

2017

Comprehensive Annual Financial Report



Pima County, Arizona
For the Fiscal Year Ended June 30, 2017

**PIMA COUNTY, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

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Deputy County Administrator for Administration

Tom Burke

Prepared by the Department of Finance and Risk Management

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PIMA COUNTY

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INTRODUCTORY SECTION

Letter of Transmittal

Certificate of Achievement for Excellence in Financial Reporting

Organizational Chart

FINANCIAL SECTION

STATISTICAL SECTION

INTRODUCTORY SECTION

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



COUNTY ADMINISTRATOR'S OFFICE

PIMA COUNTY GOVERNMENTAL CENTER
130 W. CONGRESS, FLOOR 10, TUCSON, AZ 85701-1317
(520) 724-8661 FAX (520) 724-8171

C.H. HUCKELBERRY
County Administrator

December 18, 2017

To the Honorable Board of Supervisors and Citizens of Pima County, Arizona:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Pima County for the fiscal year ended June 30, 2017. This report presents comprehensive financial and operating information about the County's activities for the fiscal year.

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. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. The State of Arizona Office of the Auditor General is required to audit financial transactions and accounts kept by counties. The Auditor General has issued an unmodified ("clean") opinion on the Pima County financial statements for the year ended June 30, 2017. The Auditor General's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Comprehensive Annual Financial Report consists of three sections:

- The **INTRODUCTORY** section describes the organizational structure of the County, the nature and scope of its services, and the specifics of its legal operating environment.
- The **FINANCIAL** section includes the Auditor General's report, the MD&A, the audited basic financial statements, the 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.
- The **STATISTICAL** section contains comprehensive statistical data on the County's financial, physical, economic, and demographic characteristics.

Pima County Profile

Covering an area of approximately 9,200 square miles, Pima County is one of the oldest continuously inhabited areas of the United States. It is situated in the southern part of Arizona with a portion of its southern boundary bordering Mexico. Created in 1864, Pima County includes a large portion of southern Arizona acquired from Mexico by the Gadsden Purchase of 1854. Pima County has purchased thousands of acres of open space and ranches to preserve and protect the stunning landscapes and historic and cultural sites. The County's population has grown from 395 in 1820 to an estimated population of 1,025,044 in 2017, according to the Arizona Department of Administration, Office of Employment and Population Statistics. The County has a vibrant multicultural diversity. A major commercial and academic hub, Pima County is home to Tucson, the second largest city in Arizona. Although the County has five incorporated cities and towns, more than a third of the population lives outside of any incorporated cities or towns.

A five-member Board of Supervisors is responsible for implementing the County's governmental and administrative affairs. Each member is elected from a designated district to serve a four-year term. The chairman is selected by the Board from among its members. The Board is responsible for establishing the policies of the County, which provide guidance to the various County constitutional officers and departments. The Board has the legal authority and responsibility to establish spending limits and approve the budgets of all County departments, and also sets the amount of taxes to be levied. The Board appoints a County Administrator who is responsible for the general administrative and overall operations of the various departments of the County. The County has several other elected officials including the Assessor, County Attorney, Recorder, Sheriff, Clerk of the Superior Court, the Constables, Superintendent of Schools, Treasurer, and Judges for the Superior Courts, Juvenile Courts, and Justice Courts.

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

Pima County offers a wide variety of governmental services that are organized into the following functional areas:

- *General Government Services* primarily provides internal administrative and support services to County departments directly serving the public. The departments comprising this function include the Assessor; Board of Supervisors; Clerk of the Board; Communications and Graphic Services; County Administrator; Elections; Facilities Management; Finance and Risk Management; Fleet Services; General Government Services Administration; Human Resources; Information Technology; Non Departmental; Procurement; Recorder; and Treasurer.
- *Community Resources* provides educational, cultural, social, economic development and recreational programs to the public. The departments in this functional area are Attractions and Tourism; Community and Economic Development & Grants Data Office; Community Development and Neighborhood Conservation; Community Services, Employment and Training; County Free Library; Kino Sports Complex; Natural Resources, Parks and Recreation; Rocking K South Community Facilities District; School Superintendent; and the Stadium District.
- *Justice and Law* provides public safety, felony and misdemeanor investigation and prosecution, and services for victims, witnesses, and those needing fiduciary assistance. Services are also provided in the areas of indigent defense, civil representation, correctional housing, and juvenile detention. The departments within this area are the Clerk of the Superior Court; Constables; County Attorney; Medical Examiner; Justice Courts; Juvenile Court; Public Defense Services; Sheriff; and Superior Court.
- *Health Services* provides various public health, sanitation, and animal control services, as well as medical assistance to indigents. The component departments are Behavioral Health; Environmental Quality; Health;

Office of Emergency Management and Homeland Security, Pima Animal Care Center, and Wireless Integrated Network.

- *Public Works* provides construction, operations, and maintenance services related to the County's infrastructure and related planning and environmental issues. The departments within this area are Capital Projects; Development Services; Office of Sustainability and Conservation, Public Works Administration; Real Property; Regional Flood Control District; Regional Wastewater Reclamation; and Transportation.

Pima County is 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.

The County's component units include the following:

- The *Pima County Stadium District*, the *Regional Flood Control District*, the *Library District*, the *Rocking K South Community Facilities District*, and the *Street Lighting Districts* are reported as blended component units in special revenue funds in the accompanying financial statements.
- The *Southwestern Fair Commission* is reported as a separate component unit (discrete presentation) in the accompanying financial statements.

Additional information on the legally separate entities and the blended component units can be found in the notes to the financial statements (see Note 1).

The County also has various independently governed school districts, irrigation districts, fire districts, a health district (Ajo-Lukeville), and 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, the Workforce Investment Board, Regional Transportation Authority, and Sun Corridor, Inc. 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.

Following receipt of the County Administrator's Recommended Budget and public discussion of the Recommended Budget, the Board of Supervisors historically adopts a budget in June. A budget must be adopted on or before the first Monday in August. The Adopted Budget sets a ceiling on expenditures that may be incurred for the County as a whole. This annual budget serves as the foundation for Pima County's financial planning and control. Pima County has implemented a program-oriented presentation of its budget. All departments are budgeted on a cost unit/object line item basis. Departments may modify line item amounts within their own budgets provided the total program budgeted amount remains unchanged. Changes to the adopted budget that require a transfer between funds are evaluated by the County Administrator prior to recommendation of approval to the Board of Supervisors. Should the County Administrator recommend the change to the Board of Supervisors, the recommendation will be considered at a regularly scheduled, open meeting of the Board.

On an annual basis, the County Administrator's office prepares a five-year Capital Improvement Plan and a one-year Capital Improvement Budget.

Economic Outlook

Pima County's major employers are the University of Arizona, Raytheon Missile Systems, State of Arizona, and Davis-Monthan Air Force Base. Major manufacturers include Ventana Medical Systems, IBM and several aerospace and aircraft companies including Raytheon Missile Systems, Bombardier Aerospace, and Honeywell Aerospace. Employment by industry is led by government; educational and health services; trade, transportation and utilities; professional and business services; and leisure and hospitality. The Pima County unemployment rate has continually declined on an annual basis to 5.0% in 2016, after reaching a peak of 9.4% in 2010. The decline in Pima County's unemployment rate has been slightly less than the decrease in the national unemployment rate, which was

9.6% in 2010 and had fallen to 4.9% in 2016. Nearly half of Pima County's population is in the prime working age range of 18 to 54.

A sunny, mild, dry climate with an average temperature of 71°F and a unique desert location help promote travel and tourism as a major industry in Pima County. Spending by visitors generates sales in lodging, food services, recreation, transportation, and retail businesses. These sales support jobs for Pima County residents and contribute tax revenues to local and state governments. According to recent research data released by the Arizona Office of Tourism, Pima County direct travel spending generated approximately \$2.70 billion (12.7% of Arizona direct travel spending) in 2016. This direct travel spending generated 24,700 direct jobs, \$693 million in direct earnings and \$197 million in local and state tax revenues. Unlike other industries, taxes generated by travel industry spending are paid by visitors rather than residents. These visitors bring new money into Pima County's economy and generate revenue in the County. Some of the best world-class attractions in Arizona are found in Pima County, such as the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. There are several signature events which draw many tourists to the area and have a significant economic impact on the County, including the following:

- The area's largest annual event is the two-week Tucson Gem, Mineral and Fossil Showcase, the largest event of its kind in the world, which attracts an estimated 50,000 people to Tucson and has an estimated economic impact of \$120 million in direct spending and nearly \$11 million in sales, bed, and rental car tax revenues.
- The annual El Tour de Tucson is Southern Arizona's largest bicycling event, attracting more than 9,000 cyclists and 30,000 spectators. El Tour's annual economic impact is estimated to be \$17 to \$25 million on ride weekend alone and \$65 to \$175 million year-round.

Please refer to the MD&A beginning on page 15 for additional information regarding the County's economic outlook.

Long-term Financial Planning

Pima Prospers is Pima County's ten-year comprehensive plan establishing a vision and overarching principles for the County in areas such as land use, physical infrastructure, human infrastructure, and economic development. The County's annual budget, capital improvement plan, and debt management strategies are aligned with this comprehensive plan. Pima Prospers, including the planning for its financial impacts, can be found at www.pimaprospers.com.

Pima County's Economic Development Plan is a shorter term plan focusing on the County's future actions to help create new jobs, protect our existing jobs, improve transportation, promote tourism, and enhance relationships with our economic partners. Regional infrastructure investment is a significant component of the County's Economic Development Plan. Some of these economic development projects and financing can be seen in the Capital Improvement Plan and Debt Management sections below.

Capital Improvement Plan

The Adopted Budget for fiscal year 2017-2018 includes \$183 million for its Capital Improvement Plan (CIP). Under this plan, four departments comprise 94% of the total CIP budget as follows:

- Transportation, with a budget of \$70 million
- Regional Wastewater Reclamation, with a budget of \$49 million
- Facilities Management, with a budget of \$40 million
- Regional Flood Control District, with a budget of \$13 million

Transportation - The Department of Transportation projects are funded by highway user revenues, vehicle license tax revenues and from funding received from the Pima County Regional Transportation Authority, a taxing entity distinct from Pima County. Transportation has four major projects included in the fiscal year 2017-2018 budget:

- Local Roads – Pavement Repair & Rehabilitation is budgeted for \$19.5 million.
- Broadway Blvd., Euclid to Country Club is budgeted for \$10.0 million.
- Cortaro Farms Road, Camino de Oeste to Thornydale is budgeted for \$9.7 million.
- Valencia Road/Wade Road to Ajo Highway is budgeted for \$5.3 million.

Regional Wastewater Reclamation – The Regional Wastewater Reclamation Department (RWRD) projects are predominantly funded by Sewer Revenue Obligations. RWRD has a total fiscal year 2017-2018 budget of \$49 million with the following major projects included:

- Minor Rehabilitation Projects are budgeted for \$10.0 million.
- Southeast Interceptor Augmentation project is budgeted for \$6.9 million.
- Continental Ranch Regional Pump Station Modification project is budgeted for \$5.5 million.
- Tres Rios Wastewater Reclamation Facility Nutrient Recovery Project is budgeted for \$4.0 million.

Facilities Management –Facilities Management is budgeted for several ongoing projects. Three of the major projects included in the fiscal year 2017-2018 are the following:

- Pima Animal Care Center project is budgeted for \$13.6 million.
- Old Courthouse – Core & Shell is budgeted for \$6.9 million.
- Old Courthouse – Renovations & Tenant Improvements is budgeted for \$5.5 million.

Regional Flood Control District – The Regional Flood Control District has active projects with a total budget of \$13 million. Major projects include:

- Pantano Wash: Ft. Lowell Park to Tanque Verde Road project is budgeted for \$2.7 million.
- Santa Cruz River Maintenance is budgeted for \$2.5 million.

Debt Management

Bond ratings for Pima County, given by Fitch and Standard & Poor's, range from A+ to AAA. Pima County maintains a sound financial profile, with healthy operating reserves while its debt burden is manageable and debt repayment is rapid.

Pima County continues to utilize debt authorized by Pima County voters in elections from 1997, 2004, 2006 and 2014. At June 30, 2017, \$73.4 million from the November 4, 1997 election for Street and Highway Revenue is the only authorization that remains unissued. The County issues Certificates of Participation for building construction and Sewer Revenue Obligations to fund the construction and improvement of the County's wastewater conveyance systems and treatment facilities.

Bond sales and debt issuances anticipated for fiscal year 2017-2018 include \$45 million of Sewer Obligations, \$64 million of Certificates of Participation, and \$12 million of Street and Highway Revenue bonds.

The County's conservative debt management principles play a critical role in the decision regarding when to issue new debt. The County has set an aggressive debt repayment schedule, with 100 percent retired at or before 15 years.

The state constitution sets a cap on general obligation debt at 15 percent of the County's net secondary assessed valuation. In fiscal year 2016-2017, the constitutional debt limit was \$1.2 billion. The actual bonded indebtedness was \$321 million, far below the constitutional debt limit.

Please refer to the MD&A beginning on page 15 and Note 7 beginning on page 65 for specific details on debt issuances, defeasances, and refundings.

Expenditure Limitation

Pima County, like all counties and cities in Arizona, is subject to numerous budgetary and related legal requirements. Article 9, Section 20, of the Arizona Constitution sets limits on the County's legal budget capacity. In general, the Board of Supervisors, as the governing body of the County, cannot authorize expenditures from local revenues in excess of the expenditure limitation determined annually for Pima County by the Arizona Economic Estimates Commission. The expenditure limitation is determined each year by adjusting the amount of actual payments of local revenues received by the County during fiscal year 1979-1980 to reflect inflation and subsequent population growth for the County. Not subject to this limitation are items such as bond proceeds, related debt service, interest earnings, special voter approved districts, certain highway user revenue funds, federal grant and aid funds, monies received pursuant to intergovernmental agreements, and state grants which are to be used for specific purposes. As in previous years, the County's expenditures for fiscal year 2016-2017 are expected to be under the limit of \$550.1 million.

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. An important part of management's periodic evaluation is having the County's federal financial assistance programs audited annually under the federal Single Audit Act.

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

A complete Single Audit report for the fiscal year ended June 30, 2016 can be found at:

<http://www.pima.gov/finance/reports.shtml>

The Single Audit for Pima County for the fiscal year ended June 30, 2017 was not complete at the time of publication of this CAFR.

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.

Awards

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 (CAFR) for the fiscal year ended June 30, 2016. Pima County has received this prestigious award for thirty years from fiscal years ended June 30, 1984 through 2016, except for fiscal years ended June 30, 1990 and June 30, 1999, due to missing the filing deadline. In order to be awarded a Certificate of Achievement, the County had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Pima County also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2016-2017 budget document. This was the nineteenth consecutive year that Pima County has achieved this award. To qualify for the Distinguished Budget Presentation Award, Pima County's budget had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Acknowledgments

The preparation of this report could not have been possible without the skill, effort, and dedication of the entire staff of the County's Finance and Risk Management Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Board of Supervisors for its unfailing support for maintaining the highest standards of professionalism in the management of Pima County's finances.

Respectfully submitted,

C. H. Huckelberry
County Administrator

Tom Burke
Deputy County Administrator

Keith Dommer
Director, Finance and Risk Management



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

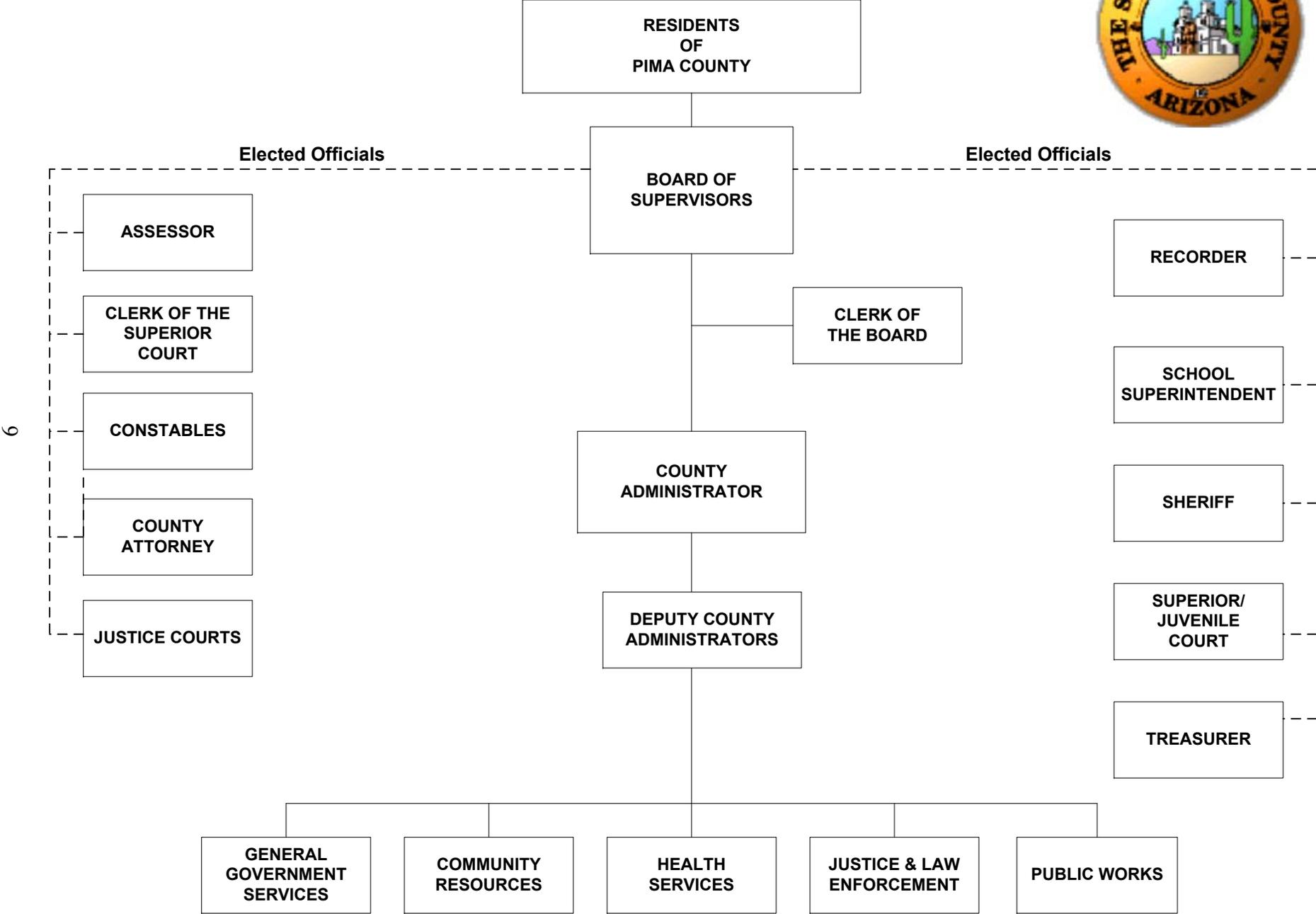
**Pima County
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

PIMA COUNTY ORGANIZATIONAL CHART



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PIMA COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

INTRODUCTORY SECTION

FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Required Supplementary Information Other than Management's Discussion and Analysis

Combining Statements and Other Schedules

STATISTICAL SECTION

FINANCIAL SECTION

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



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent auditors' report

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain departments, one major fund, and the discretely presented component unit, which account for the following percentages of the assets and deferred outflows, liabilities and deferred inflows, revenues, and expenses or expenditures of the opinion units affected.

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
<u>Government-wide statements</u>				
Governmental activities:				
Stadium District	1.57%	0.57%	0.53%	0.80%
School reserve fund	0.06%	0.16%	0.22%	0.26%
Wireless Integrated Network	0.08%	0.02%	0.34%	0.36%
Self-insurance trust	3.06%	2.60%	1.90%	1.17%
Health benefit trust	1.47%	0.62%	7.95%	7.71%
Business-type activities:				
Regional Wastewater Reclamation Department	98.14%	98.79%	94.44%	94.56%
Development Services	0.31%	1.11%	4.81%	4.02%
Discretely presented component unit:				
Southwestern Fair Commission	100.00%	100.00%	100.00%	100.00%
<u>Fund statements</u>				
Major fund:				
Regional Wastewater Reclamation Department				
Enterprise fund	100.00%	100.00%	100.00%	100.00%

Opinion unit/department	Assets and deferred outflows	Liabilities and deferred inflows	Revenues	Expenses/ expenditures
Aggregate remaining fund information:				
Stadium District	0.10%	1.97%	0.27%	0.32%
School reserve fund	0.16%	0.10%	0.07%	0.08%
Wireless Integrated Network	0.34%	0.17%	0.11%	0.11%
Development Services	0.74%	4.42%	0.30%	0.24%
Self-insurance trust	13.15%	23.68%	0.62%	0.35%
Health benefit trust	6.29%	5.67%	2.58%	2.28%

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other matters

Required supplementary information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15 through 33, budgetary comparison schedules on pages 99 and 100, schedule of the County's proportionate share of the net pension liability—cost-sharing pension plans on page 101, schedule of changes in the county's net pension liability and related ratios—agent pension plans on pages 102 and 103, schedule of county pension contributions on page 104, and schedule of agent OPEB plans' funding progress on page 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and schedules and the introductory and statistical sections 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 are management's responsibility and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to use highway user revenue fund monies the County received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the County received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties within the County and is not intended to be and should not be used by anyone other than these specified parties.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we will 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 solely 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Debbie Davenport
Auditor General

December 18, 2017

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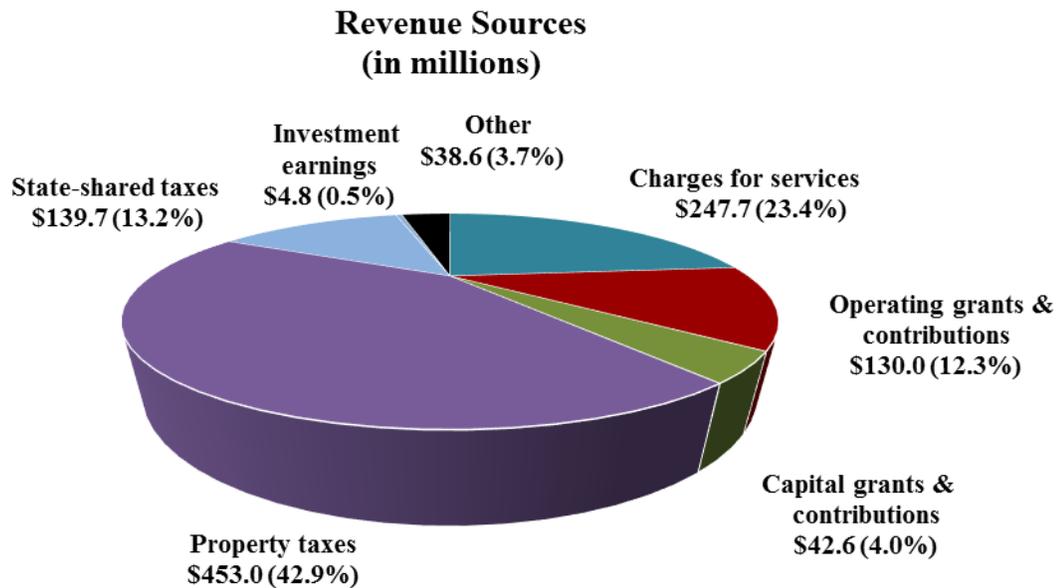
Management's Discussion and Analysis

Pima County, Arizona
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the year ended June 30, 2017. Please read it in conjunction with the transmittal letter, which begins on page 1 and the County's basic financial statements, which begin on page 35. All dollar amounts are expressed in thousands (000's) unless otherwise noted.

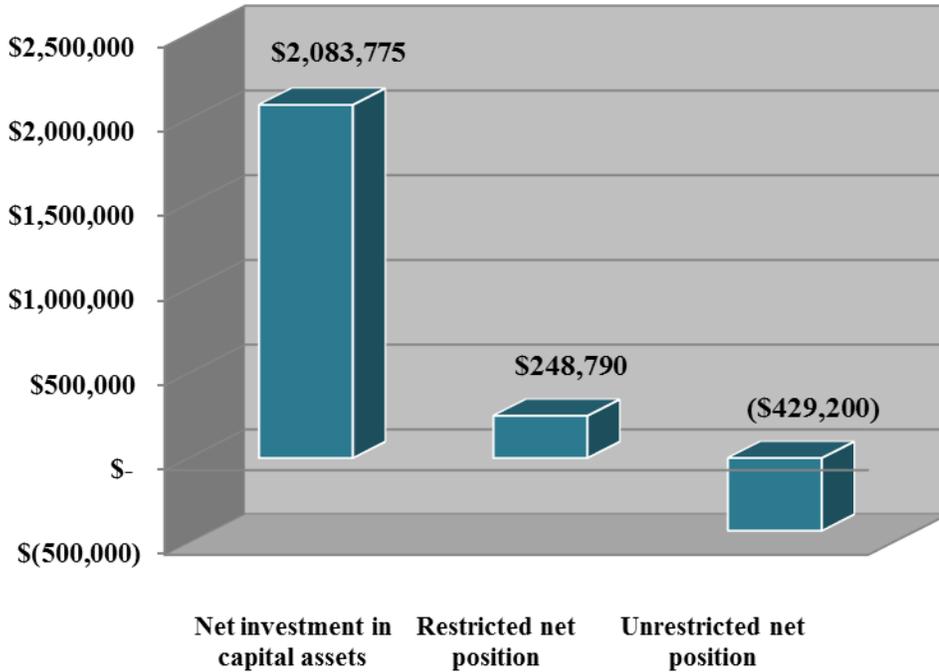
Financial Highlights

- The County's total net position increased \$73,129; a change of \$25,619 when compared to the prior year's increase of \$47,510. The change is primarily due to increases in charges for services revenues of \$9,405, property tax revenues of \$8,810, and State-shared tax revenues of \$5,415.
- The County issued \$147,750 in General Obligation bonds to finance a variety of voter-authorized projects (\$25,680), including the new Pima Animal Care Center and refund a portion of existing bonds (\$122,070). The County also issued \$28,315 in Transportation Revenue Bonds to refund a portion of existing bonds. In addition, the County issued \$256,595 in Sewer Revenue Obligations to finance the construction, expansion, and improvement of sewer treatment facilities and conveyance systems (\$45,000) and refund a portion of existing obligations (\$211,595). These debt refunding issuances resulted in a reduction in future debt service payments of \$29,347.
- The County's primary sources of revenue come from property taxes, charges for services, grants and contributions, and state shared taxes as displayed below:



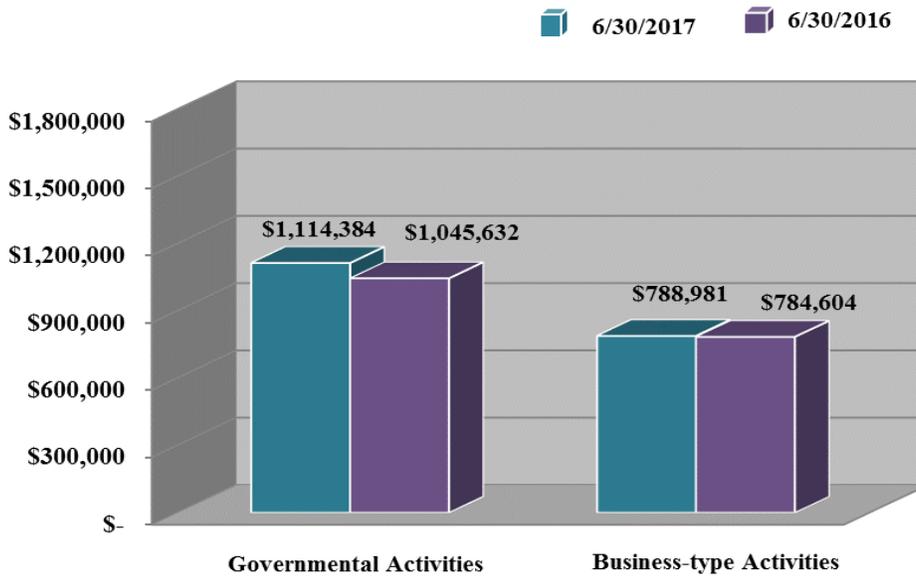
- The County's total net position at June 30, 2017, is \$1,903,365. Composition of net position is illustrated in the following chart.

Composition of Net Position, as of June 30, 2017

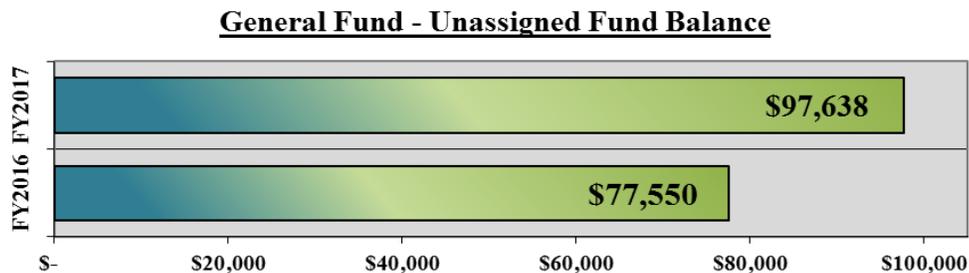


- Governmental Activities total net position at June 30, 2017, is \$1,114,384, representing an increase of \$68,752 (6.6%) from the prior fiscal year, primarily due to increases of \$40,336 in net operating transfers, \$8,810 in property taxes, \$5,415 in State-shared taxes, \$4,952 in charges for services revenues, and a \$4,900 decrease in overall expenses. Business-type Activities total net position of \$788,981 increased by \$4,377 (0.6%) in the current fiscal year, primarily due to an increase of \$4,453 in Charges for services revenues.

Comparative Total Net Position



- The current fiscal year's General Fund unassigned fund balance of \$97,638 is an increase of \$20,088 (25.9%) from \$77,550 in the prior fiscal year, primarily due to an increase in intergovernmental revenues of \$8,357 from State-shared sales and vehicle registration taxes and also an increase in property tax revenues of \$4,764. The unassigned fund balance comprises 95.7% of the total fund balance of \$102,036.



Overview of the Financial Statements

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

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

The *statement of net position* presents information on all County assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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*) in contrast to other functions that are intended to recover all or a portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and education and economic opportunity. The business-type activities of the County include: Regional Wastewater Reclamation (RWR), Development Services, and the County's downtown parking garages.

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

The government-wide financial statements can be found on pages 35-37.

Fund financial statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance with applicable state statutes and Federal Office of Management and Budget 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 fund 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 fund balance sheet and the governmental fund 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 sixteen individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Projects, and Debt Service funds, which are reported as major 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.

The governmental fund financial statements can be found on pages 38-41. The combining statements for non-major governmental funds can be found on pages 108-111.

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 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 employee health and health related benefits, risk management, automotive fleet maintenance and operations, printing services, telecommunications, wireless, and information technology network infrastructure. Because these services predominantly benefit governmental rather than business-type functions, all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. The RWR Enterprise Fund is considered to be a major fund 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.

The proprietary fund financial statements can be found on pages 42-45. The combining statements for other enterprise and internal service funds can be found on pages 129-136.

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 46-47.

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 **48-98**.

Required Supplementary Information (RSI) is presented concerning the County's General Fund budgetary schedule and the schedule of the County's Proportionate Share of the Net Pension Liability for Cost Sharing Plans, the Schedule of Changes in the County's Net Pension Liability and Related Ratios for Agent Pension Plans, the Schedule of County Pension Contributions, and the Schedule of Agent OPEB Plans' Funding Progress. Required supplementary information can be found on pages **99-106**.

Combining Statements and Other Schedules referred to earlier provide information for non-major governmental, enterprise, internal service, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages **108-140**.

Government-Wide Financial Analysis

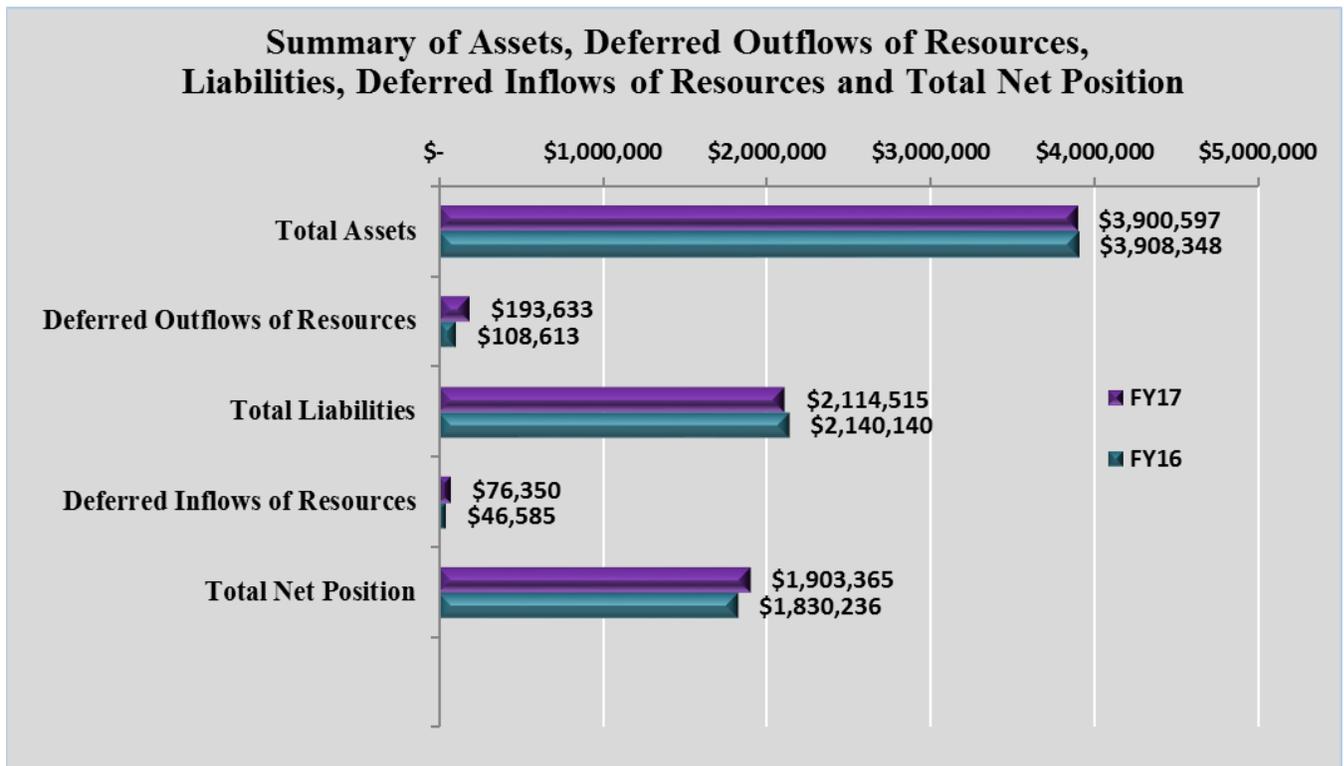
As noted earlier, net position may serve as a useful indicator of a government's financial position over time. An analysis of the results of operations is also useful. The schedule below identifies variances in the results of operations.

Schedule of Results of Operations and Net Position For the Years Ended June 30, 2017 and 2016			
	2017	2016	Variance
Charges for services	\$ 247,714	\$ 238,309	\$ 9,405
Operating grants and contributions	130,049	127,571	2,478
Capital grants and contributions	42,621	52,876	(10,255)
Total program revenues	<u>420,384</u>	<u>418,756</u>	<u>1,628</u>
Total general revenues and transfers	<u>636,106</u>	<u>617,434</u>	<u>18,672</u>
Total program and general revenues	<u>1,056,490</u>	<u>1,036,190</u>	<u>20,300</u>
Total expenses	983,361	988,680	(5,319)
Change in net position	<u>\$ 73,129</u>	<u>\$ 47,510</u>	<u>\$ 25,619</u>

Total general revenues and transfers increased by \$18,672, mainly due to a \$8,810 increase in property tax revenues, and a \$5,415 in State-shared tax revenues within governmental activities. Total expenses decreased by \$5,319, primarily due to a decrease of \$15,575 in highways and streets expenses, partially offset by an increase of \$12,889 in public safety expenses within governmental activities. These variances resulted in a \$25,619 increase in the change in net position to \$73,129.

An explanation of each of these changes is discussed further in the following governmental and business-type activities sections.

The graph presented below illustrates at a summary level the changes in the elements of the Statement of Net Position for the County at June 30, 2017, and June 30, 2016.



A general discussion of significant variances between fiscal years follows. For a more detailed discussion, please see the governmental activities and business-type activities sections immediately following this section.

The total of County assets at June 30, 2017, was \$3,900,597, a decrease of \$7,751 (0.2%) from the prior year, while total liabilities decreased by \$25,625 (1.2%) from the prior year, ending at a balance of \$2,114,515. Deferred outflows of resources related to pensions increased by \$57,215 and deferred outflows of resources related to deferred charges on refunding increased by \$27,805, for a total increase in deferred outflows of resources of \$85,020 (78.3%) over the prior year. Deferred inflows of resources increased \$29,765 (63.9%) over the prior year, ending at a balance of \$76,350.

The result of these changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources was an increase in net position of \$73,129 (4.0%), to \$1,903,365 in the current fiscal year from \$1,830,236 in the prior fiscal year.

The largest portion of the County's net position is reflected in its net investment in capital assets (i.e., land, buildings, infrastructure, and equipment) less any related outstanding debt used to acquire those assets. At June 30, 2017, net investment in capital assets totaled \$2,083,775, an increase of \$70,645 (3.5%) from the prior year, primarily due to the increase of \$52,846 (3.8%) in net investment in capital assets for governmental activities. 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. Although the County's investment in capital assets is 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.

Resources subject to external restrictions on how they may be used comprise the restricted net position of \$248,790, which is an increase of \$26,195 (11.8%) from the prior year and approximately 13.1% of total net position.

The following schedule presents, on a comparative basis, both governmental activities and business-type activities within the Statement of Net Position.

Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position At June 30, 2017 and 2016									
	Governmental Activities			Business-type Activities			Total		
	FY2017	FY2016	Variance	FY2017	FY2016	Variance	FY2017	FY2016	Variance
Current and other assets	\$ 502,602	\$ 485,911	\$ 16,691	\$ 196,947	\$ 215,233	\$ (18,286)	\$ 699,549	\$ 701,144	\$ (1,595)
Capital assets (net):									
Land, buildings, equipment, infrastructure & other assets	1,970,155	1,969,092	1,063	1,230,893	1,238,112	(7,219)	3,201,048	3,207,204	(6,156)
Total assets	<u>2,472,757</u>	<u>2,455,003</u>	<u>17,754</u>	<u>1,427,840</u>	<u>1,453,345</u>	<u>(25,505)</u>	<u>3,900,597</u>	<u>3,908,348</u>	<u>(7,751)</u>
Deferred outflows of resources									
Pension	155,707	102,101	53,606	7,987	4,378	3,609	163,694	106,479	57,215
Deferred charges on refunding	10,808	2,134	8,674	19,131		19,131	29,939	2,134	27,805
Total deferred outflows of resources	<u>166,515</u>	<u>104,235</u>	<u>62,280</u>	<u>27,118</u>	<u>4,378</u>	<u>22,740</u>	<u>193,633</u>	<u>108,613</u>	<u>85,020</u>
Current and other liabilities	61,383	60,392	991	10,499	17,010	(6,511)	71,882	77,402	(5,520)
Long-term liabilities	1,393,888	1,411,130	(17,242)	648,745	651,608	(2,863)	2,042,633	2,062,738	(20,105)
Total liabilities	<u>1,455,271</u>	<u>1,471,522</u>	<u>(16,251)</u>	<u>659,244</u>	<u>668,618</u>	<u>(9,374)</u>	<u>2,114,515</u>	<u>2,140,140</u>	<u>(25,625)</u>
Deferred inflows of resources									
Pension	69,617	42,084	27,533	6,733	4,501	2,232	76,350	46,585	29,765
Total deferred inflows of resources	<u>69,617</u>	<u>42,084</u>	<u>27,533</u>	<u>6,733</u>	<u>4,501</u>	<u>2,232</u>	<u>76,350</u>	<u>46,585</u>	<u>29,765</u>
Net position:									
Net investment in capital assets	1,429,607	1,376,761	52,846	654,168	636,369	17,799	2,083,775	2,013,130	70,645
Restricted	189,208	163,266	25,942	59,582	59,329	253	248,790	222,595	26,195
Unrestricted (deficit)	(504,431)	(494,395)	(10,036)	75,231	88,906	(13,675)	(429,200)	(405,489)	(23,711)
Total net position	<u>\$ 1,114,384</u>	<u>\$ 1,045,632</u>	<u>\$ 68,752</u>	<u>\$ 788,981</u>	<u>\$ 784,604</u>	<u>\$ 4,377</u>	<u>\$1,903,365</u>	<u>\$1,830,236</u>	<u>\$ 73,129</u>

Analysis of Net Position for Governmental activities

The current and other assets total of \$502,602 in the current fiscal year is an increase of \$16,691 (3.4%) over the prior year total of \$485,911. This increase is primarily due to a \$20,509 increase in the cash and cash equivalents mainly from the increased cash position in the General Fund and a \$4,714 increase in prepaid amounts attributed to additional hardware and software lease agreements in the internal service fund for the Information Technology Department. This increase was partially offset by the \$7,460 decrease in the due from other governments balance due to fewer outstanding receivables for Federal grant reimbursements compared to the prior year.

Total liabilities decreased \$16,251 (1.1%) to \$1,455,271 primarily due to a \$65,313 decrease in outstanding bonds and certificates of participation because of regular retirements and advance refundings, offset by a \$56,214 increase in the total net pension liability for the various retirement plans that the County contributes to for its employees.

The increase in deferred outflows of resources of \$62,280 (59.7%) and deferred inflows of resources of \$27,533 (65.4%) are due to changes in actuarial estimates related to the net pension liability for the various retirement plans that the County contributes to for its employees, in addition to the deferred charges on refunding resulting from the portions of debt that were refunded within governmental activities.

These changes resulted in an overall decrease of \$10,036 in unrestricted net position in the County's governmental activities, which ended at a deficit balance of \$504,431.

Analysis of Net Position for Business-type activities

The total assets of \$1,427,840 in the current fiscal year is a decrease of \$25,505 (1.8%) from the prior year total of \$1,453,345. This decrease is primarily due to a \$14,752 decrease in cash and cash equivalents, mainly from the accelerated repayment of the 2004 Wastewater Infrastructure Finance Authority loan in the Regional Wastewater Reclamation (RWR) enterprise fund, and a \$7,219 decrease in net capital assets resulting from additional depreciation on assets that were completed and capitalized at the end of the prior year.

Total liabilities decreased \$9,374 (1.4%) in the current year to \$659,244 primarily due to the decrease of \$6,048 in accounts payable as fewer construction invoices were outstanding for RWR at the end of the current fiscal year.

The increase of \$22,740 (519.4%) in deferred outflows of resources is due to \$19,131 in deferred charges on refunding resulting from the issuance of refunding debt, in addition to the \$3,609 increase in amounts related to pensions due to changes in actuarial estimates related to the net pension liability for the Arizona State Retirement System plan to which the County contributes for its employees within the business-type activities. The \$2,232 increase in deferred inflows of resources also increased due to the changes in the same actuarial estimates.

The changes in total assets, liabilities, deferred outflows and deferred inflows of resources results in a total net position increase of \$4,377 (0.6%), which ended at a balance of \$788,981.

Governmental activities

The following table shows details of the changes in net position for governmental activities:

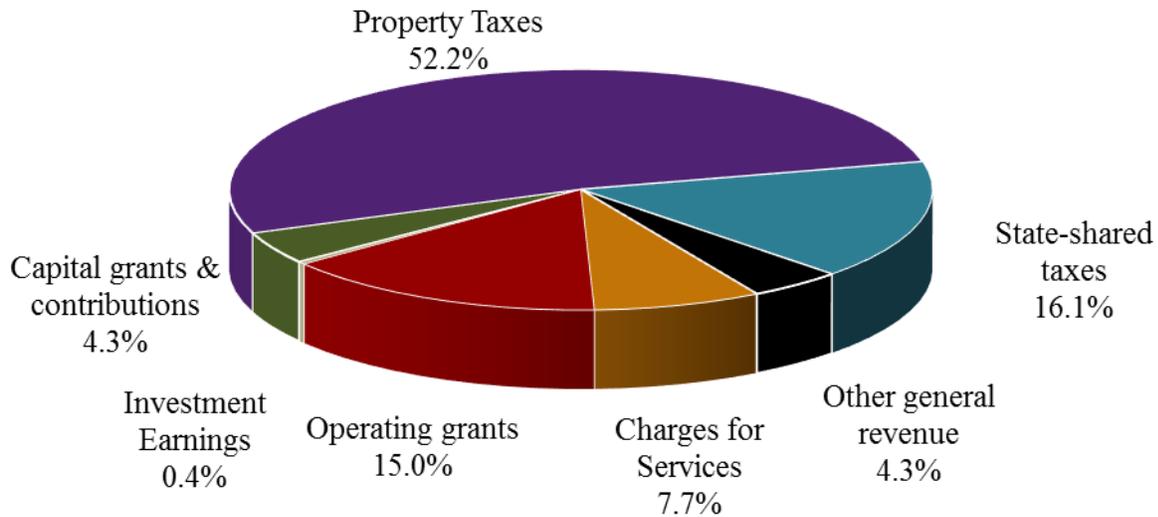
Governmental Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2017 and 2016				
	<u>FY2017</u>	<u>FY2016</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Program revenues:				
Charges for services	\$ 66,984	\$ 62,032	\$ 4,952	8.0%
Operating grants and contributions	130,049	127,536	2,513	2.0%
Capital grants and contributions	37,502	45,579	(8,077)	-17.7%
Total program revenues	234,535	235,147	(612)	-0.3%
General revenues:				
Property taxes	453,004	444,194	8,810	2.0%
State-shared taxes	139,683	134,268	5,415	4.0%
Investment earnings	3,297	3,268	29	0.9%
Other general revenues	37,260	33,735	3,525	10.4%
Total general revenues	633,244	615,465	17,779	2.9%
Total revenues	867,779	850,612	17,167	2.0%
Expenses:				
General government	260,251	267,658	(7,407)	-2.8%
Public safety	214,648	201,759	12,889	6.4%
Highways and streets	86,886	102,461	(15,575)	-15.2%
Sanitation	5,195	3,089	2,106	68.2%
Health	39,454	38,386	1,068	2.8%
Welfare	90,013	88,515	1,498	1.7%
Culture and recreation	68,350	65,770	2,580	3.9%
Education and economic opportunity	36,658	35,833	825	2.3%
Amortization	(9,348)	(6,862)	(2,486)	36.2%
Interest on long-term debt	27,066	27,464	(398)	-1.4%
Total expenses	819,173	824,073	(4,900)	-0.6%
Excess before transfers	48,606	26,539	22,067	83.1%
Transfers in	20,146		20,146	100.0%
Transfers out		(20,190)	20,190	100.0%
Change in net position	68,752	6,349	62,403	982.9%
Beginning net position	1,045,632	1,039,283	6,349	0.6%
Ending net position	\$ 1,114,384	\$ 1,045,632	\$ 68,752	6.6%

Revenues

Total revenues of \$867,779 increased \$17,167 (2.0%) from the prior year, primarily due to an increase of \$8,810 in property taxes that resulted from slightly higher property valuations, an increase of \$5,415 in State-shared taxes mainly attributable to a \$3,956 increase in the unrestricted share of state sales tax, and a \$4,952 increase in charges for services revenues primarily from increased highways and streets revenues from impact fees. These increases were offset by an \$8,077 decrease in capital grants and contributions revenues resulting from a reduction in Federal grant monies related to transportation projects.

The chart below presents general and program revenues, as a percentage to total revenues. The amount provided from each revenue source for governmental activities, as a percentage to total revenue for governmental activities, has not changed significantly from the prior fiscal year. Property taxes, operating grants, and state-shared taxes account for approximately 83.3% of the County's revenues.

General and Program Revenues - Governmental Activities



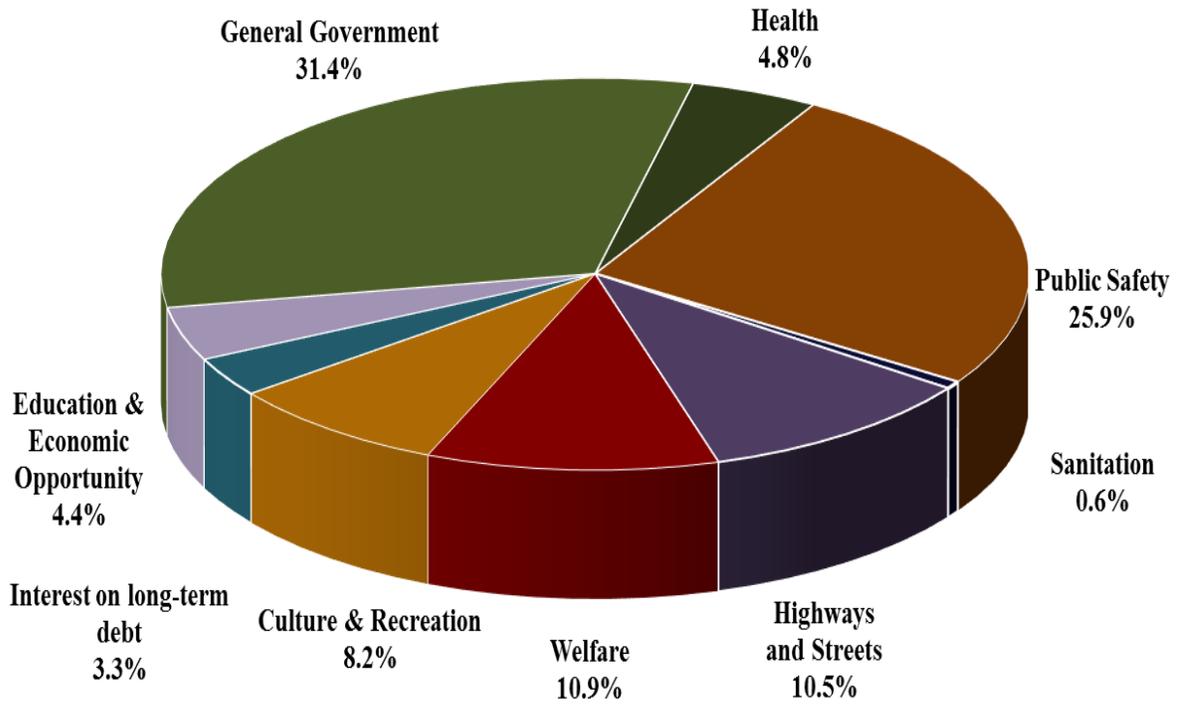
Expenses

Total expenses decreased \$4,900 (0.6%) from the prior year, primarily due to a \$15,575 (15.2%) decrease in highways and streets expenses and a \$7,407 (2.8%) decrease in general government expenses. These decreases were offset by a \$12,889 (6.4%) increase in public safety expenses and a \$2,580 (3.9%) increase in culture and recreation expenses. The explanations for these decreases and increases are as follows:

- The highways and streets decrease is primarily due to a reduction in spending of Federal grant monies on transportation projects, specifically from the Transportation Investment Generating Economic Recovery program, compared to the prior year.
- The general government decrease is primarily due to changes in actuarial estimates associated with unreported future losses for the Self Insurance Trust internal service fund.
- The increase in public safety is primarily due to continually increasing contributions to the Public Safety Personnel Retirement System as a result of pension reform changes instituted by the State legislature.
- The increase in culture and recreation is primarily due to an increase in operating expenses for the Library District.

The following chart presents expenses by function as a percentage to total expenses, excluding amortizations. The amount of each expense by function as a percentage to total expenses, excluding amortizations, has not changed significantly from the prior fiscal year. General government and public safety account for over half of the County's total expenses.

Expenses by Function - Governmental Activities



Business-type activities

Business-type activities, which are composed exclusively of enterprise funds, are intended to recover all or a significant portion of their costs through user fees and charges. The following schedule shows changes in the net position for business-type activities.

Business-type Activities				
Schedule of Revenues, Expenses, and Changes in Net Position				
For the Years Ended June 30, 2017 and 2016				
	<u>FY2017</u>	<u>FY2016</u>	<u>Variance</u>	
			<u>Amount</u>	<u>Percent</u>
Program revenues:				
Charges for services	\$ 180,730	\$ 176,277	\$ 4,453	2.5%
Operating grants and contributions		35	(35)	-100.0%
Capital grants and contributions	5,119	7,297	(2,178)	-29.8%
Total program revenues	185,849	183,609	2,240	1.2%
General revenues:				
Investment earnings	1,512	1,291	221	17.1%
Other general revenues	1,350	678	672	99.1%
Total general revenues	2,862	1,969	893	45.4%
Total revenues	188,711	185,578	3,133	1.7%
Expenses:				
Regional Wastewater Reclamation	155,257	155,566	(309)	-0.2%
Development Services	6,091	6,691	(600)	-9.0%
Parking Garages	2,840	2,350	490	20.9%
Total expenses	164,188	164,607	(419)	-0.3%
Excess before transfers	24,523	20,971	3,552	16.9%
Transfers in		20,190	(20,190)	-100.0%
Transfers out	(20,146)		(20,146)	-100.0%
Change in net position	4,377	41,161	(36,784)	-89.4%
Beginning net position	\$ 784,604	743,443	41,161	5.5%
Ending net position	\$ 788,981	\$ 784,604	\$ 4,377	0.6%

Revenues

Total revenues for business-type activities increased \$3,133 (1.7%) mainly due to an increase in charges for services of \$4,453 resulting from an increase in the RWR sewer user and connection fees and an increase in the Development Services permit fees.

Expenses

Total expenses for business-type activities decreased by \$419 (0.3%), primarily due to a decrease of \$489 in employee compensation within the Development Services enterprise fund.

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and generally accepted accounting principles (GAAP).

Governmental funds

The County's general government functions are accounted for in the General, Capital Projects, Debt Service, and Special Revenue funds. Included in these funds are special districts governed by the Board of Supervisors (i.e. Flood Control, Library, Stadium, and Rocking K South Community Facilities Districts) acting as the Board of Directors for each district. 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, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Governmental Funds

General Fund

The General Fund is the chief operating fund of the County.

Property taxes revenues for the General Fund increased \$4,764 as a result of higher property valuations. Intergovernmental revenues increased \$8,357 primarily due to increases in the state-shared sales tax and the state-shared vehicle license tax associated with the continued gradual recovery in the local economy. Charges for services increased \$2,607, mostly due to increased cost recovery of General Fund administrative services provided to other funds, and the increase in general government fees from the Recorder's administration of the general and other special elections. Overall, revenues for the General Fund increased \$17,279.

General Fund expenditures increased \$16,294 primarily due to:

- An increase of \$5,372 in general government expenditures for County-wide salary increases, other benefits costs, and increasing retirement contributions.
- An increase of \$4,773 in public safety expenditures for salary increases, overtime, and increasing required contributions to the Public Safety Personnel Retirement System.
- An increase of \$3,717 in debt service, mainly from the final payment on the installment note for the Stardust property.
- An increase of \$1,530 in welfare expenditures mainly associated with increased funding for indigent health care.

Transfers out increased \$4,427 compared to the prior year, primarily due to increased transfers to facilities management for capital improvements.

The \$17,279 increase in revenues, the \$16,294 increase in expenditures, and the increase of \$8,188 in other financing uses yielded a decrease of \$7,203 in net change in fund balance, which ended the year at \$102,036.

Budget to Actual Comparison for the General Fund

Overall, actual revenues were higher than budgeted revenues by \$8,139 due to greater than anticipated property tax and intergovernmental revenues.

Actual expenditures were less than budgeted expenditures by \$83,318 primarily because the County did not need to spend \$58,556 of the amount budgeted for contingencies within General government – County Administration.

No variances between the budget-to-actual amounts at the departmental level were significant enough to affect the County's ability to provide future services.

Capital Projects Fund

The County's Capital Projects Fund is used to account for financial resources that are restricted or assigned for capital outlays to acquire or construct capital assets.

Total revenues for the Capital Projects Fund decreased by \$5,600, primarily due to a decrease in State revenue for the Hughes Access Road Relocation project which was received in the prior year.

Expenditures increased \$3,449, primarily due to the Flood Control Santa Cruz River Maintenance Project and the Transportation Pavement Preservation Program 2017 project.

In the current year, the County issued General Obligation Bonds Series 2017 for \$25,680 to finance a variety of projects, including \$18,000 for the new Pima Animal Care Center and various other projects within voter-authorized purposes. This resulted in the \$25,680 face amount of long-term debt issued, which represents a decrease of \$8,615 when compared to the prior year. In the prior year, the County did not issue any general obligation or transportation revenue bonds, all proceeds received were from certificates of participation.

Transfers out decreased by \$39,815, mainly due to the decrease of \$37,230 in certificates of participation funding that was transferred to the RWR fund in the prior year for improvements to the sewer conveyance system.

The \$5,600 decrease in revenues, the \$3,449 increase in expenditures and an increase of \$23,367 in other financing sources yielded an increase of \$14,318 in net change in fund balance, which ended the year at \$96,437.

Debt Service Fund

This major fund accounts for the accumulation of resources for the payment of principal and interest of long-term debt.

Revenues for the Debt Service Fund increased \$1,952 primarily as a result of higher property valuations while the secondary property tax rate remained the same as the prior year.

Expenditures for the Debt Service Fund increased \$9,657 mainly from an increase in principal payments of \$10,930 offset by a decrease in interest payments of \$2,161. Please see Note 7 beginning on page 65 for more information on bond and certificate of participation details.

Premium on bonds increased to \$17,661 as the premium consisted of \$13,844 and \$3,817 from the issuance of General obligation refunding bonds (GO) Series 2016 and Transportation revenue refunding bonds (HURF) Series 2016, respectively.

Issuance of refunding debt increased to \$150,385 as the refunding consisted of \$122,070 and \$28,315 from GO refunding Series 2016 and HURF refunding Series 2016, respectively. Payments to escrow agent increased to \$166,816, including \$134,992 from GO refunding Series 2016 and \$31,824 from HURF refunding Series 2016. These payments were deposited into the trust account for the refunding.

The \$1,952 increase in revenues, the \$9,657 increase in expenditures and an increase of \$5,944 in other financing sources yielded a decrease of \$1,761 in net change in fund balance, which ended the year at \$3,127.

Major Proprietary Fund

The County’s Regional Wastewater Reclamation Enterprise (RWR) Fund is a major enterprise fund.

Significant changes in the Fund’s net position during the fiscal year include the issuance of Sewer Revenue Obligations Series 2017 for \$45,000 and a decrease in net transfers of \$40,022 compared to the prior fiscal year. The decrease in net transfers is primarily due to a decrease of transfers in of \$37,230 from the proceeds of certificates of participation in the prior year which were used for improvements to the sewer conveyance system.

The net position increased by \$3,930 in the current fiscal year, resulting in a total net position of \$769,996 at fiscal year-end.

Capital Assets and Debt Administration

Capital Assets

The County’s investment in capital assets consists of land, buildings and improvements, 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:

Governmental and Business-type Activities									
Capital Assets									
As of June 30, 2017 and 2016									
	Governmental Activities			Business-type Activities			Total		
	FY2017	FY2016	Variance	FY2017	FY2016	Variance	FY2017	FY2016	Variance
Land	\$ 538,283	\$ 526,319	\$ 11,964	\$ 14,998	\$ 13,999	\$ 999	\$ 553,281	\$ 540,318	\$ 12,963
Construction in progress	57,280	33,327	23,953	70,705	39,135	31,570	127,985	72,462	55,523
Buildings and improvements	597,149	598,750	(1,601)	577,434	602,681	(25,247)	1,174,583	1,201,431	(26,848)
Infrastructure	670,024	694,519	(24,495)				670,024	694,519	(24,495)
Sewage conveyance systems				477,212	485,043	(7,831)	477,212	485,043	(7,831)
Equipment	107,419	116,177	(8,758)	90,544	97,254	(6,710)	197,963	213,431	(15,468)
Total	\$1,970,155	\$1,969,092	\$ 1,063	\$1,230,893	\$1,238,112	\$ (7,219)	\$3,201,048	\$3,207,204	\$ (6,156)

The County’s total capital assets decreased by \$6,156 (0.2%) in the current fiscal year.

Governmental activities

Capital assets of governmental activities increased by \$1,063 (0.1%) over the prior year, resulting from the increase in construction in progress shown above, in addition to an increase of \$11,964 (2.3%) in land assets. These increases are offset by the decreases in infrastructure and equipment shown above. The decrease in infrastructure is primarily due to the large volume of projects that were completed and capitalized in the prior year, resulting in higher depreciation expense in the current year. In the current year, new projects were undertaken but not completed, which is shown by the increase in construction in progress.

Significant increases in construction in progress in the current year were as follows:

- Phase 2 of a roadway improvement project for Wilmot Road north of Sahuarita Road totaling \$5,245.
- Aerospace industry building and grounds leased to World View Enterprises totaling \$4,463.
- Pantano Wash bank protection project from Ft. Lowell Park to Tanque Verde Road totaling \$4,327.
- Colossal Cave Road improvement project from Acacia Elementary School to Old Vail Middle School totaling \$3,999.
- Road improvements as part of the pavement preservation program totaling \$3,251.
- Santa Cruz River sediment removal project totaling \$2,408.
- Construction of the new Pima Animal Care Center totaling \$2,105.

Business-type activities

Capital assets of business-type activities decreased \$7,219 (0.6%), due to a decrease in building and improvements of \$25,247 (4.2%), sewage conveyance systems of \$7,831 (1.6%) and equipment of \$6,710 (6.9%) offset by an increase in construction in progress of \$31,570 (80.7%), all primarily within RWR.

The decrease in buildings and improvements is due to current year depreciation expense exceeding the amount of building and improvements additions. The decrease in sewage conveyance systems is due to current year depreciation expense exceeding the amount of sewage conveyance systems completed and capitalized during the year.

The increase in construction in progress is primarily due to the increase in the sewage conveyance systems rehabilitation program of \$20,215, and the sewage conveyance systems SE Interceptor Augmentation program of \$10,833.

Long-term Debt

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

Long-Term Debt		
For the Years Ended June 30, 2017 and 2016		
	<u>2017</u>	<u>2016</u>
Bonds issued (at face value):		
General Obligation	\$ 147,750	
Street and Highway Revenue	28,315	
Sewer System Revenue Obligations	256,595	
Certificates of Participation (COPs)		\$ 43,935
Capital leases		149
Installment note payable	1,700	
Total	\$ 434,360	\$ 44,084

During the year, the County issued General Obligation Bonds Series 2017 for \$25,680 to expand and improve the County's facilities for the care and safekeeping of animals and to fund other capital projects in the County. The County also issued General Obligation Refunding Bonds Series 2016 for \$122,070 to refund portions of General Obligations Bonds Series 2007, 2008, 2009, 2009A, and 2011. This refunding resulted in an economic gain of \$7,144 and a reduction in debt service payments of \$7,657.

The County also issued Street and Highway Revenue Refunding Bonds Series 2016 for \$28,315 to refund portions of Street and Highway Revenue Bonds Series 2007, 2008, and 2009. This refunding resulted in an economic gain of \$1,763 and a reduction in debt service payments of \$1,878.

In addition, the County issued Sewer Revenue Obligations Series 2017 for \$45,000 to expand and improve the County's sewer treatment facilities and conveyance systems. The County also issued Sewer Revenue Refunding Obligations Series 2016 for \$211,595 to refund portions of Sewer Revenue Bonds Series 2007, 2008, and 2009, and Sewer Revenue Obligations Series 2010 and 2011B. This refunding resulted in an economic gain of \$17,943 and a reduction in debt service payments of \$19,812.

During the year, the County acquired open space in the general area of Greasewood Road and West 36th Street under a contract agreement for a total installment purchase payable amount of \$1,700.

The most recent ratings for Pima County's bonds and COPs are:

Credit Ratings				
	Standard & Poor's		Fitch Ratings	
	Rating	Date	Rating	Date
Certificates of Participation (COPs)	A+	May-2016	AA-	May-2016
General Obligation	AA-	May-2016	AAA	August-2017
Street and Highway Revenue	AA	May-2016	AA	May-2016
Sewer Revenue Bonds	AA	May-2016	AA	May-2016
Sewer Revenue Obligations	AA	May-2016	AA-	May-2016

Pima County's efforts in maintaining a strong budget reserve over the past several years has contributed, in part, to the County earning a General Obligation Bond Rating from Fitch Ratings, a national bond ratings company that rates Pima County debt issuances, of AAA from its previous AA starting in August of 2017. This is the first time Pima County has earned AAA ratings on its bond indebtedness.

The State of Arizona Constitution limits the amount of general obligation debt a governmental entity may issue to 6.0% of its net assessed valuation without voter approval. However, Pima County has voter approval for general obligation debt up to 15.0%. The County's outstanding general obligation bonds amount of \$321,285 at the end of the current fiscal year is significantly below the current debt limitation of \$1,239,400.

Additional information regarding the County's debt can be found in Note 7 of the financial statements, on pages 65-75.

Economic Factors and Next Year's Budget

Pima County is still contending with a slow, and at times, uneven recovery from the Great Recession. Like all governments in Arizona, Pima County has necessarily adjusted to the reality of reduced revenues and increased service demands during this time. The current fiscal year 2017-18 budget is based largely on the County's response to a set of unique challenges from a variety of outside sources. Primary among these is the decision by the Arizona Legislature to balance the State Budget by continuing to transfer \$86 million of fiscal year 2017-18 state costs to Pima County. These additional costs imposed by the state continue to cause significant uncertainties in the development of the County budget and impact all of Pima County's existing service priorities and programs, including law enforcement, healthcare and economic development. Recognizing this, the budget that was adopted by the Board of Supervisors for fiscal year 2017-18 is primarily a "maintenance of effort" budget, which will sustain the County's existing service priorities. The following discussion identifies other significant activities that are expected to impact the County in fiscal year 2017-18.

State Budget Cost Shifts

In attempts to balance the State Budget, the Governor and Legislature continue to transfer significant amounts of state costs to the 15 counties throughout the state. The total of these cost transfers to Pima County is \$86 million for fiscal year 2017-18, or nearly 26% of Pima County's primary property tax levy.

Property Taxes

The Board of Supervisors enacted a new Transportation primary property road tax effective in fiscal year 2017-18. This property tax is separate and a subset of Pima County's primary property tax rate, but added to the County's primary property tax for purposes of collection, expenditure limitation calculation, and for State of Arizona's Truth in Taxation hearing requirements. The proceeds of this tax are to be used exclusively for preservation and repair of local streets and roads.

The fiscal year 2017-18 Adopted Budget includes the new Transportation property road tax set at \$0.2500. As partial offsets to this new tax, the budget includes a \$0.0800 decrease in the County's regular primary property tax rate for General Government from the fiscal year 2016-17 tax rate. The Regional Flood Control District secondary property tax rate decreases by \$0.0200. The Library District's secondary tax rate decreases by \$0.0100. The Debt Service secondary property tax rate remain unchanged from the fiscal year 2016-17 rate. The total property tax rate for Pima County (excluding the State mandated Fire District Assistance Tax) increased from \$5.8384 to \$5.9784 per \$100 of net taxable value, a net increase of \$0.1400.

State Shared Revenues

State shared sales tax revenue is projected to increase by \$3.1 million in fiscal year 2017-18. This increase reflects a gradual recovery in the local economy and continued statewide economic growth.

Employee Benefits Costs

Over the years, Pima County has continued to change and upgrade its benefits package for employees. Over time, the cost to provide these benefits has steadily increased. As a comparison, the actual cost to the County for employee benefits in fiscal year 2003-04 totaled \$65 million whereas the budgeted benefit costs in fiscal year 2017-18 totals \$149 million; resulting in an increase that is more than double the fiscal year 2003-04 amount. A significant portion of this increase is due to higher cost of Public Safety and other retirement contributions plus other benefit costs. Fiscal Year 2017-18 aggregate benefits will increase more than \$4 million over fiscal year 2016-17. The County will have to absorb these increases in the face of other budgetary challenges.

Employee Medical Insurance Benefits Costs

Prior to fiscal year 2013-14, Pima County purchased medical insurance for its employees from an independent provider. Over the five years prior to fiscal year 2013-14, the County's employee medical insurance premiums increased by an average of 15 to 20 percent yearly. In order to control the rate of increase of employee medical insurance costs, the County moved to a self-insured medical plan run by a third-party administrator starting in fiscal year 2013-14. Under this new model, year-to-year medical insurance costs have increased in the range of 5 to 7 percent annually. Also for the first time in several years, Pima County will not increase employer or employee medical premium costs in fiscal year 2017-18. It is anticipated that the rate of medical costs increases will continue the trend of being better controlled in future fiscal years.

Rainy Day Funds

Maintaining a budget reserve has given the County a favorable bond rating, which in turn has yielded substantial savings from lower interest payments on County bonds. The reserve has also enabled the County to minimize the negative fiscal impacts of a variety of unforeseen events over which the County has had little or no control. The General Fund Reserve for fiscal year 2017-18 totals \$50.3 million. This reserve represents 9.1% of projected revenues for fiscal year 2017-18. The reserve is in the middle of the range of reserves recommended by the Government Finance Officers Association. If this reserve is not spent, it will represent the base ending fund balance for fiscal year 2017-18.

Requests for Information

This financial report is designed to provide a general overview of the County's finances. Any questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance and Risk Management Department, 130 W. Congress, 6th Floor, Tucson, AZ, 85701.

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Basic Financial Statements

PIMA COUNTY, ARIZONA

Exhibit A-1

Statement of Net Position

June 30, 2017

(in thousands)

	Primary Government			Component Unit SW Fair Commission
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 424,581	\$ 94,730	\$ 519,311	\$ 1,716
Property taxes receivable (net)	10,226		10,226	
Interest receivable	265	111	376	
Internal balances	(24)	24		
Due from other governments	39,592	9	39,601	
Accounts receivable (net)	6,706	17,565	24,271	10
Inventories	2,052	2,613	4,665	36
Prepays	16,170	185	16,355	71
Restricted assets:				
Cash and cash equivalents	45	81,710	81,755	800
Loans receivable	2,989		2,989	
Capital assets not being depreciated:				
Land	538,283	14,998	553,281	
Construction in progress	57,280	70,705	127,985	9
Capital assets being depreciated (net):				
Buildings and improvements	597,149	577,434	1,174,583	4,788
Sewage conveyance system		477,212	477,212	
Equipment	107,419	90,544	197,963	337
Infrastructure	670,024		670,024	
Total assets	2,472,757	1,427,840	3,900,597	7,767
Deferred outflows of resources				
Pension	155,707	7,987	163,694	
Deferred charge on debt refunding	10,808	19,131	29,939	
Total deferred outflows of resources	166,515	27,118	193,633	
Liabilities				
Accounts payable	39,898	8,651	48,549	271
Interest payable	5	57	62	
Judgments and claims	6,410		6,410	
Contract retentions	1,210		1,210	
Employee compensation	8,276	700	8,976	
Due to other governments	109	102	211	
Deposits and rebates	194		194	38
Unearned revenue	5,281	989	6,270	3
Noncurrent liabilities:				
Due within one year	135,375	65,573	200,948	
Due in more than one year	1,258,513	583,172	1,841,685	
Total liabilities	1,455,271	659,244	2,114,515	312
Deferred inflows of resources				
Pension	69,617	6,733	76,350	
Total deferred inflows of resources	69,617	6,733	76,350	
Net Position				
Net investment in capital assets	1,429,607	654,168	2,083,775	5,134
Restricted for:				
Facilities, justice, library, community development, and tax stabilization	66,828		66,828	
Highways and streets	5,416		5,416	
Debt service		38,247	38,247	
Capital projects	76,278	1,667	77,945	
Regional wastewater		19,668	19,668	
Healthcare	40,686		40,686	
Unrestricted (deficit)	(504,431)	75,231	(429,200)	2,321
Total net position	\$ 1,114,384	\$ 788,981	\$ 1,903,365	\$ 7,455

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2017
(in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 260,251	\$ 28,331	\$ 30,664	\$ 546
Public safety	214,648	13,657	6,389	875
Highways and streets	86,886	6,696	60,533	34,007
Sanitation	5,195		1,249	
Health	39,454	13,831	10,101	130
Welfare	90,013		533	
Culture and recreation	68,350	3,876	674	1,544
Education and economic opportunity	36,658	593	19,906	400
Amortization - unallocated	(9,348)			
Interest on long-term debt	27,066			
Total governmental activities	819,173	66,984	130,049	37,502
Business-type activities:				
Regional Wastewater Reclamation	155,257	170,255		5,119
Development Services	6,091	8,076		
Parking Garages	2,840	2,399		
Total business-type activities	164,188	180,730		5,119
Total primary government	\$ 983,361	\$ 247,714	\$ 130,049	\$ 42,621
Component unit:				
Southwestern Fair Commission	6,800	7,034	120	
Total component unit	\$ 6,800	\$ 7,034	\$ 120	
General revenues:				
Property taxes, levied for general purposes				
Property taxes, levied for regional flood control district				
Property taxes, levied for library district				
Property taxes, levied for debt service				
Hotel/motel taxes, levied for sports facility and tourism				
Other taxes, levied for stadium district				
Unrestricted share of state sales tax				
Unrestricted share of state vehicle license tax				
Grants and contributions not restricted to specific programs				
Interest and penalties on delinquent taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position at beginning of year				
Net position at end of year				

See accompanying notes to financial statements

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

Primary Government			Component Unit SW Fair Commission
Governmental Activities	Business-type Activities	Total	
\$ (200,710)		\$ (200,710)	
(193,727)		(193,727)	
14,350		14,350	
(3,946)		(3,946)	
(15,392)		(15,392)	
(89,480)		(89,480)	
(62,256)		(62,256)	
(15,759)		(15,759)	
9,348		9,348	
(27,066)		(27,066)	
<u>(584,638)</u>		<u>(584,638)</u>	
	\$ 20,117	20,117	
	1,985	1,985	
	(441)	(441)	
	<u>21,661</u>	<u>21,661</u>	
<u>(584,638)</u>	<u>21,661</u>	<u>(562,977)</u>	
			354
			<u>\$ 354</u>
334,574		334,574	
23,583		23,583	
40,303		40,303	
54,544		54,544	
6,885		6,885	
1,590		1,590	
111,922		111,922	
27,761		27,761	
4,550		4,550	
6,504		6,504	
3,297	1,512	4,809	13
17,731	1,350	19,081	126
20,146	(20,146)		
<u>653,390</u>	<u>(17,284)</u>	<u>636,106</u>	<u>139</u>
68,752	4,377	73,129	493
1,045,632	784,604	1,830,236	6,962
<u>\$ 1,114,384</u>	<u>\$ 788,981</u>	<u>\$ 1,903,365</u>	<u>\$ 7,455</u>

Functions/Programs

Primary government:

Governmental activities:

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

Total governmental activities

Business-type activities:

- Regional Wastewater Reclamation
- Development Services
- Parking Garages

Total business-type activities

Total primary government

Component unit:

- Southwestern Fair Commission

Total component unit

General revenues:

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

Transfers

- Total general revenues and transfers

Change in net position

- Net position at beginning of year
- Net position at end of year

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Balance Sheet - Governmental Funds
June 30, 2017
(in thousands)

Exhibit A - 3

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 96,773	\$ 106,769	\$ 2,861	\$ 74,604	\$ 281,007
Property taxes receivable (net)	7,540		1,244	1,442	10,226
Interest receivable	87	39	48	56	230
Due from other funds	5,303	400		362	6,065
Due from other governments	21,931	3,255	15	14,386	39,587
Accounts receivable	2,212	37		4,349	6,598
Inventory				1,323	1,323
Prepaid expenditures	4,285			1,128	5,413
Loan receivable	1,431			1,558	2,989
Restricted cash and cash equivalents				45	45
Total assets	\$ 139,562	\$ 110,500	\$ 4,168	\$ 99,253	\$ 353,483
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 11,997	\$ 12,208	\$ 2	\$ 9,336	\$ 33,543
Interest payable				5	5
Contract retentions		1,210			1,210
Employee compensation	6,007			2,034	8,041
Due to other funds	333			5,756	6,089
Due to other governments	6			103	109
Deposits and rebates	189			5	194
Unearned revenue	672	236		4,371	5,279
Total liabilities	19,204	13,654	2	21,610	54,470
Deferred inflows of resources					
Unavailable revenue - intergovernmental	9,928	409		5,738	16,075
Unavailable revenue - property taxes	6,282		1,039	1,192	8,513
Unavailable revenue - other	2,112			718	2,830
Total deferred inflows of resources	18,322	409	1,039	7,648	27,418
Total liabilities and deferred inflows of resources	37,526	14,063	1,041	29,258	81,888
Fund balances					
Nonspendable	4,318			2,496	6,814
Restricted		96,228		62,263	158,491
Committed				2,821	2,821
Assigned	80	209	3,127	9,421	12,837
Unassigned	97,638			(7,006)	90,632
Total fund balances	102,036	96,437	3,127	69,995	271,595
Total liabilities, deferred inflows of resources and fund balances	\$ 139,562	\$ 110,500	\$ 4,168	\$ 99,253	\$ 353,483

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017
(in thousands)

Exhibit A - 4

Fund balances - total governmental funds		\$ 271,595
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 3,074,919	
Less accumulated depreciation	<u>(1,154,369)</u>	1,920,550
<p>Some liabilities, such as pension liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Bonds payable	(426,643)	
Certificates of participation payable	(141,194)	
Notes and leases payable	(3,685)	
Judgments and claims	(6,410)	
Pollution remediation	(596)	
Landfill closure liability	(9,787)	
Net pension liability	(725,642)	
Compensated absences liability	<u>(32,680)</u>	(1,346,637)
<p>Deferred outflows and inflows of resources related to pensions and deferred charges on debt refunding are applicable to future periods and, therefore, are not reported in the governmental funds.</p>		
Deferred outflows of resources related to pensions	149,683	
Deferred inflows of resources related to pensions	(67,597)	
Deferred outflows for bond refunding	<u>10,808</u>	92,894
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds.</p>		
		27,418
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		148,564
Net position of governmental activities		<u><u>\$ 1,114,384</u></u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 5

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017
 (in thousands)

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 341,668		\$ 54,656	\$ 63,988	\$ 460,312
Licenses and permits	3,235			6,070	9,305
Intergovernmental	154,264	\$ 20,233	15	134,043	308,555
Charges for services	47,072	5,206		14,574	66,852
Fines and forfeits	3,564			4,546	8,110
Investment earnings	711	751	275	520	2,257
Miscellaneous	7,476	1,150	15	9,267	17,908
Total revenues	557,990	27,340	54,961	233,008	873,299
Expenditures:					
Current:					
General government	224,494			33,856	258,350
Public safety	148,132			25,973	174,105
Highways and streets				41,523	41,523
Sanitation	1,271			1,072	2,343
Health	3,585			35,678	39,263
Welfare	89,647			268	89,915
Culture and recreation	18,194			46,531	64,725
Education and economic opportunity	12,323			23,549	35,872
Capital outlay		73,922			73,922
Debt Service - principal	6,815		94,695	69	101,579
- interest	563		23,354	3	23,920
- miscellaneous			1,376		1,376
Total expenditures	505,024	73,922	119,425	208,522	906,893
Excess (deficiency) of revenues over (under) expenditures	52,966	(46,582)	(64,464)	24,486	(33,594)
Other financing sources (uses):					
Installment note				1,700	1,700
Premium on bonds			17,661		17,661
Issuance of refunding debt			150,385		150,385
Payments to escrow agent			(166,816)		(166,816)
Face amount of long-term debt issued		25,680			25,680
Proceeds from sale of capital assets				246	246
Transfers in	6,411	18,864	59,705	25,064	110,044
Transfers (out)	(38,023)	(7,502)		(42,115)	(87,640)
Total other financing sources (uses)	(31,612)	37,042	60,935	(15,105)	51,260
Net change in fund balances	21,354	(9,540)	(3,529)	9,381	17,666
Fund balances at beginning of year	80,682	105,977	6,656	60,618	253,933
Changes in nonspendable resources:					
Change in prepaids				(4)	(4)
Fund balances at end of year	\$ 102,036	\$ 96,437	\$ 3,127	\$ 69,995	\$ 271,595

See accompanying notes to financial statements

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, 2017
(in thousands)

Net change in fund balances - total governmental funds \$ 17,666

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	\$ 67,127	
Less current year depreciation	<u>(83,492)</u>	(16,365)

Debt proceeds provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Position. 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 Position. Also, governmental funds report the effect of 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 issued	(25,680)	
Premium on bonds	(17,661)	
Proceeds from issuance of refunding bonds	(150,385)	
Debt service - principal payments	101,579	
Payments to escrow agent	166,816	
Installment note	(1,700)	
Amortization of premiums/discounts	9,348	
Amortization of deferred charge on refunding	<u>(3,146)</u>	79,171

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. In addition, collections of some revenues in the governmental funds exceeded revenues reported in the Statement of Activities.

Donations of capital assets	17,657	
Intergovernmental	(7,063)	
Property tax revenues	(805)	
Other	<u>1,669</u>	11,458

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	(3,276)	
Change in landfill liability	797	
Pollution remediation liability	(525)	
Net book value of capital asset disposals	(3,283)	
Other	(4)	
Judgments and claims	<u>(6,410)</u>	(12,701)

County pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the County's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions is reported in the Statement of Activities.

Pension contributions	47,815	
Pension expense	<u>(77,563)</u>	(29,748)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The incorporation of the external activities of these funds, and the elimination of profit/loss generated by primary government customers results in net revenue (expense) for governmental activities.

19,271

Change in net position of governmental activities \$ 68,752

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Net Position - Proprietary Funds
June 30, 2017
(in thousands)

Exhibit A- 7

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Assets				
Current assets:				
Cash and cash equivalents	\$ 89,316	\$ 5,414	\$ 94,730	\$ 143,574
Restricted cash and cash equivalents	30,523		30,523	
Interest receivable	107	4	111	35
Due from other funds	12	49	61	4
Due from other governments	3	6	9	5
Accounts receivable	17,412	153	17,565	108
Inventory	2,613		2,613	729
Prepaid expense	178	7	185	10,757
Total current assets	<u>140,164</u>	<u>5,633</u>	<u>145,797</u>	<u>155,212</u>
Noncurrent assets:				
Restricted cash and cash equivalents	51,187		51,187	
Loan receivable				3,400
Capital assets:				
Land	13,230	1,768	14,998	449
Buildings and improvements	741,236	27,608	768,844	21,880
Sewage conveyance system	798,450		798,450	
Equipment	147,532	2,253	149,785	56,440
Less accumulated depreciation	(560,585)	(11,304)	(571,889)	(30,520)
Construction in progress	70,705		70,705	1,356
Total capital assets (net)	<u>1,210,568</u>	<u>20,325</u>	<u>1,230,893</u>	<u>49,605</u>
Total noncurrent assets	<u>1,261,755</u>	<u>20,325</u>	<u>1,282,080</u>	<u>53,005</u>
Total assets	<u>1,401,919</u>	<u>25,958</u>	<u>1,427,877</u>	<u>208,217</u>
Deferred outflows of resources				
Pension	6,845	1,142	7,987	6,024
Deferred charge on refunding	19,131		19,131	
Total deferred outflows of resources	<u>25,976</u>	<u>1,142</u>	<u>27,118</u>	<u>6,024</u>
Liabilities				
Current liabilities:				
Accounts payable	8,361	290	8,651	6,355
Employee compensation	614	86	700	235
Interest payable	57		57	
Due to other funds	37		37	4
Due to other governments	3	99	102	
Unearned revenue	988	1	989	2
Current compensated absences	1,436	241	1,677	489
Current sewer revenue bonds and obligations payable	63,365		63,365	
Current portion of wastewater loans payable	531		531	
Current portion reported but unpaid losses				5,173
Current portion incurred but not reported losses				5,806
Total current liabilities	<u>75,392</u>	<u>717</u>	<u>76,109</u>	<u>18,064</u>
Noncurrent liabilities:				
Compensated absences payable	1,415	95	1,510	194
Loan payable				3,400
Contracts and notes payable	1,564		1,564	
Sewer revenue bonds and obligations payable	531,656		531,656	
Wastewater loans payable	4,099		4,099	
Reported but unpaid losses				18,113
Incurred but not reported losses				10,579
Net pension liability	38,003	6,340	44,343	13,307
Total noncurrent liabilities	<u>576,737</u>	<u>6,435</u>	<u>583,172</u>	<u>45,593</u>
Total liabilities	<u>652,129</u>	<u>7,152</u>	<u>659,281</u>	<u>63,657</u>
Deferred inflows of resources				
Pension	5,770	963	6,733	2,020
Total deferred inflows of resources	<u>5,770</u>	<u>963</u>	<u>6,733</u>	<u>2,020</u>
Net position				
Net investment in capital assets	633,843	20,325	654,168	49,605
Restricted for:				
Debt service	38,247		38,247	
Capital projects	1,667		1,667	
Healthcare				29,143
Regional wastewater reclamation	19,668		19,668	
Unrestricted (deficit)	76,571	(1,340)	75,231	69,816
Total net position	<u>\$ 769,996</u>	<u>\$ 18,985</u>	<u>\$ 788,981</u>	<u>\$ 148,564</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA

Exhibit A - 8

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended June 30, 2017
 (in thousands)

	Business-type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating revenues:				
Charges for services	\$ 157,139	\$ 10,475	\$ 167,614	\$ 126,813
Other	1,324	26	1,350	3,006
Total operating revenues	<u>158,463</u>	<u>10,501</u>	<u>168,964</u>	<u>129,819</u>
Operating expenses:				
Employee compensation	29,162	4,619	33,781	11,918
Operating supplies and services	7,271	60	7,331	7,589
Utilities	6,180		6,180	
Sludge and refuse disposal	1,703		1,703	
Repair and maintenance	7,976	288	8,264	1,295
Incurring losses				51,979
Insurance premiums				10,170
General and administrative	15,312	2,949	18,261	14,719
Consultants and professional services	11,354	228	11,582	6,698
Depreciation	52,538	787	53,325	5,152
Total operating expenses	<u>131,496</u>	<u>8,931</u>	<u>140,427</u>	<u>109,520</u>
Operating income	<u>26,967</u>	<u>1,570</u>	<u>28,537</u>	<u>20,299</u>
Nonoperating revenues (expenses):				
Investment earnings	1,478	34	1,512	1,031
Sewer connection fees	13,116		13,116	
Interest expense	(17,746)		(17,746)	
Debt issuance cost	(1,944)		(1,944)	
Loss on disposal of capital assets	(4,071)		(4,071)	(76)
Total nonoperating revenues (expenses)	<u>(9,167)</u>	<u>34</u>	<u>(9,133)</u>	<u>955</u>
Income before contributions and transfers	17,800	1,604	19,404	21,254
Capital contributions	5,119		5,119	275
Transfers in	7,062		7,062	310
Transfers (out)	(26,051)	(1,157)	(27,208)	(2,568)
Change in net position	3,930	447	4,377	19,271
Net position at beginning of year	<u>766,066</u>	<u>18,538</u>	<u>784,604</u>	<u>129,293</u>
Net position at end of year	<u>\$ 769,996</u>	<u>\$ 18,985</u>	<u>\$ 788,981</u>	<u>\$ 148,564</u>

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit A - 9

	Business-Type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Regional	Other	Total	
	Wastewater Reclamation	Enterprise Funds	Enterprise Funds	
Cash flows from operating activities:				
Cash received from other funds for goods and services provided				\$ 126,802
Cash received from customers for goods and services provided	\$ 157,483	\$ 10,450	\$ 167,933	
Cash received from miscellaneous operations	1,324		1,324	3,009
Cash payments to suppliers for goods and services	(34,170)	(2,099)	(36,269)	(35,680)
Cash payments to other funds for goods and services	(15,886)	(1,619)	(17,505)	(6,403)
Cash payments for incurred losses				(58,032)
Cash payments to employees for services	(31,191)	(4,815)	(36,006)	(11,437)
Net cash provided by operating activities	<u>77,560</u>	<u>1,917</u>	<u>79,477</u>	<u>18,259</u>
Cash flows from noncapital financing activities:				
Cash transfers in from other funds	7,062		7,062	26
Cash transfers out to other funds	(25,767)	(1,157)	(26,924)	(2,572)
Loans with other funds	3,355	(196)	3,159	35
Net cash used for noncapital financing activities	<u>(15,350)</u>	<u>(1,353)</u>	<u>(16,703)</u>	<u>(2,511)</u>
Cash flows from capital and related financing activities:				
Principal paid on bonds and loans	(288,240)		(288,240)	
Interest paid on bonds and loans	(56,649)		(56,649)	
Proceeds from issuance of sewer revenue obligations, including premium	303,781		303,781	
Sewer connection fees	12,923		12,923	
Proceeds from sale of capital assets	978		978	
Transfers received for capital acquisition				284
Purchase of capital assets	(51,773)	(34)	(51,807)	(8,007)
Net cash used for capital and related financing activities	<u>(78,980)</u>	<u>(34)</u>	<u>(79,014)</u>	<u>(7,723)</u>
Cash flows from investing activities:				
Interest received on cash and investments	1,456	32	1,488	1,025
Net cash provided by investing activities	<u>1,456</u>	<u>32</u>	<u>1,488</u>	<u>1,025</u>
Net increase (decrease) in cash and cash equivalents	(15,314)	562	(14,752)	9,050
Cash and cash equivalents at beginning of year	<u>186,340</u>	<u>4,852</u>	<u>191,192</u>	<u>134,524</u>
Cash and cash equivalents at end of year	<u>\$ 171,026</u>	<u>\$ 5,414</u>	<u>\$ 176,440</u>	<u>\$ 143,574</u>

(continued)

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit A - 9.1

(continued)

	Business-Type Activities			Governmental Activities- Internal Service Funds
	Enterprise Funds			
Reconciliation of operating income to net cash provided by operating activities	Regional Wastewater Reclamation	Other Enterprise Funds	Total Enterprise Funds	
Operating income	\$ 26,967	\$ 1,570	\$ 28,537	\$ 20,299
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	52,538	787	53,325	5,152
Changes in assets and deferred outflows of resources:				
Decrease (increase) in assets:				
Accounts receivable	(481)	(53)	(534)	(6)
Due from other governments	825	2	827	(2)
Inventory and other assets	8		8	(59)
Prepaid expense	94	5	99	(3,090)
Construction in progress		128	128	
Increase in deferred outflows of resources:				
Pension plans	(3,072)	(536)	(3,608)	(5,171)
Changes in liabilities and deferred inflows of resources:				
Increase (decrease) in liabilities:				
Accounts payable	(362)	(318)	(680)	1,535
Due to other governments		(8)	(8)	
Reported but unpaid losses				(4,837)
Incurred but not reported losses				(1,216)
Net pension liability	(1,284)	25	(1,259)	4,421
Other liabilities	435	(25)	410	90
Increase in deferred inflows of resources:				
Pension plans	1,892	340	2,232	1,143
Net cash provided by operating activities	<u>\$ 77,560</u>	<u>\$ 1,917</u>	<u>\$ 79,477</u>	<u>\$ 18,259</u>

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2017:

Regional Wastewater Reclamation Enterprise Fund received developer-built conveyance systems with an estimated fair value of \$5,141. These contributions were recorded as an increase in capital assets and capital contributions.

Regional Wastewater Reclamation Enterprise Fund disposed of capital assets with a net book value of \$5,049.

The County Board of Supervisors approved Connection Flow-Through Sewer Credit Agreements in the amount of \$22. This transaction was recorded as an increase to unearned revenue and a decrease in capital contributions.

Regional Wastewater Reclamation Enterprise Fund issued Sewer System Revenue Refunding Obligations Series 2016 for \$211,595 to refund portions of sewer revenue bonds and obligations for \$72,390 and \$156,495, respectively.

Other Enterprise Funds retired fully depreciated capital assets with an original cost of \$53 and transferred out assets with an original cost of \$24 to Fleet Services.

Internal Service Funds sold capital assets with a net book value of \$239, received capital contributions with a value of \$32 from General Government and received a transfer in of capital assets from Regional Wastewater Reclamation with a net book value of \$284.

Internal Service Funds received a transfer of capital assets with a net book value of \$1,037 from General Government and transferred out capital assets with a net book value of \$120 to General Government.

Other Enterprise Funds expensed prior year construction in progress totaling \$128.

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2017
(in thousands)

Exhibit A - 10

	Investment Trust Funds	Agency Funds
<u>Assets</u>		
Cash and cash equivalents	\$ 209,229	\$ 63,602
Interest receivable	88	
Due from other governments		866
Total assets	209,317	64,468
<u>Liabilities</u>		
Employee compensation		1,237
Due to other governments		34,141
Deposits and rebates		29,090
Total liabilities		\$ 64,468
<u>Net position</u>		
Held in trust for pool participants	\$ 209,317	

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit A - 11

	Investment Trust Funds
Additions	
Contributions from participants	\$ 2,334,727
Total contributions	2,334,727
Investment earnings	1,677
Total investment earnings	1,677
Total additions	2,336,404
Deductions	
Distributions to participants	2,324,601
Total deductions	2,324,601
Change in net position	11,803
Net position held in trust July 1, 2016	197,514
Net position held in trust June 30, 2017	\$ 209,317

See accompanying notes to financial statements

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 1: Summary of Significant Accounting Policies

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

A. Reporting Entity

The County is a general purpose local government that is governed by a separately elected board of 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 to be financially accountable. Blended component units, although legally separate entities, are so intertwined with the County that they are in substance part of the County's operations. Therefore, data from these units is combined with data of the County. 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 following describes the County's component units:

The Pima County Stadium District, a legally separate entity, was created in 1991 when the Board of Supervisors adopted a resolution to create the Stadium District to manage Kino Sports Complex. The District is a tax-levying, public improvement district and political taxing subdivision of the state of Arizona. The Stadium District, in conjunction with Pima County government, maintains the fiscal resources of the entire complex including facilities, grounds, personnel and the various services provided at the venue. Kino Sports Complex, which covers 155 acres, is the largest professional sports and entertainment venue of its kind in Pima County. The facility hosts youth athletics, amateur and professional sports, concerts and community events on its fields. The County Board of Supervisors serves as the Board of Directors and has operational responsibility for 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 Library District provides and maintains library services for the County's residents. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility for the District. The Library District is reported as a special revenue fund (blended component unit) in these financial statements. Separate financial statements for the District are not available.

The Pima County Regional Flood Control District was established in 1978. The District is responsible for floodplain management activities for the unincorporated areas of Pima County (except national forests, parks, monuments and Native American Nations), the City of South Tucson, and the Town of Sahuarita. The Pima County Board of Supervisors is the Board of Directors and has operational responsibility 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 Pima County Street Lighting Districts (SLDs) operate and maintain street lighting for specific regions in areas outside local city jurisdictions. The Pima County Board of Supervisors serves as the Board of Directors and has operational responsibility for the Districts. SLDs are reported as a special revenue fund in these financial

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

statements and meet substantively the same criteria as blended component units. Separate financial statements for the SLDs are not available.

The Rocking K South Community Facilities District is a legally separate entity that is utilized to finance the design and construction of arterial and collector roadways, public sewer transmission mains, public regional parks and any other public infrastructure required for the planned Rocking K South community. The Pima County Board of Supervisors serves as its Board of Directors and has operational responsibility for the District. The Rocking K South Community Facilities 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 annual fair and other events at the fairgrounds. The Commission's members are appointed and can be removed at any time by the Pima County Board of Supervisors. Based on these factors, and because SFC does not provide services entirely, or almost entirely to the County, but rather to the general citizenry, SFC is reported as a separate component unit (discrete presentation) in these financial statements. Complete financial statements for SFC can be obtained from the Pima County Department of Finance and Risk Management located at 130 West Congress Street, Tucson, Arizona 85701.

Related Organization:

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

B. Basis of Presentation

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

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

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
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Note 1: Summary of Significant Accounting Policies (continued)

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the County levies or imposes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund 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 financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values, are operating revenues. Other revenues result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues such as connection fees, intergovernmental revenues, along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund revenues are primarily from property taxes and intergovernmental revenues.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. Capital Projects Fund revenues and other financing sources are primarily from intergovernmental, face amount of long-term debt and transfers in.

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. Revenues and other financing sources are primarily from property taxes, proceeds from refunding debt, and transfers in.

The County reports the following major enterprise fund:

Regional Wastewater Reclamation (RWR) accounts for the management and operation of wastewater treatment and water pollution control programs. Revenues are primarily from charges for services and connection fees.

The County also reports the following fund types:

Internal Service Funds account for fleet maintenance and operation, insurance, and telecommunications services provided to the County's departments or to other governments on a cost-reimbursement basis. The County transitioned to a medical self-insurance model on July 1, 2013 that is funded by employee and employer premium rates.

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

Note 1: Summary of Significant Accounting Policies (continued)

Investment Trust Funds account for pooled assets and individual investment accounts the County Treasurer holds and invests on behalf of other governmental entities.

Agency Funds account for assets the County holds as an agent for the State, cities, towns, and other parties.

C. Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. 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 the provider imposed have been met.

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

Governmental funds in the fund 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 they become both measurable and available. The County recognizes property taxes to be available if collected within 30 days. In addition, other taxes that are reported as intergovernmental revenues, i.e. state shared sales tax, highway user revenues and vehicle license tax, recreational vehicle taxes, car rental surcharges, and hotel excise taxes are also recognized if collected within 30 days. Grant funded intergovernmental revenues are considered available if collected within 60 days after fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the County's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's Local Government Investment Pool, and only those highly liquid investments with a maturity of 3 months or less when purchased. All investments are stated at fair value.

E. Inventories and Prepaids

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

The County accounts for its inventories in the Wireless Integrated Network Fund using the purchases method. Inventories of the Wireless Integrated Network Fund consist of spare parts for the fixed network equipment held for consumption and are recorded as expenditures at the time of purchase. These inventories are stated at cost using the

PIMA COUNTY, ARIZONA
Notes to Financial Statements
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Note 1: Summary of Significant Accounting Policies (continued)

first-in, first-out method or average cost method.

Inventories of the Transportation Fund are recorded as assets when purchased and expensed when used. They are valued at lower of cost or market, cost being determined using the moving average method.

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

Inventories of Internal Service Funds are valued at lower of cost or market, cost being determined using the moving average method.

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

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 acquisition value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	All	N/A	N/A
Land improvements (Reported in buildings and improvements)	All	Straight Line	20 - 30 Years
Buildings and improvements	\$100	Straight Line	10 - 50 Years
Equipment	\$5	Straight Line	4 - 25 Years
Infrastructure/Sewer conveyance systems	\$100	Straight Line	10 - 50 Years
Intangible (Reported in land and infrastructure)	\$100	Straight Line	Varies
Software (Reported in equipment)	\$5,000	Straight Line	Varies

Discretely presented component unit:

The Southwestern Fair Commission, Inc. capital assets are reported at actual cost. Depreciation is calculated using the straight-line method over the assets' estimated useful life, which range from 3 to 40 years.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
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Note 1: Summary of Significant Accounting Policies (continued)

H. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

I. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the County's Board of Supervisors, the highest level of decision-making authority within the County, approved by formal action (ordinance). Only the Board can remove or change the constraints placed on committed fund balances. This approval must be given at a regular supervisory meeting by taking the same type of action it employed to previously commit those amounts.

Assigned fund balances are resources constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors has authorized the County Administrator to make assignments of resources for a specific purpose. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the County's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, the County will use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

J. Investment Earnings

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

K. Compensated Absences

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

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 1: Summary of Significant Accounting Policies (continued)

Employees may accumulate up to 240 hours of annual leave depending upon years of service, but they forfeit any annual leave hours in excess of the maximum amount that are unused at year-end. Upon termination of employment, all unused and unforfeited annual leave benefits are paid to employees. Accordingly, annual leave benefits are accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

Employees may accumulate up to 1,920 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but most employees forfeit them upon terminating employment. However, employees who have accumulated greater than 240 hours of sick leave and are eligible to retire will receive some benefits. Employees who are eligible to retire from County service into the Arizona State Retirement System, Public Safety Personnel Retirement System, or Corrections Officer Retirement Plan may request sick leave to be converted to annual leave on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability in the government-wide and proprietary funds' financial statements. A liability for these amounts is reported in the governmental funds' financial statements under Employee Compensation only if they have matured, for example, as a result of employee resignations and retirements by fiscal year-end.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 2: Fund Balance Classification of the Governmental Funds

The table below details the fund balance categories and classifications:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:					
Nonspendable:					
Inventory				\$ 1,323	\$ 1,323
Prepaid expenditures	\$ 4,285			1,128	5,413
Loan receivable	33				33
Permanent fund principal				45	45
Total nonspendable	<u>4,318</u>			<u>2,496</u>	<u>6,814</u>
Restricted for:					
Community and economic development		\$ 5,499		716	6,215
Flood Control District		13,798		9,452	23,250
Health				7,722	7,722
Judicial activities				19,180	19,180
Law enforcement				2,272	2,272
Library District				13,870	13,870
Municipal facilities		5,218			5,218
Parks and recreation		4,963			4,963
Pima animal care		13,430		1,233	14,663
Sanitation		338		1,525	1,863
School reserve				479	479
Streets and highways		52,865		4,110	56,975
Other purposes		117		1,704	1,821
Total restricted		<u>96,228</u>		<u>62,263</u>	<u>158,491</u>
Committed to:					
Parks and recreation				2,282	2,282
School reserve				229	229
Sports promotion (Stadium)				310	310
Total committed				<u>2,821</u>	<u>2,821</u>
Assigned to:					
Community and economic development				326	326
Debt service reserve			\$ 3,127		3,127
Judicial activities				412	412
Health				1,402	1,402
Law enforcement	76			1,605	1,681
Municipal facilities				3,779	3,779
Parks and recreation	4			1,573	1,577
School reserve				113	113
Other purposes		209		211	420
Total assigned	<u>80</u>	<u>209</u>	<u>3,127</u>	<u>9,421</u>	<u>12,837</u>
Unassigned:					
	97,638			(7,006)	90,632
Total Fund Balance	<u>\$ 102,036</u>	<u>\$ 96,437</u>	<u>\$ 3,127</u>	<u>\$ 69,995</u>	<u>\$ 271,595</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 3: Cash and Investments

Primary Government

Arizona Revised Statutes (A.R.S.) authorize the County to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the County Treasurer may invest trust funds in certain 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 of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Corporate bonds, debentures, notes and other evidence of indebtedness that are denominated in United States dollars must be rated "A" or better by at least two nationally recognized rating agencies at the time of purchase.
3. Fixed income securities must carry one of the two highest ratings by Moody's Investors Service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk—Statutes require pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

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. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk—Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

Deposits—At June 30, 2017, the carrying amount of the County's deposits was \$106,748, and the bank balance was \$98,566.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(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, 2017, \$3,016 of County's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments—At June 30, 2017, the County's investments consisted of \$423,373 invested in marketable securities and \$343,728 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, 2017, credit risk for the County's investments was as follows:

Investment Type	Fair Value	Not Rated	Standard & Poor's/Moody's Rating				
			AAA/Aaa	AA/Aa	A/A	BBB/Baa	BB/Ba
Corporate bonds	\$ 294,664		\$ 10,022	\$ 34,264	\$ 233,245	\$ 12,152	\$ 4,981
Municipal bonds	2,558	\$ 2,558					
Federal agency securities	94,964			94,964			
Money market mutual fund	31,187		31,187				
State Treasurer's Pool 5	113,433		113,433				
State Treasurer's Pool 500	140,681	140,681					
State Treasurer's Pool 7	89,614	89,614					
Total	\$ 767,101	\$ 232,853	\$ 154,642	\$ 129,228	\$ 233,245	\$ 12,152	\$ 4,981

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 \$767,101 of investments, \$389,628, consisting of the corporate bonds, Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association is uninsured and held by a counterparty in the County's name in book entry form.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 3: Cash and Investments (continued)

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer. The County had investments at June 30, 2017 of 5% or more in Federal Home Loan Mortgage Corporation. This investment is 7% of the County’s total investments.

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, 2017, the County had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u> <u>(Years)</u>
State Treasurer Investment Pool 5	\$ 113,433	0.09
State Treasurer Investment Pool 500	140,681	3.63
State Treasurer Investment Pool 7	89,614	0.20
Corporate bonds	294,664	1.06
Municipal bonds	2,558	0.01
Federal Farm Credit Bank	14,978	1.83
Federal Home Loan Bank	15,024	3.18
Federal Home Loan Mortgage Corporation	55,001	3.41
Federal National Mortgage Association	9,961	1.88
Money market mutual fund	31,187	0.09
Total	\$ 767,101	

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

	<u>Cash on</u> <u>Hand</u>	<u>Amounts of</u> <u>Deposits</u>	<u>Amounts of</u> <u>Investments</u>	<u>Total</u>
Cash, deposits and investments:	\$ 48	\$ 106,748	\$ 767,101	\$ 873,897

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Investment</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>	<u>Totals</u>
Statement of Net Position					
Cash and cash equivalents	\$ 424,581	\$ 94,730	\$ 209,229	\$ 63,602	\$ 792,142
Restricted cash and cash equivalents	45	81,710			81,755
Total	\$ 424,626	\$ 176,440	\$ 209,229	\$ 63,602	\$ 873,897

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 3: Cash and Investments (continued)

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 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. Substantially, all deposits and investments of the County’s primary government are included in the County Treasurer’s investment pool. Therefore, the deposit and investment risks of the Treasurer’s investment pool are substantially the same as the County’s deposit and investment risks disclosed above.

The Pool’s assets consist of the following:

	<u>Principal</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Fair Value</u>
Corporate bonds	\$ 291,337	0.88-6.25%	07/17-03/20	\$ 294,664
Municipal bonds	2,385	0.95-1.50%	07/17	2,558
Federal Farm Credit Bank	15,000	1.20-1.50%	12/18-12/19	14,978
Federal Home Loan Bank	15,000	1.63-2.05%	6/19-12/21	15,024
Federal Home Loan Mortgage Corporation	55,000	0.80-1.80%	11/17-05/22	55,001
Federal National Mortgage Association	10,000	1.13-1.25%	10/18-11/19	9,961
State Treasurer Investment Pool 5	66,320	N/A	N/A	66,320
Deposits	73,900	N/A	N/A	73,900
Interest receivable	88	N/A	N/A	88
Total assets				<u>\$ 532,494</u>

A condensed statement of the investment pool’s net position and changes in net position follows:

Statement of Net Position

Assets held in trust for:	
Internal participants	\$ 421,726
External participants	110,768
Total assets	<u>532,494</u>
Total liabilities	
Total net position held in trust	<u>\$ 532,494</u>

Statement of Changes in Net Position

Total additions	\$ 5,614,564
Total deductions	<u>(5,615,281)</u>
Net decrease	(717)
Net position held in trust:	
July 1, 2016	533,211
June 30, 2017	<u>\$ 532,494</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 3: Cash and Investments (continued)

Fair Value Measurement—The County’s investments at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

<u>Investment by fair value level</u>	<u>Amount</u>	<u>Fair value measurement using</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>
Corporate bonds	\$ 294,664	\$ 237,280	\$ 57,384
Municipal bonds	2,558		2,558
Federal Farm Credit Bank	14,978		14,978
Federal Home Loan Bank	15,024	10,046	4,978
Federal Home Loan Mortgage Corporation	55,001		55,001
Federal National Mortgage Association	9,961		9,961
Money market mutual fund	31,187	31,187	
Total Investments by fair value level	423,373	\$ 278,513	\$ 144,860

External investment pools measured at fair value

State Treasurer’s investment pools	343,728
Total investment	\$ 767,101

The investments categorized as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The investments categorized as Level 2 of the fair value hierarchy are valued using prices quoted for those investments in markets that are not active.

Investments in the State Treasurer's investment pool are valued at the pool's share price multiplied by the number of shares the County held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Note 4: Due from Other Governments

Governmental activities:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total Governmental Activities</u>
Federal government:						
Grants and contributions	\$ 72		\$ 6	\$ 1,853		\$ 1,931
State of Arizona:						
Taxes and shared revenues	21,009	\$ 301		5,252		26,562
Grants and contributions				6,091		6,091
Cities:						
Reimbursement for services	742	11	9	1,163	\$ 2	1,927
Other governments:						
Reimbursement for services	108	2,943		27	3	3,081
Total due from other governments fund based statements	\$ 21,931	\$ 3,255	\$ 15	\$ 14,386	\$ 5	\$ 39,592

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 5: Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 526,319	\$ 14,094	\$ (2,130)	\$ 538,283
Construction in progress	33,327	77,788	(53,835)	57,280
Total capital assets not being depreciated	<u>559,646</u>	<u>91,882</u>	<u>(55,965)</u>	<u>595,563</u>
Capital assets being depreciated:				
Buildings and improvements	860,346	25,734	(3,418)	882,662
Infrastructure	1,433,719	20,645	(794)	1,453,570
Equipment	220,965	8,600	(6,316)	223,249
Total capital assets being depreciated	<u>2,515,030</u>	<u>54,979</u>	<u>(10,528)</u>	<u>2,559,481</u>
Less accumulated depreciation for:				
Buildings and improvements	(261,596)	(26,461)	2,544	(285,513)
Infrastructure	(739,200)	(45,274)	928	(783,546)
Equipment	(104,788)	(16,909)	5,867	(115,830)
Total accumulated depreciation	<u>(1,105,584)</u>	<u>(88,644)</u>	<u>9,339</u>	<u>(1,184,889)</u>
Total capital assets being depreciated, net	<u>1,409,446</u>	<u>(33,665)</u>	<u>(1,189)</u>	<u>1,374,592</u>
Governmental activities capital assets, net	<u>\$ 1,969,092</u>	<u>\$ 58,217</u>	<u>\$ (57,154)</u>	<u>\$ 1,970,155</u>
	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 13,999	\$ 1,053	\$ (54)	\$ 14,998
Construction in progress	39,135	46,941	(15,371)	70,705
Total capital assets not being depreciated	<u>53,134</u>	<u>47,994</u>	<u>(15,425)</u>	<u>85,703</u>
Capital assets being depreciated:				
Buildings and improvements	773,195	3,276	(7,627)	768,844
Sewage conveyance systems	791,058	9,778	(2,386)	798,450
Equipment	150,719	5,760	(6,694)	149,785
Total capital assets being depreciated	<u>1,714,972</u>	<u>18,814</u>	<u>(16,707)</u>	<u>1,717,079</u>
Less accumulated depreciation for:				
Buildings and improvements	(170,514)	(27,585)	6,689	(191,410)
Sewage conveyance systems	(306,015)	(15,507)	284	(321,238)
Equipment	(53,465)	(10,233)	4,457	(59,241)
Total accumulated depreciation	<u>(529,994)</u>	<u>(53,325)</u>	<u>11,430</u>	<u>(571,889)</u>
Total capital assets being depreciated, net	<u>1,184,978</u>	<u>(34,511)</u>	<u>(5,277)</u>	<u>1,145,190</u>
Business-type activities capital assets, net	<u>\$ 1,238,112</u>	<u>\$ 13,483</u>	<u>\$ (20,702)</u>	<u>\$ 1,230,893</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 5: Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$	17,916
Public safety		13,315
Highways and streets		42,244
Sanitation		432
Health		582
Welfare		93
Culture and recreation		8,071
Education and economic opportunity		839
Internal service funds		5,152
Total governmental activities depreciation expense	\$	88,644

Business-type activities:

Parking Garages	\$	787
Regional Wastewater Reclamation Department		52,538
Total business-type activities depreciation expense	\$	53,325

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Discretely presented component unit:				
Southwestern Fair Commission (SFC):				
Capital assets not being depreciated:				
Construction in progress	\$	9		\$ 9
Total capital assets not being depreciated		9		9
Capital assets being depreciated:				
Buildings and improvements	\$ 7,477	1,858	\$ (45)	9,290
Equipment	2,634	48	(24)	2,658
Total capital assets being depreciated	10,111	1,906	(69)	11,948
Less accumulated depreciation for:				
Buildings and improvements	(4,156)	(391)	45	(4,502)
Equipment	(2,222)	(123)	24	(2,321)
Total accumulated depreciation	(6,378)	(514)	69	(6,823)
Total capital assets being depreciated, net	3,733	1,392		5,125
SFC capital assets, net	\$ 3,733	\$ 1,401	\$	\$ 5,134

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
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Note 6: Claims, Judgements and Risk Management

Self-Insurance Trust Fund (SIT Fund)

The SIT Fund, an internal service fund, accounts for the financing of the insured risk 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. The SIT Fund is liable for any single general or automobile liability claim up to \$2,500 per occurrence, any workers' compensation claim up to \$1,000 per occurrence, and any single medical malpractice claim up to \$1,000 per occurrence or any medical malpractice claims in aggregate up to \$5,000 in any policy year. The County purchases commercial insurance for claims in excess of coverage provided by the SIT Fund. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

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

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

Claims liabilities at June 30, 2017, for each insurable area are as follows:

Auto liability	\$	132
General liability		14,494
Workers' compensation		19,173
Medical malpractice		172
Environmental liability		1,500
		\$ 35,471

The above amounts, excluding the environmental liability, are reported at their present value using an expected future investment yield assumption of 2 percent.

Changes in the unpaid claims liability reported in the SIT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2015-16	\$ 27,177	\$ 18,553	\$ (4,606)	\$ 41,124
2016-17	41,124	626	(6,279)	35,471

Health Benefits Trust Fund (HBT Fund)

The County created the HBT Fund, an internal service fund, to account for the financing of the County's self-insured medical/pharmacy plan for employees and their dependents. The HBT Fund is responsible for collecting employer and employee premiums through payroll deductions and reimbursing Aetna, acting as a third-party administrator, for the payment of claims.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

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

The plan consists of two plan options, a High Deductible Health Plan and a Preferred Provider Organization Plan. The County purchases commercial stop-loss insurance coverage for claims in excess of coverage provided by the HBT Fund. Settled claims have not exceeded insurance coverage during the past three fiscal years.

Claim liabilities are computed using a combination of two actuarial methods: the completion factor approach and the exposure approach. Accrued actuarial liabilities for the HBT Fund at June 30, 2017 for each plan option are as follows:

High-Deductible Health Plan:	
Medical	\$ 2,823
Pharmacy	1,219
Preferred Provider Organization Plan:	
Medical	134
Pharmacy	24
	\$ 4,200

Changes in the unpaid claims liabilities reported in the HBT Fund are as follows:

Year	Balance July 1	Current-Year Claims and Changes in Estimates	Claims Payments	Balance June 30
2015-16	\$ 4,200	\$ 49,285	\$ (48,885)	\$ 4,600
2016-17	4,600	51,353	(51,753)	4,200

Litigation

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

Pollution Remediation

The County has estimated and reported an environmental liability of \$596 in the government-wide financial statements for governmental activities (in noncurrent liabilities). Remediation efforts are currently underway at one County site: El Camino del Cerro.

Remediation efforts continue at the El Camino del Cerro site which is approximately bordered by the Santa Cruz River on the west, Interstate 10 on the east and El Camino del Cerro Road on the south. The groundwater contamination is suggested to resonate from the municipal and solid waste landfill operated on the site from 1973 to 1977.

The estimated liability was calculated based upon the expected future outlays associated with the estimate of one pump-and-treat system for one year. There is potential for changes due to increased costs associated with sewage disposal costs, construction costs for extraction and injection wells, and/or changes in the estimated extent of contamination.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities

The following schedule details the County's long-term liability and obligation activity for the year ended June 30, 2017.

	Balance			Balance	Due within
	July 1, 2016	Additions	Reductions	June 30, 2017	1 year
Governmental activities:					
General obligation bonds	\$ 344,620	\$ 147,750	\$ 171,085	\$ 321,285	\$ 45,295
Unamortized premium/discount	5,515	13,844	3,690	15,669	3,477
Total general obligation bonds	<u>350,135</u>	<u>161,594</u>	<u>174,775</u>	<u>336,954</u>	<u>48,772</u>
Transportation revenue bonds	100,660	28,315	44,540	84,435	15,105
Unamortized premium/discount	3,301	3,817	1,864	5,254	1,712
Total transportation revenue bonds	<u>103,961</u>	<u>32,132</u>	<u>46,404</u>	<u>89,689</u>	<u>16,817</u>
Certificates of participation	168,620		34,415	134,205	35,605
Unamortized premium/discount	10,434		3,445	6,989	2,470
Total certificates of participation	<u>179,054</u>		<u>37,860</u>	<u>141,194</u>	<u>38,075</u>
Capital lease payable	136		48	88	50
Installment note payable	8,733	1,700	6,836	3,597	1,519
Net pension liabilities (Note 10)	682,735	56,214		738,949	
Reported but unpaid losses (Note 6)	28,123	397	5,234	23,286	5,173
Incurred but not reported losses (Note 6)	17,601	2,087	3,303	16,385	5,806
Landfill closure and post-closure care costs (Note 8)	10,584		797	9,787	
Pollution remediation (Note 6)	71	525		596	
Compensated absences payable	29,997	3,366		33,363	19,163
Total governmental activities long-term liabilities	<u>\$ 1,411,130</u>	<u>\$ 258,015</u>	<u>\$ 275,257</u>	<u>\$ 1,393,888</u>	<u>\$ 135,375</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

	Balance			Balance	Due within
	July 1, 2016	Additions	Reductions	June 30, 2017	1 year
Business-type activities:					
Sewer revenue bonds	\$ 104,145		\$ 83,640	\$ 20,505	\$ 9,285
Unamortized premium/discount	8		(22)	30	24
Total revenue bonds payable	<u>104,153</u>		<u>83,618</u>	<u>20,535</u>	<u>9,309</u>
Sewer revenue obligations	449,500	\$ 256,595	192,665	513,430	42,565
Unamortized premium/discount	31,527	49,129	19,600	61,056	11,491
Total revenue obligations payable	<u>481,027</u>	<u>305,724</u>	<u>212,265</u>	<u>574,486</u>	<u>54,056</u>
Regional Wastewater Reclamation					
Loan payable	16,563		11,933	4,630	531
Total loan payable	<u>16,563</u>		<u>11,933</u>	<u>4,630</u>	<u>531</u>
Net pension liabilities (Note 10)	45,602		1,259	44,343	
Contracts and notes	1,577	1,408	1,421	1,564	
Compensated absences payable	2,686	501		3,187	1,677
Total business-type activities long-term liabilities	<u>\$ 651,608</u>	<u>\$ 307,633</u>	<u>\$ 310,496</u>	<u>\$ 648,745</u>	<u>\$ 65,573</u>

The County's debt consists of various issues of general obligation bonds, transportation revenue bonds, certificates of participation, sewer revenue bonds, loan, and obligations bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The County repays general obligation bonds from voter-approved property taxes. Transportation revenue bonds are repaid from net highway user revenues in the Transportation fund. Certificates of participation are repaid from General fund and other various funds' revenues. Sewer revenue bonds, obligations, and loan are repaid from the charges for services in the Regional Wastewater Reclamation fund.

GENERAL OBLIGATION BONDS OUTSTANDING

Governmental Activities

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

General obligation bonds payable at June 30, 2017, consisted of the outstanding general obligation bonds presented below. As of June 30, 2017, the County has issued the total amounts originally authorized from the May 20, 1997, May 18, 2004, May 16, 2006, and November 4, 2014 bond elections.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2017</u>
Series of 2008	\$ 100,000	4.00%	2018-19	July 1, 2018	\$ 13,000
Series of 2009	75,000	3.75 - 4.00%	2018-20	July 1, 2019	8,000
Series of 2009A	90,000	3.50 - 3.75%	2018-21	July 1, 2019	25,110
Series of 2011	75,000	3.00 - 5.00%	2018-22	July 1, 2021	17,610
Series of 2012A	60,000	3.00 - 4.00%	2018-27	July 1, 2022	35,965
Series of 2013A	50,000	2.00 - 4.00%	2018-28	July 1, 2023	38,205
Series of 2013B Refunding	38,575	3.00 - 4.00%	2018-20		20,080
Series of 2014	10,000	1.50 - 5.00%	2018-28	July 1, 2023	8,000
Series of 2015	15,000	2.25 - 4.00%	2018-29	July 1, 2025	11,815
Series of 2016 Refunding	122,070	2.00 - 4.00%	2018-26		122,070
Series of 2017	25,680	1.83%	2018-21		21,430
G.O. bonds outstanding					321,285
Plus unamortized premium/discount:					15,669
Total G.O. bonds outstanding					<u>\$ 336,954</u>

The following schedule details general obligation bond debt service requirements to maturity at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 45,295	\$ 10,918
2019	48,655	9,471
2020	52,425	8,093
2021	40,945	6,647
2022	40,350	5,173
2023 - 2027	86,725	9,476
2028 - 2029	6,890	285
Total	<u>\$ 321,285</u>	<u>\$ 50,063</u>

On February 1, 2017, the County issued General Obligations Bonds Series 2017 for \$25,680 to finance a variety of projects including \$18,000 for the new Pima Animal Care Center and other projects within voter-authorized purposes.

During fiscal year 2016-17, the County issued General Obligation Refunding Bonds, Series 2016 for \$122,070 to defease \$28,475 of General Obligation Bonds, Series 2007, \$35,750 of Series 2008, \$22,185 of Series 2009, \$21,600 of Series 2009A, and \$17,380 of Series 2011. The 2016 Series General Obligation Refunding Bonds have an average life of 5.69 years and an average interest rate of 3.65%. This refunding transaction resulted in an economic gain of \$7,144 and a reduction in debt service between the refunding debt and the refunded debt of \$7,657. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

TRANSPORTATION BONDS PAYABLE

Governmental Activities

(Payments made from street and highway revenues)

Pima County transportation revenue bonds were issued to provide monies to construct improvements to the County's streets and highways. Of the total amount originally authorized, \$73,375 from the November 4, 1997 bond election remains unissued.

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2017</u>
Series of 2008	\$ 25,000	4.00 - 4.25%	2018-19	July 1, 2018	\$ 5,075
Series of 2009	15,000	3.50 - 4.00%	2018-20	July 1, 2019	4,045
Series of 2009 Refunding	8,420	3.50 - 4.00%	2018-20	July 1, 2019	2,150
Series of 2012	18,425	3.00 - 4.00%	2018-27	July 1, 2022	13,420
Series of 2012 Refunding	14,520	4.00%	2018		3,185
Series of 2014	16,000	3.00 - 5.00%	2018-28	July 1, 2023	13,475
Series of 2014 Refunding	8,805	5.00%	2018		4,520
Series of 2015 Refunding	13,685	5.00%	2019-20		10,250
Series of 2016 Refunding	28,315	1.75 - 5.00%	2018-24		28,315
Transportation bonds outstanding					<u>84,435</u>
Plus unamortized premium/discount:					5,254
Total transportation bonds outstanding					<u>\$ 89,689</u>

The following schedule details transportation bond debt service requirements to maturity at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 15,105	\$ 3,482
2019	14,000	2,829
2020	14,405	2,240
2021	9,545	1,570
2022	10,080	1,118
2023 - 2027	19,845	1,807
2028	1,455	49
Total	<u>\$ 84,435</u>	<u>\$ 13,095</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

Pima County has pledged future street and highway revenues, to repay \$84,435 in transportation revenue bonds issued between 2008 and 2016. Proceeds from the bonds provide financing for construction of various highways and streets within Pima County. The bonds are payable from transportation revenues and are payable through 2028. Total principal and interest remaining to be paid on the bonds is \$97,530. It is expected that approximately 32 percent of revenues will be used to pay annual principal and interest on the bonds. Prior year street and highway revenues are required to be greater than two times the maximum annual debt service payment. Principal and interest paid for bonds in the current year, the maximum principal and interest to be paid in any one future year, and total street and highway revenues for the prior fiscal year were \$18,700, \$18,587 and \$56,006, respectively.

During fiscal year 2016-17, the County issued Transportation Bonds, Series 2016 for \$28,315 to defease \$9,965 of Transportation Bonds, Series 2007, \$8,605 of Series 2008, and \$11,385 of Series 2009. The 2016 Series Transportation Bonds have an average life of 5.33 years and an average interest rate of 3.97%. This refunding transaction resulted in an economic gain of \$1,763 and a reduction in debt service between the refunding debt and the refunded debt of \$1,878. The proceeds of the new bonds were placed in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements.

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.

The following schedule details outstanding Certificates of Participation payable at June 30, 2017.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2017</u>
Series of 2007A	\$ 28,765	5.00%	2018	July 1, 2017	\$ 2,280
Series of 2010	20,000	4.00 - 4.13%	2018-19		5,150
Series of 2013A	80,175	5.00%	2018-23		15,360
Series of 2013B Refunding	12,705	5.00%	2018		2,785
Series of 2014	52,160	5.00%	2018-29	December 1, 2023	45,130
Series of 2015	57,025	5.00%	2018-19		27,025
Series of 2016A	19,110	5.00%	2018-19		12,360
Series of 2016A Refunding	9,640	5.00%	2018-22		9,485
Series of 2016B	15,185	1.43 - 4.04%	2018-31	June 1, 2026	14,630
Certificates of participation outstanding					134,205
Plus unamortized premium/discount:					6,989
Total certificates of participation outstanding					<u>\$ 141,194</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

The following schedule details debt service requirements to maturity for the County's Certificates of Participation payable at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 35,605	\$ 5,617
2019	27,180	4,049
2020	9,685	3,114
2021	9,390	2,664
2022	9,995	2,203
2023 - 2027	27,995	6,415
2028 - 2031	14,355	869
Total	<u>\$ 134,205</u>	<u>\$ 24,931</u>

On May 1, 2007, the County issued Certificates of Participation Series 2007A for \$28,765 to finance the acquisition of and improvements to a 22-story office tower located in downtown Tucson and to acquire and construct replacement facilities for the Pima County Community Services Department.

On February 4, 2010, the County issued Certificates of Participation Series 2010 for \$20,000 to finance the replacement computer enterprise system composed of servers and other hardware, computer terminals, software and system training. The new enterprise system will serve the County with finance, budget, procurement, human resources, and material management systems.

On May 22, 2013, the County issued Certificates of Participation Series 2013A for \$80,175. The County intends to use \$60,000 of the proceeds from that issue for projects related to its sewer system. Although no sewer revenues are pledged for the repayment of the Certificates, the County intends to transfer available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects. The County also issued \$12,705 of Refunding Certificates of Participation, Series 2013B. The Certificates were issued with a premium of \$1,260 and the proceeds were used to refund and redeem \$1,220 of Certificates of Participation, Series 1999, and \$12,335 of Series 2003, previously reported by the County as a jail capital lease.

On February 12, 2014, the County issued Certificates of Participation Series 2014 for \$52,160 to finance the costs of completing the Public Service Center and Office Tower. The County may also use a portion of the funds for other capital projects.

On April 15, 2015, the County issued Certificates of Participation Series 2015 for \$57,025 to expand and improve the County's existing sewer system facilities. The County may also use a portion of the funds for other capital projects.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

On April 14, 2016, the County issued Certificates of Participation Series 2016A for \$28,750, \$9,640 to refund a portion of Certificates of Participation Series 2007A, and \$19,110 of the proceeds to expand and improve the County's existing sewer system facilities. Although no specific sewer revenues are pledged for the repayment of the Certificates, the County anticipates using available cash from the Regional Wastewater Reclamation Fund to repay that portion of the proceeds actually used for sewer projects. In addition, the County issued Certificates of Participation Series 2016B for \$15,185 to develop, design, and construct a manufacturing and administrative headquarters to be used by World View Enterprises, Inc., which will lease the facility from the County over a 20-year period.

INSTALLMENT NOTE PAYABLE

Governmental Activities

In prior years, the County acquired Painted Hills property under contract agreements at a total purchase price of \$7,500. During fiscal year 2016-17, the County acquired the open space generally in the area of Greasewood Road and West 36th Street under contract agreements at a total purchase price of \$2,075 with a down payment of \$375. The following schedule details debt service requirements to maturity for the County's installment note payable at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Land</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,519	\$ 109
2019	1,511	54
2020	567	
Total	<u>\$ 3,597</u>	<u>\$ 163</u>

CAPITAL LEASE

Governmental Activities

In prior years, the County acquired computer network storage arrays under a long-term capital lease agreement. The carrying value of assets acquired through capital lease consists of \$112 of equipment.

The following schedule details debt service requirements to maturity for the County's capital lease payable at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Equipment</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 50	\$ 2
2019	38	
Total	<u>\$ 88</u>	<u>\$ 2</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

SEWER REVENUE BONDS, OBLIGATIONS AND LOAN

Business-type Activities

(Payments made from user charges received in the RWR)

Pima County sewer revenue bonds, as presented below, were issued to provide monies to construct improvements to the County's Regional Wastewater Reclamation system. As of June 30, 2017, the County has issued the total amounts originally authorized from the May 20, 1997 and May 18, 2004 bond elections.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2017</u>
Series of 2008	\$ 75,000	4.00%	2018-19	July 1, 2018	\$ 16,320
Series of 2009	18,940	3.75%	2018-20	July 1, 2019	4,185
Sewer revenue bonds outstanding					20,505
Plus unamortized premium/discount:					30
Total sewer revenue bonds outstanding					\$ 20,535

The following schedule details sewer revenue bond debt service requirements to maturity at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 9,285	\$ 810
2019	9,755	441
2020	1,465	55
Total	\$ 20,505	\$ 1,306

On June 17, 2010, Pima County issued Sewer Revenue Obligations Series 2010 for \$165,000 primarily to pay a portion of the capital project costs associated with the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the county-wide sewer system, including the Agua Nueva (previously known as Roger Road) and Tres Rios (previously known as Ina Road) Wastewater Reclamation Facilities.

In December 2011, the County issued Sewer Revenue Obligations Series 2011B for \$189,160 to provide additional funding for the construction and improvements of the County's wastewater conveyance systems and treatment facilities.

In December 2012, the County issued Sewer Revenue Obligations Series 2012A for \$128,795. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems for the System, including the Agua Nueva and Tres Rios Wastewater Reclamation Facilities.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

In February 2014, the County issued Sewer Revenue Obligations Series 2014 for \$48,500. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

During fiscal year 2016-17, the County defeased Sewer Revenue Bonds of \$27,840 (Series 2007), \$37,825 (Series 2008) and \$6,725 (Series 2009), and Sewer Revenue Obligations of \$85,495 (Series 2010) and \$71,000 (Series 2011B) by issuing \$211,595 of Sewer Revenue Refunding Obligations Series 2016 with an average life of 7.26 years and an average interest rate of 5.00%. This refunding transaction resulted in an economic gain of \$17,943 and a reduction in debt service between the refunding debt and the refunded debt of \$19,812. The proceeds of the new obligations were placed in an irrevocable trust to provide for future debt service payments of the refunded debt. Accordingly, the trust account assets and liability for the defeased bonds and obligations are not included in the County's financial statements.

In February 2017, the County issued Sewer Revenue Obligations Series 2017 for \$45,000. The net proceeds of the issuance were used primarily to pay a portion of the costs of the construction, expansion and improvement of sewer treatment facilities and conveyance systems.

The following table presents amounts outstanding by issue.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rates</u>	<u>Maturities</u>	<u>Call Date</u>	<u>Outstanding June 30, 2017</u>
Series of 2010	\$165,000	3.50 - 5.00%	2018-21	July 1, 2020	\$ 58,980
Series of 2011B	189,160	5.00%	2018-22	July 1, 2021	60,880
Series of 2012A	128,795	2.00 - 5.00%	2018-27	July 1, 2022	96,375
Series of 2014	48,500	5.00%	2018-28	July 1, 2023	40,600
Series 2016 Refunding	211,595	5.00%	2018-26		211,595
Series 2017	45,000	2.77%	2018-31		45,000
Sewer revenue obligations outstanding					513,430
Plus unamortized premium/discount:					61,056
Total sewer revenue obligations outstanding					\$ 574,486

The following schedule details sewer revenue obligation debt service requirements to maturity at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 42,565	\$ 24,368
2019	44,585	22,371
2020	54,565	20,206
2021	57,600	17,606
2022	59,840	14,871
2023 - 2027	234,965	32,154
2028 - 2031	19,310	1,261
Total	\$ 513,430	\$ 132,837

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

In October 2009 the County entered into a loan agreement for the funding of construction of wastewater treatment facilities. Interest is payable semiannually and is calculated based on the principal amount of the loan outstanding during such period.

<u>Issue</u>	<u>Issue Amount</u>	<u>Interest Rate</u>	<u>Maturities</u>	<u>Outstanding June 30, 2017</u>
2009 Loan payable	\$ 8,002	0.96%	2018-24	\$ 4,630
		Total loan payable		<u>\$ 4,630</u>

The following schedule details loan payable debt service requirements to maturity at June 30, 2017.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 531	\$ 107
2019	544	94
2020	557	81
2021	571	67
2022	585	52
2023 - 2024	1,842	69
Total	<u>\$ 4,630</u>	<u>\$ 470</u>

Pima County has pledged future user charges, net of specified operating expenses, to repay \$20,505 in sewer revenue bonds issued between 2008 and 2009, \$513,430 in sewer revenue obligations issued between 2010 and 2017, and \$4,630 in sewer revenue loan issued in 2009. Proceeds from the bonds, obligations and loan provided financing for construction of various treatment facilities and sewer infrastructure within Pima County. The bonds, obligations and loan are payable from net sewer revenues and are payable through fiscal year 2031. It is expected that approximately 77 percent of net revenues will be used to pay annual principal and interest payments on the bonds and obligations and approximately 2 percent of net revenues will be used to pay annual principal and interest on the loan. Total principal and interest remaining to be paid on the bonds, obligations and loan are \$21,811, \$646,267 and \$5,100, respectively. Principal and interest paid in the current year on the bonds and obligations, and on the loan, and total customer net revenues were \$73,757, \$12,545, and \$91,459, respectively.

All sewer revenue bonds were issued and the loan agreements were executed with a first lien on the pledge of the RWR net revenues and have restrictive covenants, primarily related to minimum utility rates and limitations on future bond issues. The bond covenants also require the RWR to either maintain a surety bond guaranteeing the payment of annual debt service or to maintain in the Bond Reserve Account monies in amounts set by each debt issue. At June 30, 2017, the RWR met the requirements of the debt covenants. The County is also authorized to issue for the RWR additional parity bonds or revenue obligations if certain conditions are met, primarily that net revenues for parity bonds and pledged revenues for revenue obligations for the fiscal year immediately preceding issuance of the new debt exceed 120 percent of the maximum annual debt service requirements immediately after such issuance.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 7: Long Term Liabilities (continued)

CONTRACTS AND NOTES

Business-type Activities

(Payments made from restricted assets in the RWR)

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.

LEGAL DEBT MARGIN

County General Obligation Bonds

General obligation debt may not exceed 6 percent of the value of the County's taxable property as of the latest assessment. However, with voter approval, debt may be incurred up to 15 percent of the value of taxable property. Pima County has received voter approval for all general obligation debt. The legal debt margin at June 30, 2017, is as follows:

Net assessed valuation		\$ 8,262,665
<u>Debt limit (15% of net assessed valuation):</u>		<u>\$ 1,239,400</u>
<u>Less amount of debt applicable to debt limit:</u>		
General obligation bonds outstanding	\$ 321,285	
Less fund balance in debt service fund available for payment of general obligation bond principal	(2,793)	318,492
Legal debt margin available		<u>\$ 920,908</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

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 \$9,787 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 \$4,116 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, 2017; actual costs may change due to inflation, changes in technology, or changes in regulations.

<u>Landfill Site</u>	<u>Capacity Used June 30, 2017</u>	<u>Estimated Remaining Service Life</u>
Ajo	75%	34 Years
Sahuarita*	59%	25 Years
Tangerine	100%	Closed

*The Sahuarita Landfill stopped accepting waste from the public in February 2016 but remains open for internal County waste disposal needs.

The County plans to fund the estimated closure and post-closure care costs with General Fund monies.

According to State and Federal laws and regulations, the County must comply with the local government financial test requirements that ensure the County can meet the costs of landfill closure, post-closure, and corrective action when needed. The County is in compliance with these requirements. The Ina Road Landfill facility is closed to municipal solid waste and only receives green waste and construction debris. It is not subject to the closure and post-closure cost requirements referred to above. Pima County estimates that it will cost approximately \$11,403 when closure occurs and plans to fund the costs with General Fund monies. At this time, there is no closure date available.

On June 1, 2013 Tucson Recycling and Waste Services was contracted to operate the remaining open landfill and transfer stations on behalf of Pima County in an agency capacity. The closure and post closure costs remain the liability of Pima County.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 9: Operating Leases

The County leases land, buildings, parking spaces, machinery, and office equipment under the provisions of various long-term lease agreements classified as operating leases for accounting purposes. Rental expenditures under the terms of the operating leases were \$10,272 for the year ended June 30, 2017. These operating leases have remaining lease terms from one to thirty-eight years. Also, they provide renewal options and are contingent on budgetary appropriations each fiscal year. The future estimated maximum rental payments under these operating leases as of June 30, 2017, are as follows:

Year ending June 30	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	\$ 16,239	\$ 200
2019	14,682	200
2020	4,460	200
2021	1,040	200
2022	824	200
2023-27	982	1,000
2028-32	54	1,000
2033-37		1,000
2038-42		1,000
2043-47		1,000
2048-52		1,000
2053-55		550
Total minimum lease payments	<u>\$ 38,281</u>	<u>\$ 7,550</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits

The County contributes to the Arizona State Retirement System (ASRS), the Corrections Officer Retirement Plan (CORP), the Corrections Officer Retirement Plan – Administrative Office of the Courts (CORP AOC), 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), all component units of the State of Arizona.

At June 30, 2017, the County reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 738,949	\$ 44,343	\$ 783,292
Deferred outflows of resources	155,707	7,987	163,694
Deferred inflows of resources	69,617	6,733	76,350
Pension expense	82,924	223	83,147

The County’s accrued payroll and employee benefits includes \$3,049 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the County reported \$47,815 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

The ASRS, CORP, CORP AOC, PSPRS - Pima County Sheriffs, and EORP plans are described below. The PSPRS, Pima County - County Attorney Investigators is not described due to its relative insignificance to the County's financial statements.

A. Arizona State Retirement System

Plan description—County employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Benefits provided—The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions—In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the County to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, the County was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill. The County's contributions to the pension plan for the year ended June 30, 2017, were \$25,320. The County's OPEB contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS		
Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
2017	\$ 1,306	\$ 328
2016	1,129	272
2015	1,363	277

PIMA COUNTY, ARIZONA
Notes to Financial Statements
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Note 10 - Pensions and Other Postemployment Benefits (continued)

During fiscal year 2017, the County paid for ASRS pension and OPEB contributions as follows: 60 percent from the General Fund, 10 percent from major funds, and 30 percent from other funds.

Pension liability—At June 30, 2017, the County reported a liability of \$393,174 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The County’s proportion of the net pension liability was based on the County’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2016. The County’s proportion measured as of June 30, 2016, was 2.44 percent, which was a decrease of 0.07 from its proportion measured as of June 30, 2015.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for ASRS of \$14,613. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,389	\$ 27,047
Changes of assumptions or other inputs		20,802
Net difference between projected and actual earnings on pension plan investments	42,607	
Changes in proportion and differences between county contributions and proportionate share of contributions	568	12,011
County contributions subsequent to the measurement date	25,320	
Total	\$ 70,884	\$ 59,860

The \$25,320 reported as deferred outflows of resources related to ASRS pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$ (24,600)
2019	(18,196)
2020	16,554
2021	11,946

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Actuarial Assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS	
Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS	Target	Long-Term Expected Arithmetic Real
Asset Class	Allocation	Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	<u>2%</u>	3.84%
Total	<u>100%</u>	

Discount Rate—The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Note 10 - Pensions and Other Postemployment Benefits (continued)

Sensitivity of the County’s proportionate share of the ASRS net pension liability to changes in the discount rate—The following table presents the County’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
County’s proportionate share of the net pension liability	\$ 501,326	\$ 393,174	\$ 306,460

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System and Corrections Officer Retirement Plan

Plan descriptions—County sheriff employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

County detention officers and Administrative Office of the Courts (AOC) probation, surveillance, and juvenile detention officers participate in the Corrections Officer Retirement Plan (CORP). The CORP administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan for county detention officers (agent plans), and a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for AOC officers (cost-sharing plans). The PSPRS Board of Trustees and the participating local boards govern CORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 6.

The PSPRS and CORP issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS and CORP plans. The report is available on the PSPRS website at www.psprs.com.

Benefits provided—The PSPRS and CORP provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years

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

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	
CORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	Sum of years and age equals 80 20 years, any age 10 years, age 62	25 years, age 52.5 10 years, age 62
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	2.0% to 2.5% per year of credited service, not to exceed 80%	
Accidental Disability Retirement	50% or normal retirement if more than 20 years of credited service	50% or normal retirement if more than 25 years of credited service
Total and Permanent Disability Retirement	50% or normal retirement if more than 25 years of credited service	

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

CORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Ordinary Disability Retirement	2.5% per year of credited service	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms—At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Sheriff	CORP Detention
Inactive employees or beneficiaries currently receiving benefits	384	192
Inactive employees entitled to but not yet receiving benefits	120	139
Active employees	454	463
Total	958	794

Contributions and annual OPEB cost—State statutes establish the pension contribution requirements for active PSPRS and CORP employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS and CORP pension and health insurance premium benefits. As allowed by statute, the County contributed 3.65 percent of the PSPRS members' required contribution. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Sheriff	CORP Detention	CORP AOC
Active members—Pension			
PSPRS members with an initial membership date on or before July 19, 2011			
July 2016 through March 2017	11.65%	n/a	n/a
April 2017 through June 2017	7.65%	n/a	n/a
PSPRS members with an initial membership Date after July 19, 2011, and all CORP	11.65%	8.41%	8.41%
County			
Pension	52.48%	22.58%	20.08%
Health insurance premium benefit	0.32%	0.12%	0.80%

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

In addition, statute required the County to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the PSPRS or CORP would typically fill.

	<u>PSPRS Sheriff</u>	<u>CORP Detention</u>	<u>CORP AOC</u>
Pension	39.66%	16.37%	13.68%
Health Insurance Premium Benefit	0.00%	0.00%	0.53%

For the agent plans, the County's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

	<u>PSPRS Sheriff</u>	<u>CORP Detention</u>
Pension		
Contributions made	\$ 16,861	\$ 4,872
Health Insurance Premium Benefit		
Annual OPEB cost	103	26
Contributions made	103	26

Contributions to the CORP AOC pension plan for the year ended June 30, 2017, were \$2,691. The County's contributions for the current and 2 preceding years for the CORP AOC OPEB, all of which were equal to the required contributions, were as follows:

CORP AOC	Health Insurance Fund
Year ended June 30	<u> </u>
2017	\$ 107
2016	116
2015	172

During fiscal year 2017, the County paid for PSPRS and CORP pension and OPEB contributions as follows: 94 percent from the General Fund and 6 percent from other non-major funds.

Pension liability —At June 30, 2017, the County reported the following net pension liabilities:

	<u>Net Pension Liability</u>
PSPRS Sheriff	\$ 218,444
CORP Detention	59,730
CORP AOC (County's proportionate share)	35,046

The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net pension liabilities as a result of these changes is not known.

Pension actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS and CORP—Pension

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0%–8.0% for PSPRS and 4.0%–7.25% for CORP
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS and CORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

PSPRS and CORP		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

Pension discount rates— At June 30, 2016, the discount rate used to measure the PSPRS and CORP total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability
PSPRS – Sheriff

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2016	\$ 332,455	\$ 140,413	\$ 192,042
Changes for the year:			
Service cost	6,068		6,068
Interest on the total pension liability	25,444		25,444
Changes of benefit terms	9,540		9,540
Differences between expected and actual experience in the measurement of the pension liability	(7,713)		(7,713)
Changes of assumptions or other inputs	12,356		12,356
Contributions—employer		15,122	(15,122)
Contributions—employee		3,877	(3,877)
Net investment income		808	(808)
Benefit payments, including refunds of employee contributions	(22,727)	(22,727)	
Administrative expense		(117)	117
Other changes		(397)	397
Net changes	<u>22,968</u>	<u>(3,434)</u>	<u>26,402</u>
Balances at June 30, 2017	<u>\$ 355,423</u>	<u>\$ 136,979</u>	<u>\$ 218,444</u>

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

CORP – Detention	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances at June 30, 2016	\$ 102,337	\$ 49,202	\$ 53,135
Changes for the year:			
Service cost	2,893		2,893
Interest on the total pension liability	7,911		7,911
Changes of benefit terms	181		181
Differences between expected and actual experience in the measurement of the pension liability	(1,930)		(1,930)
Changes of assumptions or other inputs	4,125		4,125
Contributions—employer		4,634	(4,634)
Contributions—employee		1,730	(1,730)
Net investment income		302	(302)
Benefit payments, including refunds of employee contributions	(6,013)	(6,013)	
Administrative expense		(43)	43
Other changes		(38)	38
Net changes	7,167	572	6,595
Balances at June 30, 2017	\$ 109,504	\$ 49,774	\$ 59,730

The County's proportion of the CORP AOC net pension liability was based on the County's actual contributions to the plan relative to the total of all participating counties' actual contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016, was 12.42 percent, which was a decrease of 0.03 from its proportion measured as of June 30, 2015.

Sensitivity of the County's net pension liability to changes in the discount rate—The following table presents the County's net pension liabilities calculated using the discount rate of 7.50 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PSPRS Sheriff			
Net pension liability	\$ 261,686	\$ 218,444	\$ 182,520
CORP Detention			
Net pension liability	\$ 73,722	\$ 59,730	\$ 48,176
CORP AOC			
County's proportionate share of the net pension liability	\$ 45,042	\$ 35,046	\$ 26,790

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Pension plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS and CORP financial reports.

Pension expense—For the year ended June 30, 2017, the County recognized the following pension expense:

	Pension Expense
PSPRS Sheriff	\$ 34,370
CORP Detention	7,800
CORP AOC (County's proportionate share)	5,305

Pension deferred outflows/inflows of resources—At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS – Sheriff		
Differences between expected and actual experience		\$ 9,533
Changes of assumptions or other inputs	\$ 26,892	
Net difference between projected and actual earnings on pension plan investments	8,616	
County contributions subsequent to the measurement date	16,861	
Total	\$ 52,369	\$ 9,533
CORP – Detention		
Differences between expected and actual experience		\$ 3,480
Changes of assumptions or other inputs	\$ 8,183	
Net difference between projected and actual earnings on pension plan investments	3,053	
County contributions subsequent to the measurement date	4,872	
Total	\$ 16,108	\$ 3,480
CORP – AOC		
Differences between expected and actual experience	\$ 745	\$ 1,765
Changes of assumptions or other inputs	4,757	
Net difference between projected and actual earnings on pension plan investments	2,647	
Changes in proportion and differences between county contributions and proportionate share of contributions	30	54
County contributions subsequent to the measurement date	2,691	
Total	\$ 10,870	\$ 1,819

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The amounts reported as deferred outflows of resources related to pensions resulting from county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	PSPRS Sheriff	CORP Detention	CORP AOC
2018	\$ 7,538	\$ 2,353	\$ 1,887
2019	7,538	2,353	1,887
2020	8,149	1,977	1,776
2021	2,268	889	778
2022	482	184	32
	<u>\$ 25,975</u>	<u>\$ 7,756</u>	<u>\$ 6,360</u>

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the County and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the County and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

PSPRS and CORP—OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Agent plan OPEB trend information—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Sheriff			
2017	\$ 103	100%	
2016	85	100%	
2015	608	100%	
CORP Detention			
2017	\$ 26	100%	
2016	36	100%	
2015	264	100%	

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS Sheriff	CORP Detention
Actuarial value of assets: (a)	\$ 8,306	\$ 3,672
Actuarial accrued liability: (b)	7,865	3,167
Unfunded actuarial accrued liability (funding excess): (b) – (a)	\$ (441)	\$ (505)
Funded ratio: (a)/(b)	105.6%	115.9%
Annual covered payroll: (c)	\$ 30,384	\$ 20,263
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll: (b) – (a) / (c)	(1.5)%	(2.5)%

The actuarial methods and assumptions used are the same for all the PSPRS and CORP health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS and CORP—OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4%–8% for PSPRS and 4%–7.25% for CORP
Wage growth	4% for PSPRS and CORP

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

C. Elected Officials Retirement Plan

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP) or ASRS. EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes its financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at www.psprs.com.

Benefits provided—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member’s benefit	50% of retired member’s benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member’s normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Contributions— State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2017, statute required active EORP members with an initial membership date on or before July 19, 2011, to contribute 13 percent of the members' annual covered payroll for July 2016 through March 2017 and 7 percent of the members' annual covered payroll for April 2017 through June 2017. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll, and the County was required to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, the County was required by statute to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members, in addition to the County's required contributions to ASRS for these elected officials and judges. In addition, statute required the County to contribute 23.5 percent of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the EORP would typically fill. The County's contributions to the pension plan for the year ended June 30, 2017, were \$1,566. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During fiscal year 2017, the County paid for EORP pension contributions entirely from the General Fund.

Pension liability—At June 30, 2017, the County reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the County's proportionate share of the State's appropriation for EORP. The amount the County recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the County were as follows:

County's proportionate share of the EORP net pension liability	\$ 74,615
State's proportionate share of the EORP net pension liability associated with the County	15,406
Total	\$ 90,021

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

The County's proportion of the net pension liability was based on the County's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2016. The County's proportion measured as of June 30, 2016 was 7.90 percent, which was an increase of 0.35 from its proportion measured as of June 30, 2015.

The collective net pension liability measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's proportionate share of the collective net pension liability as a result of these changes is not known.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2017, the County recognized pension expense for EORP of \$20,760 and revenue of \$4,111 for the County's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 1,403
Changes of assumptions or other inputs	\$ 8,377	
Net difference between projected and actual earnings on pension plan investments	1,728	
Changes in proportion and differences between county contributions and proportionate share of contributions	1,294	96
County contributions subsequent to the measurement date	1,566	
Total	<u>\$ 12,965</u>	<u>\$ 1,499</u>

The \$1,566 reported as deferred outflows of resources related to EORP pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$ 6,669
2019	2,257
2020	628
2021	346

Actuarial assumptions—The significant actuarial assumptions used to measure the total pension liability are as follows:

EORP	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 10 - Pensions and Other Postemployment Benefits (continued)

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

EORP	Long-Term Expected Arithmetic Real Rate of	
Asset Class	Target Allocation	Return
Short-term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	<u>16%</u>	6.23%
Total	<u>100%</u>	

Discount rate—At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

Sensitivity of the County's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.68 percent) or 1 percentage point higher (4.68 percent) than the current rate:

EORP	1% Decrease (2.68%)	Current Discount Rate (3.68%)	1% Increase (4.68%)
County's proportionate share of the net pension liability	\$ 86,856	\$ 74,615	\$ 64,397

Pension Plan Fiduciary Net Position—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 11: Interfund Transactions

A. Interfund Assets/Liabilities

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

Amounts recorded as due to:

Amounts recorded as due from:	General	Other Governmental	Regional Wastewater Reclamation	Internal Services	Total
General	\$ 5,294	\$ 9		\$ 5,303	
Capital Projects		400			400
Other Governmental	\$ 324	22	16		362
Regional Wastewater Reclamation		12			12
Other Enterprise	9	28	12		49
Internal Services				\$ 4	4
Total	\$ 333	\$ 5,756	\$ 37	\$ 4	\$ 6,130

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	Regional Wastewater Reclamation	Other Enterprise	Internal Services	Total
General		\$ 5,511	\$ 194	\$ 500	\$ 206		\$ 6,411
Capital Projects	\$ 647		16,908	1,127		182	18,864
Debt Service	13,812	\$ 179	18,658	24,229	657	2,170	59,705
Other Governmental	23,564	237	1,036	217		10	25,064
Regional Wastewater Reclamation		7,060	2				7,062
Internal Service		26		284			310
Total	\$ 38,023	\$ 7,502	\$ 42,115	\$ 26,051	\$ 1,157	\$ 2,568	\$ 117,416

The table above does not include transfers of capital assets from the proprietary funds to the governmental activities because these are not reported in the governmental funds.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 12: Construction and Other Significant Commitments

At June 30, 2017, Pima County had the following major contractual commitments:

Community Development

The Community Development Department had construction contractual commitments of \$1,817 and other contractual commitment related to service contracts of \$3,613. Funding for these expenditures will be provided from reimbursements on intergovernmental grant awards, including federal and state entities, and general obligation bonds.

Community Services

The Community Services Department had contractual commitments related to service contracts of \$11,836. Funding for these expenditures will be provided from reimbursements on intergovernmental grant awards, including federal and state entities.

Facilities Management

The Facilities Management Department had construction contractual commitments of \$16,394 and other contractual commitment related to service contracts of \$7,889. Funding for these expenditures will be provided from general fund revenues and general obligation bonds.

General Government

The Office of Medical Services had commitments related to service contracts of \$47,285. Funding for these expenditures will be provided from general fund revenue, the Wireless Integrated Network special revenue fund and general obligation bonds.

Natural Resources, Parks and Recreation

The Natural Resources, Parks and Recreation Department had construction contractual commitments of \$10,696 and other contractual commitments related to service contracts of \$2,349. Funding for these expenditures will be provided from general fund revenues.

Regional Flood Control

The Regional Flood Control fund had construction contractual commitments of \$4,430 and other contractual commitments related to service contracts of \$1,765. Funding for these expenditures will be primarily from tax levy revenues.

Regional Wastewater Reclamation

The Regional Wastewater Reclamation enterprise fund had construction contractual commitments of \$17,498 and other contractual commitments related to services of \$1,480. Funding for these expenses will be primarily from the Sewer Revenue Bonds and sewer user fees.

Transportation

The Transportation Department had construction commitments of \$63,065 and other contractual commitments related to services of \$3,394. Funding for these expenditures will be primarily provided from Transportation Revenue bonds, federal grants funding and state Highway User Tax Revenue, which is the primary source of revenue for the Transportation Department.

PIMA COUNTY, ARIZONA
Notes to Financial Statements
June 30, 2017
(in thousands)

Note 13: Deficit Fund Balances

At June 30, 2017, the following nonmajor funds reported deficits in fund balance or net position:

	Fund	Deficit
Governmental Funds:		
Other Grants		2,934
Stadium District		2,709
Rocking K South Community Facilities District		1
Proprietary funds:		
Development Services		2,872



Required Supplementary Information

Other Than Management's Discussion & Analysis

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual – General Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit B - 1

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 338,267	\$ 338,267	\$ 341,668	\$ 3,401
Licenses and permits	3,206	3,206	3,235	29
Intergovernmental	151,589	151,589	154,264	2,675
Charges for services	46,486	46,486	47,072	586
Fines and forfeits	3,813	3,813	3,564	(249)
Investment earnings	220	220	711	491
Miscellaneous	6,270	6,270	7,476	1,206
Total revenues	549,851	549,851	557,990	8,139
Expenditures:				
General government				
Assessor	8,651	8,651	7,593	1,058
Board of Supervisors	2,185	2,185	1,993	192
Clerk of Superior Court	10,780	10,780	10,726	54
Constables	1,256	1,256	1,267	(11)
County Administration	125,936	125,936	56,679	69,257
County Attorney	23,322	23,322	23,094	228
Justice Courts	8,328	8,328	8,268	60
Juvenile Courts	23,239	23,239	23,014	225
Justice & Law Enforcement	32,692	32,692	31,286	1,406
Public Works (Facilities Management)	24,299	24,299	23,051	1,248
Recorder	4,340	4,340	3,839	501
Superior Court	30,014	30,014	29,815	199
Superior Court Mandated Services	1,790	1,790	1,795	(5)
Treasurer	2,575	2,575	2,074	501
Public safety				
Sheriff	146,266	146,266	147,801	(1,535)
Office of Emergency Management & Homeland Security	400	400	331	69
Sanitation				
Environmental Quality	1,435	1,435	1,271	164
Health				
Forensic Science Center	3,697	3,697	3,585	112
Welfare				
County Admin - Welfare	56,959	56,959	56,814	145
Office of Medical Services	40,778	40,778	32,833	7,945
Culture and recreation				
Public Works (Parks and Recreation)	18,266	18,266	18,194	72
Education and economic opportunity				
Community & Economic Development	12,143	12,143	10,858	1,285
School Superintendent	1,666	1,666	1,465	201
Debt Service - principal				
- interest	6,819	6,819	6,815	4
	506	506	563	(57)
Total expenditures	588,342	588,342	505,024	83,318
Excess (deficiency) of revenues over (under) expenditures	(38,491)	(38,491)	52,966	91,457
Other financing sources (uses):				
Transfers in	12,740	12,740	6,411	(6,329)
Transfers (out)	(33,573)	(33,573)	(38,023)	(4,450)
Total other financing uses	(20,833)	(20,833)	(31,612)	(10,779)
Net change in fund balances	(59,324)	(59,324)	21,354	80,678
Fund balances at beginning of year	59,324	59,324	80,682	21,358
Fund balances at end of year	\$	\$	\$ 102,036	\$ 102,036

Notes to Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual – General Fund
June 30, 2017
(in thousands)

Note 1- Budgeting and Budgetary Control

Arizona Revised Statutes (A.R.S.) requires the County to prepare and adopt a balanced budget annually for each governmental fund. The Board of Supervisors must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors’ approval. With the exception of the General Fund, Other Special Revenue, and Other Special Revenue – Grants, each fund includes only one department.

Note 2 – Expenditures in Excess of Appropriations

For the year ended June 30, 2017, expenditures for the following departments in the General Fund exceeded final budget amounts at the department level (the legal level of budgetary control) as follows:

Function/Department	Excess
General government:	
Constables	\$ 11
Superior Court Mandated Services	<u>5</u>
Total general government:	<u><u>16</u></u>
Public safety:	
Sheriff	<u>1,535</u>
Total public safety	<u><u>1,535</u></u>
Debt Service:	
interest	<u>57</u>
Total debt service	<u><u>\$ 57</u></u>

These expenditures were funded by greater than anticipated revenues and unspent appropriations.

PIMA COUNTY, ARIZONA

Exhibit B - 2

Schedule of the County's Proportionate Share of the Net Pension Liability
 Cost-Sharing Pension Plans
 June 30, 2017
 (in thousands)

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
County's proportion of the net pension liability	2.44%	2.51%	2.56%	
County's proportionate share of the net pension liability	\$ 393,174	\$ 391,629	\$ 379,139	
County's covered payroll	\$ 228,129	\$ 231,570	\$ 229,907	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	172.35%	169.12%	164.91%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Corrections Officer Retirement Plan—Administrative Office of the Courts	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
County's proportion of the net pension liability	12.42%	12.45%	12.43%	
County's proportionate share of the net pension liability	\$ 35,046	\$ 30,274	\$ 27,888	
County's covered payroll	\$ 13,681	\$ 13,857	\$ 13,114	Information not available
County's proportionate share of the net pension liability as a percentage of its covered payroll	256.17%	218.47%	212.66%	
Plan fiduciary net position as a percentage of the total pension liability	54.81%	57.89%	58.59%	

Elected Officials Retirement Plan	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
County's proportion of the net pension liability	7.90%	7.55%	7.64%	
County's proportionate share of the net pension liability	\$ 74,615	\$ 59,037	\$ 51,259	
State's proportionate share of the net pension liability associated with the County	\$ 15,406	\$ 18,405	\$ 15,717	
Total	\$ 90,021	\$ 77,442	\$ 66,976	Information not available
County's covered payroll	\$ 6,617	\$ 6,391	\$ 6,932	
County's proportionate share of the net pension liability as a percentage of its covered payroll	1127.63%	923.75%	739.45%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA
Schedule of Changes in the County's
Net Pension Liability and Related Ratios
Agent Pension Plans
June 30, 2017
(in thousands)

Exhibit B - 2

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Public Safety Personnel Retirement System - Sheriff				
Total pension liability				
Service cost	\$ 6,068	\$6,421	\$6,346	
Interest on the total pension liability	25,444	24,997	21,060	
Changes of benefit terms	9,540	-	7,336	
Differences between expected and actual experience in the measurement of the pension liability	(7,713)	(4,579)	(462)	
Changes of assumptions or other inputs	12,356	-	34,338	
Benefit payments, including refunds of employee contributions	(22,727)	(19,209)	(17,811)	
Net change in total pension liability	22,968	7,630	50,807	
Total pension liability - beginning	332,455	324,825	274,018	
Total pension liability - ending (a)	<u>\$ 355,423</u>	<u>\$ 332,455</u>	<u>\$ 324,825</u>	
Plan fiduciary net position				
Contributions - employer	\$ 15,122	\$11,490	\$10,627	Information not available
Contributions - employee	3,877	3,505	3,415	
Net investment income	808	5,053	17,221	
Benefit payments, including refunds of employee contributions	(22,727)	(19,209)	(17,811)	
Administrative expense	(117)	(124)	(139)	
Other changes	(397)	(148)	(92)	
Net change in plan fiduciary net position	(3,434)	567	13,221	
Plan fiduciary net position - beginning	140,413	139,846	126,625	
Plan fiduciary net position - ending (b)	<u>\$ 136,979</u>	<u>\$ 140,413</u>	<u>\$ 139,846</u>	
County's net pension liability - ending (a) - (b)	\$ 218,444	\$ 192,042	\$ 184,979	
Plan fiduciary net position as a percentage of the total pension liability	38.54%	42.24%	43.05%	
Covered payroll	\$30,384	\$31,515	\$31,543	
County's net pension liability as a percentage of covered payroll	718.94%	609.37%	586.43%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA
Schedule of Changes in the County's
Net Pension Liability and Related Ratios
Agent Pension Plans
June 30, 2017
(in thousands)

Exhibit B - 2

Corrections Officer Retirement Plan - Detention	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				
Service cost	\$ 2,893	\$ 2,798	\$ 2,852	
Interest on the total pension liability	7,911	7,751	6,623	
Changes of benefit terms	181		1,459	
Differences between expected and actual experience in the measurement of the pension liability	(1,930)	(2,557)	(609)	
Changes of assumptions or other inputs	4,125		10,555	
Benefit payments, including refunds of employee contributions	(6,013)	(5,988)	(6,975)	
Net change in total pension liability	7,167	2,004	13,905	
Total pension liability - beginning	102,337	100,333	86,428	
Total pension liability - ending (a)	\$ 109,504	\$ 102,337	\$ 100,333	
Plan fiduciary net position				Information not available
Contributions - employer	\$ 4,634	\$ 3,441	\$ 2,970	
Contributions - employee	1,730	1,737	1,686	
Net investment income	302	1,765	6,030	
Benefit payments, including refunds of employee contributions	(6,013)	(5,988)	(6,975)	
Administrative expense	(43)	(44)	(48)	
Other changes	(38)	(69)	11	
Net change in plan fiduciary net position	572	842	3,674	
Plan fiduciary net position - beginning	49,202	48,360	44,686	
Plan fiduciary net position - ending (b)	\$ 49,774	\$ 49,202	\$ 48,360	
County's net pension liability - ending (a) - (b)	\$ 59,730	\$ 53,135	\$ 51,973	
Plan fiduciary net position as a percentage of the total pension liability	45.45%	48.08%	48.20%	
Covered payroll	\$ 20,263	\$ 20,816	\$ 20,051	
County's net pension liability as a percentage of covered payroll	294.77%	255.26%	259.20%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA
Schedule of County Pension Contributions
June 30, 2017
(in thousands)

Exhibit B - 2

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Arizona State Retirement System					
Statutorily required contribution	\$ 25,320	\$ 24,752	\$ 25,218	\$ 24,600	
County's contributions in relation to the statutorily required contribution	25,320	24,752	25,218	24,600	
County's contribution deficiency (excess)	-	-	-	-	Information not available
County's covered payroll	\$ 235,375	\$ 228,129	\$ 231,570	\$ 229,907	
County's contributions as a percentage of covered payroll	10.76%	10.85%	10.89%	10.70%	

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Corrections Officer Retirement Plan - Administrative Office of the Courts					
Statutorily required contribution	\$ 2,691	\$ 2,613	\$ 062	\$ 1,933	
County's contributions in relation to the statutorily required contribution	2,691	2,613	2,062	1,933	
County's contribution deficiency (excess)	-	-	-	-	Information not available
County's covered payroll	\$ 13,400	\$ 13,681	\$ 13,857	\$ 13,114	
County's contributions as a percentage of covered payroll	20.08%	19.10%	14.88%	14.74%	

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Elected Officials Retirement Plan					
Statutorily required contribution	\$ 1,566	\$ 1,555	\$ 502	\$ 629	
County's contributions in relation to the statutorily required contribution	1,566	1,555	1,502	1,629	
County's contribution deficiency (excess)	-	-	-	-	Information not available
County's covered payroll	\$ 7,050	\$ 6,617	\$ 6,391	\$ 6,932	
County's contributions as a percentage of covered payroll	22.21%	23.50%	23.50%	23.50%	

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Public Safety Personnel Retirement System - Sheriff					
Actuarially determined contribution	\$ 16,861	\$ 15,119	\$ 11,490	\$ 10,627	
County's contributions in relation to the actuarially determined contribution	16,861	15,119	11,490	10,627	
County's contribution deficiency (excess)	-	-	-	-	Information not available
County's covered payroll	\$ 32,156	\$ 30,384	\$ 31,515	\$ 31,543	
County's contributions as a percentage of covered payroll	52.44%	49.76%	36.46%	33.69%	

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Corrections Officer Retirement Plan - Detention					
Actuarially determined contribution	\$ 4,872	\$ 4,618	\$ 3,441	\$ 2,970	
County's contributions in relation to the actuarially determined contribution	4,872	4,618	3,441	2,970	
County's contribution deficiency (excess)	-	-	-	-	Information not available
County's covered payroll	\$ 21,574	\$ 20,263	\$ 20,816	\$ 20,051	
County's contributions as a percentage of covered payroll	22.58%	22.79%	16.53%	14.81%	

See accompanying notes to pension schedules.

PIMA COUNTY, ARIZONA
Notes to Pension Plan Schedules
June 30, 2017
(in thousands)

Note 1 – Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS and CORP are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80% / 120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS and from 4.5%–7.75% to 4.0%–7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS and from 5.0%–8.25% to 4.5%–7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

Note 2 – Factors that affect trends

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS, CORP, and CORP-AOC changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' and CORP's changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the County's net pension liability and related ratios. These changes also increased the PSPRS, CORP, and CORP-AOC's required contributions beginning in fiscal year 2016 in the schedule of county pension contributions.

PIMA COUNTY, ARIZONA
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017
(in thousands)

Exhibit B - 2

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets	Actuarial accrued liability	Unfunded actuarial accrued liability (UAAL) (funding excess)	Funded ratio	Annual covered payroll	UAAL (funding excess) as a percentage of covered payroll
	(a)	(b)	(b) - (a)	(a)/(b)	(c)	(b) - (a)/c
PSPRS Sheriff						
6/30/16	\$ 8,306	\$ 7,865	\$ (441)	105.6%	\$ 30,384	-1.5%
6/30/15	8,092	7,593	(499)	106.6%	31,515	-1.6%
6/30/14	7,549	7,337	(212)	102.9%	31,543	-0.7%
CORP Detention						
6/30/16	\$ 3,672	\$ 3,167	\$ (505)	115.9%	\$ 20,263	-2.5%
6/30/15	3,532	3,092	(440)	114.2%	20,816	-2.1%
6/30/14	3,248	3,122	(126)	104.0%	20,051	-0.6%



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 Fund - to account for resources used to finance activities involved in the conservation and improvement of public health and animal care. 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 secondary taxes on real property and government grants. The Regional Flood Control District is a blended component unit of Pima County.

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

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

Wireless Integrated Network Fund - to account for the design, procurement and deployment of a regional public safety voice communications network to serve public and non-profit entities responsible for providing public safety and emergency management services to the Pima County populace.

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

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

Waste Tire Fund - to account for the state shared revenue tax for the tire recycling program.

Library District Fund - to account for the resources used for management and operation of the Library District. Revenues are provided primarily by secondary taxes on real property. 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.

Street Lighting District (SLDs) Fund - to account for financial activity related to street lighting in unincorporated Pima County. The SLDs are a blended component unit of Pima County.

Rocking K South CFD Fund - to account for the purchase of eligible infrastructure of the Rocking K South master plan development through the issuance of bonds, and to fund the operation, maintenance and administration of the District through the levy of ad valorem tax on property in the District.

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PIMA COUNTY, ARIZONA
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2017
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	Wireless Integrated Network
Assets						
Cash and cash equivalents	\$ 1,128	\$ 7,813	\$ 9,845	\$ 34,047		\$ 1,881
Property taxes receivable (net)			529			
Interest receivable		6	8	25		2
Due from other funds		18	9	136	\$ 11	
Due from other governments	4,720	970	28	190	7,746	
Accounts receivable	211	190	31	722	2,074	
Inventory	1,147					176
Prepaid expenditures	32	67	20	275	268	7
Loan receivable	1,531			27		
Restricted cash equivalents						
Total assets	<u>\$ 8,769</u>	<u>\$ 9,064</u>	<u>\$ 10,470</u>	<u>\$ 35,422</u>	<u>\$ 10,099</u>	<u>\$ 2,066</u>
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$ 1,417	\$ 602	\$ 426	\$ 1,563	\$ 3,446	\$ 28
Interest payable					3	
Employee compensation	370	303	94	464	274	22
Due to other funds	30			14	3,064	
Due to other governments	1	1		2	8	91
Deposits and rebates	3		1	1		
Unearned revenue	1,535	1	7	1,179	1,460	137
Total liabilities	<u>3,356</u>	<u>907</u>	<u>528</u>	<u>3,223</u>	<u>8,255</u>	<u>278</u>
Deferred inflows of resources						
Unavailable revenue - intergovernmental	36	920	22		4,567	
Unavailable revenue - property taxes			432			
Unavailable revenue - other	198	5	16	59	211	
Total deferred inflows of resources	<u>234</u>	<u>925</u>	<u>470</u>	<u>59</u>	<u>4,778</u>	
Total liabilities and deferred inflows of resources	<u>3,590</u>	<u>1,832</u>	<u>998</u>	<u>3,282</u>	<u>13,033</u>	<u>278</u>
Fund balances						
Nonspendable	1,179	67	20	275	268	183
Restricted	4,000	7,165	9,452	23,088	779	
Committed				2,282		
Assigned				6,495		1,605
Unassigned					(3,981)	
Total fund balances (deficit)	<u>5,179</u>	<u>7,232</u>	<u>9,472</u>	<u>32,140</u>	<u>(2,934)</u>	<u>1,788</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,769</u>	<u>\$ 9,064</u>	<u>\$ 10,470</u>	<u>\$ 35,422</u>	<u>\$ 10,099</u>	<u>\$ 2,066</u>

Special Revenue Funds							Total Other Governmental Funds
School Reserve	Environmental Quality	Waste Tire	Library District	Stadium District	Street Lighting Districts	Rocking K South CFD	
\$ 783	\$ 3,107	\$ 1,554	\$ 14,331		\$ 115	\$ -	\$ 74,604
	2	1	912		1		1,442
			12				56
172	7	303	11	\$ 188			362
32	60		870	239			14,386
				159			4,349
	1		453	5			1,323
			45				1,128
							1,558
							45
<u>\$ 987</u>	<u>\$ 3,177</u>	<u>\$ 1,858</u>	<u>\$ 16,634</u>	<u>\$ 591</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ 99,253</u>
\$ 54	\$ 78	\$ 265	\$ 1,030	\$ 426	\$ 1	\$ -	\$ 9,336
				2			5
47	44		372	44			2,034
	2	68		2,577		1	5,756
							103
							5
	12		2	38			4,371
<u>101</u>	<u>136</u>	<u>333</u>	<u>1,404</u>	<u>3,087</u>	<u>1</u>	<u>1</u>	<u>21,610</u>
65			25	103			5,738
			760				1,192
	42		77	110			718
<u>65</u>	<u>42</u>		<u>862</u>	<u>213</u>			<u>7,648</u>
166	178	333	2,266	3,300	1	1	29,258
	1		498	5			2,496
479	1,790	1,525	13,870		115		62,263
229				310			2,821
113	1,208						9,421
				(3,024)		(1)	(7,006)
<u>821</u>	<u>2,999</u>	<u>1,525</u>	<u>14,368</u>	<u>(2,709)</u>	<u>115</u>	<u>(1)</u>	<u>69,995</u>
<u>\$ 987</u>	<u>\$ 3,177</u>	<u>\$ 1,858</u>	<u>\$ 16,634</u>	<u>\$ 591</u>	<u>\$ 116</u>	<u>\$ -</u>	<u>\$ 99,253</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30 , 2017
(in thousands)

	Special Revenue Funds					
	Transportation	Health	Regional Flood Control District	Other	Other Grants	Wireless Integrated Network
Revenues:						
Property taxes			\$ 23,599			
Licenses and permits	\$ 1,296	\$ 2,496	1			
Intergovernmental	59,585	4,980	68	\$ 20,942	\$ 43,515	
Charges for services	90	2,182	29	7,591		\$ 2,915
Fines and forfeits	1	103		3,891		
Investment earnings	27	51	69	223	11	14
Miscellaneous	218	938	92	5,443	1,949	68
Total revenues	61,217	10,750	23,858	38,090	45,475	2,997
Expenditures:						
General government				28,413	5,275	
Public safety			14,696	2,371	6,022	2,884
Highways and streets	40,780				743	
Sanitation						
Health		22,008		25	10,643	
Welfare					268	
Culture and recreation				2,584	46	
Education and economic opportunity				3,139	18,186	
Debt service - principal				69		
- interest				3		
Total expenditures	40,780	22,008	14,696	36,604	41,183	2,884
Excess (deficiency) of revenues over (under) expenditures	20,437	(11,258)	9,162	1,486	4,292	113
Other financing sources (uses):						
Installment note				1,700		
Proceeds from sale of capital assets	246					
Transfers in	121	12,457	73	5,107	1,793	
Transfers (out)	(23,694)	(849)	(6,669)	(4,232)	(2,460)	
Total other financing sources (uses)	(23,327)	11,608	(6,596)	2,575	(667)	
Net change in fund balances	(2,890)	350	2,566	4,061	3,625	113
Fund balances at beginning of year	8,069	6,882	6,906	28,079	(6,559)	1,675
Changes in nonspendable resources: Change in prepaids						
Fund balances at end of year	\$ 5,179	\$ 7,232	\$ 9,472	\$ 32,140	\$ (2,934)	\$ 1,788

Special Revenue Funds							Total Other Governmental Funds
School Reserve	Environmental Quality	Waste Tire	Library District	Stadium District	Street Lighting Districts	Rocking K South CFD	
			\$ 40,243		\$ 146		\$ 63,988
\$ 1,870	\$ 2,277	\$ 1,249	226	\$ 1,608			6,070
	36		723	1,044			134,043
	24	12	515	5	1		14,574
	24		83	1			4,546
			534				520
<u>1,870</u>	<u>2,361</u>	<u>1,261</u>	<u>42,324</u>	<u>2,658</u>	<u>147</u>		<u>9,267</u>
					168		33,856
							25,973
		1,072					41,523
	3,002						1,072
			38,160	5,741			35,678
2,223						\$ 1	268
							46,531
							23,549
							69
							<u>3</u>
<u>2,223</u>	<u>3,002</u>	<u>1,072</u>	<u>38,160</u>	<u>5,741</u>	<u>168</u>	<u>1</u>	<u>208,522</u>
<u>(353)</u>	<u>(641)</u>	<u>189</u>	<u>4,164</u>	<u>(3,083)</u>	<u>(21)</u>	<u>(1)</u>	<u>24,486</u>
							1,700
	680			4,833			246
	(3)	(291)	(1,050)	(2,867)			25,064
							(42,115)
	677	(291)	(1,050)	1,966			(15,105)
(353)	36	(102)	3,114	(1,117)	(21)	(1)	9,381
1,178	2,963	1,627	11,254	(1,592)	136		60,618
<u>(4)</u>							<u>(4)</u>
<u>\$ 821</u>	<u>\$ 2,999</u>	<u>\$ 1,525</u>	<u>\$ 14,368</u>	<u>\$ (2,709)</u>	<u>\$ 115</u>	<u>\$ (1)</u>	<u>\$ 69,995</u>

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Combining Statements and Other Schedules

Schedule of Revenues, Expenditures and Changes in
Fund Balance

Budget and Actual - Other Governmental Funds

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 27,436	\$ 20,233	\$ (7,203)
Charges for services	3,187	5,206	2,019
Investment earnings	283	751	468
Miscellaneous	217	1,150	933
Total revenues	<u>31,123</u>	<u>27,340</u>	<u>(3,783)</u>
Expenditures:			
Capital outlay	<u>105,479</u>	<u>73,922</u>	<u>31,557</u>
Total expenditures	<u>105,479</u>	<u>73,922</u>	<u>31,557</u>
Deficiency of revenues under expenditures	<u>(74,356)</u>	<u>(46,582)</u>	<u>27,774</u>
Other financing sources (uses):			
Face amount of long-term debt issued	35,681	25,680	(10,001)
Transfers in	18,424	18,864	440
Transfers (out)	<u>(27,848)</u>	<u>(7,502)</u>	<u>20,346</u>
Total other financing sources	<u>26,257</u>	<u>37,042</u>	<u>10,785</u>
Net change in fund balance	(48,099)	(9,540)	38,559
Fund balance at beginning of year	<u>64,777</u>	<u>105,977</u>	<u>41,200</u>
Fund balance at end of year	<u>\$ 16,678</u>	<u>\$ 96,437</u>	<u>\$ 79,759</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Debt Service Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 4

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 54,190	\$ 54,656	\$ 466
Intergovernmental		15	15
Investment earnings	95	275	180
Miscellaneous		15	15
Total revenues	<u>54,285</u>	<u>54,961</u>	<u>676</u>
Expenditures:			
Debt service - principal	90,484	94,695	(4,211)
- interest	24,949	23,354	1,595
- miscellaneous	22	1,376	(1,354)
Total expenditures	<u>115,455</u>	<u>119,425</u>	<u>(3,970)</u>
Deficiency of revenues under expenditures	<u>(61,170)</u>	<u>(64,464)</u>	<u>(3,294)</u>
Other financing sources (uses):			
Premium on bonds		17,661	17,661
Issuance of refunding debt		150,385	150,385
Payments to escrow agent		(166,816)	(166,816)
Transfers in	60,561	59,705	(856)
Total other financing sources	<u>60,561</u>	<u>60,935</u>	<u>374</u>
Net change in fund balance	(609)	(3,529)	(2,920)
Fund balance at beginning of year	<u>5,413</u>	<u>6,656</u>	<u>1,243</u>
Fund balance at end of year	<u>\$ 4,804</u>	<u>\$ 3,127</u>	<u>\$ (1,677)</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Transportation - Special Revenue Fund
For the Year Ended June, 30 2017
(in thousands)

Exhibit C - 5

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 1,153	\$ 1,296	\$ 143
Intergovernmental	58,639	59,585	946
Charges for services	245	90	(155)
Fines and forfeits		1	1
Investment earnings	25	27	2
Miscellaneous	286	218	(68)
Total revenues	<u>60,348</u>	<u>61,217</u>	<u>869</u>
Expenditures:			
Highways and streets	41,394	40,780	614
Total expenditures	<u>41,394</u>	<u>40,780</u>	<u>614</u>
Excess of revenues over expenditures	<u>18,954</u>	<u>20,437</u>	<u>1,483</u>
Other financing sources (uses):			
Proceeds from sale of capital assets		246	246
Transfers in	122	121	(1)
Transfers (out)	(24,513)	(23,694)	819
Total other financing uses	<u>(24,391)</u>	<u>(23,327)</u>	<u>1,064</u>
Net change in fund balance	(5,437)	(2,890)	2,547
Fund balance at beginning of year	4,241	8,069	3,828
Fund balance at end of year	<u>\$ (1,196)</u>	<u>\$ 5,179</u>	<u>\$ 6,375</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Health - Special Revenue Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 6

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,280	\$ 2,496	\$ 216
Intergovernmental	5,013	4,980	(33)
Charges for services	3,042	2,182	(860)
Fines and forfeits	86	103	17
Investment earnings	2	51	49
Miscellaneous	685	938	253
Total revenues	<u>11,108</u>	<u>10,750</u>	<u>(358)</u>
Expenditures:			
Health	24,647	22,008	2,639
Total expenditures	<u>24,647</u>	<u>22,008</u>	<u>2,639</u>
Deficiency of revenues under expenditures	<u>(13,539)</u>	<u>(11,258)</u>	<u>2,281</u>
Other financing sources (uses):			
Transfers in	12,457	12,457	
Transfers (out)	(1,945)	(849)	1,096
Total other financing sources	<u>10,512</u>	<u>11,608</u>	<u>1,096</u>
Net change in fund balance	(3,027)	350	3,377
Fund balance at beginning of year	2,996	6,882	3,886
Fund balance at end of year	<u>\$ (31)</u>	<u>\$ 7,232</u>	<u>\$ 7,263</u>

PIMA COUNTY, ARIZONA

Exhibit C - 7

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Regional Flood Control District - Special Revenue Fund
For the Year Ended June 30, 2017

(in thousands)

	Budget	Actual	Variance
Revenues:			
Property taxes	\$ 23,381	\$ 23,599	\$ 218
Licenses and permits	1	1	
Intergovernmental	50	68	18
Charges for services	1,070	29	(1,041)
Investment earnings	20	69	49
Miscellaneous	59	92	33
Total revenues	<u>24,581</u>	<u>23,858</u>	<u>(723)</u>
Expenditures:			
Flood control	17,440	14,696	2,744
Total expenditures	<u>17,440</u>	<u>14,696</u>	<u>2,744</u>
Excess of revenues over expenditures	<u>7,141</u>	<u>9,162</u>	<u>2,021</u>
Other financing sources (uses):			
Transfers in	11	73	62
Transfers (out)	(7,184)	(6,669)	515
Total other financing uses	<u>(7,173)</u>	<u>(6,596)</u>	<u>577</u>
Net change in fund balance	(32)	2,566	2,598
Fund balance at beginning of year	4,825	6,906	2,081
Fund balance at end of year	<u>\$ 4,793</u>	<u>\$ 9,472</u>	<u>\$ 4,679</u>

PIMA COUNTY, ARIZONA
 Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Other - Special Revenue Fund
 For the Year Ended June 30, 2017
 (in thousands)

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 23,966	\$ 20,942	\$ (3,024)
Charges for services	7,604	7,591	(13)
Fines and forfeits	3,105	3,891	786
Investment earnings	125	223	98
Miscellaneous	5,436	5,443	7
Total revenues	<u>40,236</u>	<u>38,090</u>	<u>(2,146)</u>
Expenditures:			
General government	43,641	28,413	15,228
Public safety	5,453	2,371	3,082
Health	30	25	5
Culture and recreation	3,901	2,584	1,317
Education and economic opportunity	3,429	3,139	290
Debt service - principal	58	69	(11)
- interest	1	3	(2)
Total expenditures	<u>56,513</u>	<u>36,604</u>	<u>19,909</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,277)</u>	<u>1,486</u>	<u>17,763</u>
Other financing sources (uses):			
Proceeds from capital lease agreements	2,120	1,700	(420)
Transfers in	1,733	5,107	3,374
Transfers (out)	(4,054)	(4,232)	(178)
Total other financing sources (uses)	<u>(201)</u>	<u>2,575</u>	<u>2,776</u>
Net change in fund balance	(16,478)	4,061	20,539
Fund balance at beginning of year	21,860	28,079	6,219
Fund balance at end of year	<u>\$ 5,382</u>	<u>\$ 32,140</u>	<u>\$ 26,758</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Other Grants - Special Revenue Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 9

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 54,660	\$ 43,515	\$ (11,145)
Investment earnings	5	11	6
Miscellaneous	3,077	1,949	(1,128)
Total revenues	57,742	45,475	(12,267)
Expenditures:			
County Administration	1,428	352	1,076
Community Development	5,516	4,026	1,490
Community & Economic Development		423	(423)
Community Services	15,418	13,737	1,681
County Attorney	5,039	3,197	1,842
Elections		11	(11)
Environmental Quality	819	862	(43)
Finance	6,025	46	5,979
Flood Control	213	132	81
Health	12,019	9,781	2,238
Justice Court		4	(4)
Juvenile Court	976	905	71
Office of Emergency Management	2,296	1,250	1,046
Office of Medical Services	784	268	516
Office of Sustainability and Conservation		17	(17)
Natural Resources, Parks and Recreation	276	46	230
Sheriff	5,888	4,640	1,248
Superior Court	1,221	743	478
Transportation	1,242	743	499
Total expenditures	59,160	41,183	17,977
Excess (deficiency) of revenues over (under) expenditures	(1,418)	4,292	5,710
Other financing sources (uses):			
Transfers in	3,123	1,793	(1,330)
Transfers (out)	(3,069)	(2,460)	609
Total other financing sources (uses)	54	(667)	(721)
Net change in fund balance	(1,364)	3,625	4,989
Fund balance at beginning of year	2,333	(6,559)	(8,892)
Fund balance at end of year	\$ 969	\$ (2,934)	\$ (3,903)

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Wireless Integrated Network - Special Revenue Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 10

	Budget	Actual	Variance
Revenues:			
Charges for services	\$ 2,836	\$ 2,915	\$ 79
Investment earnings	5	14	9
Miscellaneous	66	68	2
Total revenues	<u>2,907</u>	<u>2,997</u>	<u>90</u>
Expenditures:			
Public safety	3,115	2,884	231
Total expenditures	<u>3,115</u>	<u>2,884</u>	<u>231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(208)</u>	<u>113</u>	<u>321</u>
Net change in fund balance	(208)	113	321
Fund balance at beginning of year	1,420	1,675	255
Fund balance at end of year	<u>\$ 1,212</u>	<u>\$ 1,788</u>	<u>\$ 576</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
School Reserve - Special Revenue Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 11

	Budget	Actual	Variance
Revenues:			
Intergovernmental	\$ 1,884	\$ 1,870	\$ (14)
Total revenues	1,884	1,870	(14)
Expenditures:			
School Reserve grants	1,884	2,223	(339)
Total expenditures	1,884	2,223	(339)
Deficiency of revenues under expenditures		(353)	(353)
Net change in fund balance		(353)	(353)
Fund balance at beginning of year	1,353	1,178	(175)
Changes in nonspendable resources:			
Change in prepaid expenditures		(4)	(4)
Fund balance at end of year	\$ 1,353	\$ 821	\$ (532)

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Environmental Quality - Special Revenue Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 12

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Licenses and permits	\$ 2,148	\$ 2,277	\$ 129
Intergovernmental			
Fines and forfeits		36	36
Investment earnings	14	24	10
Miscellaneous	30	24	(6)
Total revenues	<u>2,192</u>	<u>2,361</u>	<u>169</u>
Expenditures:			
Environmental Quality	3,360	3,002	358
Total expenditures	<u>3,360</u>	<u>3,002</u>	<u>358</u>
Deficiency of revenues under expenditures	<u>(1,168)</u>	<u>(641)</u>	<u>527</u>
Other financing sources (uses):			
Transfers in	680	680	
Transfers (out)		(3)	(3)
Total other financing sources	<u>680</u>	<u>677</u>	<u>(3)</u>
Net change in fund balance	(488)	36	524
Fund balance at beginning of year	3,086	2,963	(123)
Fund balance at end of year	<u>\$ 2,598</u>	<u>\$ 2,999</u>	<u>\$ 401</u>

PIMA COUNTY, ARIZONA

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual
 Waste Tire - Special Revenue Fund
 For the Year Ended June 30, 2017
 (in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,100	\$ 1,249	\$ 149
Investment earnings	8	12	4
Total revenues	<u>1,108</u>	<u>1,261</u>	<u>153</u>
Expenditures:			
Sanitation	<u>1,308</u>	<u>1,072</u>	<u>236</u>
Total expenditures	<u>1,308</u>	<u>1,072</u>	<u>236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200)</u>	<u>189</u>	<u>389</u>
Other financing uses:			
Transfers (out)	<u></u>	<u>(291)</u>	<u>(291)</u>
Total other financing uses	<u></u>	<u>(291)</u>	<u>(291)</u>
Net change in fund balance	(200)	(102)	98
Fund balance at beginning of year	1,320	1,627	307
Fund balance at end of year	<u>\$ 1,120</u>	<u>\$ 1,525</u>	<u>\$ 405</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Library District - Special Revenue Fund
For the Year Ending June 30, 2017
(in thousands)

Exhibit C - 14

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 39,877	\$ 40,243	\$ 366
Intergovernmental	314	226	(88)
Charges for services	900	723	(177)
Fines and forfeits	600	515	(85)
Investment earnings	25	83	58
Miscellaneous	450	534	84
Total revenues	<u>42,166</u>	<u>42,324</u>	<u>158</u>
Expenditures:			
Culture and recreation	42,166	38,160	4,006
Total expenditures	<u>42,166</u>	<u>38,160</u>	<u>4,006</u>
Excess of revenues over expenditures		<u>4,164</u>	<u>4,164</u>
Other financing uses:			
Transfers (out)	(2,549)	(1,050)	1,499
Total other financing uses	<u>(2,549)</u>	<u>(1,050)</u>	<u>1,499</u>
Net change in fund balance	(2,549)	3,114	5,663
Fund balance at beginning of year	5,093	11,254	6,161
Fund balance at end of year	<u>\$ 2,544</u>	<u>\$ 14,368</u>	<u>\$ 11,824</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Stadium District - Special Revenue Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 15

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 1,620	\$ 1,608	\$ (12)
Charges for services	803	1,044	241
Investment earnings	5	5	
Miscellaneous		1	1
Total revenues	<u>2,428</u>	<u>2,658</u>	<u>230</u>
Expenditures:			
Culture and recreation	5,398	5,741	(343)
Total expenditures	<u>5,398</u>	<u>5,741</u>	<u>(343)</u>
Deficiency of revenues under expenditures	<u>(2,970)</u>	<u>(3,083)</u>	<u>(113)</u>
Other financing sources (uses):			
Transfers in	4,642	4,833	191
Transfers (out)	(2,867)	(2,867)	
Total other financing sources	<u>1,775</u>	<u>1,966</u>	<u>191</u>
Net change in fund balance	(1,195)	(1,117)	78
Fund balance at beginning of year	(2,233)	(1,592)	641
Fund balance at end of year	<u>\$ (3,428)</u>	<u>\$ (2,709)</u>	<u>\$ 719</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Street Lighting Districts
For the Year Ended June 30, 2017
(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 144	\$ 146	\$ 2
Investment earnings		1	1
Total revenues	<u>144</u>	<u>147</u>	<u>3</u>
Expenditures:			
General government	<u>169</u>	<u>168</u>	<u>1</u>
Total expenditures	<u>169</u>	<u>168</u>	<u>1</u>
Deficiency of revenues under expenditures	<u>(25)</u>	<u>(21)</u>	<u>4</u>
Net change in fund balance	(25)	(21)	4
Fund balance at beginning of year	<u>60</u>	<u>136</u>	<u>76</u>
Fund balance at end of year	<u>\$ 35</u>	<u>\$ 115</u>	<u>\$ 80</u>

PIMA COUNTY, ARIZONA
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Rocking K South CFD - Special Revenue Fund
For the Year Ending June 30, 2017
(in thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes			
Investment earnings			
Miscellaneous			
Total revenues	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Education and economic opportunity		\$ 1	\$ (1)
Total expenditures	<u> </u>	<u> 1</u>	<u> (1)</u>
Deficiency of revenues under expenditures	<u> </u>	<u> (1)</u>	<u> (1)</u>
Net change in fund balance		(1)	(1)
Fund balance at beginning of year	<u> </u>	<u> </u>	<u> </u>
Fund balance at end of year	<u> </u>	<u> \$ (1)</u>	<u> \$ (1)</u>

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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 seven public parking garages located in downtown Tucson.

PIMA COUNTY, ARIZONA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2017
(in thousands)

Exhibit C - 18

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,264	\$ 2,150	\$ 5,414
Interest receivable	2	2	4
Due from other funds	49		49
Due from other governments		6	6
Accounts receivable	123	30	153
Prepaid expense	7		7
Total current assets	<u>3,445</u>	<u>2,188</u>	<u>5,633</u>
Noncurrent assets:			
Capital assets:			
Land		1,768	1,768
Buildings and improvements		27,608	27,608
Equipment	18	2,235	2,253
Less accumulated depreciation	(18)	(11,286)	(11,304)
Total capital assets (net)	<u></u>	<u>20,325</u>	<u>20,325</u>
Total noncurrent assets	<u></u>	<u>20,325</u>	<u>20,325</u>
Total assets	<u>3,445</u>	<u>22,513</u>	<u>25,958</u>
Deferred outflows of resources			
Pension	1,086	56	1,142
Total deferred outflows of resources	<u>1,086</u>	<u>56</u>	<u>1,142</u>
Liabilities			
Current liabilities:			
Accounts payable	55	235	290
Employee compensation	81	5	86
Due to other governments		99	99
Unearned revenue		1	1
Compensated absences payable	230	11	241
Total current liabilities	<u>366</u>	<u>351</u>	<u>717</u>
Noncurrent liabilities:			
Compensated absences payable	95		95
Net pension liability	6,027	313	6,340
Total noncurrent liabilities	<u>6,122</u>	<u>313</u>	<u>6,435</u>
Total liabilities	<u>6,488</u>	<u>664</u>	<u>7,152</u>
Deferred inflows of resources			
Pension	915	48	963
Total deferred inflows of resources	<u>915</u>	<u>48</u>	<u>963</u>
Net position			
Net investment in capital assets		20,325	20,325
Unrestricted	(2,872)	1,532	(1,340)
Total net position	<u>\$ (2,872)</u>	<u>\$ 21,857</u>	<u>\$ 18,985</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 19

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Operating revenues:			
Charges for services	\$ 8,076	\$ 2,399	\$ 10,475
Other	6	20	26
Total operating revenues	<u>8,082</u>	<u>2,419</u>	<u>10,501</u>
Operating expenses:			
Employee compensation	4,199	420	4,619
Operating supplies and services	16	44	60
Repair and maintenance	4	284	288
General and administrative	1,695	1,254	2,949
Consultants and professional services	177	51	228
Depreciation		787	787
Total operating expenses	<u>6,091</u>	<u>2,840</u>	<u>8,931</u>
Operating income (loss)	<u>1,991</u>	<u>(421)</u>	<u>1,570</u>
Nonoperating revenues:			
Investment earnings	19	15	34
Total nonoperating revenues	<u>19</u>	<u>15</u>	<u>34</u>
Income (loss) before transfers	2,010	(406)	1,604
Transfers (out)	<u>(516)</u>	<u>(641)</u>	<u>(1,157)</u>
Change in net position	1,494	(1,047)	447
Net position at beginning of year	<u>(4,366)</u>	<u>22,904</u>	<u>18,538</u>
Net position at end of year	<u>\$ (2,872)</u>	<u>\$ 21,857</u>	<u>\$ 18,985</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 20

	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers for goods and services provided	\$ 8,046	\$ 2,404	\$ 10,450
Cash payments to suppliers for goods and services	(279)	(1,820)	(2,099)
Cash payments to other funds for goods and services	(1,592)	(27)	(1,619)
Cash payments to employees for services	(4,427)	(388)	(4,815)
Net cash provided by operating activities	1,748	169	1,917
Cash flows from noncapital financing activities:			
Cash transfers out to other funds	(516)	(641)	(1,157)
Loans with other funds	(196)		(196)
Net cash used for noncapital financing activities	(712)	(641)	(1,353)
Cash flows from capital and related financing activities:			
Purchase of capital assets		(34)	(34)
Net cash used for capital and related financing activities		(34)	(34)
Cash flows from investing activities:			
Interest received on cash and investments	18	14	32
Net cash provided by investing activities	18	14	32
Net increase (decrease) in cash and cash equivalents	1,054	(492)	562
Cash and cash equivalents at beginning of year	2,210	2,642	4,852
Cash and cash equivalents at end of year	\$ 3,264	\$ 2,150	\$ 5,414

(continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 20.1

(continued)

Reconciliation of operating income (loss) to net cash provided by operating activities	Development Services	Parking Garages	Total Nonmajor Enterprise Funds
	\$	\$	\$
Operating income (loss)	1,991	(421)	1,570
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		787	787
Changes in assets and deferred outflows of resources:			
Decrease (increase) in assets:			
Accounts receivable	(36)	(17)	(53)
Due from other governments		2	2
Inventory and other assets			
Prepaid expense	2	3	5
Construction in progress		128	128
Increase in deferred outflows of resources:			
Pension plans	(506)	(30)	(536)
Changes in liabilities and deferred inflows of resources:			
Increase (decrease) in liabilities:			
Accounts payable	19	(337)	(318)
Due to other governments		(8)	(8)
Net pension liability	(15)	40	25
Other liabilities	(26)	1	(25)
Increase in deferred inflows of resources:			
Pension plans	319	21	340
Net cash provided by operating activities	\$ 1,748	\$ 169	\$ 1,917

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2017:

Development Services Fund retired fully depreciated capital assets with an original cost of \$53 and transferred out assets with an original cost of \$24 to Fleet Services.

Parking Garages Fund expensed prior year construction in progress totaling \$128.



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, general liability, environmental liability, and property damage as well as acquiring coverage for other risks.

Fleet Services - to account for the acquisition, operation, and maintenance of fleet services equipment provided to County departments.

Health Benefit Trust Fund - to account for health care and health-related benefits. The Fund is responsible for collecting employer and employee premiums through payroll deductions, and for the payment of claims. The premiums collected include amounts paid for medical, dental, vision, short-term disability and life insurance coverages.

Other Internal Service - to account for the provision of printing, technology infrastructure, telecommunication services, and procurement of software and hardware resources utilized by County departments.

PIMA COUNTY, ARIZONA
Combining Statements of Net Position
Internal Service Funds
June 30, 2017
(in thousands)

Exhibit C - 21

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 75,758	\$ 26,893	\$ 38,390	\$ 2,533	\$ 143,574
Interest receivable	14	7	13	1	35
Due from other funds	4				4
Due from other governments				5	5
Accounts receivable	1	17	61	29	108
Inventory		483		246	729
Prepaid expense	808	6	13	9,930	10,757
Total current assets	<u>76,585</u>	<u>27,406</u>	<u>38,477</u>	<u>12,744</u>	<u>155,212</u>
Noncurrent assets:					
Loan receivable	3,400				3,400
Capital assets:					
Land	449				449
Buildings and improvements		21,656		224	21,880
Equipment	218	42,787		13,435	56,440
Less accumulated depreciation	(175)	(22,850)		(7,495)	(30,520)
Construction in progress		130		1,226	1,356
Total capital assets (net)	<u>492</u>	<u>41,723</u>		<u>7,390</u>	<u>49,605</u>
Total noncurrent assets	<u>3,892</u>	<u>41,723</u>		<u>7,390</u>	<u>53,005</u>
Total assets	<u>80,477</u>	<u>69,129</u>	<u>38,477</u>	<u>20,134</u>	<u>208,217</u>
Deferred outflows of resources					
Pension	338	663	169	4,854	6,024
Total deferred outflows of resources	<u>338</u>	<u>663</u>	<u>169</u>	<u>4,854</u>	<u>6,024</u>
Liabilities					
Current liabilities:					
Accounts payable	1,925	1,277	761	2,392	6,355
Employee compensation	29	62	15	129	235
Due to other funds			4		4
Unearned revenue	2				2
Compensated absences	55	116	41	277	489
Reported but unpaid losses	4,549		624		5,173
Incurred but not reported losses	2,272		3,534		5,806
Total current liabilities	<u>8,832</u>	<u>1,455</u>	<u>4,979</u>	<u>2,798</u>	<u>18,064</u>
Noncurrent liabilities:					
Compensated absences payable	20	129		45	194
Loan payable			3,400		3,400
Reported but unpaid losses	18,107		6		18,113
Incurred but not reported losses	10,543		36		10,579
Net pension liability	1,879	3,679	939	6,810	13,307
Total noncurrent liabilities	<u>30,549</u>	<u>3,808</u>	<u>4,381</u>	<u>6,855</u>	<u>45,593</u>
Total liabilities	<u>39,381</u>	<u>5,263</u>	<u>9,360</u>	<u>9,653</u>	<u>63,657</u>
Deferred inflows of resources					
Pension	285	558	143	1,034	2,020
Total deferred inflows of resources	<u>285</u>	<u>558</u>	<u>143</u>	<u>1,034</u>	<u>2,020</u>
Net position					
Net investment in capital assets	492	41,723		7,390	49,605
Restricted for:					
Healthcare			29,143		29,143
Unrestricted	40,657	22,248		6,911	69,816
Total net position	<u>\$ 41,149</u>	<u>\$ 63,971</u>	<u>\$ 29,143</u>	<u>\$ 14,301</u>	<u>\$ 148,564</u>

PIMA COUNTY, ARIZONA
Combining Statement of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 22

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Operating revenues:					
Charges for services	\$ 16,201	\$ 19,845	\$ 67,674	\$ 23,093	\$ 126,813
Other	26	218	2,709	53	3,006
Total operating revenues	<u>16,227</u>	<u>20,063</u>	<u>70,383</u>	<u>23,146</u>	<u>129,819</u>
Operating expenses:					
Employee compensation	2,230	3,142	872	5,674	11,918
Operating supplies and services	243	4,422	7	2,917	7,589
Incurred losses	626		51,353		51,979
Insurance premiums	3,874	1,196	5,079	21	10,170
General and administrative	1,068	2,614	1,016	10,021	14,719
Repair and maintenance	377	831		87	1,295
Consultants and professional services	738	79	3,270	2,611	6,698
Depreciation	2	4,438		712	5,152
Total operating expenses	<u>9,158</u>	<u>16,722</u>	<u>61,597</u>	<u>22,043</u>	<u>109,520</u>
Operating income	<u>7,069</u>	<u>3,341</u>	<u>8,786</u>	<u>1,103</u>	<u>20,299</u>
Nonoperating revenues (expenses):					
Investment earnings	592	192	220	27	1,031
Gain/(loss) on disposal of capital assets		44		(120)	(76)
Total nonoperating revenues	<u>592</u>	<u>236</u>	<u>220</u>	<u>(93)</u>	<u>955</u>
Income before contributions and transfers	7,661	3,577	9,006	1,010	21,254
Capital contributions		32		243	275
Transfers in	26	284			310
Transfers (out)	(219)	(2,126)		(223)	(2,568)
Change in net position	7,468	1,767	9,006	1,030	19,271
Net position at beginning of year	<u>33,681</u>	<u>62,204</u>	<u>20,137</u>	<u>13,271</u>	<u>129,293</u>
Net position at end of year	<u>\$ 41,149</u>	<u>\$ 63,971</u>	<u>\$ 29,143</u>	<u>\$ 14,301</u>	<u>\$ 148,564</u>

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 23

	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from other funds for goods and services provided	\$ 16,201	\$ 19,845	\$ 67,663	\$ 23,093	\$ 126,802
Cash received from miscellaneous operations	26	221	2,709	53	3,009
Cash payments to suppliers for goods and services	(3,961)	(5,661)	(8,072)	(17,986)	(35,680)
Cash payments to other funds for goods and services	(1,074)	(3,449)	(674)	(1,206)	(6,403)
Cash payments for incurred losses	(6,279)		(51,753)		(58,032)
Cash payments to employees for services	(2,222)	(3,157)	(937)	(5,121)	(11,437)
Net cash provided by (used for) operating activities	<u>2,691</u>	<u>7,799</u>	<u>8,936</u>	<u>(1,167)</u>	<u>18,259</u>
Cash flows from noncapital financing activities:					
Cash transfers in from other funds	26				26
Cash transfers out to other funds	(219)	(2,126)	(4)	(223)	(2,572)
Loans with other funds	3,300	9	(3,300)	26	35
Net cash provided by (used for) noncapital financing activities	<u>3,107</u>	<u>(2,117)</u>	<u>(3,304)</u>	<u>(197)</u>	<u>(2,511)</u>
Cash flows from capital and related financing activities:					
Transfers received for capital acquisition		284			284
Purchase of capital assets	(42)	(5,359)		(2,606)	(8,007)
Net cash used for capital and related financing activities	<u>(42)</u>	<u>(5,075)</u>		<u>(2,606)</u>	<u>(7,723)</u>
Cash flows from investing activities:					
Interest received on cash and investments	585	192	219	29	1,025
Net cash provided by investing activities	<u>585</u>	<u>192</u>	<u>219</u>	<u>29</u>	<u>1,025</u>
Net increase (decrease) in cash and cash equivalents	6,341	799	5,851	(3,941)	9,050
Cash and cash equivalents at beginning of year	69,417	26,094	32,539	6,474	134,524
Cash and cash equivalents at end of year	<u>\$ 75,758</u>	<u>\$ 26,893</u>	<u>\$ 38,390</u>	<u>\$ 2,533</u>	<u>\$ 143,574</u>

(continued)

PIMA COUNTY, ARIZONA
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 23.1

(continued)

Reconciliation of operating income to net cash provided by (used for) operating activities	Self- Insurance Trust	Fleet Services	Health Benefit Trust	Other Internal Service	Total Internal Service Funds
	\$ 7,069	\$ 3,341	\$ 8,786	\$ 1,103	\$ 20,299
Operating income					
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	2	4,438		712	5,152
Changes in assets and deferred outflows of resources:					
Decrease (increase) in assets:					
Accounts receivable		3	(11)	2	(6)
Due from other governments				(2)	(2)
Inventory and other assets		(61)		2	(59)
Prepaid expense	(56)	2	(3)	(3,033)	(3,090)
Increase in deferred outflows of resources:					
Pension plans	(162)	(315)	(76)	(4,618)	(5,171)
Changes in liabilities and deferred inflows of resources:					
Increase (decrease) in liabilities:					
Accounts payable	1,319	91	629	(504)	1,535
Due to other governments					
Reported but unpaid losses	(5,007)		170		(4,837)
Incurred but not reported losses	(646)		(570)		(1,216)
Net pension liability	47	54	(35)	4,355	4,421
Other liabilities	21	46	(1)	24	90
Increase in deferred inflows of resources:					
Pension plans	104	200	47	792	1,143
Net cash provided by (used for) operating activities	\$ 2,691	\$ 7,799	\$ 8,936	\$(1,167)	\$ 18,259

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2017:

Fleet Services sold capital assets with a net book value of \$239, received capital contributions with a value of \$32 from General Government and received a transfer in of capital assets from Regional Wastewater Reclamation with a net book value of \$284.

Other Internal Services received a transfer of capital assets with a net book value of \$1,037 from General Government and transferred out capital assets with a net book value of \$120 to General Government.



Combining Statements and Other Schedules

Fiduciary Funds

PIMA COUNTY, ARIZONA
Combining Statement of Fiduciary Net Position
Investment Trust Funds
June 30, 2017
(in thousands)

Exhibit C - 24

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 110,680	\$ 98,549	\$ 209,229
Interest receivable	88		88
Total assets	\$ 110,768	\$ 98,549	\$ 209,317
<u>Liabilities</u>			
Total liabilities			
<u>Net position</u>			
Held in trust for pool participants	\$ 110,768	\$ 98,549	\$ 209,317

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Position
Investment Trust Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 25

	Treasurer's Investment Pool	Individual Investment Accounts	Total Investment Trust Funds
Additions			
Contributions from participants	\$ 2,216,871	\$ 117,856	\$ 2,334,727
Total contributions	<u>2,216,871</u>	<u>117,856</u>	<u>2,334,727</u>
Investment earnings	1,093	584	1,677
Total investment earnings	<u>1,093</u>	<u>584</u>	<u>1,677</u>
Total additions	<u>2,217,964</u>	<u>118,440</u>	<u>2,336,404</u>
Deductions			
Distributions to participants	2,191,264	133,337	2,324,601
Total deductions	<u>2,191,264</u>	<u>133,337</u>	<u>2,324,601</u>
Change in net position	26,700	(14,897)	11,803
Net position held in trust July 1, 2016	84,068	113,446	197,514
Net position held in trust June 30, 2017	<u>\$ 110,768</u>	<u>\$ 98,549</u>	<u>\$ 209,317</u>

PIMA COUNTY, ARIZONA
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017
(in thousands)

Exhibit C - 26

	<u>Payroll Clearing</u>	<u>Treasurer's Clearing</u>	<u>Other</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 1,237	\$ 3,530	\$ 58,835	\$ 63,602
Due from other governments		866		866
Total assets	<u>1,237</u>	<u>4,396</u>	<u>58,835</u>	<u>64,468</u>
<u>Liabilities</u>				
Employee compensation	1,237			1,237
Due to other governments			34,141	34,141
Deposits and rebates		4,396	24,694	29,090
Total liabilities	<u>\$ 1,237</u>	<u>\$ 4,396</u>	<u>\$ 58,835</u>	<u>\$ 64,468</u>

PIMA COUNTY, ARIZONA
Combining Statement of Changes in Fiduciary Net Position
Agency Funds
For the Year Ended June 30, 2017
(in thousands)

Exhibit C - 27

	Balance 6/30/2016	Additions	Deductions	Balance 6/30/2017
Payroll Clearing				
Assets				
Cash and cash equivalents	\$ 1,463	\$ 276,605	\$ 276,831	\$ 1,237
Total assets	<u>1,463</u>	<u>276,605</u>	<u>276,831</u>	<u>1,237</u>
Liabilities				
Employee compensation	1,463	276,605	276,831	1,237
Total liabilities	<u>1,463</u>	<u>276,605</u>	<u>276,831</u>	<u>1,237</u>
Treasurer's Clearing				
Assets				
Cash and cash equivalents	4,091	1,720,402	1,720,963	3,530
Due from other governments	1,508		642	866
Total assets	<u>5,599</u>	<u>1,720,402</u>	<u>1,721,605</u>	<u>4,396</u>
Liabilities				
Due to other governments		1,690,201	1,690,201	
Deposits and rebates	5,599	30,201	31,404	4,396
Total liabilities	<u>5,599</u>	<u>1,720,402</u>	<u>1,721,605</u>	<u>4,396</u>
Other				
Assets				
Cash and cash equivalents	76,336	227,478	244,979	58,835
Total assets	<u>76,336</u>	<u>227,478</u>	<u>244,979</u>	<u>58,835</u>
Liabilities				
Due to other governments	52,289	183,569	201,717	34,141
Deposits and rebates	24,047	43,909	43,262	24,694
Total liabilities	<u>76,336</u>	<u>227,478</u>	<u>244,979</u>	<u>58,835</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	81,890	2,224,485	2,242,773	63,602
Due from other governments	1,508		642	866
Total assets	<u>83,398</u>	<u>2,224,485</u>	<u>2,243,415</u>	<u>64,468</u>
Liabilities				
Employee compensation	1,463	276,605	276,831	1,237
Due to other governments	52,289	1,873,770	1,891,918	34,141
Deposits and rebates	29,646	74,110	74,666	29,090
Total liabilities	<u>\$ 83,398</u>	<u>\$ 2,224,485</u>	<u>\$ 2,243,415</u>	<u>\$ 64,468</u>

PIMA COUNTY

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2017

INTRODUCTORY SECTION

FINANCIAL SECTION

STATISTICAL SECTION

Financial Trends Information

Revenue Capacity Information

Debt Capacity Information

Demographic and Economic Information

Operating Information

STATISTICAL SECTION

FINANCIAL TRENDS:

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

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

Exhibit D-1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 882,424	\$ 972,346	\$1,048,821	\$ 1,136,033	\$ 1,245,227	\$ 1,308,057	\$ 1,354,456	\$ 1,385,996	\$ 1,376,761	\$ 1,429,607.00
Restricted for:										
Special revenue	71,618	78,080	64,991	64,446	103,592	100,423	61,936	60,285	58,269	66,828
Highways and streets	17,390	21,349	25,749	32,906	32,322	27,033	10,988	8,039	8,269	5,416
Debt service	13,612	44,566								
Capital projects	80,922	59,945	57,939	60,381	30,224	9,853	66,885	64,612	62,386	76,278
Healthcare			3,405	4,074	1,360	1,163	3,591	28,610	34,342	40,686
Unrestricted (deficit)	53,778	34,850	149,966	164,606	157,315	145,618	84,514	(507,127)	(494,395)	(503,936)
Total governmental activities net position	<u>\$ 1,119,744</u>	<u>\$1,211,136</u>	<u>\$1,350,871</u>	<u>\$ 1,462,446</u>	<u>\$ 1,570,040</u>	<u>\$ 1,592,147</u>	<u>\$ 1,582,370</u>	<u>\$ 1,040,415</u>	<u>\$ 1,045,632</u>	<u>\$ 1,114,879</u>
Business-type activities										
Net investment in capital assets	482,822	539,718	550,540	575,525	564,561	531,945	586,868	592,351	636,369	654,168
Restricted for:										
Debt service	791	819	13,454	12,567	22,538	29,100	31,615	36,683	36,666	38,247
Capital projects	37,925	14,479	11,623	24,236	31,680	42,841	22,720	7,980	3,440	1,667
Regional Wastewater	5,956	5,883	16,110	17,161	18,449	17,785	18,820	19,419	19,223	19,668
Healthcare	13,732	9,017	15,943	23,562						
Unrestricted	56,397	34,477	29,914	33,448	66,470	101,759	117,425	87,010	88,906	75,231
Total business-type activities net position	<u>\$ 597,623</u>	<u>\$ 604,393</u>	<u>\$ 637,584</u>	<u>\$ 686,499</u>	<u>\$ 703,698</u>	<u>\$ 723,430</u>	<u>\$ 777,448</u>	<u>\$ 743,443</u>	<u>\$ 784,604</u>	<u>\$ 788,981</u>
Primary government										
Net investment in capital assets	1,365,246	1,512,064	1,599,361	1,711,558	1,809,788	1,840,002	1,941,324	1,978,347	2,013,130	2,083,775
Restricted for:										
Facilities, justice, library, tax stabilization and community development	71,618	78,080	64,991	64,446	103,592	100,423	61,936	60,285	58,269	66,828
Highways and streets	17,390	21,349	25,749	32,906	32,322	27,033	10,988	8,039	8,269	5,416
Debt service	14,403	45,385	13,454	12,567	22,538	29,100	31,615	36,683	36,666	38,247
Capital projects	118,847	74,424	69,562	84,617	61,904	52,694	89,605	72,592	65,826	77,945
Regional Wastewater	5,956	5,883	16,110	17,161	18,449	17,785	18,820	19,419	19,223	19,668
Healthcare	13,732	9,017	19,348	27,636	1,360	1,163	3,591	28,610	34,342	40,686
Unrestricted (deficit)	110,175	69,327	179,880	198,054	223,785	247,377	201,939	(420,117)	(405,489)	(428,705)
Total primary government net position	<u>\$ 1,717,367</u>	<u>\$1,815,529</u>	<u>\$1,988,455</u>	<u>\$ 2,148,945</u>	<u>\$ 2,273,738</u>	<u>\$ 2,315,577</u>	<u>\$ 2,359,818</u>	<u>\$ 1,783,858</u>	<u>\$ 1,830,236</u>	<u>\$ 1,903,860</u>

Note:
Due to the implementation of GASB Statement No. 82, Pension Issues, in fiscal year 2016, net position for the year ended June 30, 2015 was restated, however this change was not reflected in this schedule.
Due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in fiscal year 2015, net position for the year ended June 30, 2014 was restated, however this change was not reflected in this schedule.
Source:
Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA

Exhibit D-2

Changes in Net Position

Last Ten Fiscal Years

(in thousands)

(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 239,399	\$ 212,196	\$ 218,504	\$ 218,843	\$ 223,005	\$ 233,984	\$ 230,742	\$ 259,734	\$ 267,658	\$ 260,506
Public safety	165,715	149,253	145,697	146,395	150,349	166,476	188,782	188,189	201,759	214,648
Highways and streets	88,488	79,251	68,691	73,348	69,183	80,087	93,675	85,618	102,461	86,886
Sanitation	9,658	7,434	6,669	6,208	7,224	6,409	4,252	(4,882)	3,089	5,195
Health	36,977	31,541	33,086	36,475	47,248	36,540	36,085	38,219	38,386	39,454
Welfare	106,546	115,513	87,107	90,521	94,409	95,428	93,224	93,524	88,515	90,013
Culture and recreation	60,616	60,520	61,642	67,063	61,900	65,341	63,961	62,981	65,770	68,350
Education and economic opportunity	47,296	46,770	52,023	56,626	55,126	49,924	35,756	35,051	35,833	36,658
Amortization-unallocated	138	(235)	428	(2,625)	805	(286)	(5,758)	(6,237)	(6,862)	(9,348)
Interest on long-term debt	22,860	26,780	26,403	26,078	24,776	23,915	27,994	27,696	27,464	27,066
Total governmental activities expenses	<u>777,693</u>	<u>729,023</u>	<u>700,250</u>	<u>718,932</u>	<u>734,025</u>	<u>757,818</u>	<u>768,713</u>	<u>779,893</u>	<u>824,073</u>	<u>819,428</u>
Business-type activities:										
Regional Wastewater Reclamation	106,803	105,139	110,618	113,495	117,774	144,085	145,117	184,884	155,566	155,257
Pima Health System & Services	295,494	224,959	204,619	200,305	58,773					
Development Services	14,750	9,992	7,924	6,982	6,912	7,231	6,796	6,888	6,691	6,091
Parking Garages	1,877	1,696	1,906	1,538	1,988	1,825	1,877	1,814	2,350	2,840
Total business-type activities expenses	<u>418,924</u>	<u>341,786</u>	<u>325,067</u>	<u>322,320</u>	<u>185,447</u>	<u>153,141</u>	<u>153,790</u>	<u>193,586</u>	<u>164,607</u>	<u>164,188</u>
Total primary government expenses	<u>\$ 1,196,617</u>	<u>\$ 1,070,809</u>	<u>\$ 1,025,317</u>	<u>\$ 1,041,252</u>	<u>\$ 919,472</u>	<u>\$ 910,959</u>	<u>\$ 922,503</u>	<u>\$ 973,479</u>	<u>\$ 988,680</u>	<u>\$ 983,616</u>
Program revenues										
Governmental activities:										
Charges for services										
General government	25,502	26,283	31,050	27,802	30,444	28,910	27,355	27,974	27,149	28,331
Public safety	9,550	10,386	10,218	9,034	12,047	10,238	14,846	12,883	12,733	13,657
Highways and streets	9,316	4,616	5,317	4,891	5,059	6,511	6,307	6,136	5,263	6,696
Sanitation	5,930	4,668	3,378	3,699	3,487	3,577	31			
Health	9,965	10,488	11,003	11,436	12,605	12,495	13,259	12,894	13,437	13,831
Welfare						320	80	200	50	
Culture and recreation	3,031	2,754	2,532	2,191	2,254	2,865	2,548	3,144	2,855	3,876
Education and economic opportunity	716	691	749	1,024	1,008	1,544	430	577	545	593
Operating grants and contributions	144,479	131,361	142,840	136,472	143,388	116,121	113,129	126,862	127,536	130,799
Capital grants and contributions	48,672	68,535	65,820	65,030	47,528	59,298	54,583	42,570	45,579	37,502
Subtotal governmental activities program revenues	<u>\$ 257,161</u>	<u>\$ 259,782</u>	<u>\$ 272,907</u>	<u>\$ 261,579</u>	<u>\$ 257,820</u>	<u>\$ 241,879</u>	<u>\$ 232,568</u>	<u>\$ 233,240</u>	<u>\$ 235,147</u>	<u>\$ 235,285</u>

(continued)

Source:
Pima County Finance & Risk Management

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

Exhibit D-2

(continued)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Business-type activities:										
Charges for services										
Regional Wastewater Reclamation	\$ 106,448	\$ 105,162	\$ 127,889	\$ 148,010	\$ 154,601	\$ 156,573	\$ 171,650	\$ 172,597	\$ 167,856	\$ 170,255
Pima Health System & Services	291,980	216,108	205,176	207,652	58,722					
Development Services	8,992	5,654	5,886	5,688	6,073	6,519	7,553	6,324	6,212	8,076
Parking Garages	1,720	1,676	1,985	2,071	2,083	2,073	2,362	2,271	2,209	2,399
Operating grants and contributions	4,806	4,626	4,421	4,691	1,275			35	35	
Capital grants and contributions	22,952	14,916	9,319	4,192	2,676	3,914	6,807	5,854	7,297	5,119
Total business-type activities program revenues	<u>436,898</u>	<u>348,142</u>	<u>354,676</u>	<u>372,304</u>	<u>225,430</u>	<u>169,079</u>	<u>188,372</u>	<u>187,081</u>	<u>183,609</u>	<u>185,849</u>
Total primary government program revenues	<u>694,059</u>	<u>607,924</u>	<u>627,583</u>	<u>633,883</u>	<u>483,250</u>	<u>410,958</u>	<u>420,940</u>	<u>420,321</u>	<u>418,756</u>	<u>421,134</u>
Net (expense) revenue										
Governmental activities	(520,532)	(469,241)	(427,343)	(457,353)	(476,205)	(515,939)	(536,145)	(546,653)	(588,926)	(584,143)
Business-type activities	17,974	6,356	29,609	49,984	39,983	15,938	34,582	(6,505)	19,002	21,661
Total governmental activities net expense	<u>(502,558)</u>	<u>(462,885)</u>	<u>(397,734)</u>	<u>(407,369)</u>	<u>(436,222)</u>	<u>(500,001)</u>	<u>(501,563)</u>	<u>(553,158)</u>	<u>(569,924)</u>	<u>(562,482)</u>
General revenues and other changes in net position										
Governmental activities:										
Taxes										
Property taxes	377,810	393,255	416,500	416,985	394,963	383,508	378,032	423,538	444,194	453,004
Hotel/motel taxes	8,176	6,591	5,688	5,591	6,285	6,076	6,262	6,155	6,620	6,885
Other taxes levied for stadium district	1,952	1,534	1,515	1,538	1,608	1,524	1,509	1,536	1,614	1,590
Shared sales tax	103,171	89,177	84,767	88,631	93,123	97,685	101,605	105,522	107,966	111,922
Shared vehicle licenses	27,166	25,869	24,203	23,173	23,537	22,043	23,899	24,976	26,302	27,761
Unrestricted grants and contributions	7,748	5,741	4,081	4,527	4,268	3,207	5,035	4,562	4,199	4,550
Interest and penalties on delinquent taxes	6,365	6,123	7,940	8,125	8,235	7,439	6,976	6,164	5,590	6,504
Investment earnings	16,326	5,875	5,266	2,153	3,416	2,627	2,955	1,931	3,268	3,297
Miscellaneous	15,416	21,323	16,579	13,555	22,676	21,267	16,810	16,889	15,712	17,731
Capital contributions										
Gain on sale of capital assets		1,140								
Transfers	113	4,005	538	4,650	25,688	(7,330)	(16,715)	(17,133)	(20,190)	20,146
Total governmental activities	<u>564,243</u>	<u>560,633</u>	<u>567,077</u>	<u>568,928</u>	<u>583,799</u>	<u>538,046</u>	<u>526,368</u>	<u>574,140</u>	<u>595,275</u>	<u>653,390</u>
Business-type activities:										
Investment earnings	6,721	2,025	1,236	900	1,001	1,017	1,237	903	1,291	1,512
Miscellaneous	1,286	2,394	2,884	2,681	1,903	580	1,484	549	678	1,350
Capital contributions										
Transfers	(113)	(4,005)	(538)	(4,650)	(25,688)	7,330	16,715	17,133	20,190	(20,146)
Total business-type activities	<u>7,894</u>	<u>414</u>	<u>3,582</u>	<u>(1,069)</u>	<u>(22,784)</u>	<u>8,927</u>	<u>19,436</u>	<u>18,585</u>	<u>22,159</u>	<u>(17,284)</u>
Total primary government	<u>572,137</u>	<u>561,047</u>	<u>570,659</u>	<u>567,859</u>	<u>561,015</u>	<u>546,973</u>	<u>545,804</u>	<u>592,725</u>	<u>617,434</u>	<u>636,106</u>
Change in net position:										
Governmental activities	43,711	91,392	139,734	111,575	107,594	22,107	(9,777)	27,487	6,349	69,247
Business-type activities	25,868	6,770	33,191	48,915	17,199	24,865	54,018	12,080	41,161	4,377
Total primary government	<u>\$ 69,579</u>	<u>\$ 98,162</u>	<u>\$ 172,925</u>	<u>\$ 160,490</u>	<u>\$ 124,793</u>	<u>\$ 46,972</u>	<u>\$ 44,241</u>	<u>\$ 39,567</u>	<u>\$ 47,510</u>	<u>\$ 73,624</u>

Source:
Pima County Finance & Risk Management

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 5,415	\$ 4,363								
Unreserved	64,974	35,803								
Nonspendable ¹			\$ 4,089	\$ 3,315	\$ 2,720	\$ 3,848	\$ 5,278	\$ 4,053	\$ 2,931	\$ 4,318
Restricted			522	336	333					
Committed										
Assigned			3,093	357	118	158	181	194	201	80
Unassigned			73,837	73,547	77,596	56,526	42,731	47,878	77,550	97,638
Total General Fund	<u>70,389</u>	<u>40,166</u>	<u>81,541</u>	<u>77,555</u>	<u>80,767</u>	<u>60,532</u>	<u>48,190</u>	<u>52,125</u>	<u>80,682</u>	<u>102,036</u>
All other governmental funds										
Reserved	17,094	39,139								
Unreserved, reported in:										
Special revenue funds	77,451	86,121								
Nonspendable ¹			2,011	2,011	1,550	1,939	1,894	2,515	2,323	2,496
Restricted			82,957	94,567	105,468	76,570	60,984	53,155	57,141	62,263
Committed			15,305	37,978	10,264	7,746	6,308	6,320	6,962	2,821
Assigned			3,221	4,368	16,682	23,784	4,204	3,769	3,289	9,421
Unassigned			(5,793)	(9,180)	(9,013)	(8,385)	(6,536)	(4,770)	(9,097)	(7,006)
Capital projects funds	152,643	126,821								
Nonspendable ¹			18	12						
Restricted			124,830	112,668	157,688	187,855	145,256	126,827	104,274	96,228
Committed			1,487	6,639	7,234	6,958	3,836	3,065	1,508	
Assigned			52						195	209
Unassigned			(227)	(791)	(3,553)	(83)	(80)	(57)		
Debt service: Assigned			40,868	35,903	28,298	25,640	7,848	8,424	6,656	3,127
Total other governmental funds	<u>\$ 247,188</u>	<u>\$ 252,081</u>	<u>\$ 264,729</u>	<u>\$ 284,175</u>	<u>\$ 314,618</u>	<u>\$ 322,024</u>	<u>\$ 223,714</u>	<u>\$ 199,248</u>	<u>\$ 173,251</u>	<u>\$ 169,559</u>

Note:

¹ Due to implementation of GASB 54 in FY 2009-10 categories regarding fund balances have been redefined. See Note 1, page 53 for details. See Note 2, page 55 for purpose details.

Source:

Pima County Finance & Risk Management

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 381,862	\$ 396,241	\$ 423,443	\$ 421,623	\$ 407,711	\$ 391,630	\$ 385,829	\$ 431,371	\$ 450,054	\$ 460,312
Special assessments	556	441	536	330	245					
Licenses and permits	7,710	6,989	7,791	8,494	8,155	8,371	8,275	8,456	8,824	9,305
Intergovernmental	312,634	292,236	296,004	308,219	327,939	301,223	292,082	296,628	314,918	308,555
Charges for services	58,890	55,346	60,376	54,491	56,881	53,521	57,826	60,222	62,258	66,852
Fines and forfeits	6,480	6,283	8,443	6,786	10,249	9,904	8,652	9,509	8,420	8,110
Investment earnings	14,218	5,335	4,612	1,723	2,286	2,282	1,727	1,155	1,812	2,257
Miscellaneous	21,752	22,414	17,442	14,162	24,796	22,182	17,464	15,680	16,835	17,908
Total revenues	804,102	785,285	818,647	815,828	838,262	789,113	771,865	823,021	863,121	873,299
Expenditures										
General government	237,640	222,309	221,144	223,611	236,020	238,582	247,507	256,331	255,639	258,350
Public safety	149,475	144,617	136,744	136,709	145,711	152,373	157,572	161,484	169,292	174,105
Highways and streets	43,741	38,132	34,274	34,614	33,651	35,866	37,772	39,664	45,625	41,523
Sanitation	8,310	6,666	5,637	5,375	5,328	5,251	2,521	2,403	2,237	2,343
Health	34,352	31,626	32,737	36,511	46,672	35,581	35,357	37,787	38,390	39,263
Welfare	106,607	115,481	87,089	90,572	94,360	95,339	93,193	93,418	88,436	89,915
Culture and recreation	50,509	51,657	50,198	49,986	52,103	55,691	56,745	68,987	58,710	64,725
Education and economic opportunity	42,286	42,299	48,402	50,432	47,798	44,299	34,196	34,280	35,121	35,872
Capital outlay	139,539	146,334	162,306	153,203	149,612	174,976	135,746	100,788	70,473	73,922
Debt service - principal	59,719	100,384	87,307	76,361	78,688	68,342	113,337	81,933	86,957	101,579
- interest	22,639	26,849	26,414	26,086	24,762	23,904	26,777	26,439	26,279	23,920
- miscellaneous	330	24	433	21	1,179	1,654	1,030	863	488	1,376
Total expenditures	895,147	926,378	892,685	883,481	916,873	931,935	941,753	904,377	877,647	906,893
Deficiency of revenues under expenditures	(91,045)	(141,093)	(74,038)	(67,653)	(78,611)	(142,822)	(169,888)	(81,356)	(14,526)	(33,594)
Other financing sources (uses):										
Issuance of refunding debts			31,955		30,745	51,280	8,805	13,685	9,640	150,385
Premium on bonds	1,964	675	1,909	3,276	7,349	11,959	9,488	5,949	2,552	17,661
Payments to escrow agents			(32,361)		(33,013)	(55,423)	(10,131)	(15,250)	(11,010)	(166,816)
Capital leases/Installment notes	312				894	764	239	11,500	149	1,700
Proceeds from sale of capital assets	27	876	1,118	59	1,938	31	360	119	89	246
Face amount of long-term debt	175,000	109,400	125,000	75,000	78,425	130,175	78,160	72,025	34,295	25,680
Transfers in	128,406	171,186	98,800	109,715	141,924	113,227	162,683	121,497	114,358	110,044
Transfers (out)	(127,692)	(166,319)	(98,355)	(105,007)	(115,914)	(122,244)	(190,140)	(148,744)	(132,865)	(87,640)
Total other financing sources (uses)	178,017	115,818	128,066	83,043	112,348	129,769	59,464	60,781	17,208	51,260
Change in reserves - net	(55)	(55)		70	(27)					
Net change in fund balances	\$ 86,917	\$ (25,330)	\$ 54,028	\$ 15,460	\$ 33,710	\$ (13,053)	\$ (110,424)	\$ (20,575)	\$ 2,682	\$ 17,666
Debt service as a percentage of noncapital expenditures	10.43%	15.88%	15.24%	13.54%	13.35%	11.67%	16.44%	13.51%	13.41%	14.94%

Source:
 Pima County Finance & Risk Management

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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)

Tax Year	Commercial Property	Residential Property	Vacant Land	Other	Taxable Assessed Value	Total Direct Tax Rate	Estimated Limited Value	Assessed Value as a Percentage of Limited Value
2008	\$ 2,358,259	\$ 5,352,916	\$ 493,055	\$ 35,442	\$ 8,239,672	4.6702	\$ 73,122,499	11.27%
2009	2,568,203	5,853,947	525,779	37,783	8,985,712	4.5917	80,593,121	11.15%
2010	2,473,320	5,889,572	536,958	39,797	8,939,647	4.6798	82,348,215	10.86%
2011	2,436,692	5,332,608	500,836	39,984	8,310,120	4.8491	78,036,208	10.65%
2012	2,514,310	5,036,810	472,558	50,260	8,073,938	4.8520	76,085,641	10.61%
2013	2,375,969	4,701,881	429,967	51,312	7,559,129	5.1309	73,262,703	10.32%
2014	2,308,924	4,752,612	407,857	49,090	7,518,482	5.7639	74,402,882	10.11%
2015	2,230,175	4,952,757	385,043	52,386	7,620,361	5.9632	76,489,654	9.96%
2016	2,246,501	5,172,564	345,099	52,536	7,816,700	5.8852	78,911,345	9.91%
2017	2,323,580	5,374,744	321,022	55,611	8,074,958	6.0243	80,459,900	10.04%

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.

Source:

Pima County Finance & Risk Management

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

County Direct Rates						
Tax Year	County Primary	County Secondary	Flood Control District ¹	County Library District	Fire District Assistance	Total
2008	3.3913	0.6050	0.2935	0.3393	0.0411	4.6702
2009	3.3133	0.7100	0.2635	0.2643	0.0406	4.5917
2010	3.3133	0.7500	0.2635	0.3100	0.0430	4.6798
2011	3.4178	0.7800	0.2635	0.3460	0.0418	4.8491
2012	3.4178	0.7800	0.2635	0.3460	0.0447	4.8520
2013	3.6665	0.7800	0.2635	0.3753	0.0456	5.1309
2014	4.2779	0.7000	0.3035	0.4353	0.0472	5.7639
2015	4.3877	0.7000	0.3135	0.5153	0.0467	5.9632
2016	4.2896	0.7000	0.3335	0.5153	0.0468	5.8852
2017	4.4596	0.7000	0.3135	0.5053	0.0459	6.0243

Overlapping Rates																
Tax Year	State of Arizona	Education Assistance	Community College District	City of Tucson	City of South Tucson	Street Lighting District	Central AZ Water Conservation District	Flowing Wells Irrigation District ²	Silverbell Irrigation District ²	Cortaro-Marana Irrigation District ²	Mobile Home Relocation District ³	Gladden Farms Community Facilities District	Vanderbilt Farms Community Facilities District	Quail Creek Community Facilities District	Gladden Farms Phase II Community Facilities District	Saguaro Springs Community Facilities District
2008	0.0000	0.0000	1.1355	0.9601	0.2143		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000		
2009	0.0000	0.3306	1.0770	0.9344	0.2035		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000		
2010	0.0000	0.3564	1.0848	0.9550	0.1999		0.1000	19.3500	3.0000	66.0000		2.8000	0.3000	3.3000	0.3000	0.3000
2011	0.0000	0.4259	1.1094	1.1621	2.6603		0.1000	19.3500	3.0000	66.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2012	0.0000	0.4717	1.1741	1.2639	2.7640	9.6038	0.1000	19.3500	3.0000	66.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2013	0.0000	0.5123	1.2933	1.4304	2.9776	10.1900	0.1400	19.3500	3.0000	69.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2014	0.0000	0.5089	1.3344	1.4606	0.2528	12.0787	0.1400	19.3500	3.0000	69.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2015	0.0000	0.5054	1.3689	1.5960	0.2528	12.3345	0.1400	19.3500	3.0000	72.0000	0.5000	2.8000	0.3000	3.3000	0.3000	0.3000
2016	0.0000	0.5010	1.3733	1.5982	0.2528	12.4384	0.1400	19.3500	3.0000	75.0000	0.0000	2.8000	0.3000	3.3000	0.3000	0.3000
2017	0.0000	0.4875	1.3890	1.4342	0.2487	12.4505	0.1400	19.3500	3.0000	75.0000	0.0000	2.8000	0.3000	3.3000	0.3000	0.3000

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. The Towns of Marana, Oro Valley and Sahuarita do not currently levy a property tax. The Tucson Business Improvement District levy (on a per-business basis) is not shown.

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

²Irrigation Districts' tax rates shown are levied on a per acre basis.

³Mobile Home Relocation levy applies only to unsecured mobile homes.

Source:
 Pima County Finance & Risk Management

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tucson Unified (#1)	6.5659	6.0701	6.2976	6.9480	7.3187	7.4319	7.5094	7.3425	7.1258	6.9218
Marana Unified (#6)	5.4815	4.9286	4.6995	5.2047	5.5863	6.0085	6.2288	6.3370	6.3871	6.2334
Flowing Wells Unified (#8)	6.2665	6.1239	6.0407	5.9689	5.9778	6.7146	6.6135	6.6292	6.8971	6.7539
Amphitheater Unified (#10)	4.8589	4.6112	5.0511	5.4033	5.5539	5.9226	5.8044	5.6725	5.4917	5.6311
Sunnyside Unified (#12)	7.8009	7.0899	6.9680	6.9415	6.3154	5.0003	6.0364	3.9987	5.5498	5.7009
Tanque Verde Unified (#13)	4.3682	3.1837	3.3545	3.8042	4.1538	5.0012	5.0329	5.3069	5.2329	5.7574
Ajo Unified (#15)	4.5964	4.3158	4.9069	5.6740	3.5338	3.8882	4.8452	4.5540	4.7673	4.7107
Catalina Foothills Unified (#16)	6.1053	4.9970	4.2154	4.2095	4.7472	4.8264	4.7066	4.9985	5.9893	5.6661
Vail Elementary (#20)	5.5360	5.2016	4.8839	4.6550	5.9120	7.1703	7.3000	7.0189	7.0523	7.2630
Sahuarita Unified (#30)	5.9176	5.4230	6.5753	5.4067	5.5183	6.6341	7.2885	7.2847	7.3670	9.0399
San Fernando Elementary (#35)	3.7920	4.5954	3.6883	4.8541	4.0331	5.7831	5.8244	5.9538	4.4826	4.5003
Empire Elementary (#37)	4.9021	2.9383	2.9195	2.7531	1.2484	1.1287	2.1687	1.7677	2.4363	5.4021
Continental Elementary (#39)	1.7343	1.6122	1.6945	2.0258	1.5729	1.7027	2.6146	2.6512	2.4626	2.4991
Redington Elementary (#44)	7.4720	7.6340	7.0689	6.7630	5.9198	4.8200	4.7711	4.5901	8.9614	8.6853
Altar Valley Elementary (#51)	5.7451	6.0506	6.2500	6.5675	6.4355	6.2676	6.7381	7.6184	5.9857	5.7738
Unorganized ¹	1.4622	1.3726	1.4797	1.7682	1.9585	2.1265	2.1123	2.0977	2.0793	2.0234

Notes:

¹County Education District; Only applies to those geographical areas within Pima County not part of formal school districting.

Source:

Pima County Finance & Risk Management

PIMA COUNTY, ARIZONA
Principal Property Taxpayers
Last Ten Fiscal Years
(in thousands)

Exhibit D-7

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Taxpayer	2008			2009			2010			2011			2012		
	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
Unisource/Tucson Electric Power Co.	\$ 153,431	2	1.6%	\$ 158,764	2	1.6%	\$ 164,363	1	1.8%	\$ 168,510	1	2.0%	\$ 179,262	1	2.2%
Phelps Dodge Corporation - Sierrita Mine	156,780	1	1.6%	198,694	1	2.0%	89,289	2	1.0%	99,048	2	1.2%	142,419	2	1.7%
Southwest Gas Corporation	63,698	4	0.7%	64,775	4	0.7%	65,879	3	0.7%	64,533	3	0.8%	61,718	4	0.8%
ASARCO LLC - Mission Mine			0.0%	20,042	8	0.2%	28,878	5	0.3%	58,585	4	0.7%	83,778	3	1.0%
QWEST Corporation	87,000	3	0.9%	74,646	3	0.8%	55,076	4	0.6%	51,942	5	0.6%	53,225	5	0.7%
Northwest Hospital LLC	-		0.0%	-		0.0%	17,097	8	0.2%	17,390	9	0.2%	17,723	8	0.2%
Sierrita Gas Pipeline LLC															
SMSJ Tucson Holdings, LLC															
DND Neffson Co. (Tucson Mall)	21,013	8	0.2%	18,888	10	0.2%	17,715	7	0.2%	17,931	7	0.2%	17,998	7	0.2%
Wal-Mart Stores, Inc.													15,581	9	0.2%
DDR Tucson Spectrum II, LLC															
Raytheon	33,833	6	0.4%												
Trico Electric Co-Op Inc.	18,816	9	0.2%	21,029	7	0.2%	21,208	6	0.2%				22,133	6	0.3%
JW Marriott Starr Pass Resort															
Verizon Wireless													14,291	10	0.2%
Target Corporation															
Starr Pass Resort Developments LLC	15,889	10	0.2%	19,384	9	0.2%	16,582	10	0.2%	-		0.0%			
Arizona Portland Cement	23,593	7	0.2%	27,561	6	0.3%	16,635	9	0.2%	21,217	6	0.3%			
ASARCO Mining	44,047	5	0.5%	63,572	5	0.6%	-		0.0%	16,153	10	0.2%			
Westin La Paloma										17,519	8	0.2%			
Total Top Ten	\$ 618,100		6.4%	\$ 667,355		6.8%	\$ 492,722		5.3%	\$ 532,828		6.3%	\$ 608,128		7.4%

Notes: \$9,594,862 \$9,860,981 \$9,342,561 \$8,448,282 \$8,171,212

¹Secondary Assessed Valuation for Tax Year

Source:
Pima County Assessor's Office
Arizona Department of Revenue

(continued)

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

Exhibit D-8

Fiscal Year	Primary Property Tax Levy and Secondary Property Tax Levy for Debt Service	Secondary Property Tax Levy for Flood Control and Library District	Original Real Property Tax Levy	Tax Roll Corrections	Real Property Tax Levy (Adjusted)	Collected to June 30, End of Tax Fiscal Year ¹		Collected to June 30, 2017 ¹		Delinquent Taxes Receivable ²	
						Amount	Percent of Original Levy	Amount	Percent of Adjusted Levy		
2007-08	\$ 305,699	\$ 56,836	\$ 362,535	\$ (622)	\$ 361,913	\$ 348,741	96.20%	\$ 12,946	\$ 361,687	99.94%	\$ 226
2008-09	322,902	56,772	379,674	(360)	379,314	363,624	95.77%	15,416	379,040	99.93%	274
2009-10	353,594	48,468	402,062	(106)	401,956	384,983	95.75%	16,679	401,662	99.93%	294
2010-11	352,276	50,256	402,532	(384)	402,148	383,978	95.39%	16,295	400,273	99.53%	1,875
2011-12	335,467	48,242	383,709		383,709	369,100	96.19%	13,041	382,141	99.59%	1,568
2012-13	324,786	46,136	370,922		370,922	357,556	96.40%	11,845	369,401	99.59%	1,521
2013-14	323,026	45,287	368,313		368,313	355,338	96.48%	11,459	366,797	99.59%	1,516
2014-15	359,298	52,186	411,484		411,484	397,670	96.64%	12,571	410,241	99.70%	1,243
2015-16	374,101	59,448	433,549		433,549	418,716	96.58%	13,714	432,430	99.74%	1,119
2016-17	378,249	62,645	440,894		440,894	430,628	97.67%		430,628	97.67%	10,266

Note:

¹ Amounts collected are on a cash basis rather than the modified accrual basis used in the financial statements.

² Represents the difference between the adjusted levy and collected to June 30, 2017.

Source:

Pima County Finance & Risk Management
Pima County Treasurer's Office

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

Exhibit D-9

Fiscal Year	Net Assessed Value	Limited and Full Cash Value ¹	Ratio of Net Assessed to Full Cash Value
2007-08 Primary	\$ 7,353,331	\$ 64,347,659	11.43%
2007-08 Secondary	8,220,396	72,101,321	11.40%
2008-09 Primary	8,230,967	73,122,499	11.26%
2008-09 Secondary	9,594,862	85,993,246	11.16%
2009-10 Primary	8,985,712	80,593,121	11.15%
2009-10 Secondary	9,860,981	88,095,754	11.19%
2010-11 Primary	8,939,647	82,348,221	10.86%
2010-11 Secondary	9,342,561	86,228,902	10.83%
2011-12 Primary	8,310,120	78,036,208	10.65%
2011-12 Secondary	8,448,282	80,152,473	10.54%
2012-13 Primary	8,073,938	76,085,641	10.61%
2012-13 Secondary	8,171,212	77,731,086	10.51%
2013-14 Primary	7,559,129	73,262,703	10.32%
2013-14 Secondary	7,623,691	74,590,067	10.22%
2014-15 Primary	7,518,482	74,402,882	10.11%
2014-15 Secondary	7,579,899	75,389,155	10.05%
2015-16 Primary	7,620,361	76,489,654	9.96%
2015-16 Secondary	7,906,190	79,550,159	9.94%
2016-17 Primary	7,816,700	78,911,345	9.91%
2016-17 Secondary	8,262,665	83,520,548	9.89%

Notes:

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

Source:

Pima County Finance & Risk Management

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

Exhibit D-10

Jurisdiction			FY 2017-18 (Tax Year 2017)	
	Valuation	Rate	Valuation	Rate
<u>State of Arizona</u>	\$ 7,816,700	0	\$ 8,074,958	0
<u>Pima County</u>				
General Fund - Primary	7,816,700	4.2896	8,074,958	4.2096
Transportation - Primary				0.2500
Debt Service - Secondary	7,816,700	0.7000	8,074,958	0.7000
Free Library - Secondary	7,816,700	0.5153	8,074,958	0.5053
Total County - Primary	7,816,700	4.2896	8,074,958	4.4596
Total County - Secondary		1.2153		1.2053
Grand Total		<u>5.5049</u>		<u>5.6649</u>
<u>Education Assistance</u>	7,816,700	0.5010	8,074,958	0.4875
<u>Flood Control District - Secondary</u>	7,089,460	0.3335	7,373,373	0.3135
<u>Fire District Assistance - Secondary</u>	7,816,700	0.0468	8,074,958	0.0459
<u>Pima Community College District</u>				
Primary	7,816,700	1.3733	8,074,958	1.3890
Secondary	0	0	0	0
Total		<u>1.3733</u>		<u>1.3890</u>
<u>Central Arizona Water Conservation District</u>				
Secondary	7,816,700	0.1400	8,074,958	0.1400
<u>Cities & Towns</u>				
City of Tucson				
Primary	3,185,432	0.5348	3,326,014	0.4581
Secondary	3,185,432	1.0634	3,326,014	0.9761
Total		<u>1.5982</u>		<u>1.4342</u>
City of South Tucson				
Primary	20,403	0.2528	21,944	0.2487
Secondary	0	0	0	0
Total		<u>0.2528</u>		<u>0.2487</u>
<u>School Districts</u>				
Unorganized - Primary	17,382	2.0793	17,896	2.0234
Tucson Unified (District #1)				
Primary	3,081,170	6.3831	3,215,768	6.3763
Secondary	3,081,170	0.7427	3,215,768	0.5455
Total		<u>7.1258</u>		<u>6.9218</u>

Source:

Pima County Finance & Risk Management

(continued)

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

Exhibit D-10

(continued)

Jurisdiction			FY 2017-18 (Tax Year 2017)	
	Valuation	Rate	Valuation	Rate
Marana Unified (District #6)				
Primary	\$ 766,203	4.5020	\$ 802,297	4.3830
Secondary	766,203	1.8851	802,297	1.8504
Total		<u>6.3871</u>		<u>6.2334</u>
Flowing Wells Unified (District #8)				
Primary	187,116	4.3124	191,101	4.2080
Secondary	187,116	2.5847	191,101	2.5459
Total		<u>6.8971</u>		<u>6.7539</u>
Amphitheater Unified (District #10)				
Primary	1,438,176	4.1145	1,474,077	4.2597
Secondary	1,438,176	1.3772	1,474,077	1.3714
Total		<u>5.4917</u>		<u>5.6311</u>
Sunnyside Unified (District #12)				
Primary	412,271	4.3228	425,183	4.2045
Secondary	412,271	1.2270	425,183	1.4964
Total		<u>5.5498</u>		<u>5.7009</u>
Tanque Verde Unified (District #13)				
Primary	180,680	4.2195	184,252	4.2300
Secondary	180,680	1.0134	184,252	1.5274
Total		<u>5.2329</u>		<u>5.7574</u>
Ajo Unified (District #15)				
Primary	17,773	4.7673	17,858	4.7107
Secondary	17,773	0	17,858	0
Total		<u>4.7673</u>		<u>4.7107</u>
Catalina Foothills Unified (District #16)				
Primary	589,872	4.4418	600,959	4.1180
Secondary	589,872	1.5475	600,959	1.5481
Total		<u>5.9893</u>		<u>5.6661</u>
Vail Elementary (District #20)				
Primary	440,846	4.5047	463,749	4.2742
Secondary	440,846	2.5476	463,749	2.9888
Total		<u>7.0523</u>		<u>7.2630</u>

Source:

Pima County Finance & Risk Management

(continued)

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

Exhibit D-10

(continued)

Jurisdiction	FY 2016-17 (Tax Year 2016)		FY 2017-18 (Tax Year 2017)	
	Valuation	Rate	Valuation	Rate
Sahuarita Unified (District #30)				
Primary	\$ 295,126	4.4380	\$ 285,070	4.6949
Secondary	295,126	2.9290	285,070	4.3450
Total		<u>7.3670</u>		<u>9.0399</u>
San Fernando Elementary (District #35)				
Primary	11,403	4.4826	11,124	4.5003
Secondary	11,403	0	11,124	0
Total		<u>4.4826</u>		<u>4.5003</u>
Empire Elementary (District #37)				
Primary	7,180	2.4363	6,639	5.4021
Secondary	7,180	0	6,639	0
Total		<u>2.4363</u>		<u>5.4021</u>
Continental Elementary (District #39)				
Primary	320,271	2.0077	329,030	2.0613
Secondary	320,271	0.4549	329,030	0.4378
Total		<u>2.4626</u>		<u>2.4991</u>
Baboquivari Unified School (District #40)				
Primary	1,804	0	1,908	0
Secondary	1,804	0	1,908	0
Total		<u>0</u>		<u>0</u>
Redington Elementary (District #44)				
Primary	1,312	8.9614	1,358	8.6853
Secondary	1,312	0	1,358	0
Total		<u>8.9614</u>		<u>8.6853</u>
Altar Valley Elementary (District #51)				
Primary	48,244	5.0522	46,625	4.8629
Secondary	48,244	0.9335	46,625	0.9109
Total		<u>5.9857</u>		<u>5.7738</u>

Source:
 Pima County Finance & Risk Management

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

Exhibit D-11

Fiscal Year	Hotel Excise Tax ¹	Car Rental Surcharges ²	Recreational Vehicle Tax ³
2007-08	\$ 6,901	\$ 1,732	\$ 222
2008-09	5,628	1,389	159
2009-10	5,637	1,521	181
2010-11	5,887	1,538	165
2011-12	6,626	1,464	146
2012-13	6,286	1,399	136
2013-14	6,276	1,390	122
2014-15	6,105	1,384	137
2015-16	6,534	1,468	146
2016-17	6,958	1,446	161

Notes:

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 athletic activities.

Source:

Pima County Finance and Risk Management Department

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

Exhibit D-12

Fiscal Year	Amount	Highway User Revenue	Vehicle License Tax
2007-08	\$ 57,847	\$ 44,060	\$ 13,787
2008-09	53,907	41,210	12,697
2009-10	50,535	38,739	11,796
2010-11	50,460	38,974	11,486
2011-12	44,890	33,665	11,225
2012-13	47,449	36,860	10,589
2013-14	49,212	37,500	11,712
2014-15	53,212	40,762	12,450
2015-16	56,006	42,543	13,463
2016-17	59,443	45,356	14,087

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 installment notes payable, 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
 (in thousands)

Fiscal Year	Governmental Activities							Business-Type Activities				
	General Obligation Bonds	Flood Control Bonds	Transportation Revenue Bonds	Certificates of Participation	Transportation Loans	Capital Leases	Installment Note Payable	Sewer Revenue Bonds	Sewer Revenue Obligations	Regional Wastewater Loans Payable	Contracts and Notes	Total Primary Government
2007-08	\$ 349,542	\$ 725	\$ 149,801	\$ 81,612	\$ 1,000	\$ 23,223		\$ 163,701		\$ 70,426	\$ 5,842	\$ 845,872
2008-09	388,032	725	139,683	74,554		21,327		183,389		64,489	6,481	878,680
2009-10	420,261		142,226	72,638		19,387		166,935	\$ 165,000	66,210	6,305	1,058,962
2010-11	455,856		131,375	48,235		17,775		184,782	176,849	27,390	4,657	1,046,919
2011-12	461,557		141,536	39,772		16,431		171,022	379,418	23,719	15,365	1,248,820
2012-13	467,368		128,604	134,494		298	\$ 605	155,514	510,975	21,169	12,645	1,431,672
2013-14	416,006		133,081	149,703				138,431	540,288	19,680	7,942	1,405,771
2014-15	391,298		118,770	177,771				120,361	510,763	18,145	1,098	1,350,118
2015-16	350,135		103,961	179,054		136	8,733	104,153	481,027	16,563	1,577	1,245,339
2016-17	336,954		89,689	141,194		88	3,597	20,535	574,486	4,630	1,564	1,172,737

Fiscal Year	Total Primary Government	Personal Income ¹	Percentage of Personal Income	Population at July 1 ¹	Debt per Capita
2007-08	\$ 845,872	\$ 35,320,737	2.39%	984,032	\$ 860
2008-09	878,680	33,713,976	2.61%	984,274	893
2009-10	1,058,962	33,883,172	3.13%	981,168	1,079
2010-11	1,046,919	35,132,468	2.98%	986,081	1,062
2011-12	1,248,820	36,412,855	3.43%	990,380	1,261
2012-13	1,431,672	36,935,363	3.88%	996,046	1,437
2013-14	1,405,771	38,025,100	3.70%	1,007,162	1,396
2014-15	1,350,118	39,106,000	3.45%	1,022,079	1,321
2015-16	1,245,339	40,359,300	3.09%	1,016,743	1,225
2016-17	1,172,737	41,349,550	2.84%	1,025,044	1,144

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 65-75.

¹Personal income and population statistics are based on calendar year. Prior years' statistics updated based on current data.

Source:

Pima County Finance & Risk Management
 UA Economic and Business Research Center, Eller College of Management

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

Fiscal Year	General Obligation Bond Debt	Flood Control General Obligation Bond Debt	Debt Service Funds Available for Principal	Net General Bond Debt	Secondary Net Assessed Value	Percent Net General Bond Debt to Assessed Value	Population at July 1 ¹	Net General Bond Debt per Capita ²
2007-08	\$ 349,542	\$ 725	\$ 10,241	\$ 340,026	\$ 8,220,396	4.14%	984,032	\$ 346
2008-09	388,032	725	10,523	378,234	9,594,862	3.94%	984,274	384
2009-10	420,261		11,396	408,865	9,860,981	4.15%	981,168	417
2010-11	455,856		27,904	427,952	9,342,561	4.58%	986,081	434
2011-12	461,557		22,602	438,955	8,448,282	5.20%	990,380	443
2012-13	467,368		22,900	444,468	8,171,212	5.44%	996,046	447
2013-14	416,006		5,326	410,680	7,623,691	5.39%	1,007,162	408
2014-15	391,298		6,037	385,261	7,579,899	5.08%	1,022,079	377
2015-16	350,135		5,606	344,529	7,906,190	4.36%	1,016,743	339
2016-17	336,954		2,793	334,161	8,262,665	4.04%	1,025,044	326

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 65-75.

¹Population statistics are based on calendar year. Prior years' statistics updated to reflect current data.

²Debt per Capita is shown in actual dollars and not in thousands.

Source:

Pima County Finance & Risk Management

UA Economic and Business Research Center, Eller College of Management

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

Fiscal Year	Total Overlapping Debt	Secondary Net Assessed Value	Percentage of Assessed Value	Population at July 1 ¹	Debt per Capita ²
2007-08	\$ 1,137,114	\$ 8,220,396	13.83%	984,032	\$ 1,156
2008-09	1,213,050	9,594,862	12.64%	984,274	1,232
2009-10	1,302,802	9,860,981	13.21%	981,168	1,328
2010-11	1,335,431	9,342,561	14.29%	986,081	1,353
2011-12	1,284,219	8,448,282	15.20%	990,380	1,297
2012-13	1,311,417	8,171,212	16.05%	996,046	1,317
2013-14	1,153,220	7,623,691	15.13%	1,007,162	1,145
2014-15	1,501,691	7,579,899	19.81%	1,022,079	1,469
2015-16	1,445,104	7,906,190	18.28%	1,016,743	1,421
2016-17	1,393,757	8,262,665	16.87%	1,025,044	1,360

Notes:

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

¹Population statistics are based on calendar year.

²Debt per Capita is shown in actual dollars and not in thousands.

Source:

Pima County Finance & Risk Management
 UA Economic and Business Research Center, Eller College of Management

PIMA COUNTY, ARIZONA
 Computation of Direct and Overlapping
 Governmental Activities Debt Outstanding
 At June 30, 2017
 (in thousands)

Exhibit D-15

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Amount Overlapping</u>
Debt repaid with property tax:		
School Districts	\$ 621,965	\$ 621,965
City of Tucson	200,270	<u>200,270</u>
Total overlapping		<u>\$ 822,235</u>
Debt repaid with property tax Direct:		
Pima County*	\$ 336,954	<u>\$ 336,954</u>
Total direct repaid with property tax		<u>\$ 336,954</u>
Other Debt:		
Certificates of participation	\$ 141,194	\$ 141,194
Installment note payable	3,597	3,597
Capital Lease Payable	88	88
Transportation bonds	89,689	<u>89,689</u>
Total other debt		<u>\$ 234,568</u>
Total direct		<u>\$ 571,522</u>
Total direct and overlapping debt		<u><u>\$ 1,393,757</u></u>

Notes:

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

*Excludes improvement districts.

Source:

Pima County Finance & Risk Management
 City of Tucson Finance Department
 Pima Community College District Finance Office

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

Exhibit D-16

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Full Cash Net Assessed Value	\$ 8,220,396	\$ 9,594,862	\$ 9,860,981	\$ 9,342,561	\$ 8,448,282	\$ 8,171,212	\$ 7,623,691	\$ 7,579,899	\$ 7,906,190	\$ 8,262,665
Legal Debt Margin										
Debt limit (15% of assessed value)	1,233,059	1,439,229	1,479,147	1,401,384	1,267,242	1,225,682	1,143,554	1,136,985	1,185,929	1,239,400
Debt applicable to limit:										
General obligation bonds	348,335	386,845	417,995	452,750	456,145	456,690	407,275	383,935	344,620	321,285
Less: Net assets reserved for repayment of general obligation debt	<u>(10,241)</u>	<u>(10,523)</u>	<u>(11,396)</u>	<u>(27,904)</u>	<u>(22,602)</u>	<u>(22,900)</u>	<u>(5,326)</u>	<u>(6,037)</u>	<u>(5,606)</u>	<u>(2,793)</u>
Total net debt applicable to the limit	<u>338,094</u>	<u>376,322</u>	<u>406,599</u>	<u>424,846</u>	<u>433,543</u>	<u>433,790</u>	<u>401,949</u>	<u>377,898</u>	<u>339,014</u>	<u>318,492</u>
Legal debt margin	<u>\$ 894,965</u>	<u>\$ 1,062,907</u>	<u>\$ 1,072,548</u>	<u>\$ 976,538</u>	<u>\$ 833,699</u>	<u>\$ 791,892</u>	<u>\$ 741,605</u>	<u>\$ 759,087</u>	<u>\$ 846,915</u>	<u>\$ 920,908</u>
Total net debt applicable to the limit as a percentage of debt limit.	27.42%	26.15%	27.49%	30.32%	34.21%	35.39%	35.15%	33.24%	28.59%	25.70%

Please see Note 7 to the Financial Statements, pages 75 for additional details on calculation of the legal debt margin for the current year.

Source:
Pima County Finance & Risk Management

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

Fiscal Year	Sewer User Revenues ¹	Less: Operating Expense ²	Available Net Revenue	Plus:		Debt Service ⁶			Coverage Ratio ^{4,5}
				Ending cash Balances of Prior Fiscal Year (unrestricted)	Pledged Revenues ³	Principal	Interest	Total	
2007-08	\$ 109,264	\$ 78,521	\$ 30,743			\$ 13,325	\$ 7,221	\$ 20,546	\$ 1
2008-09	105,987	73,186	32,801			14,187	9,469	23,656	1.39
2009-10	128,067	69,904	58,163	\$ 20,163	\$ 78,326	16,952	9,838	26,790	2.92
2010-11	151,212	74,638	76,574	11,260	87,834	17,110	17,047	34,157	2.57
2011-12	158,397	73,241	85,156	32,806	117,962	20,895	21,658	42,553	2.77
2012-13	163,512	73,577	89,935	99,491	189,426	29,759	28,243	58,002	3.27
2013-14	181,553	77,893	103,660	128,735	232,395	37,025	30,386	67,411	3.45
2014-15	182,118	84,492	97,626	121,426	219,052	41,026	30,306	71,332	3.07
2015-16	176,974	83,423	93,551	110,741	204,292	40,320	28,529	68,849	2.97
2016-17	181,545	80,165	101,380	110,451	211,831	47,951	26,621	74,572	2.84

Notes:

¹Includes sewer connection fees.

²Excludes grants, depreciation, interest expense and amortization.

³Pledged revenues defined by BOS Resolution 2010-50.

⁴Sewer revenue debt rate covenants require minimum coverage of 120%.

⁵For fiscal year 2009-2010, a new Debt Coverage calculation was implemented.

⁶Debt service requirements include principal and interest payable during the Bond Fiscal Year. Per the bond resolution, Bond Fiscal Year is defined as 7/2/20XX to 7/1/20XX.

Source:

Pima County Finance & Risk Management

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

Fiscal Year	Transportation Revenue	Less: Operating Expense	Available Net Revenue	Debt Service ¹		Coverage Ratio
				Principal	Interest	
2007-08	\$ 65,009	\$ 43,490	\$ 21,519	\$ 12,365	\$ 6,147	1.16
2008-09	58,891	38,082	20,809	15,145	6,203	0.97
2009-10	54,897	34,214	20,683	10,530	5,709	1.27
2010-11	52,711	34,552	18,159	11,015	5,244	1.12
2011-12	46,834	33,335	13,499	12,055	5,537	0.77
2012-13	49,874	35,041	14,833	12,425	4,969	0.85
2013-14	50,997	37,295	13,702	13,685	5,197	0.73
2014-15	55,466	39,022	16,444	13,210	4,711	0.92
2015-16	57,976	39,798	18,178	14,585	4,146	0.97
2016-17	61,217	40,780	20,437	15,105	3,482	1.10

Notes:

Details regarding outstanding debt can be found in Note 7 to the Financial Statements, pages 68-69.

Operating expenditures do not include interest, depreciation or amortization.

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

Source:

Pima County Finance & Risk Management

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

Function/Department	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Clerk of Superior Court - Equipment	\$ 131	\$ 111	\$ 37			\$ 63	\$ 84	\$ 96	\$ 73	\$ 51
Jail ¹	3,027	3,007	3,004	\$ 3,004	\$ 3,427					
Legal Services Building										
Sheriff - Equipment					160	160	160	160	160	
Solid Waste - Equipment				298	298	298				
County Administration - Culture & Recreation								3,625	2,722	\$ 3,289
	<u>\$ 3,158</u>	<u>\$ 3,118</u>	<u>\$ 3,041</u>	<u>\$ 3,302</u>	<u>\$ 3,885</u>	<u>\$ 521</u>	<u>\$ 244</u>	<u>\$ 3,881</u>	<u>\$ 2,955</u>	<u>\$ 3,340</u>

Notes:

¹Funds 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 & Risk Management

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures*	Ratio of Debt Service To General Expenditures
2007-08	\$ 56,459	\$ 19,757	\$ 76,216	\$ 755,413	10.1%
2008-09	96,751	24,322	121,073	780,044	15.5%
2009-10	83,565	24,097	107,662	730,379	14.7%
2010-11	72,525	23,945	96,470	730,278	13.2%
2011-12	78,390	24,762	103,152	767,261	13.4%
2012-13	67,885	23,903	91,788	756,959	12.1%
2013-14	112,835	26,758	139,593	806,007	17.3%
2014-15	81,705	26,424	108,129	803,590	13.5%
2015-16	83,765	25,515	109,280	807,174	13.5%
2016-17	94,695	23,354	118,049	832,971	14.2%

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

Source:

Pima County Finance & Risk Management

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STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION:

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

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

PIMA COUNTY, ARIZONA
Demographic and Economic Statistics
Last Ten Years

Exhibit D-20

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2008	984,032	\$ 35,320,737	\$ 35,894	5.7%
2009	984,274	33,713,976	34,253	9.0%
2010	981,168	33,883,172	34,534	9.4%
2011	986,081	35,132,468	35,628	8.5%
2012	990,380	36,412,855	36,767	7.4%
2013	996,046	36,935,363	37,082	7.0%
2014	1,007,162	38,025,100	37,755	6.4%
2015	1,022,079	39,106,000	38,261	5.6%
2016	1,016,743	40,359,300	39,695	5.0%
2017	1,025,044	41,349,550	40,339	4.6%

Sources:

Arizona Department of Administration, Office of Employment & Population Statistics
UA Economic and Business Research Center, Eller College of Management

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

Employer	2008			2009			2010			2011			2012		
	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
University of Arizona	10,535	3	2.3%	10,575	2	2.2%	10,363	2	2.1%	10,481	2	2.2%	10,681	1	2.3%
Raytheon	12,515	1	2.7%	11,539	1	2.4%	12,140	1	2.5%	10,500	1	2.2%	10,500	2	2.3%
Davis-Monthan AFB	7,701	5	1.7%	7,509	4	1.5%	7,755	4	1.6%	8,462	4	1.7%	8,566	4	1.9%
State of Arizona	10,754	2	2.3%	9,329	3	1.9%	8,708	3	1.8%	8,866	3	1.8%	9,061	3	2.0%
Tucson Unified School District	8,018	4	1.7%	7,227	5	1.5%	7,012	6	1.4%	6,709	6	1.4%	6,674	6	1.5%
Wal-Mart Stores, Inc.	5,805	10	1.3%	6,715	6	1.4%	7,192	5	1.5%	7,308	5	1.5%	7,300	5	1.6%
U.S. Customs & Border Protection													6,000	9	1.3%
UA Healthcare Network										5,982	9	1.2%			
Pima County Government	6,954	6	1.5%	6,235	8	1.3%	6,511	7	1.3%	6,403	7	1.3%	6,170	8	1.4%
Freeport-McMoran Copper	5,840	9	1.3%	5,987	9	1.2%									
Banner Healthcare - UMC													5,594	10	1.2%
Fort Huachuca ¹	6,701	7		6,463	7		6,236	8		6,225	8		6,198	7	1.4%
City of Tucson	5,848	8	1.3%	5,635	10	1.2%	5,399	9	1.1%	4,930	10	1.0%			
Carondelet Health Network							4,566	10	0.9%						
Total	80,671		17.6%	77,214		15.9%	75,882		15.6%	75,866		15.6%	76,744		
Total Work Force			459,200			486,400			488,500			485,800			455,900

Notes:

¹Fort Huachuca is located in Cochise County but is listed here due to its role as a large regional employer.

Sources:

UA Economic and Business Research Center, Eller College of Management
Data obtained from www.tucson.com/star200, a website of the Arizona Daily Star.
Data obtained from www.phoenixrelocationguide.com

(continued)

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

(continued)

Employer	2013			2014			2015			2016			2017		
	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
University of Arizona	10,846	1	2.4%	11,047	1	2.4%	11,235	1	2.4%	11,251	1	2.4%	10,846	1	2.3%
Raytheon	10,300	2	2.3%	9,933	2	2.2%	9,600	2	2.1%	9,600	2	2.1%	10,300	2	2.2%
Davis-Monthan AFB	9,100	3	2.0%	8,933	4	2.0%	8,335	4	1.8%	8,406	4	1.8%	9,100	3	1.9%
State of Arizona	8,807	4	1.9%	9,439	3	2.1%	8,524	3	1.8%	8,580	3	1.8%	8,807	4	1.8%
Tucson Unified School District	6,790	6	1.5%	6,525	6	1.4%	7,134	5	1.5%	6,770	6	1.4%	7,688	5	1.6%
Wal-Mart Stores, Inc.	7,450	5	1.6%	5,200	10	1.1%	5,400	10	1.2%	5,500	10	1.2%	7,450	6	1.6%
U.S. Customs & Border Protection	6,500	7	1.4%	4,135			6,470	8	1.4%	5,739	8	1.2%	6,500	7	1.4%
UA Healthcare Network													6,099	8	1.3%
Pima County Government	6,076	9	1.3%	7,328	5	1.6%	7,023	6	1.5%	7,023	5	1.5%	6,076	9	1.3%
Freeport-McMoran Inc.	5,463	10	1.2%	5,600	9	1.2%	5,800	9	1.2%	5,530	9	1.2%	5,463	10	1.1%
Banner Healthcare - UMC	6,099	8	1.3%	6,329	7	1.4%	6,542	7	1.4%	6,272	7	1.3%			
Fort Huachuca ¹	6,198			5,717	8		5,314			5,477					
City of Tucson	4,585			4,845			4,882			4,595					
Total	77,431		17.1%	76,051		16.8%	76,063		16.3%	74,671		16.0%	78,329		16.4%
Total County Work Force			453,200			452,429			467,438			467,438			477,017

Notes:

¹Fort Huachuca is located in Cochise County but is listed here due to its role as a large regional employer.

Sources:

UA Economic and Business Research Center, Eller College of Management
Data obtained from www.tucson.com/star200, a website of the Arizona Daily Star.
Data obtained from www.phoenixrelocationguide.com

PIMA COUNTY, ARIZONA
 Population and Employment
 Last Ten Calendar Years

Exhibit D-22

Year	Population	Civilian Labor Force	Total Unemployment Rate	EMPLOYMENT				
				Mining	Construction	Manufacturing	Transportation & Utilities	Financial Activities
2008	984,032	473,344	5.7%	1,900	22,900	27,100	63,100	16,900
2009	984,274	486,040	9.0%	1,700	16,700	24,900	58,600	17,100
2010	981,168	479,879	9.4%	1,800	15,100	23,800	57,200	17,200
2011	986,081	465,640	8.5%	1,900	14,500	23,300	58,000	16,900
2012	990,380	459,349	7.4%	2,100	14,400	23,200	58,000	16,900
2013	996,046	449,958	7.0%	2,300	15,400	23,000	59,200	17,300
2014	1,007,162	452,429	6.4%	2,300	14,800	22,500	60,600	17,500
2015	1,022,079	467,438	5.6%	2,300	14,600	22,600	60,600	17,600
2016	1,016,743	476,578	5.0%	2,200	14,300	23,500	60,700	19,600
2017	1,025,044	477,017	4.6%	1,600	14,900	23,600	59,300	17,600

Notes:

All Employment data presented is not seasonally adjusted. Labor Force, Unemployment and Sector Employment for 2017 represent the average through July 2017.

Prior year's employment statistics are revised with updated data.

Sources:

UA Economic and Business Research Center, Eller College of Management
 Bureau of Labor Statistics

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

Fiscal Year	Transportation				Real Estate		
	Aircraft Movements	No. of Air Passengers	Bus Ridership	Riders Per Mile	Residential Bldg. Permits	Multiple Listings	Sales Volume (In thousands)
2008	240,329	4,395,205	19,491,376	2.27	4,171	10,718	\$ 2,810,383
2009	190,445	3,669,924	21,648,350	2.46	2,364	10,472	2,245,644
2010	169,780	3,709,178	20,483,709	2.22	2,340	12,471	2,457,147
2011	164,152	3,676,894	19,746,774	2.18	2,400	11,545	2,033,702
2012	145,967	3,649,783	19,971,230	2.15	2,062	13,436	2,211,369
2013	138,263	3,308,620	20,352,101	2.16	3,713	13,587	2,528,609
2014	139,420	3,239,849	19,713,449	2.06	2,040	13,379	2,648,443
2015	141,422	3,181,901	19,657,931	2.06	3,250	13,692	2,856,957
2016	139,555	3,228,389	15,743,501	1.84	2,428	13,795	3,313,078
2017	132,867	3,413,451	16,388,315	1.71	2,466	15,172	3,488,123

Note:

Tucson International Airport follows the Federal fiscal calendar.

Sources:

- UA Economic and Business Research Center, Eller College of Management
- Tucson Airport Authority
- Pima Association of Governments
- Tucson Association of Realtors, Multiple Listing Service, Inc.

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

Exhibit D-24

Fiscal Year	Retail Sales ¹	No. of Dwelling Units Awarded ²	Change in Real Estate Sales Volume	Commercial Bank Deposits
2008	\$ 11,865,697	5,237	-34%	\$ 10,765,000
2009	11,583,359	3,221	-25%	10,855,000
2010	10,439,448	2,129	9%	11,134,000
2011	10,640,207	1,938	-21%	11,265,000
2012	11,440,377	2,242	8%	11,501,822
2013	12,010,672	2,841	13%	12,173,345
2014	12,317,085	3,491	5%	12,980,645
2015	12,555,553	3,250	7%	13,760,260
2016	8,443,626	2,428	14%	14,654,142
2017	8,558,572	2,466	5%	15,226,977

Notes:

¹Prior to FY 2016, Retail Sales statistics were calculated in the aggregate, which included total taxable sales from the following categories: Retail, Restaurant & Bar, Food and Gasoline. As of FY 2016, only retail sales (not including food and fuel) are shown.

²Beginning with calendar year 2011, the number of dwelling units awarded includes both single family and multiple family unit structures combined.

Sources:

UA Economic and Business Research Center, Eller College of Management
Tucson Association of Realtors, Multiple Listing Service, Inc.
Federal Deposit Insurance Corporation

PIMA COUNTY, ARIZONA
Population Statistics
June 30, 2017

ESTIMATED POPULATION BY AGE

<u>Age Group</u>	<u>Population</u>
0-4	60,781
5-9	61,267
10-14	62,792
15-19	72,992
20-24	79,320
25-29	69,764
30-34	62,691
35-39	60,455
40-44	57,282
45-49	58,190
50-54	60,029
55-59	66,746
60-64	65,366
65-69	60,428
70-74	47,847
75+	79,094
Total	<u><u>1,025,044</u></u>

POPULATION PROJECTIONS

<u>Year</u>	<u>Projected Population</u>
2018	1,033,781
2020	1,051,451
2025	1,093,043
2035	1,160,603
2045	1,209,547

Source:

Arizona Department of Administration, Office of Employment & Population Statistics

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

<u>Fiscal Year</u>	<u>Average Jail Population</u>
2008	1,913
2009	1,888
2010	1,724
2011	1,640
2012	1,802
2013	2,000
2014	2,061
2015	1,863
2016	1,862
2017	1,863

Source:
Pima County Sheriff's Department, Corrections Bureau

STATISTICAL SECTION

OPERATING INFORMATION:

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

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

PIMA COUNTY, ARIZONA
 Employees by Function
 Last Ten Fiscal Years

Exhibit D-27

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
General government	2,860	2,684	2,870	2,850	2,473	2,321	2,805	2,832	2,753	3,164
Public safety	1,560	1,491	1,488	1,529	1,540	1,468	1,525	1,387	1,418	1,431
Highways and streets	330	311	264	262	274	265	258	248	253	262
Sanitation	40	34	33	23	24	3	31	33	32	35
Health	404	397	422	412	404	174	319	282	322	237
Welfare	26	29	32	27	377	397	8	7	9	22
Culture and recreation	485	480	467	461	652	331	442	434	453	526
Education and economic opportunity	186	184	174	170	133	144	112	111	116	136
Total governmental activities	5,891	5,610	5,750	5,734	5,877	5,103	5,500	5,334	5,356	5,813
Business-type activities										
Regional Wastewater Reclamation	508	507	488	481	531	413	438	387	406	474
Pima Health System & Services ¹	563	451	422	421	0	0	0	0	0	0
Development Services	128	73	66	66	59	52	60	56	52	67
Parking Garages	3	3	2	2	3	3	3	5	4	4
Total business-type activities	1,202	1,034	978	970	593	468	501	448	462	545
Total	7,093	6,644	6,728	6,704	6,470	5,571	6,001	5,782	5,818	6,358

Notes:

¹Variances can 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.

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

Exhibit D-28

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Program:										
Sheriff										
Physical arrests	32,796	33,571	27,946	24,108	24,841	25,451	24,394	21,233	21,627	16,134
Traffic violations/citations										
Criminal	5,967	6,422	6,417	4,304	4,205	4,291	5,691	8,743	9,026	7,508
Civil	41,542	49,817	41,800	32,270	32,445	33,837	34,466	30,656	24,855	23,725
Total violations/citations	<u>47,509</u>	<u>56,239</u>	<u>48,217</u>	<u>36,574</u>	<u>36,650</u>	<u>38,128</u>	<u>40,157</u>	<u>39,399</u>	<u>33,881</u>	<u>31,233</u>
Wastewater										
Avg. daily sewage treated (MGD) ¹	67.3	67.8	65.4	62.7	62.3	60.9	60.2	60.3	59.5	59.0
New connections	4,452	1,477	1,950	1,412	1,355	1,856	1,804	1,427	1,986	2,887
Cultural and Recreational ^{2,3}										
Spring training attendance	160,626	103,407	84,520	N/A	20,850	21,944	N/A	N/A	N/A	N/A
Sidewinders attendance	143,611	58,879	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Soccer attendance	N/A	N/A	N/A	N/A	36,001	21,942	36,723	41,259	40,804	76,437
Parks & Recreation										
Athletic field permits issued	147	149	168	161	228	263	326	280	267	276
Community center admissions	445,137	403,887	351,692	339,550	347,379	306,841	327,257	318,524	303,293	302,821
Volunteer hours	19,622	25,756	14,321	12,168	10,787	8,213	11,366	12,108	10,512	11,094
Library										
Volumes in collection	1,429,365	1,425,235	1,427,089	1,414,928	1,326,375	1,257,821	1,193,357	1,139,730	1,237,281	1,167,135
Total volumes borrowed	6,874,888	7,409,820	7,517,692	7,199,809	7,557,865	6,098,216	4,521,039	5,484,961	6,131,049	4,808,467
Number of cardholders	554,339	516,780	526,170	452,400	434,841	405,419	405,507	379,631	385,945	374,293
Capital Projects										
Land	\$ 18,619,333	\$ 59,922,798	\$ 36,953,802	\$ 5,655,264	\$ 13,075,719	\$ 6,947	\$ 4,335,540	\$ 10,746,469	\$ 4,230,852	\$ 2,062,882
Buildings	17,591,833	14,336,536	11,994,142	57,876,009	5,008,707	33,313,996	8,595,432	107,899,620	6,367,369	17,107,423
Improvements	4,673,301	9,028,251	1,921,052	6,366,258	4,287,186	12,837,873	20,436,143	3,763,811	25,101,285	9,964,116
Infrastructure	<u>72,925,857</u>	<u>22,733,535</u>	<u>14,160,620</u>	<u>24,259,854</u>	<u>46,463,053</u>	<u>13,291,580</u>	<u>108,053,960</u>	<u>41,041,250</u>	<u>58,338,363</u>	<u>19,323,191</u>
Total Completed	<u>\$ 113,810,324</u>	<u>\$ 106,021,120</u>	<u>\$ 65,029,616</u>	<u>\$ 94,157,385</u>	<u>\$ 68,834,665</u>	<u>\$ 59,450,396</u>	<u>\$ 141,421,075</u>	<u>\$ 163,451,150</u>	<u>\$ 94,037,869</u>	<u>\$ 48,457,612</u>

Notes:

¹MGD: Millions of Gallons per Day

²Sidewinders attendance 7/08 through 9/08; beginning in fiscal year 2008-09, the team is no longer in Tucson

³For fiscal year 2010-11 there were no Spring Training games in Tucson

PIMA COUNTY, ARIZONA
Capital Assets & Infrastructure by Program
Last Ten Fiscal Years

Exhibit D-29

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Program:										
Sheriff										
Stations	7	7	7	7	7	7	7	7	7	7
Zone offices	4	4	4	4	4	2	2	2	2	2
Patrol units	324	323	361	355	358	305	354	371	362	344
Transportation (streets and highways)										
Streets (miles) ¹	1,893	1,893	1,893	1,892	1,897	1,905	1,854	1,854	1,870	1,866
Pothole repair ²	\$ 1,321,034	\$ 1,257,087		\$ 2,822,770	\$ 1,493,531	\$ 1,462,810	\$ 1,767,246	\$ 2,715,481	\$ 2,340,060	\$ 2,505,042
Flood Control										
Bank protection (miles) ³	140	140	140	141			175	195	200	201
Flood plain / drainage way (acres) ⁴	10,999	11,053	11,966	12,027	13,210	13,645	16,538	16,806	26,000	26,832
Parks & Recreation										
Urban parks (acres)	2,991	2,881	2,881	2,898	3,012	3,143	3,147	3,489	3,736	5,825
Playgrounds	41	38	38	39	40	40	41	38	37	38
Baseball/softball diamonds	90	85	85	86	86	87	89	91	94	94
Soccer/football fields	17	17	17	18	18	18	20	21	24	24
Community centers	11	8	8	11	11	11	11	11	11	11
Swimming pools / Splashpads	9	9	9	10	10	10	10	10	10	10
Wastewater										
Sanitary sewers (miles)	3,492	3,462	3,472	3,476	3,440	3,448	3,462	3,466	3,470	3,487
Treatment capacity (MGD) ⁵	90.00	91.50	94.26	97.76	97.06	97.04	95.04	95.03	95.04	92.00
Libraries ⁶										
County	26	26	26	26	26	26	27	27	27	27
City	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Open Space Acquisitions										
Properties added	9	5	9	4	6	1	3	2	3	1
Acres	757	14,753	5,390	275	595	1,416	823	389	676	95
Cumulative acreage	37,373	52,126	57,516	57,791	58,386	59,802	60,625	61,014	61,690	61,785
Total properties	76	81	90	94	100	101	104	106	109	110

Notes:

¹Annexation by other jurisdictions resulted in a decrease of Transportation (Streets and Highways).

²Pothole repair figures were unavailable in FY 2009-10.

³No soil cement bank protection projects in 2012 and 2013.

⁴Regional Flood Control District maintained acreage only.

⁵On Jan. 3, 2012 capacity was reduced when the Town of Marana obtained ownership of the Marana Wastewater Treatment Facility.

⁶On July 1, 2006, the Pima County Library District assumed control of the operations of all County libraries.

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