 476,950           | 1,250,950           | 2,076             |
| Restricted for:                                 |                    |                   |                     |                   |
| Special revenue                                 | 63,014             |                   | 63,014              |                   |
| Highways and streets                            | 16,734             |                   | 16,734              |                   |
| Debt service                                    | 8,980              | 574               | 9,554               |                   |
| Capital projects                                | 90,467             | 35,480            | 125,947             | 8                 |
| Wastewater management                           |                    | 38,628            | 38,628              |                   |
| Healthcare                                      |                    | 9,985             | 9,985               |                   |
| Unrestricted                                    | 46,256             | 10,845            | 57,101              | 1,098             |
| <b>Total net assets</b>                         | <b>\$ 999,451</b>  | <b>\$ 572,462</b> | <b>\$ 1,571,913</b> | <b>\$ 3,182</b>   |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Activities  
For the Year Ended June 30, 2007  
(in thousands)

| Functions/Programs                                           | Program Revenues    |                      |                                    |                                  |
|--------------------------------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                                              | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>                                   |                     |                      |                                    |                                  |
| Governmental activities:                                     |                     |                      |                                    |                                  |
| General government                                           | \$ 223,266          | \$ 26,663            | \$ 28,574                          | \$ 1,461                         |
| Public safety                                                | 148,831             | 9,797                | 8,523                              | 234                              |
| Highways and streets                                         | 92,985              | 11,732               | 62,000                             | 11,996                           |
| Sanitation                                                   | 9,623               | 4,747                | 1,196                              |                                  |
| Health                                                       | 33,800              | 10,270               | 11,940                             |                                  |
| Welfare                                                      | 97,154              |                      | 607                                |                                  |
| Culture and recreation                                       | 55,482              | 2,991                | 8,894                              | 1,373                            |
| Education and economic opportunity                           | 42,483              | 698                  | 17,590                             | 21                               |
| Amortization - unallocated                                   | 168                 |                      |                                    |                                  |
| Interest on long-term debt                                   | 18,924              |                      |                                    |                                  |
| <b>Total governmental activities</b>                         | <b>722,716</b>      | <b>66,898</b>        | <b>139,324</b>                     | <b>15,085</b>                    |
| Business-type activities:                                    |                     |                      |                                    |                                  |
| Wastewater Management                                        | 98,222              | 106,266              | 436                                | 803                              |
| Pima Health System & Services                                | 261,859             | 257,142              | 4,738                              |                                  |
| Development Services                                         | 15,400              | 11,239               |                                    |                                  |
| Parking Garages                                              | 1,579               | 1,548                |                                    |                                  |
| <b>Total business-type activities</b>                        | <b>377,060</b>      | <b>376,195</b>       | <b>5,174</b>                       | <b>803</b>                       |
| <b>Total primary government</b>                              | <b>\$ 1,099,776</b> | <b>\$ 443,093</b>    | <b>\$ 144,498</b>                  | <b>\$ 15,888</b>                 |
| <b>Component unit:</b>                                       |                     |                      |                                    |                                  |
| Southwestern Fair Commission                                 | \$ 4,771            | \$ 4,934             | \$ 88                              |                                  |
| <b>Total component units</b>                                 | <b>\$ 4,771</b>     | <b>\$ 4,934</b>      | <b>\$ 88</b>                       |                                  |
| <b>General revenues:</b>                                     |                     |                      |                                    |                                  |
| Property taxes, levied for general purposes                  |                     |                      |                                    |                                  |
| Property taxes, levied for regional flood control district   |                     |                      |                                    |                                  |
| Property taxes, levied for library district                  |                     |                      |                                    |                                  |
| Property taxes, levied for debt service                      |                     |                      |                                    |                                  |
| Hotel/motel taxes, levied for sports facility and tourism    |                     |                      |                                    |                                  |
| Other taxes, levied for stadium district                     |                     |                      |                                    |                                  |
| Unrestricted share of state sales tax                        |                     |                      |                                    |                                  |
| Unrestricted share of state vehicle license tax              |                     |                      |                                    |                                  |
| Grants and contributions not restricted to specific programs |                     |                      |                                    |                                  |
| Interest and penalties on delinquent taxes                   |                     |                      |                                    |                                  |
| Investment earnings                                          |                     |                      |                                    |                                  |
| Miscellaneous                                                |                     |                      |                                    |                                  |
| Capital and other 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                                    |                     |                      |                                    |                                  |

See accompanying notes to financial statements

| Net (Expense) Revenue and<br>Changes in Net Assets |                             |              |                                                   |
|----------------------------------------------------|-----------------------------|--------------|---------------------------------------------------|
| Primary Government                                 |                             |              | Component Unit<br>Southwestern Fair<br>Commission |
| Governmental<br>Activities                         | Business-type<br>Activities | Total        |                                                   |
| \$ (166,568)                                       |                             | \$ (166,568) |                                                   |
| (130,277)                                          |                             | (130,277)    |                                                   |
| (7,257)                                            |                             | (7,257)      |                                                   |
| (3,680)                                            |                             | (3,680)      |                                                   |
| (11,590)                                           |                             | (11,590)     |                                                   |
| (96,547)                                           |                             | (96,547)     |                                                   |
| (42,224)                                           |                             | (42,224)     |                                                   |
| (24,174)                                           |                             | (24,174)     |                                                   |
| (168)                                              |                             | (168)        |                                                   |
| (18,924)                                           |                             | (18,924)     |                                                   |
| (501,409)                                          |                             | (501,409)    |                                                   |
|                                                    | \$ 9,283                    | 9,283        |                                                   |
|                                                    | 21                          | 21           |                                                   |
|                                                    | (4,161)                     | (4,161)      |                                                   |
|                                                    | (31)                        | (31)         |                                                   |
|                                                    | 5,112                       | 5,112        |                                                   |
| (501,409)                                          | 5,112                       | (496,297)    |                                                   |
|                                                    |                             |              | \$ 251                                            |
|                                                    |                             |              | 251                                               |
| 246,640                                            |                             | 246,640      |                                                   |
| 22,832                                             |                             | 22,832       |                                                   |
| 25,144                                             |                             | 25,144       |                                                   |
| 48,909                                             |                             | 48,909       |                                                   |
| 8,715                                              |                             | 8,715        |                                                   |
| 1,884                                              |                             | 1,884        |                                                   |
| 106,985                                            |                             | 106,985      |                                                   |
| 26,967                                             |                             | 26,967       |                                                   |
| 9,468                                              |                             | 9,468        |                                                   |
| 5,149                                              |                             | 5,149        |                                                   |
| 16,439                                             | 5,510                       | 21,949       |                                                   |
| 16,309                                             | 1,522                       | 17,831       | 127                                               |
| 5,051                                              | 25,217                      | 30,268       | 15                                                |
| 721                                                | (721)                       |              |                                                   |
| 541,213                                            | 31,528                      | 572,741      | 142                                               |
| 39,804                                             | 36,640                      | 76,444       | 393                                               |
| 959,647                                            | 535,822                     | 1,495,469    | 2,789                                             |
| \$ 999,451                                         | \$ 572,462                  | \$ 1,571,913 | \$ 3,182                                          |

**Functions/Programs****Primary government:**

## Governmental activities:

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

**Total governmental activities**

## Business-type activities:

Wastewater Management  
Pima Health System & Services  
Development Services  
Parking Garages

**Total business-type activities****Total primary government****Component unit:**

Southwestern Fair Commission

**Total component units****General revenues:**

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

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Balance Sheet - Governmental Funds  
June 30, 2007  
(in thousands)

Exhibit A-3

|                                      | General          | Capital Projects  | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|------------------|-------------------|--------------------------------|--------------------------------|
| <u>Assets</u>                        |                  |                   |                                |                                |
| Cash and cash equivalents            | \$ 47,916        | \$ 104,320        | \$ 81,827                      | \$ 234,063                     |
| Property taxes receivable (net)      | 6,255            |                   | 2,964                          | 9,219                          |
| Interest receivable                  | 321              | 614               | 431                            | 1,366                          |
| Due from other funds                 | 1,704            | 971               | 1,790                          | 4,465                          |
| Due from other governments           | 24,088           | 5,491             | 22,994                         | 52,573                         |
| Accounts receivable                  | 1,835            | 54                | 2,841                          | 4,730                          |
| Inventory                            |                  |                   | 1,954                          | 1,954                          |
| Prepaid expenditures                 | 7,448            | 120               | 104                            | 7,672                          |
| Special assessments receivable       |                  |                   | 1,781                          | 1,781                          |
| Loan receivable                      | 1,441            |                   | 315                            | 1,756                          |
| Other assets                         | 160              |                   |                                | 160                            |
| Restricted cash equivalents          |                  | 2,158             |                                | 2,158                          |
| Total assets                         | <u>\$ 91,168</u> | <u>\$ 113,728</u> | <u>\$ 117,001</u>              | <u>\$ 321,897</u>              |
| <u>Liabilities and fund balances</u> |                  |                   |                                |                                |
| Liabilities:                         |                  |                   |                                |                                |
| Accounts payable                     | \$ 11,172        | \$ 18,732         | \$ 12,514                      | \$ 42,418                      |
| Interest payable                     |                  | 20                | 9                              | 29                             |
| Contract retentions                  |                  | 1,213             | 84                             | 1,297                          |
| Employee compensation                | 6,517            | 27                | 2,716                          | 9,260                          |
| Due to other funds                   | 624              | 1,472             | 2,144                          | 4,240                          |
| Due to other governments             | 22               | 518               | 955                            | 1,495                          |
| Deposits and rebates                 | 252              | 2,158             |                                | 2,410                          |
| Deferred revenues                    | 15,021           | 140               | 14,927                         | 30,088                         |
| Total liabilities                    | <u>33,608</u>    | <u>24,280</u>     | <u>33,349</u>                  | <u>91,237</u>                  |
| Fund balances:                       |                  |                   |                                |                                |
| Reserved for:                        |                  |                   |                                |                                |
| Inventory                            |                  |                   | 1,954                          | 1,954                          |
| Prepaid expenditures                 | 7,448            | 120               | 104                            | 7,672                          |
| Debt service                         |                  |                   | 8,155                          | 8,155                          |
| Capital repairs and refurbishments   |                  |                   | 75                             | 75                             |
| Specified programs                   |                  |                   | 3,276                          | 3,276                          |
| Loan receivable                      | 1,441            |                   | 315                            | 1,756                          |
| Unreserved, undesignated:            |                  |                   |                                |                                |
| General fund                         | 48,671           |                   |                                | 48,671                         |
| Capital projects                     |                  | 89,328            |                                | 89,328                         |
| Special revenue                      |                  |                   | 69,773                         | 69,773                         |
| Total fund balances                  | <u>57,560</u>    | <u>89,448</u>     | <u>83,652</u>                  | <u>230,660</u>                 |
| Total liabilities and fund balances  | <u>\$ 91,168</u> | <u>\$ 113,728</u> | <u>\$ 117,001</u>              | <u>\$ 321,897</u>              |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2007  
(in thousands)

Exhibit A-4

|                                          |    |         |
|------------------------------------------|----|---------|
| Fund balances - total governmental funds | \$ | 230,660 |
|------------------------------------------|----|---------|

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   | \$ 1,827,695     |           |
| Less accumulated depreciation | <u>(587,424)</u> | 1,240,271 |

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                                                | (428,161)    |           |
| Certificates of participation payable                        | (31,731)     |           |
| Loans and leases payable                                     | (28,450)     |           |
| Unamortized deferred issuance costs reported as other assets | <u>1,372</u> | (486,970) |

Some compensated absences are not due and payable shortly after  
June 30, 2007, and therefore are not reported in the governmental funds

|                       |  |          |
|-----------------------|--|----------|
| Employee compensation |  | (24,743) |
|-----------------------|--|----------|

Some liabilities are not due and payable shortly after June 30, 2007, and  
are therefore not reported in the governmental funds

|                    |  |          |
|--------------------|--|----------|
| Landfill liability |  | (17,330) |
|--------------------|--|----------|

Deferred revenue in governmental funds is susceptible to full accrual on the  
government-wide statements

23,952

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

33,611

Net assets of governmental activities

|  |           |                |
|--|-----------|----------------|
|  | <u>\$</u> | <u>999,451</u> |
|--|-----------|----------------|

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit A-5

|                                                              | General    | Capital Projects | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------|------------|------------------|--------------------------------|--------------------------------|
| Revenues:                                                    |            |                  |                                |                                |
| Taxes                                                        | \$ 252,350 |                  | \$ 96,350                      | \$ 348,700                     |
| Special assessments                                          |            |                  | 521                            | 521                            |
| Licenses and permits                                         | 2,795      |                  | 4,337                          | 7,132                          |
| Intergovernmental                                            | 152,271    | \$ 11,027        | 140,094                        | 303,392                        |
| Charges for services                                         | 33,604     | 12,417           | 17,487                         | 63,508                         |
| Fines and forfeits                                           | 5,526      |                  | 1,024                          | 6,550                          |
| Investment earnings                                          | 3,321      | 5,313            | 5,354                          | 13,988                         |
| Miscellaneous                                                | 6,828      | 263              | 10,453                         | 17,544                         |
| Total revenues                                               | 456,695    | 29,020           | 275,620                        | 761,335                        |
| Expenditures:                                                |            |                  |                                |                                |
| Current:                                                     |            |                  |                                |                                |
| General government                                           | 181,329    |                  | 41,105                         | 222,434                        |
| Public safety                                                | 106,825    |                  | 26,105                         | 132,930                        |
| Highways and streets                                         |            |                  | 42,683                         | 42,683                         |
| Sanitation                                                   |            |                  | 6,766                          | 6,766                          |
| Health                                                       | 2,526      |                  | 29,785                         | 32,311                         |
| Welfare                                                      | 96,684     |                  | 484                            | 97,168                         |
| Culture and recreation                                       | 14,694     |                  | 30,503                         | 45,197                         |
| Education and economic opportunity                           | 16,407     |                  | 22,067                         | 38,474                         |
| Capital outlay                                               |            | 202,659          |                                | 202,659                        |
| Debt service - principal                                     | 1,785      |                  | 51,948                         | 53,733                         |
| - interest                                                   | 1,230      |                  | 17,735                         | 18,965                         |
| - miscellaneous                                              | 6          |                  | 6                              | 12                             |
| Total expenditures                                           | 421,486    | 202,659          | 269,187                        | 893,332                        |
| Excess (deficiency) of revenues over<br>(under) expenditures | 35,209     | (173,639)        | 6,433                          | (131,997)                      |
| Other financing sources (uses):                              |            |                  |                                |                                |
| Premium on bonds                                             |            | 1,427            | 2                              | 1,429                          |
| Face amount of long-term debt                                |            | 146,320          |                                | 146,320                        |
| Proceeds from sale of capital assets                         |            | 390              | 1,036                          | 1,426                          |
| Transfers in                                                 | 3,560      | 30,549           | 51,980                         | 86,089                         |
| Transfers (out)                                              | (32,784)   | (71)             | (53,833)                       | (86,688)                       |
| Total other financing sources (uses)                         | (29,224)   | 178,615          | (815)                          | 148,576                        |
| Net change in fund balances                                  | 5,985      | 4,976            | 5,618                          | 16,579                         |
| Fund balance at beginning of year, as restated               | 51,575     | 84,472           | 78,245                         | 214,292                        |
| Change in reserve for inventory                              |            |                  | (209)                          | (209)                          |
| Change in reserve for prepaids                               |            |                  | (2)                            | (2)                            |
| Fund balance at end of year                                  | \$ 57,560  | \$ 89,448        | \$ 83,652                      | \$ 230,660                     |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit A-6

Net change in fund balances - total governmental funds \$ 16,579

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 | \$ 157,162      |         |
| Less current year depreciation  | <u>(46,784)</u> | 110,378 |

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 707

The issuance of long-term debt (e.g., bonds, leases) provides current financial  
resources to governmental funds but increases long-term liabilities in the statement  
of net assets. Repayment of the principal of debt is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement of net assets.  
Also, governmental funds report the effect of issuance costs, premiums, discounts and  
similar items when debt is first issued, whereas these amounts are deferred and amortized  
in the statement of activities. This amount is the net effect of these differences in the  
treatment of long-term debt and related items

|                                   |              |          |
|-----------------------------------|--------------|----------|
| Face amount of long-term debt     | (146,320)    |          |
| Premium on bonds                  | (1,429)      |          |
| Debt service - principal payments | 53,733       |          |
| Deferred issuance costs           | 902          |          |
| Amortization expense              | <u>(168)</u> | (93,282) |

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

|                             |              |       |
|-----------------------------|--------------|-------|
| Donations of capital assets | 4,937        |       |
| Property tax revenues       | (26)         |       |
| Other                       | <u>2,760</u> | 7,671 |

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            | (3,012)      |         |
| Change in landfill liability              | (1,062)      |         |
| Net book value of capital asset disposals | (4,309)      |         |
| Change in reservation of fund balances    | <u>(211)</u> | (8,594) |

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

6,345

Change in net assets of governmental activities \$ 39,804

See accompanying notes to financial statements

**PIMA COUNTY, ARIZONA**  
**Statement of Net Assets - Proprietary Funds**  
**June 30, 2007**  
**(in thousands)**

Exhibit A-7

|                                                        | Business-type Activities<br>Enterprise Funds |                          |                              |                              | Governmental<br>Activities-<br>Internal Service<br>Funds |
|--------------------------------------------------------|----------------------------------------------|--------------------------|------------------------------|------------------------------|----------------------------------------------------------|
|                                                        | Pima<br>Health System<br>& Services          | Wastewater<br>Management | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds |                                                          |
| <u>Assets</u>                                          |                                              |                          |                              |                              |                                                          |
| Current assets:                                        |                                              |                          |                              |                              |                                                          |
| Cash and cash equivalents                              | \$ 20,546                                    | \$ 35,692                | \$ 14,809                    | \$ 71,047                    | \$ 46,743                                                |
| Restricted cash and cash equivalents                   |                                              | 49,352                   |                              | 49,352                       |                                                          |
| Interest receivable                                    | 66                                           | 408                      | 50                           | 524                          | 336                                                      |
| Due from other funds                                   | 5                                            |                          | 108                          | 113                          | 1,043                                                    |
| Due from other governments                             | 2,975                                        | 2,165                    |                              | 5,140                        | 92                                                       |
| Accounts receivable (net)                              | 15,052                                       | 9,210                    | 25                           | 24,287                       | 211                                                      |
| Inventory                                              | 88                                           | 3,112                    |                              | 3,200                        | 457                                                      |
| Prepaid expense                                        | 11                                           | 189                      | 57                           | 257                          | 794                                                      |
| Total current assets                                   | 38,743                                       | 100,128                  | 15,049                       | 153,920                      | 49,676                                                   |
| Noncurrent assets:                                     |                                              |                          |                              |                              |                                                          |
| Restricted cash and cash equivalents                   |                                              | 654                      |                              | 654                          |                                                          |
| Capital assets:                                        |                                              |                          |                              |                              |                                                          |
| Land and other improvements                            |                                              | 7,834                    | 1,861                        | 9,695                        | 592                                                      |
| Buildings and improvements                             | 694                                          | 341,639                  | 12,927                       | 355,260                      | 614                                                      |
| Sewage conveyance system                               |                                              | 522,795                  |                              | 522,795                      |                                                          |
| Equipment                                              | 943                                          | 17,467                   | 1,842                        | 20,252                       | 30,890                                                   |
| Less accumulated depreciation                          | (1,029)                                      | (287,648)                | (8,653)                      | (297,330)                    | (13,675)                                                 |
| Construction in progress                               | 19                                           | 35,618                   |                              | 35,637                       | 70                                                       |
| Total capital assets (net of accumulated depreciation) | 627                                          | 637,705                  | 7,977                        | 646,309                      | 18,491                                                   |
| Deferred financing costs                               |                                              | 1,109                    |                              | 1,109                        |                                                          |
| Total noncurrent assets                                | 627                                          | 639,468                  | 7,977                        | 648,072                      | 18,491                                                   |
| Total assets                                           | 39,370                                       | 739,596                  | 23,026                       | 801,992                      | 68,167                                                   |
| <u>Liabilities</u>                                     |                                              |                          |                              |                              |                                                          |
| Current liabilities:                                   |                                              |                          |                              |                              |                                                          |
| Accounts payable                                       | 753                                          | 14,937                   | 692                          | 16,382                       | 2,128                                                    |
| Accrued medical and health care claims                 | 25,780                                       |                          |                              | 25,780                       |                                                          |
| Employee compensation                                  | 2,280                                        | 3,189                    | 1,106                        | 6,575                        | 645                                                      |
| Interest payable                                       |                                              | 1,359                    |                              | 1,359                        | 1                                                        |
| Due to other funds                                     | 1,152                                        | 205                      | 1                            | 1,358                        | 23                                                       |
| Due to other governments                               |                                              | 82                       | 99                           | 181                          |                                                          |
| Deferred revenues                                      | 1                                            | 1,049                    |                              | 1,050                        |                                                          |
| Current portion of sewer revenue bonds                 |                                              | 7,350                    |                              | 7,350                        |                                                          |
| Current portion of wastewater loans payable            |                                              | 5,722                    |                              | 5,722                        |                                                          |
| Current portion reported but unpaid losses             |                                              |                          |                              |                              | 4,200                                                    |
| Current portion incurred but not reported losses       |                                              |                          |                              |                              | 1,785                                                    |
| Total current liabilities                              | 29,966                                       | 33,893                   | 1,898                        | 65,757                       | 8,782                                                    |
| Noncurrent liabilities:                                |                                              |                          |                              |                              |                                                          |
| Contracts and notes                                    |                                              | 5,280                    |                              | 5,280                        |                                                          |
| Sewer revenue bonds                                    |                                              | 87,006                   |                              | 87,006                       |                                                          |
| Wastewater loans payable                               |                                              | 70,389                   |                              | 70,389                       |                                                          |
| Reported but unpaid losses                             |                                              |                          |                              |                              | 18,739                                                   |
| Incurred but not reported losses                       |                                              |                          |                              |                              | 8,133                                                    |
| Total noncurrent liabilities                           |                                              | 162,675                  |                              | 162,675                      | 26,872                                                   |
| Total liabilities                                      | 29,966                                       | 196,568                  | 1,898                        | 228,432                      | 35,654                                                   |
| <u>Net assets</u>                                      |                                              |                          |                              |                              |                                                          |
| Invested in capital assets, net of related debt        | 627                                          | 468,346                  | 7,977                        | 476,950                      | 18,491                                                   |
| Restricted for:                                        |                                              |                          |                              |                              |                                                          |
| Debt service                                           |                                              | 574                      |                              | 574                          |                                                          |
| Capital projects                                       |                                              | 35,480                   |                              | 35,480                       |                                                          |
| Wastewater management                                  |                                              | 5,110                    |                              | 5,110                        |                                                          |
| Healthcare                                             | 9,985                                        |                          |                              | 9,985                        |                                                          |
| Unrestricted                                           | (1,208)                                      | 33,518                   | 13,151                       | 45,461                       | 14,022                                                   |
| Total net assets                                       | \$ 9,404                                     | \$ 543,028               | \$ 21,128                    | 573,560                      | \$ 32,513                                                |

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.

(1,098)

Net assets of business-type activities

\$ 572,462

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit A-8

|                                                  | Business-type Activities<br>Enterprise Funds |                          |                              | Total<br>Enterprise<br>Funds | Governmental<br>Activities-<br>Internal Service<br>Funds |
|--------------------------------------------------|----------------------------------------------|--------------------------|------------------------------|------------------------------|----------------------------------------------------------|
|                                                  | Pima<br>Health System<br>& Services          | Wastewater<br>Management | Other<br>Enterprise<br>Funds |                              |                                                          |
| Operating revenues:                              |                                              |                          |                              |                              |                                                          |
| Net patient services                             | \$ 255,275                                   |                          |                              | \$ 255,275                   |                                                          |
| Charges for services                             | 1,867                                        | \$ 69,453                | \$ 12,786                    | 84,106                       | \$ 38,126                                                |
| Other                                            | 979                                          | 330                      | 217                          | 1,526                        | 2,123                                                    |
| Total net operating revenues                     | 258,121                                      | 69,783                   | 13,003                       | 340,907                      | 40,249                                                   |
| Operating expenses:                              |                                              |                          |                              |                              |                                                          |
| Employee compensation                            | 36,677                                       | 29,681                   | 11,269                       | 77,627                       | 6,751                                                    |
| Medical claims                                   | 208,122                                      |                          |                              | 208,122                      |                                                          |
| Operating supplies and services                  | 1,647                                        | 8,579                    | 914                          | 11,140                       | 5,966                                                    |
| Utilities                                        | 376                                          | 6,520                    | 357                          | 7,253                        | 832                                                      |
| Sludge and refuse disposal                       |                                              | 1,649                    |                              | 1,649                        |                                                          |
| Repair and maintenance                           | 596                                          | 5,610                    | 235                          | 6,441                        | 4,089                                                    |
| Incurred losses                                  |                                              |                          |                              |                              | 8,118                                                    |
| Insurance premiums                               |                                              |                          |                              |                              | 5,016                                                    |
| General and administrative                       | 7,692                                        | 8,477                    | 2,592                        | 18,761                       | 2,593                                                    |
| Consultants and professional services            | 1,450                                        | 7,145                    | 1,054                        | 9,649                        | 419                                                      |
| Depreciation                                     | 221                                          | 22,990                   | 633                          | 23,844                       | 2,579                                                    |
| Total operating expenses                         | 256,781                                      | 90,651                   | 17,054                       | 364,486                      | 36,363                                                   |
| Operating income (loss)                          | 1,340                                        | (20,868)                 | (4,051)                      | (23,579)                     | 3,886                                                    |
| Nonoperating revenues (expenses):                |                                              |                          |                              |                              |                                                          |
| Intergovernmental revenue                        | 4,738                                        | 7,291                    |                              | 12,029                       |                                                          |
| Investment earnings                              | 1,028                                        | 3,684                    | 844                          | 5,556                        | 2,418                                                    |
| Sewer connection fees                            |                                              | 30,757                   |                              | 30,757                       |                                                          |
| Interest expense                                 | (41)                                         | (6,499)                  |                              | (6,540)                      |                                                          |
| Loss on disposal of capital assets               | (146)                                        | (1,454)                  | (1)                          | (1,601)                      | (21)                                                     |
| Amortization of deferred charges                 |                                              | (109)                    |                              | (109)                        |                                                          |
| Premium tax                                      | (5,091)                                      |                          |                              | (5,091)                      |                                                          |
| Total nonoperating revenues (expenses)           | 488                                          | 33,670                   | 843                          | 35,001                       | 2,397                                                    |
| Income (loss) before contributions and transfers | 1,828                                        | 12,802                   | (3,208)                      | 11,422                       | 6,283                                                    |
| Capital contributions                            |                                              | 25,217                   |                              | 25,217                       | 114                                                      |
| Transfers in                                     | 17                                           |                          |                              | 17                           | 696                                                      |
| Transfers (out)                                  |                                              | (654)                    | (84)                         | (738)                        | (26)                                                     |
| Change in net assets                             | 1,845                                        | 37,365                   | (3,292)                      | 35,918                       | 7,067                                                    |
| Net assets at beginning of year                  | 7,559                                        | 505,663                  | 24,420                       | 537,642                      | 25,446                                                   |
| Net assets at end of year                        | \$ 9,404                                     | \$ 543,028               | \$ 21,128                    | 573,560                      | 32,513                                                   |

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

722

Change in net assets of business-type activities

\$ 36,640

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit A-9

|                                                                          | Pima<br>Health System<br>& Services | Wastewater<br>Management | Other<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds | Governmental<br>Activities-<br>Internal Service<br>Funds |
|--------------------------------------------------------------------------|-------------------------------------|--------------------------|------------------------------|------------------------------|----------------------------------------------------------|
| Cash flows from operating activities:                                    |                                     |                          |                              |                              |                                                          |
| Cash received from other funds for goods and services provided           |                                     |                          | \$ 117                       | \$ 117                       | \$ 38,124                                                |
| Cash received from customers for goods and services provided             | \$ 254,741                          | \$ 66,689                | 12,787                       | 334,217                      |                                                          |
| Cash received from miscellaneous operations                              | 1,031                               | 330                      | 193                          | 1,554                        | 2,173                                                    |
| Cash payments to suppliers for goods and services                        | (209,920)                           | (28,832)                 | (3,680)                      | (242,432)                    | (15,501)                                                 |
| Cash payments to other funds for goods and services                      |                                     | (7,741)                  | (3,245)                      | (10,986)                     | (2,745)                                                  |
| Cash payments for incurred losses                                        |                                     |                          |                              |                              | (10,768)                                                 |
| Cash payments to employees for services                                  | (38,182)                            | (29,483)                 | (10,222)                     | (77,887)                     | (6,702)                                                  |
| Net cash provided by (used for) operating activities                     | 7,670                               | 963                      | (4,050)                      | 4,583                        | 4,581                                                    |
| Cash flows from noncapital financing activities:                         |                                     |                          |                              |                              |                                                          |
| Interest paid on short-term credit                                       | (36)                                |                          |                              | (36)                         |                                                          |
| Cash transfers in from other funds                                       |                                     |                          |                              |                              | 599                                                      |
| Cash transfers out to other funds                                        |                                     |                          |                              |                              | (17)                                                     |
| Loans with other funds                                                   | (514)                               | 29                       | (108)                        | (593)                        | 170                                                      |
| Premium tax                                                              | (5,091)                             |                          |                              | (5,091)                      |                                                          |
| Intergovernmental revenues                                               | 4,902                               | 557                      |                              | 5,459                        |                                                          |
| Net cash provided by (used for) noncapital financing activities          | (739)                               | 586                      | (108)                        | (261)                        | 752                                                      |
| Cash flows from capital and related financing activities:                |                                     |                          |                              |                              |                                                          |
| Proceeds from issuance of bonds and loans                                |                                     | 51,429                   |                              | 51,429                       |                                                          |
| Principal paid on bonds and loans                                        |                                     | (13,738)                 |                              | (13,738)                     |                                                          |
| Interest paid on bonds and loans                                         |                                     | (6,121)                  |                              | (6,121)                      |                                                          |
| Sewer connection fees                                                    |                                     | 30,650                   |                              | 30,650                       |                                                          |
| Proceeds from sale or transfer of capital assets                         | 17                                  | 128                      | 30                           | 175                          | 337                                                      |
| Proceeds from intergovernmental contract                                 |                                     | 4,820                    |                              | 4,820                        |                                                          |
| Purchase of capital assets                                               | (104)                               | (43,720)                 | (204)                        | (44,028)                     | (3,507)                                                  |
| Net cash provided by (used for) capital and related financing activities | (87)                                | 23,448                   | (174)                        | 23,187                       | (3,170)                                                  |
| Cash flows from investing activities:                                    |                                     |                          |                              |                              |                                                          |
| Interest received on cash and investments                                | 963                                 | 3,276                    | 794                          | 5,033                        | 2,215                                                    |
| Net cash provided by investing activities                                | 963                                 | 3,276                    | 794                          | 5,033                        | 2,215                                                    |
| Net increase (decrease) in cash and cash equivalents                     | 7,807                               | 28,273                   | (3,538)                      | 32,542                       | 4,378                                                    |
| Cash and cash equivalents at beginning of year                           | 12,739                              | 57,425                   | 18,347                       | 88,511                       | 42,365                                                   |
| Cash and cash equivalents at end of year                                 | \$ 20,546                           | \$ 85,698                | \$ 14,809                    | \$ 121,053                   | \$ 46,743                                                |

(Continued)

See accompanying notes to financial statements

**PIMA COUNTY, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2007**  
**(in thousands)**

Exhibit A-9.1

(Continued)

| Reconciliation of operating income (loss) to net cash provided (used) by operating activities         | Pima Health System & Services | Wastewater Management | Other Enterprise Funds | Total Enterprise Funds | Governmental Activities-Internal Service Funds |
|-------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------|------------------------|------------------------|------------------------------------------------|
| Operating income (loss)                                                                               | \$ 1,340                      | \$ (20,868)           | \$ (4,051)             | \$ (23,579)            | \$ 3,886                                       |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                               |                       |                        |                        |                                                |
| Depreciation and amortization                                                                         | 221                           | 22,990                | 633                    | 23,844                 | 2,579                                          |
| Changes in assets and liabilities:                                                                    |                               |                       |                        |                        |                                                |
| Decrease (increase) in assets:                                                                        |                               |                       |                        |                        |                                                |
| Accounts receivable                                                                                   | (428)                         | (892)                 | (23)                   | (1,343)                | 46                                             |
| Due from other governments                                                                            | (297)                         | (1,872)               |                        | (2,169)                | 2                                              |
| Inventory and other assets                                                                            | 28                            | (81)                  |                        | (53)                   | 25                                             |
| Prepaid expenses                                                                                      | (11)                          | (96)                  | (55)                   | (162)                  | (3)                                            |
| Increase (decrease) in liabilities:                                                                   |                               |                       |                        |                        |                                                |
| Accounts payable                                                                                      | 6,886                         | 1,526                 | (633)                  | 7,779                  | 647                                            |
| Due to other funds                                                                                    |                               |                       | (6)                    | (6)                    |                                                |
| Due to other governments                                                                              |                               | 58                    | 9                      | 67                     |                                                |
| Reported but unpaid losses                                                                            |                               |                       |                        |                        | (2,825)                                        |
| Incurred but not reported losses                                                                      |                               |                       |                        |                        | 174                                            |
| Other current liabilities                                                                             | (69)                          | 198                   | 76                     | 205                    | 50                                             |
| Net cash provided by (used for) operating activities                                                  | <u>\$ 7,670</u>               | <u>\$ 963</u>         | <u>\$ (4,050)</u>      | <u>\$ 4,583</u>        | <u>\$ 4,581</u>                                |

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2007:

Pima Health System and Services disposed of equipment with an original cost of \$867 and accumulated depreciation of \$721 for a loss on disposal of equipment of \$146.

Wastewater Management Enterprise Fund retired capital assets with a net book value of \$1,582.

Wastewater Management Enterprise Fund received contributed developer-built conveyance systems with estimated fair values totaling \$25,421, and from other governments, capital assets with a fair value of \$36. These contributions were recorded as an increase in capital assets and capital contributions.

Wastewater Management Enterprise Fund recorded a Board of Supervisor approved connection fee credit agreement of \$282. This credit was recorded as an increase to deferred revenue and a decrease to capital contributions.

Wastewater Management Enterprise Fund retired expired sewer credit agreements totaling \$42. This transaction was recorded as a decrease to deferred revenue and an increase in capital contributions.

Wastewater Management Enterprise Fund transferred the capital assets of the Solid Waste Management division with a net book value of \$644 to the County's general government and capital assets with a net book value of \$10 to Internal Service Funds.

Wastewater Management Enterprise Fund received fully-depreciated capital assets from the County's general capital assets of \$80 and \$7 from Other Enterprise Funds.

Other Enterprise Funds transferred capital assets with a net book value of \$84 and disposed of capital assets with a net book value of \$1.

Other Enterprise Funds transferred completely depreciated capital assets of \$31 to the County's general government, \$8 to the Wastewater Management Enterprise Fund, and \$23 to the Transportation Fund.

Internal Service Funds sold assets with a net book value of \$358, resulting in a loss on disposal of \$21.

Internal Service Funds had unpaid transfers of \$11.

Internal Service Funds transferred in \$57 for noncash personal services and \$30 of capital assets from governmental activities.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Fiduciary Net Assets - Fiduciary Funds  
June 30, 2007  
(in thousands)

Exhibit A-10

|                                | Investment<br>Trust<br>Funds | Agency<br>Funds  |
|--------------------------------|------------------------------|------------------|
| <b>ASSETS</b>                  |                              |                  |
| Cash and cash equivalents      | \$ 297,267                   | \$ 75,225        |
| Interest receivable            | 1,485                        |                  |
| Due from other governments     |                              | 2,636            |
| <b>Total assets</b>            | <u>298,752</u>               | <u>\$ 77,861</u> |
| <b>LIABILITIES</b>             |                              |                  |
| Employee compensation          |                              | \$ 5,428         |
| Due to other governments       |                              | 45,680           |
| Deposits and rebates           |                              | 26,753           |
| <b>Total liabilities</b>       |                              | <u>\$ 77,861</u> |
| <b>NET ASSETS</b>              |                              |                  |
| Held in trust for participants | <u>\$ 298,752</u>            |                  |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit A-11

|                                               | Investment<br>Trust<br>Funds |
|-----------------------------------------------|------------------------------|
| <b>ADDITIONS</b>                              |                              |
| Contributions from participants               | \$ 2,393,233                 |
| <b>Total contributions</b>                    | <u>2,393,233</u>             |
| Investment earnings                           | 13,551                       |
| <b>Total investment earnings</b>              | <u>13,551</u>                |
| <b>Total additions</b>                        | <u>2,406,784</u>             |
| <b>DEDUCTIONS</b>                             |                              |
| Distributions to participants                 | 2,345,253                    |
| <b>Total deductions</b>                       | <u>2,345,253</u>             |
| <b>Change in net assets</b>                   | 61,531                       |
| <b>Net assets held in trust July 1, 2006</b>  | 237,221                      |
| <b>Net assets held in trust June 30, 2007</b> | <u><u>\$ 298,752</u></u>     |

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 1 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

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

The Pima County Library District was established in 1986 when legislation allowed full taxing authority and the ability to enter into agreements with other jurisdictions for the provision of library services. The County Board of Supervisors is the Board of Directors of the District. On July 1, 2006, the District assumed control of the operations of all library branches in the City of Tucson. The transition of operations from the City of Tucson to the District is governed by an intergovernmental agreement. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

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

The Southwestern Fair Commission, Inc. (SFC) is a nonprofit corporation, which manages and maintains the fairgrounds owned by the County and conducts an annual fair and other events at the fairgrounds. During the year ended June 30, 2007, the Commission and Pima County extended the lease agreement an additional twenty-five years. The Commission's members are appointed, and can be removed at any time, by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 1 - Summary of Significant Accounting Policies (continued)**

general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization

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

**B. Basis of Accounting**

Primary government:

The government-wide, proprietary funds and fiduciary funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, with the exception of agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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. Revenues that are collected after 30 days are reported as deferred revenues. The County's major revenue sources that are susceptible to accrual are property taxes, intergovernmental and charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The County applies grant resources to such programs before using general revenues.

The County's business-type activities and enterprise funds follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has chosen the option not to follow FASB statements and interpretations issued after November 30, 1989.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 1 - Summary of Significant Accounting Policies (continued)**

Discretely presented component unit:

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

**C. Basis of Presentation**

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

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

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

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

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

**Fund-based financial statements** provide information about the County's funds, including fiduciary funds and blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund-based financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Fiduciary funds are aggregated and reported by fund type.

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

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 1 - Summary of Significant Accounting Policies (continued)**

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

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

The County reports the following major enterprise funds:

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

The **Wastewater Management Fund** accounts for the management and operation of wastewater treatment and water pollution control programs.

The County reports the following fund types:

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

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

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

**D. Cash and Investments**

Primary government:

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

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

Discretely presented component unit:

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

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 1 - Summary of Significant Accounting Policies (continued)**

**E. Inventories and Prepaids**

The County accounts for its inventories in the governmental funds using the purchases method. 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 in the government-wide and proprietary funds' financial statements are recorded as assets when purchased and expensed when consumed.

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

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

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

**F. Property Tax Calendar**

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

**G. Capital Assets**

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

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

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

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 1 - Summary of Significant Accounting Policies (continued)**

Discretely presented component unit:

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

**H. Investment Earnings**

Investment 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 their year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

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

**Note 2: Net Asset Beginning Balances Restated**

The School Reserve fund reclassified certain financial activities from the County requiring the restatement of beginning net assets.

The following summarizes the restatement of net assets:

Governmental Activities

|                                                        |            |
|--------------------------------------------------------|------------|
| Fund balance, Other Governmental Funds - June 30, 2006 | \$77,951   |
| Restatement of financial activity                      | <u>294</u> |
| Fund balance, Other Governmental Funds - July 1, 2006  | \$78,245   |
|                                                        |            |
| Net assets – June 30, 2006, as previously reported     | \$959,353  |
| School reserve                                         | <u>294</u> |
| Net assets – July 1, 2006, as restated                 | \$959,647  |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 3: Cash and Investments**

Primary Government

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

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

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

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

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

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

**Foreign currency risk**—Statutes do not allow foreign investments.

**Deposits**—At June 30, 2007, the carrying amount of the County's deposits was \$28,919 and the bank balance was \$50,807.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 3: Cash and Investments (continued)**

**Custodial credit risk**—Custodial credit risk is the risk that the County will not be able to recover its deposits if a financial institution fails. The County does not have a formal policy with respect to custodial credit risk. As of June 30, 2007, \$907 of the County's bank balance was exposed to custodial credit risk as follows:

|                                                                     |               |
|---------------------------------------------------------------------|---------------|
| Uninsured with collateral held by the bank's safekeeping department | \$ 93         |
| Uninsured and uncollateralized                                      | <u>814</u>    |
| Total                                                               | <u>\$ 907</u> |

**Investments**—At June 30, 2007, the County's investments consisted of \$468,073 invested in marketable securities and \$279,434 invested in the State Treasurer's Investment Pool. Cash from the County and from externally legally separate governments are pooled to purchase the investments in marketable securities and the State Treasurer's Pool. The State Board of Investment provides oversight for the State Treasurer's pools. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

**Credit risk**—Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The County does not have a formal investment policy with respect to credit risk. At June 30, 2007, credit risk for the County's investments was as follows:

| <u>Investment Type</u>                             | <u>Rating</u> | <u>Rating Agency</u> | <u>Amount</u>            |
|----------------------------------------------------|---------------|----------------------|--------------------------|
| Commercial paper                                   | A1/P1         | S&P / Moody's        | \$ 123,847               |
| Corporate bonds                                    | A/A1          | S&P / Moody's        | 73,051                   |
| Federal Farm Credit Bank                           | AAA/Aaa       | S&P / Moody's        | 24,918                   |
| Federal Home Loan Bank                             | AAA/Aaa       | S&P / Moody's        | 34,606                   |
| Fannie Mae (Federal National Mortgage Association) | AA-/Aa2       | S&P / Moody's        | 92,579                   |
| Freddie Mac (Federal Home Loan Mortgage Corp)      | AAA/Aaa       | S&P / Moody's        | 68,442                   |
| U. S. Treasury money market fund                   | AAA/Aaa       | S&P / Moody's        | 6,212                    |
| State Treasurer Investment Pool                    | Unrated       |                      | <u>279,434</u>           |
| Total                                              |               |                      | <u><u>\$ 703,089</u></u> |

**Custodial credit risk**—For an investment, custodial risk is the risk that, in the event of the counterparty's failure, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy with respect to custodial credit risk. Of the County's \$747,507 of investments, \$461,861, consisting of the commercial paper, corporate bonds, Federal Farm Credit, Federal Home Loan Bank, Fannie Mae and Freddie Mac discount notes, U. S. Treasury notes and tri-party repurchase agreement, is uninsured and held by a counterparty in the County's name in book form. An additional \$6,212 in a U.S. Treasury money market fund is held by a counterparty as trustee.

**Concentration of credit risk**—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. Five (5) percent or more of the County's investments were with the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation. These investments were 12% and 9%, respectively, of the County's total investments.

PIMA COUNTY, ARIZONA  
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**Note 3: Cash and Investments (continued)**

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

As of June 30, 2007, the County had the following investments:

| <u>Investment Type</u>                             | <u>Amount</u>     | <u>Weighted Average<br/>Maturity (Years)</u> |
|----------------------------------------------------|-------------------|----------------------------------------------|
| State Treasurer Investment Pool 5                  | \$ 197,569        | 0.21                                         |
| State Treasurer Investment Pool 7                  | 81,865            | 0.14                                         |
| Commercial paper                                   | 123,847           | 0.11                                         |
| Corporate bonds                                    | 73,051            | 1.84                                         |
| Federal Farm Credit Bank                           | 24,918            | 1.71                                         |
| Federal Home Loan Bank                             | 34,606            | 2.11                                         |
| Fannie Mae (Federal National Mortgage Association) | 92,579            | 0.55                                         |
| Freddie Mac (Federal Home Loan Mortgage Corp)      | 68,442            | 0.60                                         |
| U.S. Treasury                                      | 38,675            | 1.98                                         |
| U.S. Treasury money market fund                    | 6,212             | 0.00                                         |
| Tri-party repurchase agreement                     | 5,743             | 0.00                                         |
| Total                                              | <u>\$ 747,507</u> |                                              |

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

|                                 | <u>Cash on<br/>Hand</u> | <u>Amount of<br/>Deposits</u> | <u>Amount of<br/>Investments</u> | <u>Total</u> |
|---------------------------------|-------------------------|-------------------------------|----------------------------------|--------------|
| Cash, deposits and investments: | \$ 83                   | \$ 28,919                     | \$ 747,507                       | \$ 776,509   |

|                                      | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Investment<br/>Trust Funds</u> | <u>Agency<br/>Funds</u> | <u>Totals</u>     |
|--------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|-------------------------|-------------------|
| Statement of Net Assets:             |                                    |                                     |                                   |                         |                   |
| Cash and cash equivalents            | \$ 280,806                         | \$ 71,047                           | \$ 297,267                        | \$ 75,225               | \$ 724,345        |
| Restricted cash and cash equivalents | 2,158                              | 50,006                              |                                   |                         | 52,164            |
| Total                                | <u>\$ 282,964</u>                  | <u>\$ 121,053</u>                   | <u>\$ 297,267</u>                 | <u>\$ 75,225</u>        | <u>\$ 776,509</u> |

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

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
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**Note 3: Cash and Investments (continued)**

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

|                                                    | <u>Principal</u> | <u>Interest Rate</u> | <u>Maturities</u> | <u>Fair Value</u> |
|----------------------------------------------------|------------------|----------------------|-------------------|-------------------|
| Commerical Paper                                   | \$ 124,560       | 5.2-5.3%             | 4/07-5/07         | \$ 123,847        |
| Corporate Bonds                                    | 73,958           | 4.9-5.8%             | 7/07-2/11         | 73,051            |
| Federal Farm Credit Bank                           | 25,000           | 4.8-5.4%             | 7/07-9/10         | 24,918            |
| Federal Home Loan Bank                             | 35,000           | 4.9-5.5%             | 7/07-8/10         | 34,606            |
| Fannie Mae (Federal National Mortgage Association) | 93,655           | 5.0-5.5%             | 7/07-6/10         | 92,579            |
| Freddie Mac (Federal Home Loan Mortgage Corp)      | 69,200           | 4.8-5.5%             | 7/07-10/10        | 68,442            |
| U.S. Treasury                                      | 39,300           | 4.5-5.3%             | 2/08-5/10         | 38,675            |
| Tri-party repurchase agreement                     | 5,743            | 4.30%                | 7/07              | 5,743             |
| State Treasurer Investment Pool                    | 102,118          | N/A                  | N/A               | 102,118           |
| Cash                                               | 1,900            | N/A                  | N/A               | 1,900             |
| Interest Recievable                                | 643              | N/A                  | N/A               | 643               |
|                                                    |                  |                      |                   | <u>\$ 566,522</u> |

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

Statement of Net Assets

|                                |                   |
|--------------------------------|-------------------|
| Assets held in trust for:      |                   |
| Internal participants          | \$ 350,463        |
| External Participants          | 216,059           |
|                                | <u>566,522</u>    |
| Total liabilities              | <u>0</u>          |
| Total net assets held in trust | <u>\$ 566,522</u> |

Statement of Changes in Net Assets

|                           |                    |
|---------------------------|--------------------|
| Total additions           | \$ 6,284,599       |
| Total deductions          | <u>(6,176,560)</u> |
| Net increase              | 108,039            |
| Net assets held in trust: |                    |
| July 1, 2006              | <u>458,483</u>     |
| June 30, 2007             | <u>\$ 566,522</u>  |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 3: Cash and Investments (continued)**

**Discretely Presented Component Units**

Southwestern Fair Commission—At June 30, 2007, the commission's cash and cash equivalents of \$1,368 consisted of deposits with financial institutions. Of the total balance, \$970 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 4: Due from Other Governments**

Governmental activities:

|                                                           | <b>General<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Internal<br/>Service<br/>Funds</b> | <b>Total<br/>Governmental<br/>Activities</b> |
|-----------------------------------------------------------|-------------------------|--------------------------------------|-----------------------------------------|---------------------------------------|----------------------------------------------|
| Federal government:                                       |                         |                                      |                                         |                                       |                                              |
| Grants and contributions                                  | \$ 152                  | \$ 849                               | \$ 10,441                               |                                       | \$ 11,442                                    |
| State of Arizona:                                         |                         |                                      |                                         |                                       |                                              |
| Taxes and shared revenues                                 | 21,806                  |                                      | 9,632                                   |                                       | 31,438                                       |
| Grants and contributions                                  |                         | 1,718                                | 1,369                                   | \$ 4                                  | 3,091                                        |
| City of Tucson:                                           |                         |                                      |                                         |                                       |                                              |
| Reimbursement for services                                | 1,671                   |                                      | 1,076                                   |                                       | 2,747                                        |
| Due from other governments:                               |                         |                                      |                                         |                                       |                                              |
| Reimbursement for services                                | <u>459</u>              | <u>2,924</u>                         | <u>476</u>                              | <u>88</u>                             | <u>3,947</u>                                 |
| Total due from other governments<br>fund based statements | <u>\$ 24,088</u>        | <u>\$ 5,491</u>                      | <u>\$ 22,994</u>                        | <u>\$ 92</u>                          | <u>\$ 52,665</u>                             |

Business-type activities:

|                                     | <b>Pima Health<br/>System and<br/>Services</b> | <b>Wastewater<br/>Management</b> | <b>Business-type<br/>Activities Total</b> |
|-------------------------------------|------------------------------------------------|----------------------------------|-------------------------------------------|
| Federal government:                 |                                                |                                  |                                           |
| Grants and contributions            |                                                | \$ 2,165                         | \$ 2,165                                  |
| Reimbursement for services          | \$ 127                                         |                                  | 127                                       |
| State of Arizona:                   |                                                |                                  |                                           |
| Grants and contributions            | <u>2,848</u>                                   |                                  | <u>2,848</u>                              |
| Total due from other<br>Governments | <u>\$ 2,975</u>                                | <u>\$ 2,165</u>                  | <u>\$ 5,140</u>                           |

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

**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

|                                              | Balance<br>July 1, 2006<br>(as reclassified) | Increases         | Decreases          | Balance<br>June 30, 2007 |
|----------------------------------------------|----------------------------------------------|-------------------|--------------------|--------------------------|
| <b>Governmental activities:</b>              |                                              |                   |                    |                          |
| Capital assets not being depreciated:        |                                              |                   |                    |                          |
| Land                                         | \$ 222,918                                   | \$ 38,459         | \$ (3,990)         | \$ 257,387               |
| Construction in Progress                     | 115,305                                      | 82,922            | (88,920)           | 109,307                  |
| Total capital assets not being depreciated   | <u>338,223</u>                               | <u>121,381</u>    | <u>(92,910)</u>    | <u>366,694</u>           |
| Capital assets being depreciated:            |                                              |                   |                    |                          |
| Buildings & Improvements                     | 384,056                                      | 93,128            | (250)              | 476,934                  |
| Infrastructure                               | 889,651                                      | 29,146            |                    | 918,797                  |
| Equipment                                    | <u>93,224</u>                                | <u>11,878</u>     | <u>(7,666)</u>     | <u>97,436</u>            |
| Total capital assets being depreciated       | <u>1,366,931</u>                             | <u>134,152</u>    | <u>(7,916)</u>     | <u>1,493,167</u>         |
| Less accumulated depreciation for:           |                                              |                   |                    |                          |
| Buildings & Improvements                     | (112,249)                                    | (9,220)           | 143                | (121,326)                |
| Infrastructure                               | (391,981)                                    | (29,916)          |                    | (421,897)                |
| Equipment                                    | <u>(54,590)</u>                              | <u>(10,382)</u>   | <u>7,096</u>       | <u>(57,876)</u>          |
| Total accumulated depreciation               | <u>(558,820)</u>                             | <u>(49,518)</u>   | <u>7,239</u>       | <u>(601,099)</u>         |
| Total capital assets, being depreciated, net | <u>808,111</u>                               | <u>84,634</u>     | <u>(677)</u>       | <u>892,068</u>           |
| Governmental activities capital assets, net  | <u>\$ 1,146,334</u>                          | <u>\$ 206,015</u> | <u>\$ (93,587)</u> | <u>\$ 1,258,762</u>      |
| <br>                                         |                                              |                   |                    |                          |
|                                              | Balance<br>July 1, 2006                      | Increases         | Decreases          | Balance<br>June 30, 2007 |
| <b>Business-type activities:</b>             |                                              |                   |                    |                          |
| Capital assets not being depreciated:        |                                              |                   |                    |                          |
| Land                                         | \$ 8,706                                     | \$ 1,610          | \$ (621)           | \$ 9,695                 |
| Construction in Progress                     | <u>14,842</u>                                | <u>28,910</u>     | <u>(8,115)</u>     | <u>35,637</u>            |
| Total capital assets not being depreciated   | <u>23,548</u>                                | <u>30,520</u>     | <u>(8,736)</u>     | <u>45,332</u>            |
| Capital assets being depreciated:            |                                              |                   |                    |                          |
| Buildings & Improvements                     | 354,303                                      | 12,877            | (11,920)           | 355,260                  |
| Infrastructure                               | 490,600                                      | 33,064            | (869)              | 522,795                  |
| Equipment                                    | <u>16,265</u>                                | <u>6,918</u>      | <u>(2,931)</u>     | <u>20,252</u>            |
| Total capital assets being depreciated       | <u>861,168</u>                               | <u>52,859</u>     | <u>(15,720)</u>    | <u>898,307</u>           |
| Less accumulated depreciation for:           |                                              |                   |                    |                          |
| Buildings & Improvements                     | (114,504)                                    | (11,793)          | 10,613             | (115,684)                |
| Infrastructure                               | (163,265)                                    | (10,695)          | 620                | (173,340)                |
| Equipment                                    | <u>(9,582)</u>                               | <u>(1,442)</u>    | <u>2,718</u>       | <u>(8,306)</u>           |
| Total accumulated depreciation               | <u>(287,351)</u>                             | <u>(23,930)</u>   | <u>13,951</u>      | <u>(297,330)</u>         |
| Total capital assets, being depreciated, net | <u>573,817</u>                               | <u>28,929</u>     | <u>(1,769)</u>     | <u>600,977</u>           |
| Business-type activities capital assets, net | <u>\$ 597,365</u>                            | <u>\$ 59,449</u>  | <u>\$ (10,505)</u> | <u>\$ 646,309</u>        |

At July 1, 2006, the School Reserve Land Improvements of \$36 were reclassified from Land to Buildings and Improvements. The Buildings and Improvements classification is appropriate due to the depreciable nature of the assets.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 5: Capital Assets (continued)**

Depreciation expense was charged to functions as follows:

**Governmental activities:**

|                                                    |                  |
|----------------------------------------------------|------------------|
| General government                                 | \$ 6,295         |
| Public safety                                      | 9,484            |
| Highway and streets                                | 25,629           |
| Sanitation                                         | 457              |
| Health                                             | 761              |
| Welfare                                            | 8                |
| Culture and recreation                             | 3,604            |
| Education and economic opportunity                 | 546              |
| Internal service funds                             | 2,579            |
| Total governmental activities depreciation expense | <u>\$ 49,363</u> |

**Business-type activities:**

|                                                     |                  |
|-----------------------------------------------------|------------------|
| Pima Health System & Services                       | \$ 221           |
| Parking Garages                                     | 336              |
| Wastewater Management                               | 22,990           |
| Development Services                                | 297              |
| Total business-type activities depreciation expense | <u>\$ 23,844</u> |

|                                              | Balance<br>July 1, 2006 | Increases     | Decreases | Balance<br>June 30, 2007 |
|----------------------------------------------|-------------------------|---------------|-----------|--------------------------|
| <b>Discretely presented component units:</b> |                         |               |           |                          |
| Southwestern Fair Commission (SFC):          |                         |               |           |                          |
| Capital assets not being depreciated:        |                         |               |           |                          |
| Construction in Progress                     |                         | \$ 3          |           | \$ 3                     |
| Total capital assets not being depreciated   |                         | <u>3</u>      |           | <u>3</u>                 |
| Capital assets being depreciated:            |                         |               |           |                          |
| Buildings and improvements                   | \$ 3,707                | 199           |           | 3,906                    |
| Equipment                                    | 1,612                   | 161           |           | 1,773                    |
| Total capital assets being depreciated       | <u>5,319</u>            | <u>360</u>    |           | <u>5,679</u>             |
| Less accumulated depreciation for:           |                         |               |           |                          |
| Buildings and improvements                   | (2,200)                 | (108)         |           | (2,308)                  |
| Equipment                                    | (1,210)                 | (88)          |           | (1,298)                  |
| Total accumulated depreciation               | <u>(3,410)</u>          | <u>(196)</u>  |           | <u>(3,606)</u>           |
| Total capital assets being depreciated, net  | <u>1,909</u>            | <u>164</u>    |           | <u>2,073</u>             |
| SFC capital assets, net                      | <u>\$ 1,909</u>         | <u>\$ 167</u> |           | <u>\$ 2,076</u>          |

**Note 6: Claims, Judgments, and Risk Management**

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

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

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

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

The claims liability of \$32,857 reported in the Fund at June 30, 2007, is based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The ultimate cost of claims includes incremental claim adjustment expenses that have been allocated to specific claims, as well as salvage and subrogation. No other claim adjustment expenses have been included.

|                                              | <u>2007</u>      | <u>2006</u>      |
|----------------------------------------------|------------------|------------------|
| Claims liability balance - beginning         | \$ 35,508        | \$ 30,273        |
| Current year claims and changes in estimates | 8,118            | 12,185           |
| Claims payments                              | <u>(10,769)</u>  | <u>(6,950)</u>   |
| Claims liability balance - ending            | <u>\$ 32,857</u> | <u>\$ 35,508</u> |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
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**Note 7: Long-Term Liabilities**

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2007.

|                                                              | <u>Balance<br/>July 1, 2006</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Balance<br/>July 1, 2007</u> | <u>Due within<br/>1 year</u> |
|--------------------------------------------------------------|---------------------------------|-------------------|-------------------|---------------------------------|------------------------------|
| <b>Governmental activities:</b>                              |                                 |                   |                   |                                 |                              |
| General obligation bonds                                     | \$ 231,310                      | \$ 95,000         | \$ 36,720         | \$ 289,590                      | \$ 31,255                    |
| Plus unamortized deferred amount                             | 608                             | 1                 | 49                | 560                             | 49                           |
| Total general obligation bonds                               | <u>231,918</u>                  | <u>95,001</u>     | <u>36,769</u>     | <u>290,150</u>                  | <u>31,304</u>                |
| <br>Flood control bonds                                      | <br>2,230                       | <br>              | <br>760           | <br>1,470                       | <br>745                      |
| <br>Transportation revenue bonds                             | <br>126,835                     | <br>21,000        | <br>11,435        | <br>136,400                     | <br>11,745                   |
| Plus unamortized deferred amount                             | 165                             | 1                 | 25                | 141                             | 26                           |
| Total transportation revenue bonds                           | <u>127,000</u>                  | <u>21,001</u>     | <u>11,460</u>     | <u>136,541</u>                  | <u>11,771</u>                |
| <br>Special assessment bonds with<br>governmental commitment | <br>911                         | <br>              | <br>911           | <br>                            | <br>                         |
| <br>Certificates of participation                            | <br>                            | <br>30,320        | <br>              | <br>30,320                      | <br>1,245                    |
| Plus unamortized deferred amount                             |                                 | 1,427             | 16                | 1,411                           | 94                           |
| Total certificates of participation                          |                                 | <u>31,747</u>     | <u>16</u>         | <u>31,731</u>                   | <u>1,339</u>                 |
| <br>Loans and Leases:                                        |                                 |                   |                   |                                 |                              |
| Transportation loans payable                                 | <u>5,739</u>                    | <u></u>           | <u>2,025</u>      | <u>3,714</u>                    | <u>2,714</u>                 |
| <br>Capital leases payable:                                  |                                 |                   |                   |                                 |                              |
| Jail capital lease                                           | 28,335                          |                   | 1,785             | 26,550                          | 1,870                        |
| Less unamortized deferred amount                             | (2,106)                         |                   | (192)             | (1,914)                         | (192)                        |
| Other capital leases                                         | 197                             |                   | 97                | 100                             | 80                           |
| Total capital leases                                         | <u>26,426</u>                   | <u></u>           | <u>1,690</u>      | <u>24,736</u>                   | <u>1,758</u>                 |
| <br>Total loans and leases                                   | <u>32,165</u>                   | <u></u>           | <u>3,715</u>      | <u>28,450</u>                   | <u>4,472</u>                 |
| <br>Reported but unpaid losses (Note 6)                      | 25,764                          | 7,944             | 10,769            | 22,939                          | 4,200                        |
| Incurred but not reported losses (Note 6)                    | 9,744                           | 174               |                   | 9,918                           | 1,785                        |
| <br>Landfill closure and post-closure<br>care costs (Note 8) | <br>16,268                      | <br>1,062         |                   | <br>17,330                      |                              |
| Total governmental activities<br>long-term liabilities       | <u>\$ 445,089</u>               | <u>\$ 156,929</u> | <u>\$ 63,489</u>  | <u>\$ 538,529</u>               | <u>\$ 55,616</u>             |

PIMA COUNTY, ARIZONA  
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June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

|                                                         | <u>Balance<br/>July 1, 2006</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>July 1, 2007</u> | <u>Due within<br/>1 year</u> |
|---------------------------------------------------------|---------------------------------|------------------|-------------------|---------------------------------|------------------------------|
| <b>Business-type activities:</b>                        |                                 |                  |                   |                                 |                              |
| Sewer revenue bonds                                     | \$ 55,525                       | \$ 50,000        | \$ 8,235          | \$ 97,290                       | \$ 7,350                     |
| Less unamortized deferred amount                        | (3,815)                         | 442              | (439)             | (2,934)                         |                              |
| Total revenue bonds payable                             | <u>51,710</u>                   | <u>50,442</u>    | <u>7,796</u>      | <u>94,356</u>                   | <u>7,350</u>                 |
| Wastewater loans payable                                | 80,367                          | 1,429            | 5,503             | 76,293                          | 5,722                        |
| Less unamortized deferred amount                        | (219)                           |                  | (37)              | (182)                           |                              |
| Total loans payable                                     | <u>80,148</u>                   | <u>1,429</u>     | <u>5,466</u>      | <u>76,111</u>                   | <u>5,722</u>                 |
| Contracts and notes                                     | 4,562                           | 787              | 69                | 5,280                           |                              |
| Total business-type activities<br>long-term liabilities | <u>\$ 136,420</u>               | <u>\$ 52,658</u> | <u>\$ 13,331</u>  | <u>\$ 175,747</u>               | <u>\$ 13,072</u>             |
| <b>Discretely presented component unit:</b>             |                                 |                  |                   |                                 |                              |
| Southwestern Fair Commission<br>notes payable           | <u>\$ 244</u>                   | <u></u>          | <u>\$ 244</u>     | <u></u>                         | <u></u>                      |

**GENERAL OBLIGATION BONDS OUTSTANDING**

**Governmental Activities**

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

General obligation bonds payable at June 30, 2007, consisted of the outstanding general obligation bonds presented below. Of the total amounts originally authorized, \$28,371 from the May 20, 1997, \$398,465 from the May 18, 2004, and \$51,845 from the May 16, 2006 bond election remain unissued. The following table presents amounts outstanding by issue.

| <u>Issue</u>                      | <u>Issue<br/>Amount</u> | <u>Interest<br/>Rates</u> | <u>Maturities</u> | <u>Outstanding<br/>June 30, 2007</u> |
|-----------------------------------|-------------------------|---------------------------|-------------------|--------------------------------------|
| Series of 1998                    | \$ 42,420               | 4.50 - 4.60%              | 2008-13           | \$ 14,050                            |
| Series of 1999                    | 50,000                  | 5.00 - 5.08%              | 2008-10           | 11,115                               |
| Series of 2000                    | 50,000                  | 4.00 - 5.00%              | 2008-14           | 21,000                               |
| Series of 2001 Refunding          | 17,835                  | 4.50 - 5.00%              | 2008-09           | 4,465                                |
| Series of 2002                    | 20,000                  | 4.13 - 4.50%              | 2008-16           | 8,500                                |
| Series of 2003                    | 50,000                  | 3.25 - 4.25%              | 2008-17           | 37,100                               |
| Series of 2004                    | 65,000                  | 3.00 - 5.00%              | 2008-19           | 50,430                               |
| Series of 2005                    | 65,000                  | 3.50 - 5.00%              | 2008-20           | 52,315                               |
| Series of 2007                    | 95,000                  | 3.00 - 4.50%              | 2008-21           | 90,615                               |
| G.O. bonds outstanding            |                         |                           |                   | 289,590                              |
| Plus unamortized deferred amount: |                         |                           |                   | 560                                  |
| Total G.O. bonds outstanding      |                         |                           |                   | <u>\$ 290,150</u>                    |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  |
|-----------------------------|-------------------|------------------|
| 2008                        | \$ 31,255         | \$ 12,343        |
| 2009                        | 25,660            | 10,939           |
| 2010                        | 25,080            | 9,782            |
| 2011                        | 22,740            | 8,657            |
| 2012                        | 23,355            | 7,638            |
| 2013 - 2017                 | 107,675           | 23,079           |
| 2018 - 2021                 | 53,825            | 3,811            |
| Total                       | <u>\$ 289,590</u> | <u>\$ 76,249</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, 2007, the following outstanding bonds were considered defeased:

|                                         | <u>Outstanding<br/>June 30, 2007</u> |
|-----------------------------------------|--------------------------------------|
| 1979 General Obligation Refunding Bonds | \$ 980                               |
| Series of 1999                          | \$ 5,785                             |

**FLOOD CONTROL REFUNDING BONDS OUTSTANDING  
Governmental Activities**

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

The Pima County Regional Flood Control District outstanding bonds payable at June 30, 2007 is presented below.

| <u>Issue</u>          | <u>Issue<br/>Amount</u> | <u>Interest<br/>Rates</u> | <u>Maturities</u> | <u>Outstanding<br/>June 30, 2007</u> |
|-----------------------|-------------------------|---------------------------|-------------------|--------------------------------------|
| Series 2001 Refunding | \$ 4,585                | 4.10 - 4.20%              | 2008-09           | \$ 1,470                             |

The following schedule details flood control bond debt service requirements to maturity at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2008                        | \$ 745           | \$ 61           |
| 2009                        | 725              | 30              |
| Total                       | <u>\$ 1,470</u>  | <u>\$ 91</u>    |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

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, \$147,800 from the November 4, 1997 bond election remains unissued.

| <u>Issue</u>                           | <u>Issue<br/>Amount</u> | <u>Interest<br/>Rates</u> | <u>Maturities</u> | <u>Outstanding<br/>June 30, 2007</u> |
|----------------------------------------|-------------------------|---------------------------|-------------------|--------------------------------------|
| Series of 1998                         | \$ 40,000               | 4.50%                     | 2008              | \$ 4,000                             |
| Series of 2002                         | 55,000                  | 4.00 - 4.38%              | 2008-12           | 30,410                               |
| Series of 2003                         | 35,000                  | 3.38 - 4.38%              | 2008-18           | 29,790                               |
| Series of 2005                         | 51,200                  | 3.50 - 5.00%              | 2008-20           | 51,200                               |
| Series of 2007                         | 21,000                  | 3.25 - 4.75%              | 2008-22           | 21,000                               |
| Transportation bonds outstanding       |                         |                           |                   | 136,400                              |
| Plus unamortized deferred amount:      |                         |                           |                   | 141                                  |
| Total transportation bonds outstanding |                         |                           |                   | <u>\$ 136,541</u>                    |

The following schedule details transportation bond debt service requirements to maturity at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  |
|-----------------------------|-------------------|------------------|
| 2008                        | \$ 11,745         | \$ 5,659         |
| 2009                        | 12,215            | 5,183            |
| 2010                        | 12,720            | 4,692            |
| 2011                        | 13,280            | 4,136            |
| 2012                        | 13,865            | 3,552            |
| 2013 - 2017                 | 43,900            | 11,309           |
| 2018 - 2022                 | 28,675            | 2,373            |
| Total                       | <u>\$ 136,400</u> | <u>\$ 36,904</u> |

TRANSPORTATION LOANS PAYABLE

**Governmental Activities**

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

| <u>Issue</u>                      | <u>Issue<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Maturities</u> | <u>Outstanding<br/>June 30, 2007</u> |
|-----------------------------------|-------------------------|--------------------------|-------------------|--------------------------------------|
| 2006 HELP Loan - Alvernon         | \$ 4,836                | 3.06%                    | 2008-09           | \$ 3,714                             |
| Total transportation loan payable |                         |                          |                   | <u>\$ 3,714</u>                      |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

The following schedule details transportation loans debt service requirements to maturity at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------|------------------|-----------------|
| 2008                        | \$ 2,714         | \$ 114          |
| 2009                        | 1,000            | 61              |
| Total                       | <u>\$ 3,714</u>  | <u>\$ 175</u>   |

**CERTIFICATES OF PARTICIPATION**

**Governmental Activities**

(Payments made from General Fund revenues)

Certificates of Participation represent proportionate interests in semiannual lease payments. The County's obligation to make lease payments is subject to annual appropriations being made by the County for that purpose. On May 1, 2007, the County issued Certificates of Participation Series 2007-A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson, and Taxable Series 2007-B for \$1,555 to acquire and construct replacement facilities for the Pima County Community Services Department. These projects are collectively referred to as the "Justice Building Project."

The following schedule details outstanding Certificates of Participation payable at June 30, 2007.

| <u>Issue</u>                                     | <u>Issue<br/>Amount</u> | <u>Interest<br/>Rates</u> | <u>Maturities</u> | <u>Outstanding<br/>June 30, 2007</u> |
|--------------------------------------------------|-------------------------|---------------------------|-------------------|--------------------------------------|
| Series 2007-A Justice Building Project           | \$ 28,765               | 4.00 - 5.00%              | 2008-2022         | \$ 28,765                            |
| Series 2007-B Justice Building Project - Taxable | 1,555                   | 5.04 - 5.22%              | 2008-2009         | 1,555                                |
| Certificates of participation outstanding        |                         |                           |                   | 30,320                               |
| Plus unamortized deferred amount                 |                         |                           |                   | 1,411                                |
| Total certificates of participation outstanding  |                         |                           |                   | <u>\$ 31,731</u>                     |

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u>  |
|-----------------------------|------------------|------------------|
| 2008                        | \$ 1,245         | \$ 1,667         |
| 2009                        | 1,545            | 1,364            |
| 2010                        | 1,610            | 1,298            |
| 2011                        | 1,675            | 1,234            |
| 2012                        | 1,740            | 1,167            |
| 2013 - 2017                 | 9,905            | 4,639            |
| 2018 - 2022                 | 12,600           | 1,951            |
| Total                       | <u>\$ 30,320</u> | <u>\$ 13,320</u> |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

**CAPITAL LEASES**  
**Governmental Activities**

On February 1, 1997, the County entered into an agreement to sell certain jail facilities and then lease them back for a 15-year term. The jail facilities were sold for \$34,500, and the proceeds were used to finance the construction of the baseball stadium. On September 1, 1999 and October 1, 2003, Pima County amended the capital lease agreement between U.S. Bank Trust National Association and Pima County. The amendments extended the lease term to 2014 and 2018 respectively, increased the range of interest rates and increased the County's obligation under the lease agreement.

The County has also entered into capital leases for telephone and computer equipment. The outstanding balance as of June 30, 2007, for these leases totaled \$100.

The net book value of assets acquired through capital leases consists of \$19,394 of buildings and \$171 of equipment.

The following schedule details capital lease debt service requirements to maturity at June 30, 2007.

**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> |
| 2008                        | \$ 1,870         | \$ 1,139        | \$ 80            | \$ 2            |
| 2009                        | 1,965            | 1,062           | 20               |                 |
| 2010                        | 2,025            | 982             |                  |                 |
| 2011                        | 2,125            | 879             |                  |                 |
| 2012                        | 2,230            | 774             |                  |                 |
| 2013 - 2017                 | 13,400           | 2,032           |                  |                 |
| 2018 - 2022                 | 2,935            | 61              |                  |                 |
|                             | <u>\$ 26,550</u> | <u>\$ 6,929</u> | <u>\$ 100</u>    | <u>\$ 2</u>     |

**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, \$3,666 from the May 20, 1997, and \$100,277 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, 2007</u> |
|---------------------------------------|---------------------|-----------------------|-------------------|----------------------------------|
| Series of 1998                        | \$ 29,185           | 4.00 - 5.50%          | 2008-15           | \$ 15,555                        |
| Series 2001 Refunding                 | 19,440              | 4.00 - 5.38%          | 2008-15           | 13,845                           |
| Series of 2004 Refunding              | 25,770              | 3.25 - 5.50%          | 2008-15           | 20,555                           |
| Series of 2007                        | 50,000              | 3.75 - 5.00%          | 2008-26           | 47,335                           |
| Sewer revenue bonds outstanding       |                     |                       |                   | 97,290                           |
| Less unamortized deferred amount:     |                     |                       |                   | (2,934)                          |
| Total sewer revenue bonds outstanding |                     |                       |                   | <u>\$ 94,356</u>                 |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u>  |
|-----------------------------|------------------|------------------|
| 2008                        | \$ 7,350         | \$ 4,352         |
| 2009                        | 7,650            | 4,049            |
| 2010                        | 6,990            | 3,706            |
| 2011                        | 7,310            | 3,409            |
| 2012                        | 8,395            | 3,078            |
| 2013 - 2017                 | 31,755           | 9,619            |
| 2018 - 2022                 | 13,955           | 4,744            |
| 2023 - 2026                 | 13,885           | 1,439            |
|                             | <u>\$ 97,290</u> | <u>\$ 34,396</u> |

**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.

During fiscal year 05-06 the 2004 WIFA loan was amended to a total of \$19,967. On March 21, 2007, the remaining balance of \$1,490 was drawn down.

| <u>Issue</u>                     | <u>Issue<br/>Amount</u> | <u>Interest<br/>Rates</u> | <u>Maturities</u> | <u>Outstanding<br/>June 30, 2007</u> |
|----------------------------------|-------------------------|---------------------------|-------------------|--------------------------------------|
| 1996 Loans Payable               | \$ 11,313               | 3.19%                     | 2008-12           | \$ 7,132                             |
| 1997 Loans Payable               | 7,500                   | 2.95%                     | 2008-11           | 3,102                                |
| 2000 Loans Payable               | 61,180                  | 2.20%                     | 2008-16           | 46,092                               |
| 2004 Loans Payable               | 19,967                  | 1.81%                     | 2008-24           | 19,967                               |
| Loans payable                    |                         |                           |                   | 76,293                               |
| Less unamortized deferred amount |                         |                           |                   | (182)                                |
| Total loans payable              |                         |                           |                   | <u>\$ 76,111</u>                     |

The following schedule details loans payable debt service requirements to maturity at June 30, 2007.

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u>  |
|-----------------------------|------------------|------------------|
| 2008                        | \$ 5,722         | \$ 2,624         |
| 2009                        | 5,955            | 2,423            |
| 2010                        | 6,317            | 2,200            |
| 2011                        | 7,604            | 1,949            |
| 2012                        | 7,891            | 1,667            |
| 2013 - 2017                 | 32,480           | 4,665            |
| 2018 - 2022                 | 6,134            | 1,214            |
| 2023 - 2024                 | 4,190            | 210              |
|                             | <u>\$ 76,293</u> | <u>\$ 16,952</u> |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

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.

NOTES PAYABLE

**Component Unit - Southwestern Fair Commission (SFC)**

(Payments made from user charges)

In prior years, the Commission had incurred long-term debt to construct the drag strip. The debt had an original maturity of July 2008. During the year ended June 30, 2007, the Commission paid off \$ 244 in total debt, leaving no balance on their long-term debt.

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, 2007, is as follows:

|                                                                                                       |                |                          |
|-------------------------------------------------------------------------------------------------------|----------------|--------------------------|
| Net assessed valuation                                                                                |                | \$ 6,869,955             |
| Debt Limit (15% of net assessed valuation):                                                           |                | 1,030,493                |
| <u>Amount of debt applicable to debt limit:</u>                                                       |                |                          |
| General obligation bonds outstanding                                                                  | \$ 289,590     |                          |
| Less net assets in debt service fund<br>available for payment of general<br>obligation bond principal | <u>(7,431)</u> | (282,159)                |
| Legal debt margin available                                                                           |                | <u><u>\$ 748,334</u></u> |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 7: Long-Term Liabilities (continued)**

**Flood Control General Obligation Bonds**

Flood Control general obligation debt may not exceed 5 percent of the value of the Flood Control District's taxable property as of the latest assessment. Legal debt margin at June 30, 2007, is as follows:

|                                                                                                  |             |                          |
|--------------------------------------------------------------------------------------------------|-------------|--------------------------|
| Net assessed valuation                                                                           |             | \$ 6,113,953             |
| Debt Limit (5% of net assessed valuation):                                                       |             | 305,698                  |
| <u>Amount of debt applicable to debt limit:</u>                                                  |             |                          |
| Flood control general obligation bonds outstanding                                               | \$ 1,470    |                          |
| Less net assets in debt service fund<br>available for payment of flood control<br>bond principal | <u>(23)</u> | (1,447)                  |
| Legal debt margin available                                                                      |             | <u><u>\$ 304,251</u></u> |

**Note 8: Landfill Liabilities**

**SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS:**

State and Federal laws and regulations require the County to place a final cover on its solid waste landfill sites when these sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after their closure. Although closure and post-closure care costs will not be paid until near or after the date the landfills stop accepting waste, the County records a portion of these closure and post-closure care costs as a long-term liability in each period, based on landfill capacity used as of each balance sheet date. The \$17,330 reported as landfill closure and post-closure care long-term liability within the governmental activities represents the cumulative amount reported to date, based on the percentage used of each landfill's total estimated capacity. The County will recognize the remaining estimated cost of closure and post-closure care of \$6,278 as the remaining estimated capacities are used. These amounts are based on what it would cost to perform all closure and post-closure care in the fiscal year ended June 30, 2007; actual costs may change due to inflation, changes in technology, or changes in regulations.

| <u>Landfill Site</u> | <u>Capacity Used<br/>June 30, 2007</u> | <u>Estimated<br/>Remaining<br/>Service Life</u> |
|----------------------|----------------------------------------|-------------------------------------------------|
| Ajo *                | 100%                                   | 0 Year                                          |
| Sahuarita            | 43%                                    | 16 Years                                        |
| Tangerine            | 86%                                    | 3 Years                                         |

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

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
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**Note 8: Landfill Liabilities (continued)**

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

According to state and federal laws and regulations, the County must comply with the local government financial test requirements that assure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$9,272 when closure occurs and plans to fund the cost with proceeds of general obligation bonds and with solid waste tipping fees. At this time, there is no closure date available.

**Note 9: 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 212 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's Departments of Corrections and Juvenile Corrections, and County employees whose primary duties require direct inmate contact. The **CORP** is governed by the Fund Manager of **PSPRS** and 21 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

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

**ASRS**

3300 N. Central Ave  
Phoenix, AZ 85012  
(602) 240-2000 or  
(800) 621-3778

**PSPRS and CORP**

3010 East Camelback Road  
Suite 200  
Phoenix, AZ 85016-4416  
(602) 255-5575

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
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**Note 9: Retirement Plans (continued)**

**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, 2007, active **ASRS** members and the County were each required by statute to contribute at the actuarially determined rate of 9.10 percent (8.60 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, 2007, 2006 and 2005 were \$23,105, \$17,551 and \$12,602 respectively, which were equal to the required contributions for the applicable year.

**Agent plans** For the year ended June 30, 2007, active **PSPRS** members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the County was required to contribute at the actuarially determined rate of 18.85 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 8.46 percent.

**Annual Pension Cost:** The County's pension cost for the two agent plans for the year ended June 30, 2007, and related information follow:

|                               | <u>PSPRS</u>          | <u>CORP</u>           |
|-------------------------------|-----------------------|-----------------------|
| Contribution rates:           |                       |                       |
| County                        | 22.50%                | 8.46%                 |
| Plan members                  | 4.00%                 | 8.50%                 |
| Annual pension cost           | \$ 5,422              | \$ 1,224              |
| Contributions made            | \$ 5,422              | \$ 1,224              |
| Actuarial valuation date      | June 30, 2005         | June 30, 2005         |
| Actuarial cost method         | Projected unit credit | Projected unit credit |
| Actuarial Assumptions:        |                       |                       |
| Investment rate of return     | 8.50%                 | 8.50%                 |
| Projected salary increases    | 5.50% - 8.50%         | 5.50% - 8.50%         |
| includes inflation at         | 5.00%                 | 5.00%                 |
| Amortization method           | Level percentage open | Level percentage open |
| Remaining amortization period | 30 Years              | 30 Years              |
| Asset valuation method        | Smoothed market value | Smoothed market value |

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 9: Retirement Plans (continued)**

**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<br>June 30 | Annual<br>Pension Cost<br>(APC) | Percentage<br>of APC<br>Contributed | Net<br>Pension<br>Obligation |
|-------|-----------------------|---------------------------------|-------------------------------------|------------------------------|
| PSPRS | 2007                  | \$ 5,422                        | 100%                                | \$ -                         |
|       | 2006                  | 4,720                           | 100%                                | -                            |
|       | 2005                  | 3,325                           | 100%                                | -                            |
| CORP  | 2007                  | \$ 1,224                        | 100%                                | \$ -                         |
|       | 2006                  | 1,088                           | 100%                                | -                            |
|       | 2005                  | 782                             | 100%                                | -                            |

**Note 10: Interfund Transactions**

**A. Interfund Assets/ Liabilities**

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

**Amounts recorded as due from:**

Amounts recorded as due to:

|                               | General  | Capital Projects | Other Governmental | PHS & Services | Other Enterprise | Internal Service | Total    |
|-------------------------------|----------|------------------|--------------------|----------------|------------------|------------------|----------|
| General                       |          | \$ 497           | \$ 3               | \$ 108         | \$ 16            | \$ 624           |          |
| Capital Projects              | \$ 21    |                  | 1,243              |                | 208              | 1,472            |          |
| Other Governmental            | 499      | \$ 793           | 33                 | 1              | 818              | 2,144            |          |
| Pima Health System & Services | 1,152    |                  |                    |                |                  | 1,152            |          |
| Wastewater Management         | 10       | 178              | 17                 |                |                  | 205              |          |
| Other Enterprise              | 1        |                  |                    |                |                  | 1                |          |
| Internal Service              | 21       |                  |                    | 1              | 1                | 23               |          |
| Total                         | \$ 1,704 | \$ 971           | \$ 1,790           | \$ 5           | \$ 108           | \$ 1,043         | \$ 5,621 |

Amounts recorded as due to:

**B. Transfers**

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

**Amounts recorded as transfers out:**

Amounts recorded as transfers in:

|                               | General   | Capital Projects | Other Governmental | Wastewater Management | Internal Services | Total     |
|-------------------------------|-----------|------------------|--------------------|-----------------------|-------------------|-----------|
| General                       | \$ 71     | \$ 3,489         |                    |                       | \$ 3,560          |           |
| Capital Projects              |           |                  | 30,549             |                       |                   | 30,549    |
| Other Governmental            | \$ 32,186 |                  | 19,794             |                       |                   | 51,980    |
| Pima Health System & Services |           |                  |                    | \$ 17                 |                   | 17        |
| Internal Service              | 598       |                  | 1                  | \$ 10                 |                   | 609       |
| Total                         | \$ 32,784 | \$ 71            | \$ 53,833          | \$ 10                 | \$ 17             | \$ 86,715 |

Amounts recorded as transfers in:

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 10: Interfund Transactions (continued)**

The table above does not include transfers of capital assets and long-term liabilities from the proprietary funds to the governmental activities because these are not reported in the governmental funds. During the year, the County transferred in to the Internal Service Funds \$57 to record the transfer of a long-term liability to the Governmental Activities. In addition, the following proprietary funds transferred capital assets with Governmental Activities:

| <u>Transfer from</u>                  | <u>Transfer to</u> |        | <u>Transfer from</u> | <u>Transfer to</u> |
|---------------------------------------|--------------------|--------|----------------------|--------------------|
| Wastewater Management Enterprise Fund | Capital assets     | \$ 644 |                      |                    |
| Other Enterprise                      | Capital assets     | 84     |                      |                    |
| Internal Services                     | Capital assets     | 9      |                      |                    |
|                                       | Subtotal           | 737    |                      |                    |
|                                       |                    | (30)   | Capital assets       | Internal Services  |
|                                       | Total              | \$ 707 |                      |                    |

**Note 11: Construction and Other Significant Commitments**

At June 30, 2007, Pima County had the following major contractual commitments related to Cultural Resources, Facilities Management, General Government, Pima Health System and Services, Transportation and Wastewater Management.

**Cultural Resources**

At June 30, 2007, the Pima County Cultural Resources Department had construction contractual commitments of \$6,654. Funding for these expenditures will be provided from general obligation bonds.

**Facilities Management**

At June 30, 2007, the Pima County Facilities Management Department had construction contractual commitments of \$11,670. Funding for these expenditures will be provided from general obligation bonds.

**General Government**

At June 30, 2007, Pima County had contractual commitments related to service contracts for Institutional Health of \$79,166 and Risk Management of \$1,663. Funding for these expenditures will be primarily provided from general fund revenues.

**Pima Health System & Services**

At June 30, 2007, Pima County had contractual commitments related to service contracts for Pima Health System & Services of \$89,388. Funding for these expenditures will be primarily provided from federal and state funding sources.

**Transportation**

At June 30, 2007, the Pima County Transportation Department had construction contractual commitments of \$57,651 and other contractual commitments related to service contracts of \$14,317. Funding for these expenditures will be primarily provided from Transportation Revenue Bonds and Highway User Tax Revenue, the primary source of revenue for the Transportation Department.

PIMA COUNTY, ARIZONA  
Notes to Financial Statements  
June 30, 2007  
(in thousands)

**Note 11: Construction and Other Significant Commitments (continued)**

**Wastewater Management**

At June 30, 2007, the Wastewater Management Enterprise fund had construction contractual commitments of \$18,350 and other contractual commitments related to service contracts of \$4,051. Funding for these expenditures will be primarily from Sewer Revenue Bonds and related fees.

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

The Special Revenue Other Grants Fund and the Special Districts Fund (both non-major governmental funds) had deficit fund balances at June 30, 2007, of \$740 and \$593 respectively. These deficits can be eliminated in the future through normal operations.

**Note 13: Contingent Liabilities**

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 litigation is uncertain and the amount of the loss cannot be reasonably estimated.

Pima County has been named a co-defendant, along with the State of Arizona in lawsuits filed by the Qwest and Cox companies. The litigation challenges the taxes assessed on their assets. The future outcome of this litigation is uncertain and any potential liability is not estimable.

**Note 14: Subsequent Event**

On October 17, 2007, the town of Marana, Arizona filed a lawsuit against Pima County after negotiations over the transfer of the sewer treatment facilities and conveyance system, failed to produce an agreement. The town of Marana rescinded the 1979 agreement with Pima County to operate and supply sewer services to the town. The liability and future outcome of this litigation is unknown at this time.

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## **Required Supplementary Information**

Other Than Management's Discussion & Analysis

PIMA COUNTY, ARIZONA  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget to Actual - General Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit B-1

|                                      | Budgeted Amounts |                  |                  | Variance         |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | Original         | Final            | Actual           | Over/Under       |
| Revenues:                            |                  |                  |                  |                  |
| Taxes                                | \$ 253,565       | \$ 253,565       | \$ 252,350       | \$ (1,215)       |
| Licenses and permits                 | 2,473            | 2,473            | 2,795            | 322              |
| Intergovernmental                    | 145,517          | 145,517          | 152,271          | 6,754            |
| Charges for services                 | 30,648           | 30,648           | 33,604           | 2,956            |
| Fines and forfeits                   | 5,495            | 5,495            | 5,526            | 31               |
| Investment earnings                  | 1,623            | 1,623            | 3,321            | 1,698            |
| Miscellaneous                        | 3,732            | 3,732            | 6,828            | 3,096            |
| Total revenues                       | <u>443,053</u>   | <u>443,053</u>   | <u>456,695</u>   | <u>13,642</u>    |
| Expenditures:                        |                  |                  |                  |                  |
| Assessor                             | 8,470            | 8,470            | 8,190            | 280              |
| Board of Supervisors                 | 1,675            | 1,675            | 1,639            | 36               |
| Clerk of Superior Court              | 10,653           | 10,653           | 10,631           | 22               |
| Community & Economic Development     | 15,610           | 15,610           | 15,078           | 532              |
| Constables                           | 847              | 847              | 874              | (27)             |
| County Administration                | 52,477           | 52,477           | 36,018           | 16,459           |
| County Attorney                      | 19,062           | 19,062           | 18,266           | 796              |
| Department of Institutional Health   | 98,146           | 98,146           | 96,684           | 1,462            |
| Forensic Science Center              | 2,579            | 2,579            | 2,526            | 53               |
| Justice Courts                       | 7,579            | 7,579            | 7,253            | 326              |
| Juvenile Court                       | 23,907           | 23,907           | 23,150           | 757              |
| Justice & Law Enforcement            | 27,839           | 27,839           | 28,442           | (603)            |
| Public Works                         | 28,438           | 28,438           | 28,177           | 261              |
| Recorder                             | 2,826            | 2,826            | 2,519            | 307              |
| Sheriff                              | 103,697          | 103,697          | 106,825          | (3,128)          |
| Superior Court                       | 27,426           | 27,426           | 27,150           | 276              |
| Superior Court Mandated Services     | 1,575            | 1,575            | 1,840            | (265)            |
| School Superintendent                | 1,332            | 1,332            | 1,329            | 3                |
| Treasurer                            | 2,377            | 2,377            | 1,874            | 503              |
| Debt Service - principal             | 1,785            | 1,785            | 1,785            |                  |
| - interest                           | 1,230            | 1,230            | 1,230            |                  |
| - miscellaneous                      | 5                | 5                | 6                | (1)              |
| Total expenditures                   | <u>439,535</u>   | <u>439,535</u>   | <u>421,486</u>   | <u>18,049</u>    |
| Excess of revenues over expenditures | 3,518            | 3,518            | 35,209           | 31,691           |
| Other financing sources (uses):      |                  |                  |                  |                  |
| Transfers in                         | 3,301            | 3,301            | 3,560            | 259              |
| Transfers (out)                      | (29,658)         | (29,658)         | (32,784)         | (3,126)          |
| Total other financing uses           | <u>(26,357)</u>  | <u>(26,357)</u>  | <u>(29,224)</u>  | <u>(2,867)</u>   |
| Net change in fund balance           | (22,839)         | (22,839)         | 5,985            | 28,824           |
| Fund balance at beginning of year    | 45,839           | 45,839           | 51,575           | 5,736            |
| Fund balance at end of year          | <u>\$ 23,000</u> | <u>\$ 23,000</u> | <u>\$ 57,560</u> | <u>\$ 34,560</u> |

See notes to required supplementary information

PIMA COUNTY, ARIZONA  
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual - General Fund  
June 30, 2007  
(in thousands)

**Note 1: Budgetary Basis of Accounting**

Arizona Revised Statutes (ARS § 42-17101) requires that on or before the third Monday in July of each year, the Board of Supervisors adopt a tentative budget for the fiscal year. A public hearing and special board meeting is scheduled at which time the final budget is adopted.

The County adopts, on a modified accrual basis, budgets for all governmental fund types (General, Special Revenue, Debt Service, and Capital Projects Fund). Operating plans for all Enterprise Funds are also adopted as part of the budget document. Per ARS § 42-17106, expenditures may not be in excess of the amounts specified for each purpose in the budget, except as provided by law. Each Special Revenue Fund maintains budgetary control at the fund or sub-fund level where applicable. Budgetary control for the Capital Projects Fund and the Debt Service Fund are at the fund level.

Adopted budgets provide that the beginning unreserved fund balance plus revenues and other financing sources equal expenditures and other uses. ARS § 42-17106 requires that amendments to the budget, including transfers of appropriations between departments or funds are not permissible unless the Board of Supervisors determines that it is in the public interest and it is based on a demonstrated need.

**Note 2: Excess of Expenditures Over Appropriations**

For the year ended June 30, 2007, expenditures exceeded appropriations in the following General Fund departments (the legal level of budgetary control) by the following amounts: Sheriff, \$3,128; Justice & Law Enforcement, \$603; Superior Court Mandated Services, \$265; Constables, \$27; and Debt Service Miscellaneous, \$1. These over-expenditures were funded by greater than anticipated revenues.

PIMA COUNTY, ARIZONA  
Schedule of Agent Retirement Plans' Funding Progress  
June 30, 2007  
(in thousands)

Exhibit B-2

| Plan  | Year Ended<br>June 30 | Actuarial<br>Value of Plan<br>Assets | Actuarial<br>Accrued<br>Liability | Funding<br>Liability<br>(Excess) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | Unfunded<br>Liability as<br>Percentage of<br>Covered Payroll |
|-------|-----------------------|--------------------------------------|-----------------------------------|----------------------------------|-----------------|------------------------------|--------------------------------------------------------------|
| PSPRS | 2007                  | \$ 128,524                           | \$ 197,365                        | \$ 68,841                        | 65.1%           | \$ 29,428                    | 233.9%                                                       |
|       | 2006                  | 133,450                              | 181,084                           | 47,634                           | 73.7%           | 28,556                       | 166.8%                                                       |
|       | 2005                  | 132,736                              | 162,817                           | 30,081                           | 81.5%           | 24,313                       | 123.7%                                                       |
| CORP  | 2007                  | \$ 44,196                            | \$ 54,488                         | \$ 10,292                        | 81.1%           | \$ 20,190                    | 51.0%                                                        |
|       | 2006                  | 43,318                               | 49,891                            | 6,573                            | 86.8%           | 17,658                       | 37.2%                                                        |
|       | 2005                  | 41,729                               | 45,244                            | 3,515                            | 92.2%           | 15,681                       | 22.4%                                                        |

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# **Combining Statements and Other Schedules**

Other (Nonmajor) Governmental Funds

## **OTHER GOVERNMENTAL FUNDS (Nonmajor)**

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

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

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

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

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

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

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

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

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

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

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

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PIMA COUNTY, ARIZONA  
Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2007  
(in thousands)

|                                                                     | Special Revenue Funds |                              |                                       |                            |                  |                 |
|---------------------------------------------------------------------|-----------------------|------------------------------|---------------------------------------|----------------------------|------------------|-----------------|
|                                                                     | Transportation        | Health and<br>Animal Control | Regional<br>Flood Control<br>District | Employment<br>and Training | Other            | Other<br>Grants |
| <u>Assets</u>                                                       |                       |                              |                                       |                            |                  |                 |
| Cash and cash equivalents                                           | \$ 8,207              | \$ 1,552                     | \$ 891                                |                            | \$ 42,731        | \$ 455          |
| Property taxes receivable (net<br>of allowances for uncollectables) |                       |                              | 732                                   |                            |                  |                 |
| Interest receivable                                                 | 19                    |                              | 15                                    |                            | 136              | 7               |
| Due from other funds                                                | 1,132                 | 2                            | 120                                   |                            | 247              | 15              |
| Due from other governments                                          | 10,535                | 2,329                        | 1,254                                 | \$ 2,943                   | 283              | 3,682           |
| Accounts receivable                                                 | 4                     | 120                          |                                       | 70                         | 1,750            | 13              |
| Inventory                                                           | 1,772                 | 182                          |                                       |                            |                  |                 |
| Prepaid expenditures                                                | 36                    | 17                           | 3                                     | 16                         | 11               | 1               |
| Special assessments receivable                                      |                       |                              |                                       |                            |                  |                 |
| Loan receivable                                                     | 315                   |                              |                                       |                            |                  |                 |
| Total assets                                                        | <u>\$ 22,020</u>      | <u>\$ 4,202</u>              | <u>\$ 3,015</u>                       | <u>\$ 3,029</u>            | <u>\$ 45,158</u> | <u>\$ 4,173</u> |
| <u>Liabilities and fund balances</u>                                |                       |                              |                                       |                            |                  |                 |
| Liabilities:                                                        |                       |                              |                                       |                            |                  |                 |
| Accounts payable                                                    | \$ 3,363              | \$ 1,336                     | \$ 1,677                              | \$ 1,121                   | \$ 1,493         | \$ 1,459        |
| Interest payable                                                    |                       |                              |                                       |                            |                  | 9               |
| Contract retentions                                                 |                       |                              | 82                                    |                            | 2                |                 |
| Employee compensation                                               | 595                   | 442                          | 133                                   | 82                         | 177              | 613             |
| Due to other funds                                                  | 467                   | 8                            | 24                                    | 442                        | 364              | 8               |
| Due to other governments                                            | 254                   |                              |                                       |                            | 180              | 304             |
| Deferred revenues                                                   | 4,465                 | 1,102                        | 621                                   | 615                        | 1,108            | 2,520           |
| Total liabilities                                                   | <u>9,144</u>          | <u>2,888</u>                 | <u>2,537</u>                          | <u>2,260</u>               | <u>3,324</u>     | <u>4,913</u>    |
| Fund balances:                                                      |                       |                              |                                       |                            |                  |                 |
| Reserved for inventory                                              | 1,772                 | 182                          |                                       |                            |                  |                 |
| Reserved for prepaid expenditures                                   | 36                    | 17                           | 3                                     | 16                         | 11               | 1               |
| Reserved for debt service                                           |                       |                              |                                       |                            |                  |                 |
| Reserved for capital repairs<br>and refurbishments                  |                       |                              |                                       |                            |                  |                 |
| Reserved for specified programs                                     |                       |                              |                                       |                            |                  |                 |
| Reserved for loan receivable                                        | 315                   |                              |                                       |                            |                  |                 |
| Unreserved                                                          | 10,753                | 1,115                        | 475                                   | 753                        | 41,823           | (741)           |
| Total fund balances                                                 | <u>12,876</u>         | <u>1,314</u>                 | <u>478</u>                            | <u>769</u>                 | <u>41,834</u>    | <u>(740)</u>    |
| Total liabilities and fund balances                                 | <u>\$ 22,020</u>      | <u>\$ 4,202</u>              | <u>\$ 3,015</u>                       | <u>\$ 3,029</u>            | <u>\$ 45,158</u> | <u>\$ 4,173</u> |

Exhibit C-1

| Special Revenue Funds |                          |                      |                 |                     |                     |                         | Total<br>Other<br>Governmental<br>Funds |
|-----------------------|--------------------------|----------------------|-----------------|---------------------|---------------------|-------------------------|-----------------------------------------|
| School<br>Reserve     | Environmental<br>Quality | Special<br>Districts | Solid<br>Waste  | Library<br>District | Stadium<br>District | Debt<br>Service<br>Fund |                                         |
| \$ 1,794              | \$ 1,161                 | \$ 225               | \$ 3,025        | \$ 13,446           | \$ 829              | \$ 7,511                | \$ 81,827                               |
|                       |                          |                      |                 | 759                 |                     | 1,473                   | 2,964                                   |
|                       | 4                        |                      | 10              | 57                  | 1                   | 182                     | 431                                     |
|                       | 27                       |                      | 18              | 3                   | 226                 |                         | 1,790                                   |
| 629                   | 507                      |                      | 285             | 249                 | 298                 |                         | 22,994                                  |
| 42                    | 101                      |                      | 425             | 36                  | 280                 |                         | 2,841                                   |
|                       |                          |                      |                 |                     |                     |                         | 1,954                                   |
| 9                     | 1                        |                      | 2               | 8                   |                     |                         | 104                                     |
|                       |                          | 1,781                |                 |                     |                     |                         | 1,781                                   |
|                       |                          |                      |                 |                     |                     |                         | 315                                     |
| <u>\$ 2,474</u>       | <u>\$ 1,801</u>          | <u>\$ 2,006</u>      | <u>\$ 3,765</u> | <u>\$ 14,558</u>    | <u>\$ 1,634</u>     | <u>\$ 9,166</u>         | <u>\$ 117,001</u>                       |
|                       |                          |                      |                 |                     |                     |                         |                                         |
| \$ 115                | \$ 75                    |                      | \$ 307          | \$ 1,475            | \$ 93               |                         | \$ 12,514                               |
|                       |                          |                      |                 |                     |                     |                         | 9                                       |
|                       |                          |                      |                 |                     |                     |                         | 84                                      |
| 130                   | 89                       |                      | 54              | 394                 | 7                   |                         | 2,716                                   |
|                       | 1                        | \$ 818               | 12              |                     |                     |                         | 2,144                                   |
|                       |                          |                      |                 | 217                 |                     |                         | 955                                     |
|                       | 491                      | 1,781                |                 | 877                 | 127                 | \$ 1,220                | 14,927                                  |
| <u>245</u>            | <u>656</u>               | <u>2,599</u>         | <u>373</u>      | <u>2,963</u>        | <u>227</u>          | <u>1,220</u>            | <u>33,349</u>                           |
|                       |                          |                      |                 |                     |                     |                         |                                         |
| 9                     | 1                        |                      | 2               | 8                   |                     |                         | 1,954                                   |
|                       |                          | 209                  |                 |                     |                     | 7,946                   | 104                                     |
|                       |                          |                      |                 |                     |                     |                         | 8,155                                   |
|                       |                          |                      |                 |                     | 75                  |                         | 75                                      |
|                       | 1,039                    |                      | 1,655           | 582                 |                     |                         | 3,276                                   |
|                       |                          |                      |                 |                     |                     |                         | 315                                     |
| <u>2,220</u>          | <u>105</u>               | <u>(802)</u>         | <u>1,735</u>    | <u>11,005</u>       | <u>1,332</u>        |                         | <u>69,773</u>                           |
| <u>2,229</u>          | <u>1,145</u>             | <u>(593)</u>         | <u>3,392</u>    | <u>11,595</u>       | <u>1,407</u>        | <u>7,946</u>            | <u>83,652</u>                           |
| <u>\$ 2,474</u>       | <u>\$ 1,801</u>          | <u>\$ 2,006</u>      | <u>\$ 3,765</u> | <u>\$ 14,558</u>    | <u>\$ 1,634</u>     | <u>\$ 9,166</u>         | <u>\$ 117,001</u>                       |

PIMA COUNTY, ARIZONA  
Combining Statement of Revenues, Expenditures and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended June 30, 2007  
(in thousands)

|                                                              | Special Revenue Funds |                              |                                       |                            |           |                 |
|--------------------------------------------------------------|-----------------------|------------------------------|---------------------------------------|----------------------------|-----------|-----------------|
|                                                              | Transportation        | Health and<br>Animal Control | Regional<br>Flood Control<br>District | Employment<br>and Training | Other     | Other<br>Grants |
| Revenues:                                                    |                       |                              |                                       |                            |           |                 |
| Taxes                                                        |                       |                              | \$ 22,739                             |                            |           |                 |
| Special assessments                                          |                       |                              |                                       |                            |           |                 |
| Licenses and permits                                         | \$ 244                | \$ 2,214                     |                                       |                            |           |                 |
| Intergovernmental                                            | 62,608                | 9,841                        | 1,440                                 | \$ 11,561                  | \$ 4,635  | \$ 35,729       |
| Charges for services                                         | 815                   | 2,425                        | 226                                   |                            | 8,054     |                 |
| Fines and forfeits                                           |                       | 213                          |                                       |                            |           |                 |
| Investment earnings                                          | 677                   | 3                            | 278                                   |                            | 1,974     | 66              |
| Miscellaneous                                                | 437                   | 238                          | 256                                   | 161                        | 6,860     | 803             |
| Total revenues                                               | 64,781                | 14,934                       | 24,939                                | 11,722                     | 21,523    | 36,598          |
| Expenditures:                                                |                       |                              |                                       |                            |           |                 |
| Current:                                                     |                       |                              |                                       |                            |           |                 |
| General government                                           |                       |                              |                                       |                            | 16,883    | 24,222          |
| Public safety                                                |                       |                              | 14,325                                |                            | 4,743     | 7,037           |
| Highways and streets                                         | 42,639                |                              |                                       |                            | 44        |                 |
| Sanitation                                                   |                       |                              |                                       |                            |           |                 |
| Health                                                       |                       | 25,288                       |                                       |                            |           |                 |
| Welfare                                                      |                       |                              |                                       |                            |           | 484             |
| Culture and recreation                                       |                       |                              |                                       |                            | 349       | 95              |
| Education and economic opportunity                           |                       |                              |                                       | 12,017                     | 1,585     | 5,458           |
| Debt service - principal                                     |                       |                              |                                       |                            | 76        | 21              |
| - interest                                                   |                       |                              |                                       |                            | 5         |                 |
| - miscellaneous                                              |                       |                              |                                       |                            |           |                 |
| Total expenditures                                           | 42,639                | 25,288                       | 14,325                                | 12,017                     | 23,685    | 37,317          |
| Excess (deficiency) of revenues over<br>(under) expenditures | 22,142                | (10,354)                     | 10,614                                | (295)                      | (2,162)   | (719)           |
| Other financing sources (uses):                              |                       |                              |                                       |                            |           |                 |
| Premium on bonds                                             |                       |                              |                                       |                            |           |                 |
| Proceeds from sale of capital assets                         | 527                   |                              |                                       |                            |           |                 |
| Transfers in                                                 | 3,031                 | 9,515                        |                                       | 289                        | 16,030    | 256             |
| Transfers (out)                                              | (30,324)              | (149)                        | (15,764)                              |                            | (3,641)   | (17)            |
| Total other financing sources (uses)                         | (26,766)              | 9,366                        | (15,764)                              | 289                        | 12,389    | 239             |
| Net change in fund balance                                   | (4,624)               | (988)                        | (5,150)                               | (6)                        | 10,227    | (480)           |
| Fund balance at beginning of year, as restated               | 17,755                | 2,220                        | 5,628                                 | 775                        | 31,643    | (260)           |
| Change in reserve for inventory                              | (255)                 | 82                           |                                       |                            | (36)      |                 |
| Change in reserve for prepaid expenditures                   |                       |                              |                                       |                            |           |                 |
| Fund balance at end of year                                  | \$ 12,876             | \$ 1,314                     | \$ 478                                | \$ 769                     | \$ 41,834 | \$ (740)        |

| Special Revenue Funds |                          |                      |                |                     |                     |                         | Total<br>Other<br>Governmental<br>Funds |
|-----------------------|--------------------------|----------------------|----------------|---------------------|---------------------|-------------------------|-----------------------------------------|
| School<br>Reserve     | Environmental<br>Quality | Special<br>Districts | Solid<br>Waste | Library<br>District | Stadium<br>District | Debt<br>Service<br>Fund |                                         |
|                       |                          | \$ 521               |                | \$ 24,889           |                     | \$ 48,722               | \$ 96,350                               |
|                       | \$ 1,879                 |                      |                |                     |                     |                         | 521                                     |
| \$ 3,090              | 1,035                    |                      | \$ 1,196       | 7,034               | \$ 1,907            | 18                      | 4,337                                   |
|                       | 63                       |                      | 4,747          |                     | 1,220               |                         | 140,094                                 |
|                       | 85                       | 7                    | 176            | 748                 |                     |                         | 17,487                                  |
|                       | 92                       |                      | 88             | 469                 | 7                   | 1,612                   | 1,024                                   |
|                       |                          |                      |                | 1,517               | 1                   |                         | 5,354                                   |
|                       |                          |                      |                |                     |                     |                         | 10,453                                  |
| 3,090                 | 3,154                    | 528                  | 6,207          | 34,657              | 3,135               | 50,352                  | 275,620                                 |
|                       |                          |                      |                |                     |                     |                         | 41,105                                  |
|                       |                          |                      |                |                     |                     |                         | 26,105                                  |
|                       |                          |                      | 6,766          |                     |                     |                         | 42,683                                  |
|                       | 4,497                    |                      |                |                     |                     |                         | 6,766                                   |
|                       |                          |                      |                |                     |                     |                         | 29,785                                  |
|                       |                          |                      |                |                     |                     |                         | 484                                     |
| 3,007                 |                          |                      |                | 27,529              | 2,530               |                         | 30,503                                  |
|                       |                          | 911                  |                |                     |                     | 50,940                  | 22,067                                  |
|                       |                          | 58                   |                |                     |                     | 17,672                  | 51,948                                  |
|                       |                          |                      |                |                     |                     | 6                       | 17,735                                  |
|                       |                          |                      |                |                     |                     |                         | 6                                       |
| 3,007                 | 4,497                    | 969                  | 6,766          | 27,529              | 2,530               | 68,618                  | 269,187                                 |
| 83                    | (1,343)                  | (441)                | (559)          | 7,128               | 605                 | (18,266)                | 6,433                                   |
|                       |                          |                      |                |                     |                     | 2                       | 2                                       |
| 509                   | 400                      |                      |                |                     | 2,915               | 19,544                  | 1,036                                   |
|                       |                          | (263)                |                | (485)               | (3,021)             | (169)                   | 51,980                                  |
|                       |                          |                      |                |                     |                     |                         | (53,833)                                |
| 509                   | 400                      | (263)                |                | (485)               | (106)               | 19,377                  | (815)                                   |
| 592                   | (943)                    | (704)                | (559)          | 6,643               | 499                 | 1,111                   | 5,618                                   |
| 1,639                 | 2,088                    | 111                  | 3,951          | 4,952               | 908                 | 6,835                   | 78,245                                  |
|                       |                          |                      |                |                     |                     |                         | (209)                                   |
| (2)                   |                          |                      |                |                     |                     |                         | (2)                                     |
| \$ 2,229              | \$ 1,145                 | \$ (593)             | \$ 3,392       | \$ 11,595           | \$ 1,407            | \$ 7,946                | \$ 83,652                               |

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## **Combining Statements and Other Schedules**

Schedule of Revenues, Expenditures and Changes in Fund  
Balance

Budget and Actual – Other Governmental Funds

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Capital Projects Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-3

|                                           | Budget           | Actual           | Variance<br>Over/Under |
|-------------------------------------------|------------------|------------------|------------------------|
| Revenues:                                 |                  |                  |                        |
| Intergovernmental                         | \$ 11,881        | \$ 11,027        | \$ (854)               |
| Charges for services                      | 17,408           | 12,417           | (4,991)                |
| Investment earnings                       | 4,177            | 5,313            | 1,136                  |
| Miscellaneous                             | 1,741            | 263              | (1,478)                |
| Total revenues                            | <u>35,207</u>    | <u>29,020</u>    | <u>(6,187)</u>         |
| Expenditures:                             |                  |                  |                        |
| Capital outlay                            | <u>155,902</u>   | <u>202,659</u>   | <u>(46,757)</u>        |
| Total expenditures                        | <u>155,902</u>   | <u>202,659</u>   | <u>(46,757)</u>        |
| Deficiency of revenues under expenditures | <u>(120,695)</u> | <u>(173,639)</u> | <u>(52,944)</u>        |
| Other financing sources (uses):           |                  |                  |                        |
| Face amount of long-term debt             | 120,000          | 146,320          | 26,320                 |
| Premium on bonds                          |                  | 1,427            | 1,427                  |
| Proceeds from sale of capital assets      |                  | 390              | 390                    |
| Transfers in                              | 28,948           | 30,549           | 1,601                  |
| Transfers (out)                           |                  | (71)             | (71)                   |
| Total other financing sources             | <u>148,948</u>   | <u>178,615</u>   | <u>29,667</u>          |
| Net change in fund balance                | 28,253           | 4,976            | (23,277)               |
| Fund balance at beginning of year         | 51,764           | 84,472           | 32,708                 |
| Fund balance at end of year               | <u>\$ 80,017</u> | <u>\$ 89,448</u> | <u>\$ 9,431</u>        |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Transportation - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-4

|                                      | Budget          | Actual           | Variance<br>Over/Under |
|--------------------------------------|-----------------|------------------|------------------------|
| Revenues:                            |                 |                  |                        |
| Licenses and permits                 | \$ 295          | \$ 244           | \$ (51)                |
| Intergovernmental                    | 61,419          | 62,608           | 1,189                  |
| Charges for services                 | 520             | 815              | 295                    |
| Investment earnings                  | 300             | 677              | 377                    |
| Miscellaneous                        | 185             | 437              | 252                    |
| Total revenues                       | <u>62,719</u>   | <u>64,781</u>    | <u>2,062</u>           |
| Expenditures:                        |                 |                  |                        |
| Highways and streets                 | 41,434          | 42,639           | (1,205)                |
| Total expenditures                   | <u>41,434</u>   | <u>42,639</u>    | <u>(1,205)</u>         |
| Excess of revenues over expenditures | <u>21,285</u>   | <u>22,142</u>    | <u>857</u>             |
| Other financing sources (uses):      |                 |                  |                        |
| Proceeds from sale of capital assets |                 | 527              | 527                    |
| Transfers in                         |                 | 3,031            | 3,031                  |
| Transfers (out)                      | (32,808)        | (30,324)         | 2,484                  |
| Total other financing uses           | <u>(32,808)</u> | <u>(26,766)</u>  | <u>6,042</u>           |
| Net change in fund balance           | (11,523)        | (4,624)          | 6,899                  |
| Fund balance at beginning of year    | 15,673          | 17,755           | 2,082                  |
| Change in reserve for inventory      |                 | (255)            | (255)                  |
| Fund balance at end of year          | <u>\$ 4,150</u> | <u>\$ 12,876</u> | <u>\$ 8,726</u>        |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Health and Animal Control - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-5

|                                           | Budget          | Actual          | Variance<br>Over/Under |
|-------------------------------------------|-----------------|-----------------|------------------------|
| Revenues:                                 |                 |                 |                        |
| Licenses and permits                      | \$ 2,498        | \$ 2,214        | \$ (284)               |
| Intergovernmental                         | 10,305          | 9,841           | (464)                  |
| Charges for services                      | 2,420           | 2,425           | 5                      |
| Fines and forfeits                        | 206             | 213             | 7                      |
| Investment earnings                       |                 | 3               | 3                      |
| Miscellaneous                             | 111             | 238             | 127                    |
| Total revenues                            | <u>15,540</u>   | <u>14,934</u>   | <u>(606)</u>           |
| Expenditures:                             |                 |                 |                        |
| Health                                    | 15,983          | 15,185          | 798                    |
| Health grants                             | 9,318           | 10,103          | (785)                  |
| Total expenditures                        | <u>25,301</u>   | <u>25,288</u>   | <u>13</u>              |
| Deficiency of revenues under expenditures | <u>(9,761)</u>  | <u>(10,354)</u> | <u>(593)</u>           |
| Other financing sources (uses):           |                 |                 |                        |
| Transfers in                              | 9,515           | 9,515           |                        |
| Transfers (out)                           |                 | (149)           | (149)                  |
| Total other financing sources             | <u>9,515</u>    | <u>9,366</u>    | <u>(149)</u>           |
| Net change in fund balance                | (246)           | (988)           | (742)                  |
| Fund balance at beginning of year         | 1,262           | 2,220           | 958                    |
| Change in reserve for inventory           |                 | 82              | 82                     |
| Fund balance at end of year               | <u>\$ 1,016</u> | <u>\$ 1,314</u> | <u>\$ 298</u>          |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Regional Flood Control District - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-6

|                                      | Budget          | Actual          | Variance<br>Over/Under |
|--------------------------------------|-----------------|-----------------|------------------------|
| Revenues:                            |                 |                 |                        |
| Taxes                                | \$ 22,664       | \$ 22,739       | \$ 75                  |
| Intergovernmental                    | 3               | 1,440           | 1,437                  |
| Charges for services                 | 1               | 226             | 225                    |
| Investment earnings                  | 100             | 278             | 178                    |
| Miscellaneous                        | 25              | 256             | 231                    |
| Total revenues                       | <u>22,793</u>   | <u>24,939</u>   | <u>2,146</u>           |
| Expenditures:                        |                 |                 |                        |
| Flood control                        | <u>8,743</u>    | <u>14,325</u>   | <u>(5,582)</u>         |
| Total expenditures                   | <u>8,743</u>    | <u>14,325</u>   | <u>(5,582)</u>         |
| Excess of revenues over expenditures | <u>14,050</u>   | <u>10,614</u>   | <u>(3,436)</u>         |
| Other financing (uses):              |                 |                 |                        |
| Transfers (out)                      | <u>(14,744)</u> | <u>(15,764)</u> | <u>(1,020)</u>         |
| Total other financing (uses)         | <u>(14,744)</u> | <u>(15,764)</u> | <u>(1,020)</u>         |
| Net change in fund balance           | (694)           | (5,150)         | (4,456)                |
| Fund balance at beginning of year    | 5,329           | 5,628           | 299                    |
| Fund balance at end of year          | <u>\$ 4,635</u> | <u>\$ 478</u>   | <u>\$ (4,157)</u>      |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Employment and Training - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-7

|                                           | Budget        | Actual        | Variance<br>Over/Under |
|-------------------------------------------|---------------|---------------|------------------------|
| Revenues:                                 |               |               |                        |
| Intergovernmental                         | \$ 11,396     | \$ 11,561     | \$ 165                 |
| Miscellaneous                             | 2             | 161           | 159                    |
| Total revenues                            | <u>11,398</u> | <u>11,722</u> | <u>324</u>             |
| Expenditures:                             |               |               |                        |
| Employment and training                   | <u>11,686</u> | <u>12,017</u> | <u>(331)</u>           |
| Total expenditures                        | <u>11,686</u> | <u>12,017</u> | <u>(331)</u>           |
| Deficiency of revenues under expenditures | <u>(288)</u>  | <u>(295)</u>  | <u>(7)</u>             |
| Other financing sources:                  |               |               |                        |
| Transfers in                              | <u>289</u>    | <u>289</u>    |                        |
| Total other financing sources             | <u>289</u>    | <u>289</u>    |                        |
| Net change in fund balance                | 1             | (6)           | (7)                    |
| Fund balance at beginning of year         | <u>386</u>    | <u>775</u>    | <u>389</u>             |
| Fund balance at end of year               | <u>\$ 387</u> | <u>\$ 769</u> | <u>\$ 382</u>          |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Other - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-8

|                                           | Budget           | Actual           | Variance<br>Over/Under |
|-------------------------------------------|------------------|------------------|------------------------|
| Revenues:                                 |                  |                  |                        |
| Intergovernmental                         | \$ 4,890         | \$ 4,635         | \$ (255)               |
| Charges for services                      | 6,747            | 8,054            | 1,307                  |
| Fines and forfeits                        | 645              |                  | (645)                  |
| Investment earnings                       | 637              | 1,974            | 1,337                  |
| Miscellaneous                             | 7,155            | 6,860            | (295)                  |
| Total revenues                            | <u>20,074</u>    | <u>21,523</u>    | <u>1,449</u>           |
| Expenditures:                             |                  |                  |                        |
| Current:                                  |                  |                  |                        |
| General government                        | 35,933           | 16,883           | 19,050                 |
| Public Safety                             | 5,502            | 4,743            | 759                    |
| Highways and streets                      | 45               | 44               | 1                      |
| Culture and recreation                    | 1,876            | 349              | 1,527                  |
| Education and economic opportunity        | 2,156            | 1,585            | 571                    |
| Debt service - principal                  | 124              | 76               | 48                     |
| - interest                                | 19               | 5                | 14                     |
| Total expenditures                        | <u>45,655</u>    | <u>23,685</u>    | <u>21,970</u>          |
| Deficiency of revenues under expenditures | <u>(25,581)</u>  | <u>(2,162)</u>   | <u>23,419</u>          |
| Other financing sources (uses):           |                  |                  |                        |
| Transfers in                              | 15,916           | 16,030           | 114                    |
| Transfers (out)                           | <u>(2,020)</u>   | <u>(3,641)</u>   | <u>(1,621)</u>         |
| Total other financing sources             | <u>13,896</u>    | <u>12,389</u>    | <u>(1,507)</u>         |
| Net change in fund balance                | (11,685)         | 10,227           | 21,912                 |
| Fund balance at beginning of year         | 26,923           | 31,643           | 4,720                  |
| Change in reserve for inventory           |                  | <u>(36)</u>      | <u>(36)</u>            |
| Fund balance at end of year               | <u>\$ 15,238</u> | <u>\$ 41,834</u> | <u>\$ 26,596</u>       |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Other Grants - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-9

|                                           | Budget        | Actual          | Variance<br>Over/Under |
|-------------------------------------------|---------------|-----------------|------------------------|
| Revenues:                                 |               |                 |                        |
| Intergovernmental                         | \$ 35,159     | \$ 35,729       | \$ 570                 |
| Investment earnings                       | 17            | 66              | 49                     |
| Miscellaneous                             | 192           | 803             | 611                    |
| Total revenues                            | <u>35,368</u> | <u>36,598</u>   | <u>1,230</u>           |
| Expenditures:                             |               |                 |                        |
| Clerk of Superior Court Grants            | 73            | 52              | 21                     |
| Community Services Grants                 | 6,746         | 5,458           | 1,288                  |
| County Attorney Grants                    | 2,652         | 2,459           | 193                    |
| Institutional Health Grants               | 500           | 484             | 16                     |
| Justice Court Grants                      |               | 29              | (29)                   |
| Juvenile Court Grants                     | 11,154        | 11,304          | (150)                  |
| Legal Defender Grants                     | 21            | 19              | 2                      |
| Parks and Recreation Grants               | 139           | 95              | 44                     |
| Public Defender Grants                    | 57            | 46              | 11                     |
| Adult Probation Grants                    | 8,514         | 9,793           | (1,279)                |
| Sheriff Grants                            | 5,488         | 7,037           | (1,549)                |
| Superior Court Grants                     | 579           | 428             | 151                    |
| County Administrator Grants               | 7             | 92              | (85)                   |
| Debt Service - principal                  |               | 21              | (21)                   |
| Total expenditures                        | <u>35,930</u> | <u>37,317</u>   | <u>(1,387)</u>         |
| Deficiency of revenues under expenditures | <u>(562)</u>  | <u>(719)</u>    | <u>(157)</u>           |
| Other financing sources (uses):           |               |                 |                        |
| Transfers in                              |               | 256             | 256                    |
| Transfers (out)                           |               | (17)            | (17)                   |
| Total other financing sources             |               | <u>239</u>      | <u>239</u>             |
| Net change in fund balance                | (562)         | (480)           | 82                     |
| Fund balance at beginning of year         | 856           | (260)           | (1,116)                |
| Fund balance at end of year               | <u>\$ 294</u> | <u>\$ (740)</u> | <u>\$ (1,034)</u>      |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
School Reserve - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-10

|                                                           | Budget          | Actual          | Variance<br>Over/Under |
|-----------------------------------------------------------|-----------------|-----------------|------------------------|
| Revenues:                                                 |                 |                 |                        |
| Intergovernmental                                         | \$ 3,816        | \$ 3,090        | \$ (726)               |
| Total revenues                                            | <u>3,816</u>    | <u>3,090</u>    | <u>(726)</u>           |
| Expenditures:                                             |                 |                 |                        |
| School Reserve Grants                                     | 3,910           | 3,007           | 903                    |
| Total expenditures                                        | <u>3,910</u>    | <u>3,007</u>    | <u>903</u>             |
| Excess (deficiency) of revenues over (under) expenditures | <u>(94)</u>     | <u>83</u>       | <u>177</u>             |
| Other financing sources:                                  |                 |                 |                        |
| Proceeds from sale of capital assets                      |                 | 509             | 509                    |
| Total other financing sources                             |                 | <u>509</u>      | <u>509</u>             |
| Net change in fund balance                                | (94)            | 592             | 686                    |
| Fund balance at beginning of year (as restated)           | 1,349           | 1,639           | 290                    |
| Change in reserve for prepaid expenditures                |                 | (2)             | (2)                    |
| Fund balance at end of year                               | <u>\$ 1,255</u> | <u>\$ 2,229</u> | <u>\$ 974</u>          |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Environmental Quality - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-11

|                                           | Budget          | Actual          | Variance<br>Over/Under |
|-------------------------------------------|-----------------|-----------------|------------------------|
| Revenues:                                 |                 |                 |                        |
| Licenses and permits                      | \$ 2,473        | \$ 1,879        | \$ (594)               |
| Intergovernmental                         | 1,245           | 1,035           | (210)                  |
| Fines and forfeits                        |                 | 63              | 63                     |
| Investment earnings                       | 45              | 85              | 40                     |
| Miscellaneous                             | 48              | 92              | 44                     |
| Total revenues                            | <u>3,811</u>    | <u>3,154</u>    | <u>(657)</u>           |
| Expenditures:                             |                 |                 |                        |
| Environmental quality                     | 3,473           | 3,207           | 266                    |
| Environmental quality grants              | 1,128           | 1,290           | (162)                  |
| Total expenditures                        | <u>4,601</u>    | <u>4,497</u>    | <u>104</u>             |
| Deficiency of revenues under expenditures | <u>(790)</u>    | <u>(1,343)</u>  | <u>(553)</u>           |
| Other financing sources:                  |                 |                 |                        |
| Transfers in                              | 400             | 400             |                        |
| Total other financing sources             | <u>400</u>      | <u>400</u>      |                        |
| Net change in fund balance                | (390)           | (943)           | (553)                  |
| Fund balance at beginning of year         | 1,846           | 2,088           | 242                    |
| Fund balance at end of year               | <u>\$ 1,456</u> | <u>\$ 1,145</u> | <u>\$ (311)</u>        |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Special Districts - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-12

|                                           | Budget | Actual   | Variance<br>Over/Under |
|-------------------------------------------|--------|----------|------------------------|
| Revenues:                                 |        |          |                        |
| Special assesments                        |        | \$ 521   | \$ 521                 |
| Investment earnings                       |        | 7        | 7                      |
| Total revenues                            |        | 528      | 528                    |
| Expenditures:                             |        |          |                        |
| Debt service - principal                  |        | 911      | (911)                  |
| - interest                                |        | 58       | (58)                   |
| Total expenditures                        |        | 969      | (969)                  |
| Deficiency of revenues under expenditures |        | (441)    | (441)                  |
| Other financing (uses):                   |        |          |                        |
| Transfers (out)                           |        | (263)    | (263)                  |
| Total other financing (uses)              |        | (263)    | (263)                  |
| Net change in fund balance                |        | (704)    | (704)                  |
| Fund balance at beginning of year         |        | 111      | 111                    |
| Fund balance at end of year               |        | \$ (593) | \$ (593)               |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Solid Waste - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-13

|                                           | Budget          | Actual          | Variance<br>Over/Under |
|-------------------------------------------|-----------------|-----------------|------------------------|
| Revenues:                                 |                 |                 |                        |
| Intergovernmental                         | \$ 1,200        | \$ 1,196        | \$ (4)                 |
| Charges for services                      | 5,782           | 4,747           | (1,035)                |
| Investment earnings                       | 40              | 176             | 136                    |
| Miscellaneous                             | 101             | 88              | (13)                   |
| Total revenues                            | <u>7,123</u>    | <u>6,207</u>    | <u>(916)</u>           |
| Expenditures:                             |                 |                 |                        |
| Sanitation                                | <u>8,468</u>    | <u>6,766</u>    | <u>1,702</u>           |
| Total expenditures                        | <u>8,468</u>    | <u>6,766</u>    | <u>1,702</u>           |
| Deficiency of revenues under expenditures | <u>(1,345)</u>  | <u>(559)</u>    | <u>786</u>             |
| Net change in fund balance                | (1,345)         | (559)           | 786                    |
| Fund balance at beginning of year         | <u>3,031</u>    | <u>3,951</u>    | <u>920</u>             |
| Fund balance at end of year               | <u>\$ 1,686</u> | <u>\$ 3,392</u> | <u>\$ 1,706</u>        |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget to Actual  
Library District - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-14

|                                                              | Budget          | Actual           | Variance<br>Over/Under |
|--------------------------------------------------------------|-----------------|------------------|------------------------|
| Revenues:                                                    |                 |                  |                        |
| Taxes                                                        | \$ 24,764       | \$ 24,889        | \$ 125                 |
| Intergovernmental                                            | 7,247           | 7,034            | (213)                  |
| Fines and forfeits                                           | 500             | 748              | 248                    |
| Investment earnings                                          |                 | 469              | 469                    |
| Miscellaneous                                                | 1,088           | 1,517            | 429                    |
| Total revenues                                               | <u>33,599</u>   | <u>34,657</u>    | <u>1,058</u>           |
| Expenditures:                                                |                 |                  |                        |
| Culture and recreation                                       | 34,917          | 27,529           | 7,388                  |
| Total expenditures                                           | <u>34,917</u>   | <u>27,529</u>    | <u>7,388</u>           |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>(1,318)</u>  | <u>7,128</u>     | <u>8,446</u>           |
| Other financing (uses):                                      |                 |                  |                        |
| Transfers (out)                                              | (485)           | (485)            |                        |
| Total other financing (uses)                                 | <u>(485)</u>    | <u>(485)</u>     |                        |
| Net change in fund balance                                   | (1,803)         | 6,643            | 8,446                  |
| Fund balance at beginning of year                            | 2,913           | 4,952            | 2,039                  |
| Fund balance at end of year                                  | <u>\$ 1,110</u> | <u>\$ 11,595</u> | <u>\$ 10,485</u>       |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Stadium District - Special Revenue Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-15

|                                      | Budget         | Actual          | Variance<br>Over/Under |
|--------------------------------------|----------------|-----------------|------------------------|
| Revenues:                            |                |                 |                        |
| Intergovernmental                    | \$ 1,655       | \$ 1,907        | \$ 252                 |
| Charges for services                 | 1,124          | 1,220           | 96                     |
| Investment earnings                  | 20             | 7               | (13)                   |
| Miscellaneous                        |                | 1               | 1                      |
| Total revenues                       | <u>2,799</u>   | <u>3,135</u>    | <u>336</u>             |
| Expenditures:                        |                |                 |                        |
| Stadium District                     | <u>2,479</u>   | <u>2,530</u>    | <u>(51)</u>            |
| Total expenditures                   | <u>2,479</u>   | <u>2,530</u>    | <u>(51)</u>            |
| Excess of revenues over expenditures | <u>320</u>     | <u>605</u>      | <u>285</u>             |
| Other financing sources (uses):      |                |                 |                        |
| Transfers in                         | 2,951          | 2,915           | (36)                   |
| Transfers (out)                      | <u>(3,021)</u> | <u>(3,021)</u>  |                        |
| Total other financing (uses)         | <u>(70)</u>    | <u>(106)</u>    | <u>(36)</u>            |
| Net change in fund balance           | 250            | 499             | 249                    |
| Fund balance at beginning of year    | <u>738</u>     | <u>908</u>      | <u>170</u>             |
| Fund balance at end of year          | <u>\$ 988</u>  | <u>\$ 1,407</u> | <u>\$ 419</u>          |

PIMA COUNTY, ARIZONA  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance - Budget and Actual  
Debt Service Fund  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-16

|                                           | Budget          | Actual          | Variance<br>Over/Under |
|-------------------------------------------|-----------------|-----------------|------------------------|
| Revenues:                                 |                 |                 |                        |
| Taxes                                     | \$ 49,446       | \$ 48,722       | \$ (724)               |
| Special assessments                       | 291             |                 | (291)                  |
| Intergovernmental                         | 8               | 18              | 10                     |
| Investment earnings                       | 693             | 1,612           | 919                    |
| Total revenues                            | <u>50,438</u>   | <u>50,352</u>   | <u>(86)</u>            |
| Expenditures:                             |                 |                 |                        |
| Debt service - principal                  | 54,777          | 50,940          | 3,837                  |
| - interest                                | 18,614          | 17,672          | 942                    |
| - miscellaneous                           | 27              | 6               | 21                     |
| Total expenditures                        | <u>73,418</u>   | <u>68,618</u>   | <u>4,800</u>           |
| Deficiency of revenues under expenditures | <u>(22,980)</u> | <u>(18,266)</u> | <u>4,714</u>           |
| Other financing sources (uses):           |                 |                 |                        |
| Premium on bonds                          |                 | 2               | 2                      |
| Transfers in                              | 22,029          | 19,544          | (2,485)                |
| Transfers (out)                           |                 | (169)           | (169)                  |
| Total other financing sources             | <u>22,029</u>   | <u>19,377</u>   | <u>(2,652)</u>         |
| Net change in fund balance                | (951)           | 1,111           | 2,062                  |
| Fund balance at beginning of year         | 5,732           | 6,835           | 1,103                  |
| Fund balance at end of year               | <u>\$ 4,781</u> | <u>\$ 7,946</u> | <u>\$ 3,165</u>        |



# **Combining Statements and Other Schedules**

Other (Nonmajor) Enterprise Funds

### **Other (Nonmajor) Enterprise Funds**

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

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

PIMA COUNTY, ARIZONA  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
June 30, 2007  
(in thousands)

Exhibit C-17

|                                                           | Development<br>Services | Parking<br>Garages | Total<br>Other<br>Enterprise<br>Funds |
|-----------------------------------------------------------|-------------------------|--------------------|---------------------------------------|
| <u>Assets</u>                                             |                         |                    |                                       |
| Current assets:                                           |                         |                    |                                       |
| Cash and cash equivalents                                 | \$ 12,990               | \$ 1,819           | \$ 14,809                             |
| Interest receivable                                       | 44                      | 6                  | 50                                    |
| Due from other funds                                      |                         | 108                | 108                                   |
| Accounts receivable                                       | 24                      | 1                  | 25                                    |
| Prepaid expense                                           | 57                      |                    | 57                                    |
| Total current assets                                      | <u>13,115</u>           | <u>1,934</u>       | <u>15,049</u>                         |
| Noncurrent assets:                                        |                         |                    |                                       |
| Capital assets:                                           |                         |                    |                                       |
| Land and other improvements                               |                         | 1,861              | 1,861                                 |
| Buildings and improvements                                |                         | 12,927             | 12,927                                |
| Equipment                                                 | 1,591                   | 251                | 1,842                                 |
| Less accumulated depreciation                             | <u>(727)</u>            | <u>(7,926)</u>     | <u>(8,653)</u>                        |
| Total capital assets (net of<br>accumulated depreciation) | <u>864</u>              | <u>7,113</u>       | <u>7,977</u>                          |
| Total noncurrent assets                                   | <u>864</u>              | <u>7,113</u>       | <u>7,977</u>                          |
| Total assets                                              | <u>13,979</u>           | <u>9,047</u>       | <u>23,026</u>                         |
| <u>Liabilities</u>                                        |                         |                    |                                       |
| Current liabilities:                                      |                         |                    |                                       |
| Accounts payable                                          | 427                     | 265                | 692                                   |
| Employee compensation                                     | 1,085                   | 21                 | 1,106                                 |
| Due to other funds                                        | 1                       |                    | 1                                     |
| Due to other governments                                  |                         | 99                 | 99                                    |
| Total current liabilities                                 | <u>1,513</u>            | <u>385</u>         | <u>1,898</u>                          |
| Total liabilities                                         | <u>1,513</u>            | <u>385</u>         | <u>1,898</u>                          |
| <u>Net assets</u>                                         |                         |                    |                                       |
| Invested in capital assets                                | 864                     | 7,113              | 7,977                                 |
| Unrestricted                                              | <u>11,602</u>           | <u>1,549</u>       | <u>13,151</u>                         |
| Total net assets                                          | <u>\$ 12,466</u>        | <u>\$ 8,662</u>    | <u>\$ 21,128</u>                      |

PIMA COUNTY, ARIZONA  
Combining Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-18

|                                                  | Development<br>Services | Parking<br>Garages | Total<br>Other<br>Enterprise<br>Funds |
|--------------------------------------------------|-------------------------|--------------------|---------------------------------------|
| Operating revenues:                              |                         |                    |                                       |
| Charges for services                             | \$ 11,238               | \$ 1,548           | \$ 12,786                             |
| Other                                            | 217                     |                    | 217                                   |
| Total net operating revenues                     | 11,455                  | 1,548              | 13,003                                |
| Operating expenses:                              |                         |                    |                                       |
| Employee compensation                            | 10,999                  | 270                | 11,269                                |
| Operating supplies and services                  | 895                     | 19                 | 914                                   |
| Utilities                                        | 167                     | 190                | 357                                   |
| Repair and maintenance                           | 66                      | 169                | 235                                   |
| General and administrative                       | 2,004                   | 588                | 2,592                                 |
| Consultants and professional services            | 1,037                   | 17                 | 1,054                                 |
| Depreciation                                     | 297                     | 336                | 633                                   |
| Total operating expenses                         | 15,465                  | 1,589              | 17,054                                |
| Operating loss                                   | (4,010)                 | (41)               | (4,051)                               |
| Nonoperating revenues (expenses):                |                         |                    |                                       |
| Investment earnings                              | 763                     | 81                 | 844                                   |
| Loss on disposal of capital assets               | (1)                     |                    | (1)                                   |
| Total nonoperating revenues:                     | 762                     | 81                 | 843                                   |
| Income (loss) before contributions and transfers | (3,248)                 | 40                 | (3,208)                               |
| Transfers (out)                                  |                         | (84)               | (84)                                  |
| Change in net assets                             | (3,248)                 | (44)               | (3,292)                               |
| Net assets at beginning of year                  | 15,714                  | 8,706              | 24,420                                |
| Net assets at end of year                        | \$ 12,466               | \$ 8,662           | \$ 21,128                             |

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-19

|                                                                | Development<br>Services | Parking<br>Garages | Total<br>Other<br>Enterprise<br>Funds |
|----------------------------------------------------------------|-------------------------|--------------------|---------------------------------------|
| Cash flows from operating activities:                          |                         |                    |                                       |
| Cash received from other funds for goods and services provided | \$ 117                  |                    | \$ 117                                |
| Cash received from customers for goods and services provided   | 11,238                  | \$ 1,549           | 12,787                                |
| Cash received from miscellaneous operations                    | 193                     |                    | 193                                   |
| Cash payments to suppliers for goods and services              | (2,834)                 | (846)              | (3,680)                               |
| Cash payments to other funds for goods and services            | (3,217)                 | (28)               | (3,245)                               |
| Cash payments to employees for services                        | (9,952)                 | (270)              | (10,222)                              |
| Net cash provided by (used for) operating activities           | (4,455)                 | 405                | (4,050)                               |
| Cash flows from noncapital financing activities:               |                         |                    |                                       |
| Loans with other funds                                         |                         | (108)              | (108)                                 |
| Net cash used for noncapital financing activities              |                         | (108)              | (108)                                 |
| Cash flows from capital and related financing activities:      |                         |                    |                                       |
| Proceeds from sale of capital assets                           | 30                      |                    | 30                                    |
| Purchase of capital assets                                     | (120)                   | (84)               | (204)                                 |
| Net cash used for capital and related financing activities     | (90)                    | (84)               | (174)                                 |
| Cash flows from investing activities:                          |                         |                    |                                       |
| Interest on cash and investments                               | 719                     | 75                 | 794                                   |
| Net cash provided by investing activities                      | 719                     | 75                 | 794                                   |
| Net increase (decrease) in cash and cash equivalents           | (3,826)                 | 288                | (3,538)                               |
| Cash and cash equivalents at beginning of year                 | 16,816                  | 1,531              | 18,347                                |
| Cash and cash equivalents at end of year                       | \$ 12,990               | \$ 1,819           | \$ 14,809                             |

(Continued)

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-19.1

(Continued)

|                                                                                                     | Development<br>Services | Parking<br>Garages | Total<br>Other<br>Enterprise<br>Funds |
|-----------------------------------------------------------------------------------------------------|-------------------------|--------------------|---------------------------------------|
| Reconciliation of operating loss to net cash<br>provided by (used for) operating activities         |                         |                    |                                       |
| Operating loss                                                                                      | \$ (4,010)              | \$ (41)            | \$ (4,051)                            |
| Adjustments to reconcile operating loss to net<br>cash provided by (used for) operating activities: |                         |                    |                                       |
| Depreciation                                                                                        | 297                     | 336                | 633                                   |
| Changes in assets and liabilities:                                                                  |                         |                    |                                       |
| Decrease (increase) in assets:                                                                      |                         |                    |                                       |
| Accounts receivable                                                                                 | (24)                    | 1                  | (23)                                  |
| Prepaid expenses                                                                                    | (55)                    |                    | (55)                                  |
| Increase (decrease) in liabilities:                                                                 |                         |                    |                                       |
| Accounts payable                                                                                    | (731)                   | 98                 | (633)                                 |
| Due to other funds                                                                                  | (6)                     |                    | (6)                                   |
| Due to other governments                                                                            | (2)                     | 11                 | 9                                     |
| Other current liabilities                                                                           | 76                      |                    | 76                                    |
| Net cash provided by (used for) operating activities                                                | <u>\$ (4,455)</u>       | <u>\$ 405</u>      | <u>\$ (4,050)</u>                     |

Noncash investing, capital, and financing activities:

During the year ended June 30, 2007, the Development Services Enterprise Fund disposed of capital assets with an original cost of \$175 and accumulated depreciation of \$174 for a loss on disposal of \$1.

During the year ended June 30, 2007, the Development Services Enterprise Fund transferred the following completely depreciated capital assets: \$31 to the County's general government, \$8 to the Wastewater Management Enterprise Fund, and \$23 to the Transportation Fund.

During the year ended June 30, 2007, the Parking Garages Enterprise Fund transferred capital assets with a net book value of \$84 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, graphics and telecommunication services to County departments.

PIMA COUNTY, ARIZONA  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2007  
(in thousands)

Exhibit C-20

|                                                           | Self Insurance<br>Trust | Other<br>Internal Service | Total<br>Internal Service<br>Funds |
|-----------------------------------------------------------|-------------------------|---------------------------|------------------------------------|
| <u>Assets</u>                                             |                         |                           |                                    |
| Current assets:                                           |                         |                           |                                    |
| Cash and cash equivalents                                 | \$ 41,569               | \$ 5,174                  | \$ 46,743                          |
| Interest receivable                                       | 322                     | 14                        | 336                                |
| Due from other funds                                      | 818                     | 225                       | 1,043                              |
| Due from other governments                                |                         | 92                        | 92                                 |
| Accounts receivable                                       | 202                     | 9                         | 211                                |
| Inventory                                                 |                         | 457                       | 457                                |
| Prepaid expense                                           | 731                     | 63                        | 794                                |
| Total current assets                                      | <u>43,642</u>           | <u>6,034</u>              | <u>49,676</u>                      |
| Noncurrent assets:                                        |                         |                           |                                    |
| Capital assets:                                           |                         |                           |                                    |
| Land and other improvements                               | 592                     |                           | 592                                |
| Buildings and improvements                                |                         | 614                       | 614                                |
| Equipment                                                 | 162                     | 30,728                    | 30,890                             |
| Less accumulated depreciation                             | (81)                    | (13,594)                  | (13,675)                           |
| Construction in progress                                  | 60                      | 10                        | 70                                 |
| Total capital assets (net of<br>accumulated depreciation) | <u>733</u>              | <u>17,758</u>             | <u>18,491</u>                      |
| Total noncurrent assets                                   | <u>733</u>              | <u>17,758</u>             | <u>18,491</u>                      |
| Total assets                                              | <u>44,375</u>           | <u>23,792</u>             | <u>68,167</u>                      |
| <u>Liabilities</u>                                        |                         |                           |                                    |
| Current liabilities:                                      |                         |                           |                                    |
| Accounts payable                                          | 1,133                   | 995                       | 2,128                              |
| Employee compensation                                     | 125                     | 520                       | 645                                |
| Interest payable                                          |                         | 1                         | 1                                  |
| Due to other funds                                        | 2                       | 21                        | 23                                 |
| Current portion reported but unpaid losses                | 4,200                   |                           | 4,200                              |
| Current portion incurred but not reported losses          | 1,785                   |                           | 1,785                              |
| Total current liabilities                                 | <u>7,245</u>            | <u>1,537</u>              | <u>8,782</u>                       |
| Noncurrent liabilities:                                   |                         |                           |                                    |
| Reported but unpaid losses                                | 18,739                  |                           | 18,739                             |
| Incurred but not reported losses                          | 8,133                   |                           | 8,133                              |
| Total noncurrent liabilities                              | <u>26,872</u>           |                           | <u>26,872</u>                      |
| Total liabilities                                         | <u>34,117</u>           | <u>1,537</u>              | <u>35,654</u>                      |
| <u>Net assets</u>                                         |                         |                           |                                    |
| Invested in capital assets                                | 733                     | 17,758                    | 18,491                             |
| Unrestricted                                              | <u>9,525</u>            | <u>4,497</u>              | <u>14,022</u>                      |
| Total net assets                                          | <u>\$ 10,258</u>        | <u>\$ 22,255</u>          | <u>\$ 32,513</u>                   |

PIMA COUNTY, ARIZONA  
Combining Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Internal Service Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-21

|                                                       | Self Insurance<br>Trust | Other Internal<br>Service | Total<br>Internal Service<br>Funds |
|-------------------------------------------------------|-------------------------|---------------------------|------------------------------------|
| Operating revenues:                                   |                         |                           |                                    |
| Charges for services                                  | \$ 17,588               | \$ 20,538                 | \$ 38,126                          |
| Other                                                 | 654                     | 1,469                     | 2,123                              |
| Total operating revenues                              | 18,242                  | 22,007                    | 40,249                             |
| Operating expenses:                                   |                         |                           |                                    |
| Employee compensation                                 | 1,881                   | 4,870                     | 6,751                              |
| Operating supplies and services                       | 226                     | 5,740                     | 5,966                              |
| Utilities                                             | 26                      | 806                       | 832                                |
| Incurred losses                                       | 8,118                   |                           | 8,118                              |
| Insurance premiums                                    | 3,939                   | 1,077                     | 5,016                              |
| General and administrative                            | 712                     | 1,881                     | 2,593                              |
| Repair and maintenance                                | 66                      | 4,023                     | 4,089                              |
| Consultants and professional services                 | 393                     | 26                        | 419                                |
| Depreciation                                          | 11                      | 2,568                     | 2,579                              |
| Total operating expenses                              | 15,372                  | 20,991                    | 36,363                             |
| Operating income                                      | 2,870                   | 1,016                     | 3,886                              |
| Nonoperating revenues (expenses):                     |                         |                           |                                    |
| Investment earnings                                   | 2,207                   | 211                       | 2,418                              |
| Loss on disposal of capital assets                    |                         | (21)                      | (21)                               |
| Total nonoperating revenues                           | 2,207                   | 190                       | 2,397                              |
| Income before capital<br>contributions and transfers: | 5,077                   | 1,206                     | 6,283                              |
| Capital contributions                                 |                         | 114                       | 114                                |
| Transfers in                                          | 40                      | 656                       | 696                                |
| Transfers (out)                                       |                         | (26)                      | (26)                               |
| Change in net assets                                  | 5,117                   | 1,950                     | 7,067                              |
| Net assets at beginning of year                       | 5,141                   | 20,305                    | 25,446                             |
| Net assets at end of year                             | \$ 10,258               | \$ 22,255                 | \$ 32,513                          |

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-22

|                                                                | Self Insurance<br>Trust | Other<br>Internal Service | Total<br>Internal Service<br>Funds |
|----------------------------------------------------------------|-------------------------|---------------------------|------------------------------------|
| Cash flows from operating activities:                          |                         |                           |                                    |
| Cash received from other funds for goods and services provided | \$ 17,587               | \$ 20,537                 | \$ 38,124                          |
| Cash received from miscellaneous operations                    | 688                     | 1,485                     | 2,173                              |
| Cash payments to suppliers for goods and services              | (3,675)                 | (11,826)                  | (15,501)                           |
| Cash payments to other funds for goods and services            | (740)                   | (2,005)                   | (2,745)                            |
| Cash payments for incurred losses                              | (10,768)                |                           | (10,768)                           |
| Cash payments to employees for services                        | (1,857)                 | (4,845)                   | (6,702)                            |
| Net cash provided by operating activities                      | 1,235                   | 3,346                     | 4,581                              |
| Cash flows from noncapital financing activities:               |                         |                           |                                    |
| Transfers in                                                   |                         | 599                       | 599                                |
| Transfers out                                                  |                         | (17)                      | (17)                               |
| Loans with other funds                                         | 95                      | 75                        | 170                                |
| Net cash provided by noncapital financing activities           | 95                      | 657                       | 752                                |
| Cash flows from capital and related financing activities:      |                         |                           |                                    |
| Proceeds from sale of equipment                                |                         | 337                       | 337                                |
| Purchase of capital assets                                     | (76)                    | (3,431)                   | (3,507)                            |
| Net cash used for capital and related financing activities     | (76)                    | (3,094)                   | (3,170)                            |
| Cash flows from investing activities:                          |                         |                           |                                    |
| Interest on cash and investments                               | 2,017                   | 198                       | 2,215                              |
| Net cash provided by investing activities                      | 2,017                   | 198                       | 2,215                              |
| Net increase in cash and cash equivalents                      | 3,271                   | 1,107                     | 4,378                              |
| Cash and cash equivalents at beginning of year                 | 38,298                  | 4,067                     | 42,365                             |
| Cash and cash equivalents at end of year                       | \$ 41,569               | \$ 5,174                  | \$ 46,743                          |

(Continued)

PIMA COUNTY, ARIZONA  
Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-22.1

(Continued)

| Reconciliation of operating income to net cash provided by operating activities         | Self Insurance Trust | Other Internal Service | Total Internal Service Funds |
|-----------------------------------------------------------------------------------------|----------------------|------------------------|------------------------------|
| Operating income                                                                        | \$ 2,870             | \$ 1,016               | \$ 3,886                     |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                      |                        |                              |
| Depreciation and amortization                                                           | 11                   | 2,568                  | 2,579                        |
| Changes in assets and liabilities:                                                      |                      |                        |                              |
| Decrease (increase) in assets:                                                          |                      |                        |                              |
| Accounts receivable                                                                     | 33                   | 13                     | 46                           |
| Due from other governments                                                              |                      | 2                      | 2                            |
| Inventory                                                                               |                      | 25                     | 25                           |
| Prepaid expenses                                                                        | 53                   | (56)                   | (3)                          |
| Increase (decrease) in liabilities:                                                     |                      |                        |                              |
| Accounts payable                                                                        | 894                  | (247)                  | 647                          |
| Reported but unpaid losses                                                              | (2,825)              |                        | (2,825)                      |
| Incurred but not reported losses                                                        | 174                  |                        | 174                          |
| Other current liabilities                                                               | 25                   | 25                     | 50                           |
| Net cash provided by operating activities                                               | <u>\$ 1,235</u>      | <u>\$ 3,346</u>        | <u>\$ 4,581</u>              |

Noncash investing, capital, and financing activities:

During the year ended June 30, 2007, the Self Insurance Trust Fund transferred in \$10 of capital assets from Wastewater Management Enterprise Fund and \$30 of capital assets from governmental activities.

During the year ended June 30, 2007, Other Internal Service Funds (Fleet Services) received proceeds of \$337 for retired assets that cost \$358.

During the year ended June 30, 2007, Other Internal Service Funds (Graphics) had unpaid transfers totaling \$11.

During the year ended June 30, 2007, Other Internal Service Funds (Graphics) transferred in \$57 from governmental activities for noncash personal services.



# **Combining Statements and Other Schedules**

Fiduciary Funds

PIMA COUNTY, ARIZONA  
Combining Statement of Fiduciary Net Assets  
Investment Trust Funds  
June 30, 2007  
(in thousands)

Exhibit C-23

|                                | Treasurer's<br>Investment<br>Pool | Individual<br>Investment<br>Accounts | Total<br>Investment<br>Trust<br>Funds |
|--------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|
| <b>ASSETS</b>                  |                                   |                                      |                                       |
| Cash and cash equivalents      | \$ 215,416                        | \$ 81,851                            | \$ 297,267                            |
| Interest receivable            | 643                               | 842                                  | 1,485                                 |
| <b>Total assets</b>            | <u>216,059</u>                    | <u>82,693</u>                        | <u>298,752</u>                        |
| <b>LIABILITIES</b>             |                                   |                                      |                                       |
| <b>Total liabilities</b>       | <u>          </u>                 | <u>          </u>                    | <u>          </u>                     |
| <b>NET ASSETS</b>              |                                   |                                      |                                       |
| Held in trust for participants | <u>\$ 216,059</u>                 | <u>\$ 82,693</u>                     | <u>\$ 298,752</u>                     |

PIMA COUNTY, ARIZONA  
Combining Statement of Changes in Fiduciary Net Assets  
Investment Trust Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-24

|                                               | Treasurer's<br>Investment<br>Pool | Individual<br>Investment<br>Accounts | Total<br>Investment<br>Trust<br>Funds |
|-----------------------------------------------|-----------------------------------|--------------------------------------|---------------------------------------|
| <b>ADDITIONS</b>                              |                                   |                                      |                                       |
| Contributions:                                |                                   |                                      |                                       |
| Participants                                  | \$ 2,268,075                      | \$ 125,158                           | \$ 2,393,233                          |
| <b>Total contributions</b>                    | <u>2,268,075</u>                  | <u>125,158</u>                       | <u>2,393,233</u>                      |
| Investment earnings                           | 7,367                             | 6,184                                | 13,551                                |
| <b>Total investment earnings</b>              | <u>7,367</u>                      | <u>6,184</u>                         | <u>13,551</u>                         |
| <b>Total additions</b>                        | <u>2,275,442</u>                  | <u>131,342</u>                       | <u>2,406,784</u>                      |
| <b>DEDUCTIONS</b>                             |                                   |                                      |                                       |
| Distributions to participants                 | 2,205,455                         | 139,798                              | 2,345,253                             |
| <b>Total deductions</b>                       | <u>2,205,455</u>                  | <u>139,798</u>                       | <u>2,345,253</u>                      |
| <b>Net increase (decrease)</b>                | 69,987                            | (8,456)                              | 61,531                                |
| <b>Net assets held in trust July 1, 2006</b>  | 146,072                           | 91,149                               | 237,221                               |
| <b>Net assets held in trust June 30, 2007</b> | <u>\$ 216,059</u>                 | <u>\$ 82,693</u>                     | <u>\$ 298,752</u>                     |

PIMA COUNTY, ARIZONA  
Combining Statement of Fiduciary Net Assets  
Agency Funds  
June 30, 2007  
(in thousands)

Exhibit C-25

|                            | Payroll         | Treasurer's<br>Clearing | Other            | Total            |
|----------------------------|-----------------|-------------------------|------------------|------------------|
| <b>ASSETS</b>              |                 |                         |                  |                  |
| Cash and cash equivalents  | \$ 5,428        | \$ (1,724)              | \$ 71,521        | \$ 75,225        |
| Due from other governments |                 | 2,636                   |                  | 2,636            |
| <b>Total assets</b>        | <u>5,428</u>    | <u>912</u>              | <u>71,521</u>    | <u>77,861</u>    |
| <b>LIABILITIES</b>         |                 |                         |                  |                  |
| Employee compensation      | 5,428           |                         |                  | 5,428            |
| Due to other governments   |                 |                         | 45,680           | 45,680           |
| Deposits and rebates       |                 | 912                     | 25,841           | 26,753           |
| <b>Total liabilities</b>   | <u>\$ 5,428</u> | <u>\$ 912</u>           | <u>\$ 71,521</u> | <u>\$ 77,861</u> |

PIMA COUNTY, ARIZONA  
Combining Statement of Changes in Fiduciary Net Assets  
Agency Funds  
For the Year Ended June 30, 2007  
(in thousands)

Exhibit C-26

|                                  | Balance<br>06/30/06 | Additions           | Deductions          | Balance<br>06/30/07 |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Payroll Clearing</u>          |                     |                     |                     |                     |
| Assets                           |                     |                     |                     |                     |
| Cash and cash equivalents        | \$ 7,558            | \$ 409,225          | \$ 411,355          | \$ 5,428            |
| Total assets                     | <u>7,558</u>        | <u>409,225</u>      | <u>411,355</u>      | <u>5,428</u>        |
| Liabilities                      |                     |                     |                     |                     |
| Employee compensation            | <u>7,558</u>        | <u>409,225</u>      | <u>411,355</u>      | <u>5,428</u>        |
| Total liabilities                | <u>7,558</u>        | <u>409,225</u>      | <u>411,355</u>      | <u>5,428</u>        |
| <u>Treasurer's Clearing</u>      |                     |                     |                     |                     |
| Assets                           |                     |                     |                     |                     |
| Cash and cash equivalents        | (3,715)             | 1,285,448           | 1,283,457           | (1,724)             |
| Due from other governments       | <u>3,715</u>        | <u>2,636</u>        | <u>3,715</u>        | <u>2,636</u>        |
| Total assets                     | <u></u>             | <u>1,288,084</u>    | <u>1,287,172</u>    | <u>912</u>          |
| Liabilities                      |                     |                     |                     |                     |
| Due to other governments         |                     | 915,799             | 915,799             |                     |
| Deposits and rebates             |                     | <u>372,285</u>      | <u>371,373</u>      | <u>912</u>          |
| Total liabilities                |                     | <u>1,288,084</u>    | <u>1,287,172</u>    | <u>912</u>          |
| <u>Other</u>                     |                     |                     |                     |                     |
| Assets                           |                     |                     |                     |                     |
| Cash and cash equivalents        | <u>49,678</u>       | <u>621,540</u>      | <u>599,697</u>      | <u>71,521</u>       |
| Total assets                     | <u>49,678</u>       | <u>621,540</u>      | <u>599,697</u>      | <u>71,521</u>       |
| Liabilities                      |                     |                     |                     |                     |
| Due to other governments         | <u>26,594</u>       | <u>499,693</u>      | <u>480,607</u>      | <u>45,680</u>       |
| Deposits and rebates             | <u>23,084</u>       | <u>121,847</u>      | <u>119,090</u>      | <u>25,841</u>       |
| Total liabilities                | <u>49,678</u>       | <u>621,540</u>      | <u>599,697</u>      | <u>71,521</u>       |
| <u>Totals - All Agency Funds</u> |                     |                     |                     |                     |
| Assets                           |                     |                     |                     |                     |
| Cash and cash equivalents        | 53,521              | 2,316,213           | 2,294,509           | 75,225              |
| Due from other governments       | <u>3,715</u>        | <u>2,636</u>        | <u>3,715</u>        | <u>2,636</u>        |
| Total assets                     | <u>57,236</u>       | <u>2,318,849</u>    | <u>2,298,224</u>    | <u>77,861</u>       |
| Liabilities                      |                     |                     |                     |                     |
| Employee compensation            | 7,558               | 409,225             | 411,355             | 5,428               |
| Due to other governments         | 26,594              | 1,415,492           | 1,396,406           | 45,680              |
| Deposits and rebates             | <u>23,084</u>       | <u>494,132</u>      | <u>490,463</u>      | <u>26,753</u>       |
| Total liabilities                | <u>\$ 57,236</u>    | <u>\$ 2,318,849</u> | <u>\$ 2,298,224</u> | <u>\$ 77,861</u>    |

**PIMA COUNTY**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended June 30, 2007

**INTRODUCTORY SECTION**

**FINANCIAL SECTION**

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**STATISTICAL SECTION**

Financial Trends Information  
Revenue Capacity Information  
Debt Capacity Information  
Demographic and Economic Information  
Operating Information

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## STATISTICAL SECTION

### **FINANCIAL TRENDS:**

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

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

Exhibit D-1

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

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

Exhibit D-2

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

(continued)

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

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

Exhibit D-2

(Continued)

|                                                         | Fiscal Year      |                  |                  |                   |                   |                  |
|---------------------------------------------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|
|                                                         | 2002             | 2003             | 2004             | 2005              | 2006              | 2007             |
| <b>Program revenues</b>                                 |                  |                  |                  |                   |                   |                  |
| Business-type activities:                               |                  |                  |                  |                   |                   |                  |
| Charges for services                                    |                  |                  |                  |                   |                   |                  |
| Wastewater Management                                   | \$ 63,601        | \$ 71,626        | \$ 82,432        | \$ 92,379         | \$ 104,501        | \$ 106,266       |
| Pima Health System & Services                           | 179,322          | 195,872          | 224,820          | 244,932           | 253,748           | 257,142          |
| Development Services                                    | 7,754            | 8,464            | 11,830           | 14,730            | 17,140            | 11,239           |
| Parking Garages                                         | 1,454            | 1,413            | 1,460            | 1,507             | 1,485             | 1,548            |
| Operating grants and contributions                      | 6,505            | 4,909            | 4,777            | 4,238             | 4,997             | 5,174            |
| Capital grants and contributions                        |                  |                  |                  |                   | 449               | 803              |
| Total business-type activities program revenues         | <u>258,636</u>   | <u>282,284</u>   | <u>325,319</u>   | <u>357,786</u>    | <u>382,320</u>    | <u>382,172</u>   |
| Total primary government program revenues               | <u>444,084</u>   | <u>455,063</u>   | <u>532,790</u>   | <u>568,452</u>    | <u>599,742</u>    | <u>603,225</u>   |
| <b>Net (expense) revenue</b>                            |                  |                  |                  |                   |                   |                  |
| Governmental activities                                 | (294,652)        | (323,563)        | (317,012)        | (382,569)         | (429,887)         | (501,409)        |
| Business-type activities                                | <u>(11,474)</u>  | <u>(24,221)</u>  | <u>(26,348)</u>  | <u>19,547</u>     | <u>27,135</u>     | <u>5,112</u>     |
| Total governmental activities net expense               | <u>(306,126)</u> | <u>(347,784)</u> | <u>(343,360)</u> | <u>(363,022)</u>  | <u>(402,752)</u>  | <u>(496,297)</u> |
| <b>General revenues and other changes in net assets</b> |                  |                  |                  |                   |                   |                  |
| Governmental activities:                                |                  |                  |                  |                   |                   |                  |
| Taxes                                                   |                  |                  |                  |                   |                   |                  |
| Property taxes                                          | 237,049          | 251,844          | 272,507          | 294,643           | 316,170           | 343,525          |
| Hotel/motel taxes                                       | 2,495            | 2,557            | 2,745            | 2,822             | 6,856             | 8,715            |
| Other taxes levied for stadium district                 | 1,600            | 1,597            | 1,709            | 1,819             | 1,808             | 1,884            |
| Shared sales tax                                        | 76,752           | 78,504           | 83,202           | 91,510            | 103,158           | 106,985          |
| Shared vehicle licenses                                 | 21,093           | 21,904           | 23,413           | 23,630            | 25,894            | 26,967           |
| Unrestricted grants and contributions                   | 9,550            | 9,216            | 3,201            | 7,571             | 7,975             | 9,468            |
| Interest and penalties on delinquent taxes              | 5,479            | 7,052            | 6,321            | 6,771             | 5,683             | 5,149            |
| Investment earnings                                     | 8,157            | 5,064            | 3,102            | 6,140             | 12,942            | 16,439           |
| Miscellaneous                                           | 10,340           | 12,774           | 14,063           | 16,254            | 12,828            | 16,309           |
| Capital contributions                                   |                  | 2,789            | 5,441            | 185               | 247               | 5,051            |
| Gain on sale of capital assets                          |                  |                  |                  |                   | 323               |                  |
| Extraordinary item                                      |                  | (7,447)          |                  |                   |                   |                  |
| Transfers                                               | <u>(13,954)</u>  | <u>(17,980)</u>  | <u>(13,196)</u>  | <u>1,935</u>      | <u>(134)</u>      | <u>721</u>       |
| Total governmental activities                           | <u>358,561</u>   | <u>367,874</u>   | <u>402,508</u>   | <u>453,280</u>    | <u>493,750</u>    | <u>541,213</u>   |
| Business-type activities:                               |                  |                  |                  |                   |                   |                  |
| State shared tax                                        | 905              | 959              | 1,146            | 1,163             |                   |                  |
| Investment earnings                                     | 2,888            | 1,727            | 747              | 1,609             | 3,849             | 5,510            |
| Miscellaneous                                           | 3,309            | 5,828            | 2,750            | 2,865             | 1,348             | 1,522            |
| Capital contributions                                   | 11,261           | 12,479           | 22,214           | 20,722            | 14,607            | 25,217           |
| Extraordinary item                                      |                  | (2,673)          |                  |                   |                   |                  |
| Transfers                                               | <u>13,954</u>    | <u>17,980</u>    | <u>13,196</u>    | <u>(1,935)</u>    | <u>134</u>        | <u>(721)</u>     |
| Total business-type activities                          | <u>32,317</u>    | <u>36,300</u>    | <u>40,053</u>    | <u>24,424</u>     | <u>19,938</u>     | <u>31,528</u>    |
| Total primary government                                | <u>390,878</u>   | <u>404,174</u>   | <u>442,561</u>   | <u>477,704</u>    | <u>513,688</u>    | <u>572,741</u>   |
| <b>Change in net assets</b>                             |                  |                  |                  |                   |                   |                  |
| Governmental activities                                 | 63,909           | 44,311           | 85,496           | 70,711            | 63,863            | 39,804           |
| Business-type activities                                | <u>20,843</u>    | <u>12,079</u>    | <u>13,705</u>    | <u>43,971</u>     | <u>47,073</u>     | <u>36,640</u>    |
| Total primary government                                | <u>\$ 84,752</u> | <u>\$ 56,390</u> | <u>\$ 99,201</u> | <u>\$ 114,682</u> | <u>\$ 110,936</u> | <u>\$ 76,444</u> |

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

Exhibit D-3

|                                    | Fiscal Year              |                         |                         |                         |                          |                          |                          |                          |                          |                          |
|------------------------------------|--------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                    | <u>1998</u>              | <u>1999</u>             | <u>2000</u>             | <u>2001</u>             | <u>2002</u>              | <u>2003</u>              | <u>2004</u>              | <u>2005</u>              | <u>2006</u>              | <u>2007</u>              |
| General Fund                       |                          |                         |                         |                         |                          |                          |                          |                          |                          |                          |
| Reserved                           | \$ 1,602                 | \$ 2,479                | \$ 1,846                | \$ 2,233                | \$ 2,486                 | \$ 2,549                 | \$ 7,068                 | \$ 4,056                 | \$ 5,152                 | \$ 8,889                 |
| Unreserved                         | <u>2,332</u>             | <u>6,030</u>            | <u>24,721</u>           | <u>19,653</u>           | <u>28,656</u>            | <u>30,999</u>            | <u>25,628</u>            | <u>33,171</u>            | <u>46,423</u>            | <u>48,671</u>            |
| Subtotal general fund              | <u><u>3,934</u></u>      | <u><u>8,509</u></u>     | <u><u>26,567</u></u>    | <u><u>21,886</u></u>    | <u><u>31,142</u></u>     | <u><u>33,548</u></u>     | <u><u>32,696</u></u>     | <u><u>37,227</u></u>     | <u><u>51,575</u></u>     | <u><u>57,560</u></u>     |
| All other governmental funds       |                          |                         |                         |                         |                          |                          |                          |                          |                          |                          |
| Reserved                           | 14,335                   | 10,472                  | 10,412                  | 9,176                   | 8,542                    | 6,742                    | 7,603                    | 12,746                   | 11,784                   | 13,999                   |
| Unreserved, reported in:           |                          |                         |                         |                         |                          |                          |                          |                          |                          |                          |
| Special revenue funds              | 16,009                   | 27,114                  | 40,785                  | 48,616                  | 61,134                   | 42,312                   | 45,325                   | 54,384                   | 66,167                   | 69,773                   |
| Capital projects funds             | <u>77,252</u>            | <u>34,580</u>           | <u>27,790</u>           | <u>30,986</u>           | <u>46,985</u>            | <u>82,793</u>            | <u>97,270</u>            | <u>147,650</u>           | <u>84,472</u>            | <u>89,328</u>            |
| Total all other governmental funds | <u><u>\$ 107,596</u></u> | <u><u>\$ 72,166</u></u> | <u><u>\$ 78,987</u></u> | <u><u>\$ 88,778</u></u> | <u><u>\$ 116,661</u></u> | <u><u>\$ 131,847</u></u> | <u><u>\$ 150,198</u></u> | <u><u>\$ 214,780</u></u> | <u><u>\$ 162,423</u></u> | <u><u>\$ 173,100</u></u> |

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

Exhibit D-4

|                                                           | Fiscal Year |             |            |            |            |            |            |            |             |            |
|-----------------------------------------------------------|-------------|-------------|------------|------------|------------|------------|------------|------------|-------------|------------|
|                                                           | 1998        | 1999        | 2000       | 2001       | 2002       | 2003       | 2004       | 2005       | 2006        | 2007       |
| Revenues                                                  |             |             |            |            |            |            |            |            |             |            |
| Taxes                                                     | \$ 181,398  | \$ 194,948  | \$ 214,332 | \$ 227,542 | \$ 244,807 | \$ 258,375 | \$ 279,527 | \$ 300,972 | \$ 321,474  | \$ 348,700 |
| Special assessments                                       | 925         | 874         | 703        | 845        | 598        | 1,023      | 505        | 244        | 215         | 521        |
| Licenses and permits                                      | 3,389       | 4,306       | 4,541      | 4,882      | 6,077      | 6,087      | 6,566      | 7,265      | 7,452       | 7,132      |
| Intergovernmental                                         | 180,970     | 211,006     | 241,225    | 253,863    | 260,218    | 245,378    | 273,225    | 278,414    | 291,059     | 303,392    |
| Charges for services                                      | 18,714      | 24,404      | 27,308     | 26,613     | 31,112     | 35,721     | 43,505     | 53,568     | 63,582      | 63,508     |
| Fines and forfeits                                        | 3,411       | 3,930       | 4,245      | 4,365      | 4,882      | 5,047      | 5,010      | 5,967      | 6,014       | 6,550      |
| Investment earnings                                       | 4,119       | 9,009       | 11,384     | 15,468     | 6,952      | 4,152      | 2,656      | 5,181      | 11,382      | 13,988     |
| Miscellaneous                                             | 16,485      | 10,208      | 9,452      | 8,131      | 8,143      | 10,356     | 11,918     | 14,806     | 13,165      | 17,544     |
| Total revenues                                            | 409,411     | 458,685     | 513,190    | 541,709    | 562,789    | 566,139    | 622,912    | 666,417    | 714,343     | 761,335    |
| Expenditures                                              |             |             |            |            |            |            |            |            |             |            |
| General government                                        | 101,156     | 102,390     | 110,022    | 122,023    | 125,416    | 132,416    | 140,319    | 193,308    | 203,881     | 222,434    |
| Public safety                                             | 91,835      | 103,679     | 109,815    | 117,058    | 123,021    | 127,155    | 146,275    | 109,798    | 121,229     | 132,930    |
| Highways and streets                                      | 21,166      | 21,923      | 25,689     | 24,977     | 27,835     | 26,741     | 29,170     | 38,363     | 39,394      | 42,683     |
| Sanitation                                                |             |             |            |            |            |            |            |            | 6,271       | 6,766      |
| Health                                                    | 18,763      | 20,142      | 22,579     | 22,584     | 23,102     | 24,029     | 30,322     | 30,802     | 30,038      | 32,311     |
| Welfare                                                   | 68,101      | 69,687      | 69,368     | 71,260     | 73,136     | 84,238     | 76,725     | 96,996     | 103,034     | 97,168     |
| Culture and recreation                                    | 18,605      | 19,447      | 20,263     | 22,242     | 25,581     | 25,214     | 27,141     | 23,172     | 28,561      | 45,197     |
| Education and economic opportunity                        | 29,486      | 30,103      | 33,135     | 32,458     | 37,524     | 35,057     | 32,146     | 38,098     | 37,918      | 38,474     |
| Capital outlay                                            | 50,139      | 66,671      | 89,215     | 87,673     | 109,670    | 97,147     | 103,167    | 127,632    | 121,007     | 202,659    |
| Debt service - principal                                  | 27,472      | 42,833      | 37,480     | 39,823     | 37,342     | 45,544     | 49,025     | 42,891     | 50,547      | 53,733     |
| - interest                                                | 13,329      | 14,860      | 13,981     | 15,003     | 14,128     | 15,695     | 14,851     | 16,127     | 19,448      | 18,965     |
| - miscellaneous                                           | 29          | 76          | 83         | 186        | 391        | 24         | 161        | 25         | 15          | 12         |
| Total expenditures                                        | 440,081     | 491,811     | 531,630    | 555,287    | 597,146    | 613,260    | 649,302    | 717,212    | 761,343     | 893,332    |
| Excess (deficiency) of revenues over (under) expenditures | (30,670)    | (33,126)    | (18,440)   | (13,578)   | (34,357)   | (47,121)   | (26,390)   | (50,795)   | (47,000)    | (131,997)  |
| Other financing sources (uses):                           |             |             |            |            |            |            |            |            |             |            |
| Refunding bonds                                           | 7,466       |             |            |            | 22,420     |            | 6,880      |            |             |            |
| Issuance cost on bonds                                    |             |             |            |            |            | (163)      |            |            |             |            |
| Premium on bonds                                          |             |             |            |            | 796        | 410        | 148        | 250        |             | 1,429      |
| Payments to refunded bond escrow agent                    | (7,466)     |             |            |            | (22,551)   |            | (6,846)    |            |             |            |
| Capital leases                                            |             |             |            |            | 590        | 177        |            |            | 231         |            |
| Proceeds from sale of capital assets                      |             | 332         |            |            |            | 37         | 406        | 27         | 416         | 1,426      |
| Face amount of long-term debt                             | 77,169      | 307         | 54,129     | 50,358     | 81,921     | 85,000     | 65,000     | 116,200    | 4,836       | 146,320    |
| Transfers in                                              | 28,565      | 25,976      | 33,084     | 34,335     | 52,753     | 78,457     | 68,583     | 50,008     | 59,948      | 86,089     |
| Transfers (out)                                           | (28,613)    | (26,024)    | (46,218)   | (72,276)   | (65,658)   | (93,597)   | (89,916)   | (46,962)   | (56,263)    | (86,688)   |
| Total other financing sources (uses)                      | 77,121      | 591         | 40,995     | 12,417     | 70,271     | 70,321     | 44,255     | 119,523    | 9,168       | 148,576    |
| Extraordinary item                                        |             |             |            |            |            | (6,237)    |            |            |             |            |
| Residual equity - net                                     | 1,126       | 1,588       | 348        | 4,315      |            |            |            |            |             |            |
| Change in reserves - net                                  | 204         | 92          | 160        | (107)      | 50         | 629        | (366)      | 385        | (177)       | (211)      |
| Net change in fund balances                               | \$ 47,781   | \$ (30,855) | \$ 23,063  | \$ 3,047   | \$ 35,964  | \$ 17,592  | \$ 17,499  | \$ 69,113  | \$ (38,009) | \$ 16,368  |
| Debt service as a percentage of noncapital expenditures   | 10.47%      | 13.59%      | 11.65%     | 11.76%     | 10.26%     | 11.56%     | 11.53%     | 9.87%      | 10.90%      | 9.88%      |

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## STATISTICAL SECTION

### **REVENUE CAPACITY:**

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

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

Exhibit D-5

| Tax Year | Commercial<br>Property | Residential<br>Property | Vacant<br>Land | Other  | Taxable<br>Assessed<br>Value | Total<br>Direct<br>Tax Rate | Estimated<br>Limited<br>Value | Assessed Value<br>as a Percentage<br>of Limited Value |
|----------|------------------------|-------------------------|----------------|--------|------------------------------|-----------------------------|-------------------------------|-------------------------------------------------------|
| 1998     | 1,424,832              | 2,006,740               | 233,782        | 17,043 | 3,682,397                    | 5.2487                      | 33,930,287                    | 10.85%                                                |
| 1999     | 1,446,979              | 2,154,367               | 236,602        | 15,682 | 3,853,630                    | 5.5651                      | 32,801,718                    | 11.75%                                                |
| 2000     | 1,532,186              | 2,324,927               | 239,298        | 15,253 | 4,111,664                    | 5.5635                      | 34,898,941                    | 11.78%                                                |
| 2001     | 1,601,929              | 2,494,934               | 246,938        | 17,692 | 4,361,493                    | 5.5828                      | 37,257,921                    | 11.71%                                                |
| 2002     | 1,678,649              | 2,709,068               | 263,270        | 18,348 | 4,669,335                    | 5.4998                      | 39,908,791                    | 11.70%                                                |
| 2003     | 1,764,657              | 2,955,066               | 281,243        | 21,508 | 5,022,474                    | 5.4981                      | 42,927,737                    | 11.70%                                                |
| 2004     | 1,823,592              | 3,265,040               | 302,323        | 21,595 | 5,412,550                    | 5.4967                      | 46,754,009                    | 11.58%                                                |
| 2005     | 1,882,879              | 3,615,603               | 323,147        | 27,920 | 5,849,549                    | 5.4611                      | 50,631,267                    | 11.55%                                                |
| 2006     | 2,001,137              | 4,076,600               | 359,662        | 29,803 | 6,467,202                    | 5.3406                      | 56,437,790                    | 11.46%                                                |
| 2007     | 2,204,072              | 4,689,972               | 428,486        | 30,802 | 7,353,331                    | 5.0674                      | 64,347,659                    | 11.43%                                                |

Source: Pima County Assessor's Office.

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

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

Exhibit D-6

| County Direct Rates |                |                  |                            |                         |                          |        |
|---------------------|----------------|------------------|----------------------------|-------------------------|--------------------------|--------|
| Tax Year            | County Primary | County Secondary | Flood Control District (1) | County Library District | Fire District Assistance | Total  |
| 1998                | 3.6852         | 0.9650           | 0.3246                     | 0.2224                  | 0.0515                   | 5.2487 |
| 1999                | 4.0720         | 0.9350           | 0.3046                     | 0.2024                  | 0.0511                   | 5.5651 |
| 2000                | 4.0720         | 0.9350           | 0.3046                     | 0.2024                  | 0.0495                   | 5.5635 |
| 2001                | 4.0720         | 0.8950           | 0.3546                     | 0.2124                  | 0.0488                   | 5.5828 |
| 2002                | 4.0720         | 0.8150           | 0.3546                     | 0.2124                  | 0.0458                   | 5.4998 |
| 2003                | 4.0720         | 0.8150           | 0.3546                     | 0.2124                  | 0.0441                   | 5.4981 |
| 2004                | 4.0720         | 0.8150           | 0.3546                     | 0.2124                  | 0.0427                   | 5.4967 |
| 2005                | 4.0720         | 0.7150           | 0.3746                     | 0.2575                  | 0.0420                   | 5.4611 |
| 2006                | 3.8420         | 0.7150           | 0.3746                     | 0.3675                  | 0.0415                   | 5.3406 |
| 2007                | 3.6020         | 0.6850           | 0.3446                     | 0.3975                  | 0.0383                   | 5.0674 |

| Overlapping Rates |                  |                      |                            |                |                      |                                   |                                       |                                    |                                        |                                     |                                          |                                       |                                             |                                                |                                           |  |
|-------------------|------------------|----------------------|----------------------------|----------------|----------------------|-----------------------------------|---------------------------------------|------------------------------------|----------------------------------------|-------------------------------------|------------------------------------------|---------------------------------------|---------------------------------------------|------------------------------------------------|-------------------------------------------|--|
| Tax Year          | State of Arizona | Education Assistance | Community College District | 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 | Vanderbilt Farms Community Facilities District | Quail Creek Community Facilities District |  |
| 1998              | 0.0000           | 0.5300               | 1.1922                     | 0.9601         | 0.2937               | 0.1400                            | 6.9300                                | 3.0000                             | 1.0000                                 | 0.5000                              |                                          |                                       |                                             |                                                |                                           |  |
| 1999              | 0.0000           | 0.5217               | 1.3696                     | 1.0238         | 0.2937               | 0.1400                            | 6.9300                                | 3.0000                             | 1.0000                                 | 0.5000                              |                                          |                                       |                                             |                                                |                                           |  |
| 2000              | 0.0000           | 0.5123               | 1.5574                     | 1.1270         | 0.2918               | 0.1300                            | 6.9300                                | 3.0000                             | 1.0000                                 | 0.5000                              |                                          |                                       |                                             |                                                |                                           |  |
| 2001              | 0.0000           | 0.4974               | 1.5470                     | 1.1202         | 0.2828               | 0.1300                            | 10.4000                               | 3.0000                             | 24.7500                                | 0.5000                              |                                          |                                       |                                             |                                                |                                           |  |
| 2002              | 0.0000           | 0.4889               | 1.5333                     | 1.1202         | 0.2706               | 0.1300                            | 10.4000                               | 3.0000                             | 24.7500                                |                                     |                                          |                                       |                                             |                                                |                                           |  |
| 2003              | 0.0000           | 0.4717               | 1.4884                     | 1.1569         | 0.2513               | 0.1200                            | 10.4000                               | 3.0000                             | 50.0000                                |                                     | 0.1438                                   | 0.2313                                |                                             |                                                |                                           |  |
| 2004              | 0.0000           | 0.4560               | 1.3428                     | 1.1847         | 0.2383               | 0.1200                            | 12.9000                               | 3.0000                             | 60.0000                                |                                     |                                          |                                       | 2.8000                                      |                                                |                                           |  |
| 2005              | 0.0000           | 0.4358               | 1.3114                     | 1.2364         | 0.2383               | 0.1200                            | 12.9000                               | 3.0000                             | 60.0000                                |                                     |                                          |                                       | 2.8000                                      |                                                |                                           |  |
| 2006              | 0.0000           | 0.0000               | 1.2515                     | 1.2257         | 0.2383               | 0.1200                            | 12.9000                               | 3.0000                             | 60.0000                                |                                     |                                          |                                       | 2.8000                                      | 0.3000                                         |                                           |  |
| 2007              | 0.0000           | 0.0000               | 1.1845                     | 1.1321         | 0.2258               | 0.1000                            | 12.9000                               | 3.0000                             | 65.0000                                |                                     |                                          |                                       | 2.8000                                      | 0.3000                                         | 3.3000                                    |  |

- (1) The Pima County Flood Control District tax levy applies only to real property.  
(2) Irrigation districts tax rates shown are levied on a per acre basis.  
(3) Mobile Home Relocation levy applies only to unsecured mobile homes (not presented after 2001-02).

Notes:

Primary and secondary tax rates (per \$100 of net assessed value) are set by the County Board of Supervisors or the governing boards of other taxing jurisdictions.

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

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

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

Exhibit D-6a

| School District                  | 1998      | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Tucson Unified (#1)              | \$ 8.8281 | \$ 8.7869 | \$ 9.0494 | \$ 9.8088 | \$ 9.2780 | \$ 8.7610 | \$ 8.3286 | \$ 7.8829 | \$ 7.3857 | \$ 7.0500 |
| Marana Unified (#6)              | 6.9743    | 7.6408    | 7.5418    | 7.7028    | 7.3623    | 6.7979    | 6.5034    | 6.0991    | 5.9117    | 5.7887    |
| Flowing Wells Unified (#8)       | 7.7804    | 8.8612    | 8.4928    | 8.0490    | 7.2175    | 6.6568    | 6.5883    | 7.1232    | 6.8677    | 6.5674    |
| Amphitheater Unified (#10)       | 7.0881    | 7.1715    | 6.8816    | 7.4427    | 7.0207    | 6.7601    | 6.3375    | 6.4258    | 6.1193    | 5.4964    |
| Sunnyside Unified (#12)          | 10.5437   | 10.6897   | 10.3609   | 10.3706   | 9.6945    | 9.1041    | 8.4846    | 8.6482    | 9.1529    | 8.1490    |
| Tanque Verde Unified (#13)       | 6.9273    | 6.8939    | 6.9434    | 6.8484    | 6.6818    | 7.1785    | 5.6661    | 5.7985    | 5.4806    | 5.1033    |
| Ajo Unified (#15)                | 4.9511    | 4.6791    | 6.0973    | 7.0508    | 4.1555    | 5.3016    | 4.4316    | 4.4994    | 4.4929    | 4.8627    |
| Catalina Foothills Unified (#16) | 7.9121    | 7.8515    | 7.7258    | 7.5344    | 7.0956    | 7.0256    | 6.6459    | 6.8422    | 6.7428    | 6.3942    |
| Vail Elementary (#20)            | 7.5128    | 7.3298    | 7.2604    | 7.2314    | 7.2295    | 7.1748    | 7.0008    | 6.7510    | 6.7032    | 6.0327    |
| Sahuarita Unified (#30)          | 7.6282    | 8.3204    | 8.7007    | 8.7860    | 9.1329    | 9.0113    | 8.3095    | 8.1495    | 7.7345    | 6.1807    |
| San Fernando Elementary (#35)    |           |           |           |           |           |           |           | 3.7121    | 3.7481    | 3.7900    |
| Empire Elementary (#37)          | 7.0259    | 10.3858   | 8.5371    | 7.6596    | 6.6965    | 6.4699    | 6.1171    | 8.0930    | 8.4864    | 7.5703    |
| Continental Elementary (#39)     | 2.6371    | 2.5439    | 2.4983    | 2.4346    | 2.4398    | 2.3198    | 2.2216    | 2.1532    | 2.0682    | 1.8970    |
| Indian Oasis Unified (#40)       | 9.9071    | 10.4568   | 9.1002    |           |           |           |           |           |           |           |
| Redington Elementary (#44)       | 4.6590    | 7.7641    | 5.0186    | 6.3661    | 6.4230    | 5.6853    | 3.9915    | 4.8856    | 4.8853    | 4.8952    |
| Altar Valley Elementary (#51)    | 7.3093    | 6.3348    | 6.5620    | 6.3052    | 6.3035    | 6.3615    | 6.2759    | 6.2607    | 5.7696    | 5.8086    |
| Unorganized*                     | 2.2000    | 2.1654    | 2.1265    | 2.0647    | 2.0296    | 1.9583    | 1.8931    | 1.8090    | 1.7394    | 1.6020    |

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

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

Exhibit D-7

| Taxpayer                    | 1998                         |      |                                 | 1999                         |      |                                 | 2000                         |      |                                 | 2001                         |      |                                 | 2002                         |      |                                 |
|-----------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|
|                             | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value |
| Tucson Electric Power Co.   | \$ 166,300                   | 1    | 4.3%                            | \$ 166,300                   | 1    | 4.2%                            | \$ 166,949                   | 1    | 3.9%                            | \$ 136,337                   | 1    | 3.0%                            | \$ 137,315                   | 1    | 2.8%                            |
| QWEST                       | 78,336                       | 2    | 2.0%                            | 78,336                       | 2    | 2.0%                            | 78,642                       | 2    | 1.9%                            | 84,382                       | 2    | 1.9%                            | 87,757                       | 2    | 1.8%                            |
| Phelps Dodge                | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 18,250                       | 6    | 0.4%                            |
| Southwest Gas Corporation   | 46,441                       | 3    | 1.2%                            | 46,441                       | 3    | 1.2%                            | 46,191                       | 3    | 1.1%                            | 51,214                       | 3    | 1.1%                            | 53,668                       | 3    | 1.1%                            |
| Raytheon/Hughes Aircraft ** | 15,040                       | 7    | 0.4%                            | 14,193                       | 8    | 0.4%                            | 14,193                       | 8    | 0.3%                            | 13,642                       | 9    | 0.3%                            | 13,349                       | 10   | 0.3%                            |
| Arizona Portland Cement     | 13,267                       | 9    | 0.3%                            | 13,363                       | 9    | 0.3%                            | 13,146                       | 9    | 0.3%                            | 16,614                       | 6    | 0.4%                            | 18,213                       | 7    | 0.4%                            |
| Dnd Neffson (Tucson Mall)   | 19,071                       | 6    | 0.5%                            | 18,910                       | 6    | 0.5%                            | 15,168                       | 6    | 0.4%                            | 19,362                       | 4    | 0.4%                            | 18,733                       | 5    | 0.4%                            |
| TRICO                       | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Westin La Paloma            | 14,486                       | 8    | 0.4%                            | 15,669                       | 7    | 0.4%                            | 15,097                       | 7    | 0.4%                            | 16,183                       | 7    | 0.4%                            | 16,703                       | 8    | 0.3%                            |
| Star Pass Resorts           | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| El Conquistador Hotel       | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 13,632                       | 10   | 0.3%                            | 13,898                       | 9    | 0.3%                            |
| Ventana Hotel Associates    | 11,720                       | 10   | 0.3%                            | 12,983                       | 10   | 0.3%                            | 12,950                       | 10   | 0.3%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Cyprus/Sierrita Mining Co.  | 27,300                       | 5    | 0.7%                            | 27,300                       | 5    | 0.7%                            | 20,000                       | 5    | 0.5%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Union Pacific Railroad      | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| A T & T                     | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 14,292                       | 8    | 0.3%                            | 0                            |      | 0.0%                            |
| HDP Northwest               | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| ASARCO Mining               | 35,170                       | 4    | 0.9%                            | 35,170                       | 4    | 0.9%                            | 21,200                       | 4    | 0.5%                            | 18,911                       | 5    | 0.4%                            | 27,736                       | 4    | 0.6%                            |
| Total Top Ten               | <u>\$ 427,131</u>            |      | 11.0%                           | <u>\$ 428,665</u>            |      | 10.9%                           | <u>\$ 403,536</u>            |      | 9.6%                            | <u>\$ 384,569</u>            |      | 8.5%                            | <u>\$ 405,622</u>            |      | 8.4%                            |

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

|                                               |              |              |              |              |             |
|-----------------------------------------------|--------------|--------------|--------------|--------------|-------------|
| (1) Secondary Assessed Valuation for tax year | \$ 3,852,574 | \$ 4,000,624 | \$ 4,236,070 | \$ 4,491,395 | \$4,835,561 |
|-----------------------------------------------|--------------|--------------|--------------|--------------|-------------|

\*\* Name change 2001

(continued)

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

Exhibit D-7

(continued)

| Taxpayer                    | 2003                         |      |                                 | 2004                         |      |                                 | 2005                         |      |                                 | 2006                         |      |                                 | 2007                         |      |                                 |
|-----------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|------------------------------|------|---------------------------------|
|                             | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value | Estimated Assessed Value (1) | Rank | Percent of Total Assessed Value |
| Tucson Electric Power Co.   | \$ 122,499                   | 1    | 2.3%                            | \$ 125,597                   | 1    | 2.2%                            | \$ 145,937                   | 1    | 2.4%                            | \$ 143,362                   | 1    | 2.1%                            | \$ 150,771                   | 1    | 1.8%                            |
| QWEST                       | 108,829                      | 2    | 2.1%                            | 104,944                      | 2    | 1.9%                            | 104,468                      | 2    | 1.7%                            | 87,093                       | 2    | 1.3%                            | 94,300                       | 2    | 1.1%                            |
| Phelps Dodge                | 14,375                       | 8    | 0.3%                            | 15,250                       | 7    | 0.3%                            | 21,209                       | 6    | 0.4%                            | 55,176                       | 4    | 0.8%                            | 93,656                       | 3    | 1.1%                            |
| Southwest Gas Corporation   | 55,710                       | 3    | 1.1%                            | 59,528                       | 3    | 1.1%                            | 62,970                       | 3    | 1.0%                            | 62,846                       | 3    | 0.9%                            | 62,919                       | 4    | 0.8%                            |
| Raytheon/Hughes Aircraft ** | 13,290                       | 9    | 0.3%                            | 13,895                       | 9    | 0.2%                            | 16,069                       | 8    | 0.3%                            | 21,665                       | 6    | 0.3%                            | 58,987                       | 5    | 0.7%                            |
| Arizona Portland Cement     | 19,990                       | 4    | 0.4%                            | 21,296                       | 4    | 0.4%                            | 22,459                       | 4    | 0.4%                            | 22,858                       | 5    | 0.3%                            | 23,468                       | 6    | 0.3%                            |
| DND Neffson (Tucson Mall)   | 18,703                       | 5    | 0.4%                            | 19,364                       | 5    | 0.3%                            | 22,377                       | 5    | 0.4%                            | 19,087                       | 7    | 0.3%                            | 19,897                       | 7    | 0.2%                            |
| TRICO                       | 11,467                       | 10   | 0.2%                            | 12,925                       | 10   | 0.2%                            | 0                            |      | 0.0%                            | 14,806                       | 10   | 0.2%                            | 18,044                       | 8    | 0.2%                            |
| Westin La Paloma            | 16,057                       | 6    | 0.3%                            | 15,943                       | 6    | 0.3%                            | 16,358                       | 7    | 0.3%                            | 15,504                       | 9    | 0.2%                            | 15,959                       | 9    | 0.2%                            |
| Star Pass Resorts           | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 17,068                       | 8    | 0.2%                            | 15,280                       | 10   | 0.2%                            |
| El Conquistador Hotel       | 14,461                       | 7    | 0.3%                            | 14,655                       | 8    | 0.3%                            | 13,653                       | 10   | 0.2%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Ventana Hotel Associates    | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Cyprus/Sierrita Mining Co.  | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Union Pacific Railroad      | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| A T & T                     | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| HDP Northwest               | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 14,708                       | 9    | 0.2%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| ASARCO Mining               | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            | 0                            |      | 0.0%                            |
| Total Top Ten               | <u>\$ 395,381</u>            |      | 7.7%                            | <u>\$ 403,397</u>            |      | 7.2%                            | <u>\$ 440,208</u>            |      | 7.3%                            | <u>\$ 459,465</u>            |      | 6.6%                            | <u>\$ 553,281</u>            |      | 6.7%                            |

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

|                                               |             |             |             |             |             |
|-----------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| (1) Secondary Assessed Valuation for Tax Year | \$5,221,271 | \$5,620,156 | \$6,050,950 | \$6,869,955 | \$8,220,396 |
|-----------------------------------------------|-------------|-------------|-------------|-------------|-------------|

\* \* Name change 2001

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

Exhibit D-8

| Fiscal<br>Year | Original<br>Real<br>Property<br>Tax Levy | Tax<br>Roll<br>Corrections | Real<br>Property<br>Tax Levy<br>(Adjusted) | Collected to June 30,<br>End of Tax Fiscal Year (2) |                                | Collections<br>in Subsequent<br>Years | Collected to<br>June 30, 2007 (2) |                                | Delinquent<br>Taxes<br>Receivable (1) |
|----------------|------------------------------------------|----------------------------|--------------------------------------------|-----------------------------------------------------|--------------------------------|---------------------------------------|-----------------------------------|--------------------------------|---------------------------------------|
|                |                                          |                            |                                            | Amount                                              | Percent of<br>Original<br>Levy |                                       | Amount                            | Percent of<br>Adjusted<br>Levy |                                       |
| 1997-98        | 168,688                                  | (748)                      | 167,940                                    | 160,593                                             | 95.20%                         | 6,632                                 | 167,225                           | 99.57%                         | 715                                   |
| 1998-99        | 180,550                                  | (1,553)                    | 178,997                                    | 172,330                                             | 95.45%                         | 7,159                                 | 179,489                           | 100.27%                        | (492)                                 |
| 1999-00        | 201,925                                  | (1,167)                    | 200,758                                    | 192,409                                             | 95.29%                         | 8,561                                 | 200,970                           | 100.11%                        | (212)                                 |
| 2000-01        | 214,642                                  | (974)                      | 213,668                                    | 204,424                                             | 95.24%                         | 9,154                                 | 213,578                           | 99.96%                         | 90                                    |
| 2001-02        | 228,477                                  | (1,023)                    | 227,454                                    | 218,192                                             | 95.50%                         | 8,986                                 | 227,178                           | 99.88%                         | 276                                   |
| 2002-03        | 241,416                                  | (1,013)                    | 240,403                                    | 231,619                                             | 95.94%                         | 8,666                                 | 240,285                           | 99.95%                         | 118                                   |
| 2003-04        | 260,570                                  | (987)                      | 259,583                                    | 250,929                                             | 96.30%                         | 8,635                                 | 259,564                           | 99.99%                         | 19                                    |
| 2004-05        | 281,172                                  | (729)                      | 280,443                                    | 271,841                                             | 96.68%                         | 8,772                                 | 280,613                           | 100.06%                        | (170)                                 |
| 2005-06        | 302,127                                  | (489)                      | 301,638                                    | 292,019                                             | 96.65%                         | 9,634                                 | 301,653                           | 100.00%                        | (15)                                  |
| 2006-07        | 330,240                                  | (1,271)                    | 328,969                                    | 318,520                                             | 96.45%                         |                                       | 318,520                           | 96.82%                         | 10,449                                |

NOTES:

- (1) Represents the difference between the adjusted levy and collected to June 30, 2007.
- (2) Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.

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

Exhibit D-9

| Fiscal Year |           | Net Assessed<br>Value | Limited and<br>Full Cash<br>Values (1) | Ratio of Net<br>Assessed to<br>Full Cash Value |
|-------------|-----------|-----------------------|----------------------------------------|------------------------------------------------|
| 1997-98     | Primary   | 3,468,269             | 32,144,456                             | 10.79%                                         |
| 1997-98     | Secondary | 3,700,218             | 34,305,592                             | 10.79%                                         |
| 1998-99     | Primary   | 3,682,397             | 33,930,287                             | 10.85%                                         |
| 1998-99     | Secondary | 3,852,574             | 35,297,284                             | 10.91%                                         |
| 1999-00     | Primary   | 3,853,630             | 32,801,718                             | 11.75%                                         |
| 1999-00     | Secondary | 4,000,624             | 33,893,530                             | 11.80%                                         |
| 2000-01     | Primary   | 4,111,664             | 34,898,941                             | 11.78%                                         |
| 2000-01     | Secondary | 4,236,070             | 35,819,691                             | 11.83%                                         |
| 2001-02     | Primary   | 4,361,493             | 37,257,921                             | 11.71%                                         |
| 2001-02     | Secondary | 4,491,395             | 38,196,337                             | 11.76%                                         |
| 2002-03     | Primary   | 4,669,336             | 39,908,791                             | 11.70%                                         |
| 2002-03     | Secondary | 4,835,561             | 41,109,997                             | 11.76%                                         |
| 2003-04     | Primary   | 5,022,474             | 42,927,737                             | 11.70%                                         |
| 2003-04     | Secondary | 5,221,271             | 44,423,165                             | 11.75%                                         |
| 2004-05     | Primary   | 5,412,550             | 46,754,009                             | 11.58%                                         |
| 2004-05     | Secondary | 5,620,156             | 48,474,537                             | 11.59%                                         |
| 2005-05     | Primary   | 5,849,549             | 50,631,267                             | 11.55%                                         |
| 2005-06     | Secondary | 6,050,950             | 52,335,111                             | 11.56%                                         |
| 2006-07     | Primary   | 6,467,202             | 56,437,790                             | 11.46%                                         |
| 2006-07     | Secondary | 6,869,955             | 59,890,229                             | 11.47%                                         |

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

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

Exhibit D-10

| Jurisdiction                                       | FY 2006-07 (Tax Year 2006) |               | FY 2007-08 (Tax Year 2007) |               |
|----------------------------------------------------|----------------------------|---------------|----------------------------|---------------|
|                                                    | Valuation                  | Rate          | Valuation                  | Rate          |
| <u>State of Arizona</u>                            | \$ 6,467,202               | \$0.0000      | \$ 7,353,331               | \$0.0000      |
| <u>Pima County</u>                                 |                            |               |                            |               |
| General Fund - Primary                             | 6,467,202                  | 3.8420        | 7,353,331                  | 3.6020        |
| Debt Service - Secondary                           | 6,869,955                  | 0.7150        | 8,220,396                  | 0.6850        |
| Free Library - Secondary                           | 6,869,955                  | 0.3675        | 8,220,396                  | 0.3975        |
| Total County - Primary                             | 6,467,202                  | 3.8420        | 7,353,331                  | 3.6020        |
| Total County - Secondary                           | 6,869,955                  | 1.0825        | 8,220,396                  | 1.0825        |
| Grand Total                                        |                            | <u>4.9245</u> |                            | <u>4.6845</u> |
| <u>Education Assistance</u>                        | 6,467,202                  | 0.0000        | 7,353,331                  | 0.0000        |
| <u>Flood Control District - Secondary</u>          | 6,113,953                  | 0.3746        | 7,412,190                  | 0.3446        |
| <u>Fire District Assistance - Secondary</u>        | 6,869,955                  | 0.0415        | 8,220,396                  | 0.0383        |
| <u>Pima Community College District</u>             |                            |               |                            |               |
| Primary                                            | 6,467,202                  | 1.0570        | 7,353,331                  | 1.0191        |
| Secondary                                          | 6,869,955                  | 0.1945        | 8,220,396                  | 0.1654        |
| Total                                              |                            | <u>1.2515</u> |                            | <u>1.1845</u> |
| <u>Central Arizona Water Conservation District</u> |                            |               |                            |               |
| Secondary                                          | 6,869,955                  | 0.1200        | 8,220,396                  | 0.1000        |
| <u>Cities &amp; Towns</u>                          |                            |               |                            |               |
| <u>City of Tucson</u>                              |                            |               |                            |               |
| Primary                                            | 2,839,163                  | 0.3411        | 3,133,310                  | 0.3296        |
| Secondary                                          | 3,016,231                  | 0.8846        | 3,484,462                  | 0.8025        |
| Total                                              |                            | <u>1.2257</u> |                            | <u>1.1321</u> |
| <u>City of South Tucson</u>                        |                            |               |                            |               |
| Primary                                            | 19,000                     | 0.2383        | 20,445                     | 0.2258        |
| <u>School Districts</u>                            |                            |               |                            |               |
| Unorganized - Primary                              | 9,370                      | 1.7394        | 11,225                     | 1.6020        |
| <u>Tucson Unified (District #1)</u>                |                            |               |                            |               |
| Primary                                            | 2,782,666                  | 5.9922        | 3,079,057                  | 5.7500        |
| Secondary                                          | 2,951,009                  | 1.3935        | 3,436,035                  | 1.3000        |
| Total                                              |                            | <u>7.3857</u> |                            | <u>7.0500</u> |

(continued)

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

Exhibit D-10

(continued)

| Jurisdiction                              | FY 2006-07 (Tax Year 2006) |               | FY 2007-08 (Tax Year 2007) |               |
|-------------------------------------------|----------------------------|---------------|----------------------------|---------------|
|                                           | Valuation                  | Rate          | Valuation                  | Rate          |
| Marana Unified (District #6)              |                            |               |                            |               |
| Primary                                   | \$ 555,272                 | \$3.8618      | \$ 656,187                 | \$3.8368      |
| Secondary                                 | 593,167                    | 2.0499        | 750,524                    | 1.9519        |
| Total                                     |                            | <u>5.9117</u> |                            | <u>5.7887</u> |
| Flowing Wells Unified (District #8)       |                            |               |                            |               |
| Primary                                   | 176,501                    | 4.5715        | 191,524                    | 4.4196        |
| Secondary                                 | 184,631                    | 2.2962        | 211,004                    | 2.1478        |
| Total                                     |                            | <u>6.8677</u> |                            | <u>6.5674</u> |
| Amphitheater Unified (District #10)       |                            |               |                            |               |
| Primary                                   | 1,176,348                  | 4.1240        | 1,322,814                  | 3.7983        |
| Secondary                                 | 1,253,085                  | 1.9953        | 1,491,531                  | 1.6981        |
| Total                                     |                            | <u>6.1193</u> |                            | <u>5.4964</u> |
| Sunnyside Unified (District #12)          |                            |               |                            |               |
| Primary                                   | 345,217                    | 5.6887        | 389,900                    | 4.6857        |
| Secondary                                 | 368,703                    | 3.4642        | 427,586                    | 3.4633        |
| Total                                     |                            | <u>9.1529</u> |                            | <u>8.1490</u> |
| Tanque Verde Unified (District #13)       |                            |               |                            |               |
| Primary                                   | 155,295                    | 4.0917        | 175,387                    | 3.7882        |
| Secondary                                 | 169,903                    | 1.3889        | 203,700                    | 1.3151        |
| Total                                     |                            | <u>5.4806</u> |                            | <u>5.1033</u> |
| Ajo Unified (District #15)                |                            |               |                            |               |
| Primary                                   | 14,851                     | 4.4929        | 15,475                     | 4.8627        |
| Secondary                                 | 15,767                     | 0.0000        | 16,570                     | 0.0000        |
| Total                                     |                            | <u>4.4929</u> |                            | <u>4.8627</u> |
| Catalina Foothills Unified (District #16) |                            |               |                            |               |
| Primary                                   | 504,862                    | 4.3099        | 564,911                    | 4.1359        |
| Secondary                                 | 528,079                    | 2.4329        | 634,764                    | 2.2583        |
| Total                                     |                            | <u>6.7428</u> |                            | <u>6.3942</u> |
| Vail Elementary (District #20)            |                            |               |                            |               |
| Primary                                   | 300,483                    | 4.6184        | 362,131                    | 4.0570        |
| Secondary                                 | 324,978                    | 2.0848        | 414,651                    | 1.9757        |
| Total                                     |                            | <u>6.7032</u> |                            | <u>6.0327</u> |

(continued)

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

Exhibit D-10

(continued)

| Jurisdiction                            | FY 2006-07 (Tax Year 2006) |               | FY 2007-08 (Tax Year 2007) |               |
|-----------------------------------------|----------------------------|---------------|----------------------------|---------------|
|                                         | Valuation                  | Rate          | Valuation                  | Rate          |
| Sahuarita Unified (District #30)        |                            |               |                            |               |
| Primary                                 | \$ 174,384                 | \$4.2452      | \$ 248,840                 | \$4.0631      |
| Secondary                               | 183,014                    | 3.4893        | 267,294                    | 2.1176        |
| Total                                   |                            | <u>7.7345</u> |                            | <u>6.1807</u> |
| San Fernando Elementary (District #35)  |                            |               |                            |               |
| Primary                                 | 818                        | 3.7481        | 858                        | 3.7900        |
| Secondary                               | 832                        | 0.0000        | 880                        | 0.0000        |
| Total                                   |                            | <u>3.7481</u> |                            | <u>3.7900</u> |
| Empire Elementary (District #37)        |                            |               |                            |               |
| Primary                                 | 4,988                      | 8.4864        | 5,374                      | 7.5703        |
| Secondary                               | 5,489                      | 0.0000        | 5,792                      | 0.0000        |
| Total                                   |                            | <u>8.4864</u> |                            | <u>7.5703</u> |
| Continental Elementary (District #39)   |                            |               |                            |               |
| Primary                                 | 236,964                    | 1.7394        | 278,996                    | 1.6020        |
| Secondary                               | 249,038                    | 0.3288        | 312,815                    | 0.2950        |
| Total                                   |                            | <u>2.0682</u> |                            | <u>1.8970</u> |
| Indian Oasis Unified (District #40)     |                            |               |                            |               |
| Primary                                 | 1,182                      | 0.0000        | 1,059                      | 0.0000        |
| Secondary                               | 1,183                      | 0.0000        | 1,059                      | 0.0000        |
| Total                                   |                            | <u>0.0000</u> |                            | <u>0.0000</u> |
| Redington Elementary (District #44)     |                            |               |                            |               |
| Primary                                 | 1,219                      | 4.8853        | 1,272                      | 4.8952        |
| Secondary                               | 1,339                      | 0.0000        | 1,387                      | 0.0000        |
| Total                                   |                            | <u>4.8853</u> |                            | <u>4.8952</u> |
| Altar Valley Elementary (District #51)* |                            |               |                            |               |
| Primary                                 | 26,781                     | 4.7765        | 29,071                     | 4.8733        |
| Secondary                               | 28,088                     | 0.9931        | 30,747                     | 0.9353        |
| Total                                   |                            | <u>5.7696</u> |                            | <u>5.8086</u> |

\*Formerly known as the Mary E. Dill School District

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

Exhibit D-11

| Fiscal<br>Year | Hotel Excise<br>Tax (1) | Car<br>Rental<br>Surcharges (2) | Recreational<br>Vehicle<br>Tax (3) |
|----------------|-------------------------|---------------------------------|------------------------------------|
| 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                                |
| 2004-05        | 2,885                   | 1,595                           | 200                                |
| 2005-06        | 5,212                   | 1,589                           | 214                                |
| 2006-07        | 7,796                   | 1,357                           | 210                                |

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

Source: Pima County Finance and Risk Management Department

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

Exhibit D-12

| <u>Fiscal<br/>Year</u> | <u>Amount</u> |
|------------------------|---------------|
| 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        |
| 2004-05                | 53,878        |
| 2005-06                | 56,937        |
| 2006-07                | 44,607        |

Source: Pima County Finance and Risk Management Department

## STATISTICAL SECTION

### **DEBT CAPACITY:**

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

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

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

Exhibit D-13

| Fiscal<br>Year | Governmental Activities        |                           |                                    |                           |                                |                                     |                         |                   | Business-Type Activities  |                                |                           |                                |
|----------------|--------------------------------|---------------------------|------------------------------------|---------------------------|--------------------------------|-------------------------------------|-------------------------|-------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|
|                | General<br>Obligation<br>Bonds | Flood<br>Control<br>Bonds | Transportation<br>Revenue<br>Bonds | Lease<br>Revenue<br>Bonds | Special<br>Assessment<br>Bonds | Certificates<br>of<br>Participation | Transportation<br>Loans | Capital<br>Leases | Sewer<br>Revenue<br>Bonds | Wastewater<br>Loans<br>Payable | Contracts<br>and<br>Notes | Total<br>Primary<br>Government |
| 1997-98        | \$ 186,990                     | \$ 8,135                  | \$ 40,000                          | \$ 1,340                  | \$ 2,828                       |                                     |                         | \$ 49,678         | \$ 82,017                 | \$ 13,094                      | \$ 352                    | \$ 384,434                     |
| 1998-99        | 153,295                        | 7,360                     | 36,000                             | 1,220                     | 2,300                          | \$ 8,945                            |                         | 36,368            | 79,473                    | 13,967                         | 264                       | 339,192                        |
| 1999-00        | 173,985                        | 6,595                     | 32,000                             | 1,095                     | 1,697                          | 6,725                               |                         | 35,338            | 75,564                    | 14,477                         | 2,479                     | 349,955                        |
| 2000-01        | 192,640                        | 5,840                     | 28,000                             | 965                       | 1,053                          | 4,505                               |                         | 34,008            | 71,444                    | 32,314                         | 112                       | 370,881                        |
| 2001-02        | 183,381                        | 5,348                     | 79,206                             | 825                       | 2,506                          | 3,045                               | \$ 5,100                | 32,596            | 67,811                    | 57,456                         | 3,685                     | 440,959                        |
| 2002-03        | 200,554                        | 4,585                     | 105,541                            | 495                       | 2,121                          | 1,560                               | 4,060                   | 31,049            | 63,098                    | 63,551                         | 6,849                     | 483,463                        |
| 2003-04        | 232,553                        | 3,805                     | 95,461                             |                           | 1,736                          |                                     | 3,020                   | 29,323            | 60,064                    | 83,941                         | 5,783                     | 515,686                        |
| 2004-05        | 267,927                        | 3,010                     | 137,736                            |                           | 1,093                          |                                     | 1,943                   | 27,879            | 55,809                    | 83,978                         | 4,852                     | 584,227                        |
| 2005-06        | 231,918                        | 2,230                     | 127,000                            |                           | 911                            |                                     | 5,739                   | 26,426            | 51,710                    | 80,148                         | 4,562                     | 530,644                        |
| 2006-07        | 290,150                        | 1,470                     | 136,541                            |                           |                                | 31,731                              | 3,714                   | 24,736            | 94,356                    | 76,111                         | 5,280                     | 664,089                        |

| Fiscal<br>Year | Total<br>Primary<br>Government | Personal<br>Income | Percentage<br>of Personal<br>Income | Population<br>at July 1 | Debt<br>per Capita ( a ) |
|----------------|--------------------------------|--------------------|-------------------------------------|-------------------------|--------------------------|
| 1997-98        | \$ 384,434                     | \$ 17,687,372      | 2.17%                               | 817,851                 | \$ 470                   |
| 1998-99        | 339,192                        | 18,999,743         | 1.79%                               | 845,775                 | 401                      |
| 1999-00        | 349,955                        | 20,855,000         | 1.68%                               | 854,329                 | 410                      |
| 2000-01        | 370,881                        | 21,827,000         | 1.70%                               | 872,394                 | 425                      |
| 2001-02        | 440,959                        | 21,991,000         | 2.01%                               | 890,356                 | 495                      |
| 2002-03        | 483,463                        | 22,973,000         | 2.10%                               | 908,227                 | 532                      |
| 2003-04        | 515,686                        | 23,965,000         | 2.15%                               | 926,052                 | 557                      |
| 2004-05        | 584,227                        | 26,302,000         | 2.22%                               | 943,795                 | 619                      |
| 2005-06        | 530,644                        | 28,421,000         | 1.87%                               | 961,519                 | 552                      |
| 2006-07        | 664,089                        | 30,899,000         | 2.15%                               | 1,003,918               | 661                      |

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

Note: Details regarding outstanding debt can be found in Note 7 page 56 in Notes to the Financial Statements.

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

Exhibit D-14

| Fiscal Year | General<br>Obligation<br>Bond Debt | Flood Control<br>General<br>Obligation<br>Bond Debt | Debt Service<br>Funds<br>Available for<br>Principal | Net<br>General<br>Bond Debt | Secondary<br>Net Assessed<br>Value | Percent Net<br>General Bond<br>Debt to<br>Assessed<br>Value | Population<br>at July 1 | Net<br>General<br>Bond Debt<br>per Capita |
|-------------|------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------|------------------------------------|-------------------------------------------------------------|-------------------------|-------------------------------------------|
| 1997-98     | \$ 186,990                         | \$ 8,135                                            | \$ 10,931                                           | \$ 184,194                  | \$ 3,700,218                       | 4.98%                                                       | 817,851                 | \$ 225                                    |
| 1998-99     | 153,295                            | 7,360                                               | 6,827                                               | 153,828                     | 3,852,574                          | 3.99%                                                       | 845,775                 | 182                                       |
| 1999-00     | 173,985                            | 6,595                                               | 6,249                                               | 174,331                     | 4,000,624                          | 4.36%                                                       | 854,329                 | 204                                       |
| 2000-01     | 192,640                            | 5,840                                               | 4,309                                               | 194,171                     | 4,236,070                          | 4.58%                                                       | 872,394                 | 223                                       |
| 2001-02     | 183,381                            | 5,348                                               | 4,883                                               | 183,846                     | 4,491,395                          | 4.09%                                                       | 890,356                 | 206                                       |
| 2002-03     | 200,554                            | 4,585                                               | 2,226                                               | 202,913                     | 4,835,561                          | 4.20%                                                       | 908,227                 | 223                                       |
| 2003-04     | 232,553                            | 3,805                                               | 2,648                                               | 233,710                     | 5,221,271                          | 4.48%                                                       | 926,052                 | 252                                       |
| 2004-05     | 267,927                            | 3,010                                               | 8,899                                               | 262,038                     | 5,620,156                          | 4.66%                                                       | 943,795                 | 278                                       |
| 2005-06     | 231,918                            | 2,230                                               | 5,571                                               | 228,577                     | 6,050,950                          | 3.78%                                                       | 961,519                 | 238                                       |
| 2006-07     | 290,150                            | 1,470                                               | 7,431                                               | 284,189                     | 6,869,955                          | 4.14%                                                       | 1,003,918               | 283                                       |

Note: Details regarding outstanding debt can be found in Note 7 on page 56 in Notes to the Financial Statements.

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

Exhibit D-14a

| Fiscal<br>Year | Total<br>Overlapping<br>Debt | Secondary<br>Net Assessed<br>Value | Percentage<br>of Assessed<br>Value | Population<br>at July 1 | Debt<br>per Capita |
|----------------|------------------------------|------------------------------------|------------------------------------|-------------------------|--------------------|
| 1997-98        | \$ 1,124,003                 | \$ 3,700,218                       | 30.38%                             | 817,851                 | \$ 1,374           |
| 1998-99        | 1,090,052                    | 3,852,574                          | 28.29%                             | 845,775                 | 1,289              |
| 1999-00        | 1,067,544                    | 4,000,624                          | 26.68%                             | 854,329                 | 1,250              |
| 2000-01        | 1,135,282                    | 4,236,070                          | 26.80%                             | 872,394                 | 1,301              |
| 2001-02        | 1,134,289                    | 4,491,395                          | 25.25%                             | 890,356                 | 1,274              |
| 2002-03        | 1,129,103                    | 4,835,561                          | 23.35%                             | 908,227                 | 1,243              |
| 2003-04        | 1,091,892                    | 5,221,271                          | 20.91%                             | 926,052                 | 1,179              |
| 2004-05        | 1,185,435                    | 5,620,156                          | 21.09%                             | 943,795                 | 1,256              |
| 2005-06        | 1,146,388                    | 6,050,950                          | 18.95%                             | 961,519                 | 1,192              |
| 2006-07        | 1,107,662                    | 6,869,955                          | 16.12%                             | 1,003,918               | 1,103              |

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

PIMA COUNTY, ARIZONA  
Computation of Direct and Overlapping  
Governmental Activities Debt Outstanding  
At June 30, 2007  
(\$ amounts in thousands)

Exhibit D-15

| <u>Governmental Unit</u>                          | <u>Debt<br/>Outstanding</u> | <u>Amount<br/>Overlapping</u> |
|---------------------------------------------------|-----------------------------|-------------------------------|
| Debt repaid with property tax<br>School Districts | \$ 521,169                  | \$ 521,169                    |
| City of Tucson                                    | 294,774                     | <u>294,774</u>                |
| Total overlapping                                 |                             | <u>\$ 815,943</u>             |
| Debt repaid with property tax<br>Direct:          |                             |                               |
| Pima County *                                     | \$ 290,150                  | \$ 290,150                    |
| Flood Control District                            | 1,470                       | <u>1,470</u>                  |
| Total direct                                      |                             | <u>\$ 291,620</u>             |
| Other Debt:                                       |                             |                               |
| Certificates of participation                     | \$ 31,731                   | \$ 31,731                     |
| Jail capital lease                                | 24,636                      | 24,636                        |
| Other capital leases                              | 100                         | 100                           |
| Transportation bonds                              | 136,541                     | 136,541                       |
| Transportation loans                              | 3,714                       | <u>3,714</u>                  |
| Total other debt                                  |                             | <u>\$ 196,722</u>             |
| Total direct and overlapping debt                 |                             | <u><u>\$ 1,304,285</u></u>    |

\*Excludes improvement districts.

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

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

Exhibit D-16

|                                                                       | 1998              | 1999              | 2000              | 2001              | 2002              | 2003              | 2004              | 2005              | 2006              | 2007              |
|-----------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Assessed Value</b>                                                 | \$ 3,700,218      | \$ 3,852,574      | \$ 4,000,624      | \$ 4,236,070      | \$ 4,491,395      | \$ 4,835,561      | \$ 5,221,271      | \$ 5,620,156      | \$ 6,050,950      | \$ 6,869,955      |
| <b>Legal Debt Margin</b>                                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Debt limit (15% of assessed value)                                    | 555,033           | 577,886           | 600,094           | 635,410           | 673,709           | 725,334           | 783,191           | 843,023           | 907,643           | 1,030,493         |
| Debt applicable to limit:                                             |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| General obligation bonds                                              | 186,990           | 153,295           | 173,985           | 192,640           | 183,070           | 200,275           | 232,105           | 267,270           | 231,310           | 289,590           |
| Less: Net assets reserved for repayment of general obligation debt    | (11,844)          | (6,827)           | (6,249)           | (4,309)           | (4,883)           | (2,226)           | (2,648)           | (8,899)           | (5,571)           | (7,431)           |
| Total net debt applicable to the limit                                | 175,146           | 146,468           | 167,736           | 188,331           | 178,187           | 198,049           | 229,457           | 258,371           | 225,739           | 282,159           |
| Legal debt margin                                                     | <u>\$ 379,887</u> | <u>\$ 431,418</u> | <u>\$ 432,358</u> | <u>\$ 447,079</u> | <u>\$ 495,522</u> | <u>\$ 527,285</u> | <u>\$ 553,734</u> | <u>\$ 584,652</u> | <u>\$ 681,904</u> | <u>\$ 748,334</u> |
| Total net debt applicable to the limit as a percentage of debt limit. | 31.56%            | 25.35%            | 27.95%            | 29.64%            | 26.45%            | 27.30%            | 29.30%            | 30.65%            | 24.87%            | 27.38%            |

Note: General obligation debt may not exceed six percent of the value of the County's taxable property as of the latest assessment. However, Pima County received voter approval to increase the debt limit to fifteen percent of the value of taxable property. Amount reserved for payment of principal is the reserved fund balance of the Debt Service Fund.

See Notes to the Financial Statements (Note 7 page 63) for calculation of the legal debt margin for the current year.

PIMA COUNTY, ARIZONA  
Wastewater Management Liquid Waste Pledged Sewer Revenue Debt Coverage  
Last Ten Fiscal Years  
(amounts in thousands)

Exhibit D-17a

| Fiscal<br>Year | Sewer<br>User<br>Revenues (2) |         | Less:<br>Operating<br>Expense (3) |        | Available<br>Net Revenue | Debt Service (1) |          | Coverage<br>Ratio (4) |
|----------------|-------------------------------|---------|-----------------------------------|--------|--------------------------|------------------|----------|-----------------------|
|                |                               |         |                                   |        |                          | Principal        | Interest |                       |
| 1997-98        | \$                            | 48,235  | \$                                | 33,920 | \$ 14,315                | \$ 3,169         | \$ 5,594 | 1.63                  |
| 1998-99        |                               | 49,979  |                                   | 31,114 | 18,865                   | 4,727            | 5,031    | 1.93                  |
| 1999-00        |                               | 56,589  |                                   | 34,742 | 21,847                   | 5,006            | 4,650    | 2.26                  |
| 2000-01        |                               | 58,647  |                                   | 36,438 | 22,209                   | 6,611            | 4,783    | 1.95                  |
| 2001-02        |                               | 59,021  |                                   | 39,183 | 19,838                   | 8,887            | 5,704    | 1.36                  |
| 2002-03        |                               | 66,756  |                                   | 46,378 | 20,378                   | 9,235            | 5,666    | 1.37                  |
| 2003-04        |                               | 78,393  |                                   | 44,704 | 33,689                   | 9,656            | 5,990    | 2.15                  |
| 2004-05        |                               | 88,768  |                                   | 47,037 | 41,731                   | 9,501            | 5,706    | 2.74                  |
| 2005-06        |                               | 104,494 |                                   | 56,902 | 47,592                   | 11,073           | 5,350    | 2.90                  |
| 2006-07        |                               | 100,540 |                                   | 67,662 | 32,878                   | 13,072           | 6,976    | 1.64                  |

(1) Debt Service requirements include principal and interest payable in the 12 months following each fiscal year.

(2) Includes sewer connection fees.

(3) Excludes depreciation, interest expense and amortization.

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

Note: Details regarding outstanding debt can be found in Notes to Financial Statements.

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

Exhibit D-17b

| Fiscal<br>Year | Transportation<br>Revenue | Less:<br>Operating<br>Expense | Available<br>Net Revenue | Debt Service * |          | Coverage<br>Ratio |
|----------------|---------------------------|-------------------------------|--------------------------|----------------|----------|-------------------|
|                |                           |                               |                          | Principal      | Interest |                   |
| 1997-98        |                           |                               |                          |                |          |                   |
| 1998-99        | \$ 42,017                 | \$ 27,173                     | \$ 14,844                | \$ 4,000       | \$ 1,644 | 2.63              |
| 1999-00        | 52,345                    | 31,714                        | 20,631                   | 4,000          | 1,444    | 3.79              |
| 2000-01        | 53,264                    | 31,006                        | 22,258                   | 4,000          | 1,244    | 4.24              |
| 2001-02        | 50,599                    | 34,855                        | 15,744                   | 8,535          | 3,370    | 1.32              |
| 2002-03        | 51,852                    | 34,059                        | 17,793                   | 10,215         | 4,394    | 1.22              |
| 2003-04        | 55,777                    | 36,865                        | 18,912                   | 8,905          | 3,965    | 1.47              |
| 2004-05        | 57,819                    | 38,349                        | 19,470                   | 10,710         | 6,058    | 1.16              |
| 2005-06        | 61,944                    | 39,336                        | 22,608                   | 11,435         | 5,257    | 1.35              |
| 2006-07        | 64,781                    | 42,639                        | 22,142                   | 11,745         | 5,659    | 1.27              |

Note: Details regarding the County's outstanding debt can be found in Notes to Financial Statements.  
Operating expenditures do not include interest, depreciation, or amortization. There was no Transportation debt issued prior to FY 1998 - 1999.

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

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

Exhibit D-17c

| Fiscal<br>Year | Lease<br>Revenue | Less:<br>Operating<br>Expense | Available<br>Net Revenue | Debt Service |          | Coverage<br>Ratio |
|----------------|------------------|-------------------------------|--------------------------|--------------|----------|-------------------|
|                |                  |                               |                          | Principal    | Interest |                   |
| 1997-98        | \$ 8             | \$ 7                          | \$ 1                     | \$ 120       | \$ 82    | 0.00              |
| 1998-99        | 6                | 7                             | (1)                      | 125          | 75       | (0.01)            |
| 1999-00        | 6                | 7                             | (1)                      | 130          | 68       | (0.01)            |
| 2000-01        | 6                | 7                             | (1)                      | 140          | 61       | (0.00)            |
| 2001-02        | 2                | 7                             | (5)                      | 145          | 52       | (0.03)            |
| 2002-03        | 1                | 7                             | (6)                      | 155          | 31       | (0.03)            |
| 2003-04        | 0                | 27                            | (27)                     | 460          | 99       | (0.05)            |
| 2004-05 *      |                  |                               |                          |              |          |                   |
| 2005-06 *      |                  |                               |                          |              |          |                   |
| 2006-07 *      |                  |                               |                          |              |          |                   |

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

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

Exhibit D-18

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

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

Source: Pima County Finance and Risk Management Department

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

Exhibit D-19

| <u>Fiscal<br/>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt<br/>Service</u> | <u>Total General<br/>Expenditures *</u> | <u>Ratio<br/>of Debt Service<br/>To General<br/>Expenditures</u> |
|------------------------|------------------|-----------------|-------------------------------|-----------------------------------------|------------------------------------------------------------------|
| 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%                                                            |
| 2004-05                | 41,255           | 14,794          | 56,049                        | 589,708                                 | 9.5%                                                             |
| 2005-06                | 48,672           | 18,147          | 66,819                        | 640,336                                 | 10.4%                                                            |
| 2006-07                | 50,940           | 17,672          | 68,612                        | 689,968                                 | 9.9%                                                             |

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

## STATISTICAL SECTION

### **DEMOGRAPHIC AND ECONOMIC INFORMATION:**

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

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

PIMA COUNTY, ARIZONA  
Demographic and Economic Statistics  
Last Ten Years

Exhibit D-20

| Calendar<br>Year | Population<br>(a) | Personal<br>Income (b) | Per Capita<br>Personal<br>Income | Unemployment<br>Rate (a) |
|------------------|-------------------|------------------------|----------------------------------|--------------------------|
| 1998             | 817,851           | \$ 17,687,372          | \$ 21,468                        | 2.7%                     |
| 1999             | 845,775           | 18,999,743             | 22,464                           | 2.7%                     |
| 2000             | 854,329           | 20,855,000             | 24,057                           | 2.6%                     |
| 2001             | 872,394           | 21,827,000             | 24,698                           | 2.8%                     |
| 2002             | 890,356           | 21,991,000             | 24,787                           | 4.7%                     |
| 2003             | 908,227           | 22,973,000             | 25,395                           | 4.8%                     |
| 2004             | 926,052           | 23,965,000             | 25,797                           | 3.5%                     |
| 2005             | 943,795           | 26,302,000             | 27,599                           | 4.1%                     |
| 2006             | 961,519           | 28,421,000             | 28,894                           | 4.4%                     |
| 2007             | 1,003,918         | 30,899,000             | 30,813                           | 3.3%                     |

Note :

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

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

Exhibit D-21

| Employer                       | 1998          |      |                              | 1999          |      |                              | 2000          |      |                              | 2001          |      |                                    | 2002          |      |                                    |
|--------------------------------|---------------|------|------------------------------|---------------|------|------------------------------|---------------|------|------------------------------|---------------|------|------------------------------------|---------------|------|------------------------------------|
|                                | Employees     | Rank | Percent of County Employment | Employees     | Rank | Percent of County Employment | Employees     | Rank | Percent of County Employment | Employees     | Rank | Percent of Total County Employment | Employees     | Rank | Percent of Total County Employment |
| Fort Huachuca                  | 10,321        | 2    | 2.5%                         | 10,312        | 2    | 2.3%                         | 11,140        | 1    | 2.8%                         | 11,376        | 1    | 2.9%                               | 10,969        | 2    | 2.8%                               |
| Raytheon                       | 7,700         | 6    | 1.8%                         | 7,700         | 6    | 1.7%                         | 9,800         | 4    | 2.5%                         | 10,149        | 3    | 2.6%                               | 10,400        | 3    | 2.6%                               |
| University of Arizona          | 10,416        | 1    | 2.5%                         | 10,520        | 1    | 2.4%                         | 10,850        | 2    | 2.8%                         | 11,032        | 2    | 2.8%                               | 11,606        | 1    | 2.9%                               |
| State of Arizona               | 9,763         | 3    | 2.3%                         | 9,694         | 3    | 2.2%                         | 10,071        | 3    | 2.6%                         | 9,978         | 4    | 2.5%                               | 9,932         | 4    | 2.5%                               |
| Davis Monthan AFB              | 8,362         | 4    | 2.0%                         | 8,352         | 4    | 1.9%                         | 8,346         | 5    | 2.1%                         | 8,796         | 6    | 2.2%                               | 9,200         | 5    | 2.3%                               |
| Tucson Unified School District | 8,115         | 5    | 1.9%                         | 8,187         | 5    | 1.9%                         | 8,239         | 6    | 2.1%                         | 9,102         | 5    | 2.3%                               | 8,278         | 6    | 2.1%                               |
| Pima County Government         | 6,686         | 7    | 1.6%                         | 7,028         | 7    | 1.6%                         | 6,832         | 7    | 1.7%                         | 7,119         | 7    | 1.8%                               | 7,175         | 7    | 1.8%                               |
| City of Tucson                 | 5,420         | 8    | 1.3%                         | 5,497         | 8    | 1.2%                         | 5,494         | 8    | 1.4%                         | 6,058         | 8    | 1.5%                               | 5,933         | 8    | 1.5%                               |
| T M C HealthCare Inc.          |               |      |                              | 3,060         | 10   | 0.7%                         |               |      |                              |               |      |                                    | 3,800         | 9    | 1.0%                               |
| B H P Copper                   | 3,679         | 10   | 0.9%                         |               |      |                              |               |      |                              |               |      |                                    |               |      |                                    |
| Phelps Dodge                   |               |      |                              |               |      |                              | 3,275         | 10   | 0.8%                         | 4,200         | 9    | 1.1%                               | 3,783         | 10   | 1.0%                               |
| Carondelet Health Network      | 4,041         | 9    | 1.0%                         | 5,497         | 9    | 1.2%                         | 3,596         | 9    | 0.9%                         | 3,329         | 10   | 0.8%                               |               |      |                                    |
| Total                          | <u>74,503</u> |      | 17.8%                        | <u>75,847</u> |      | 17.1%                        | <u>77,643</u> |      | 19.7%                        | <u>81,139</u> |      | 20.5%                              | <u>81,076</u> |      | 20.5%                              |

|                  |         |         |         |         |         |
|------------------|---------|---------|---------|---------|---------|
| Total Work Force | 421,039 | 440,254 | 394,100 | 393,200 | 397,900 |
|------------------|---------|---------|---------|---------|---------|

(continued)

Note: Data is obtained from [www.azstarnet.com/sn/star200](http://www.azstarnet.com/sn/star200), a website of the Arizona Daily Star.

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

Exhibit D-21

(continued)

| Employer                             | 2003          |      |                                    | 2004          |      |                                    | 2005          |      |                                    | 2006          |      |                                    | 2007          |      |                                    |
|--------------------------------------|---------------|------|------------------------------------|---------------|------|------------------------------------|---------------|------|------------------------------------|---------------|------|------------------------------------|---------------|------|------------------------------------|
|                                      | Employees     | Rank | Percent of Total County Employment | Employees     | Rank | Percent of Total County Employment | Employees     | Rank | Percent of Total County Employment | Employees     | Rank | Percent of Total County Employment | Employees     | Rank | Percent of Total County Employment |
| Raytheon                             | 10,100        | 3    | 2.4%                               | 10,171        | 2    | 2.4%                               | 10,300        | 3    | 2.3%                               | 10,756        | 2    | 2.4%                               | 11,184        | 1    | 2.5%                               |
| University of Arizona                | 11,335        | 2    | 2.7%                               | 10,078        | 3    | 2.3%                               | 10,348        | 2    | 2.3%                               | 10,282        | 3    | 2.3%                               | 10,354        | 2    | 2.3%                               |
| State of Arizona                     | 9,732         | 5    | 2.3%                               | 9,753         | 4    | 2.3%                               | 9,750         | 4    | 2.2%                               | 9,742         | 4    | 2.2%                               | 9,927         | 3    | 2.2%                               |
| Fort Huachuca                        | 11,580        | 1    | 2.7%                               | 11,939        | 1    | 2.8%                               | 12,250        | 1    | 2.8%                               | 13,098        | 1    | 3.0%                               | 9,119         | 4    | 2.0%                               |
| Davis Monthan AFB                    | 9,947         | 4    | 2.3%                               | 7,692         | 5    | 1.8%                               | 8,727         | 5    | 2.0%                               | 8,233         | 5    | 1.9%                               | 8,233         | 5    | 1.8%                               |
| Tucson Unified School District       | 8,234         | 6    | 1.9%                               | 7,690         | 6    | 1.8%                               | 7,684         | 6    | 1.7%                               | 7,623         | 6    | 1.7%                               | 7,419         | 6    | 1.6%                               |
| Pima County Government               | 7,135         | 7    | 1.7%                               | 6,987         | 7    | 1.6%                               | 6,767         | 7    | 1.5%                               | 6,765         | 7    | 1.5%                               | 7,290         | 7    | 1.6%                               |
| City of Tucson                       | 6,168         | 8    | 1.5%                               | 5,495         | 8    | 1.3%                               | 6,757         | 8    | 1.5%                               | 5,306         | 8    | 1.2%                               | 5,848         | 8    | 1.3%                               |
| Wal-Mart Stores, Inc.                | 4,000         | 9    | 0.9%                               | 4,420         | 9    | 1.0%                               | 4,595         | 9    | 1.0%                               | 4,980         | 9    | 1.1%                               | 5,625         | 9    | 1.2%                               |
| Phelps Dodge<br>Tohono O'odam Nation | 3,375         | 10   | 0.8%                               | 3,515         | 10   | 0.8%                               | 4,500         | 10   | 1.0%                               | 4,123         | 10   | 0.9%                               | 4,900         | 10   | 1.1%                               |
| Carondelet Health Network            |               |      |                                    |               |      |                                    |               |      |                                    |               |      |                                    |               |      |                                    |
| Total                                | <u>81,606</u> |      | 19.2%                              | <u>77,740</u> |      | 18.1%                              | <u>81,678</u> |      | 18.3%                              | <u>80,908</u> |      | 18.2%                              | <u>79,899</u> |      | 17.6%                              |
| Total Work Force                     |               |      | 424,400                            |               |      | 431,400                            |               |      | 443,100                            |               |      | 443,300                            |               |      | 453,500                            |

Note: Data is obtained from [www.azstarnet.com/sn/star200](http://www.azstarnet.com/sn/star200), a website of the Arizona Daily Star.

PIMA COUNTY, ARIZONA  
Population and Employment  
Last Ten Calendar Years

Exhibit D-22

| Calendar<br>Year | Population | Civilian<br>Labor<br>Force | Total<br>Unemployment<br>Rate | EMPLOYMENT |              |               |                        |                                          |
|------------------|------------|----------------------------|-------------------------------|------------|--------------|---------------|------------------------|------------------------------------------|
|                  |            |                            |                               | Mining     | Construction | Manufacturing | Trades and<br>Services | Finance,<br>Insurance and<br>Real Estate |
| 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                                   |
| 2005             | 943,795    | 443,100                    | 4.1%                          | 1,500      | 26,600       | 28,600        | 199,300                | 18,200                                   |
| 2006             | 961,519    | 443,300                    | 4.4%                          | 1,700      | 28,500       | 29,300        | 219,200                | 17,500                                   |
| 2007             | 1,003,918  | 453,500                    | 3.3%                          | 1,900      | 28,100       | 29,000        | 228,600                | 17,800                                   |

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

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

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

Exhibit D-23

| Calendar<br>Year | Transportation        |                          |                  |                    | Real Estate                 |                      |                             |
|------------------|-----------------------|--------------------------|------------------|--------------------|-----------------------------|----------------------|-----------------------------|
|                  | Aircraft<br>Movements | No. of Air<br>Passengers | Bus<br>Ridership | Riders<br>Per Mile | Residential<br>Bldg Permits | Multiple<br>Listings | Sales Volume<br>In \$ 000's |
| 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               | 2,899,012                   |
| 2005             | 261,037               | 3,928,773                | 15,847,429       | 2.00               | 12,103                      | 17,039               | 3,908,054                   |
| 2006             | 289,440               | 4,251,710                | 17,179,275       | 2.18               | 11,903                      | 16,630               | 4,462,020                   |
| 2007             | 263,910               | 4,284,880                | 17,857,865       | 2.21               | 6,265                       | 13,821               | 3,757,536                   |

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

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

Exhibit D-24

| Calendar<br>Year | Aggregate<br>Retail<br>Sales | Construction Activity  |                                     | Bank<br>Deposits |
|------------------|------------------------------|------------------------|-------------------------------------|------------------|
|                  |                              | Construction<br>Awards | No. of Dwelling<br>Units<br>Awarded |                  |
| 1998             | \$ 7,260,497                 | \$ 1,001,909           | 5,667                               | \$ 5,280,000     |
| 1999             | 7,807,773                    | 1,041,542              | 8,806                               | 5,737,000        |
| 2000             | 8,170,826                    | 1,561,110              | 8,489                               | 5,619,000        |
| 2001             | 8,632,021                    | 1,536,760              | 7,694                               | 5,664,000        |
| 2002             | 8,728,079                    | 1,678,354              | 7,716                               | 6,554,000        |
| 2003             | 8,804,946                    |                        | 8,015                               | 7,175,000        |
| 2004             | 9,550,501                    |                        | 9,281                               | 7,895,000        |
| 2005             | 10,366,181                   |                        | 12,640                              | 9,013,000        |
| 2006             | 11,478,781                   |                        | 10,313                              | 10,134,000       |
| 2007             | 11,829,081                   |                        | 6,110                               | 10,497,000       |

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

PIMA COUNTY, ARIZONA  
Population Statistics  
June 30, 2007

Exhibit D-25

| <u>Age Group</u> | <u>Population</u> |
|------------------|-------------------|
| 0-4              | 66,930            |
| 5-9              | 64,763            |
| 10-14            | 61,594            |
| 15-19            | 66,407            |
| 20-24            | 72,539            |
| 25-39            | 207,374           |
| 40-54            | 203,426           |
| 55-59            | 61,104            |
| 60-64            | 50,353            |
| 65-69            | 39,540            |
| 70-74            | 34,089            |
| 75+              | 75,799            |
| Total            | <u>1,003,918</u>  |

POPULATION PROJECTIONS

| <u>Year</u> | <u>Projected<br/>Population</u> |
|-------------|---------------------------------|
| 2007        | 1,003,918                       |
| 2010        | 1,070,723                       |
| 2015        | 1,175,967                       |
| 2020        | 1,271,912                       |
| 2040        | 1,585,983                       |
| 2050        | 1,709,026                       |

Source: Arizona Department of Economic Security

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

Exhibit D-26

| <u>Calendar<br/>Year</u> | <u>Average Jail<br/>Population</u> |
|--------------------------|------------------------------------|
| 1997                     | 1,229                              |
| 1998                     | 1,362                              |
| 1999                     | 1,339                              |
| 2000                     | 1,330                              |
| 2001                     | 1,481                              |
| 2002                     | 1,462                              |
| 2003                     | 1,539                              |
| 2004                     | 1,739                              |
| 2005                     | 2,009                              |
| 2006                     | 2,028                              |

Source: Pima County Sheriff's Department

## STATISTICAL SECTION

### **OPERATING INFORMATION:**

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

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

PIMA COUNTY, ARIZONA  
Employees by Function  
Last Five Fiscal Years

Exhibit D-27

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

Note:

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

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

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

Variances can also be noted in the Business Activities categories due to the closure of Kino Hospital which resulted in the absorption of some Kino employees into Pima Health System & Services and the transference of Solid Waste operations to Sanitation, a governmental activity.

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

Exhibit D-28

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

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

Exhibit D-29

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

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

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

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