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Independent Auditors’ Report

To the Honorable Board of Supervisors
of Pima County, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Pima County Development Services Enterprise Fund, an enterprise fund of Pima County, Arizona, as of and for the year ended June 30, 2013, and the related notes to the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Audit 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 auditor’s 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 auditor considers internal control relevant to the entity’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 entity’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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pima County Development Services Enterprise Fund as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.
**Emphasis of Matter**

As discussed in Note 1, the financial statements present only Pima County Development Service Enterprise Fund and do not purport to, and do not, present fairly the financial position of Pima County, Arizona as of June 30, 2013, or the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In addition, as described in Note 1 to the financial statements, Pima County Development Services Enterprise Fund adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**Other Matter**

**Required Supplementary Information**

Management has omitted management’s discussion and analysis that U.S. generally accepted accounting principles requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2013, on our consideration of Pima County Development Services Enterprise Fund’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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pima County Development Services Enterprise Fund’s internal control over financial reporting and compliance.

October 18, 2013
Phoenix, Arizona
<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,426,485</td>
<td></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>1,286</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>90,146</td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>3,522,917</strong></td>
<td></td>
</tr>
<tr>
<td>Noncurrent assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>902,351</td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(902,351)</td>
<td></td>
</tr>
<tr>
<td><strong>Total capital assets, (net)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total noncurrent assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>3,522,917</strong></td>
<td></td>
</tr>
</tbody>
</table>

| Liabilities                   |       |       |
| Current liabilities:          |       |       |
| Accounts payable              | 35,891|       |
| Accrued employee compensation| 647,576|       |
| Due to other Pima County funds| 169   |       |
| Due to other governments     | 5     |       |
| **Total current liabilities** | **683,641** |       |
| **Total liabilities**         | **683,641** |       |

| Net position                  |       |       |
| Unrestricted                  | 2,839,276|       |
| **Total net position**        | **$ 2,839,276** |       |

See accompanying notes to financial statements
### PIMA COUNTY, ARIZONA  
Development Services Enterprise Fund  
Statement of Revenues, Expenses and Changes in Net Position  
Year Ended June 30, 2013

<table>
<thead>
<tr>
<th>Operating revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for services</td>
<td>$6,519,275</td>
</tr>
<tr>
<td>Other</td>
<td>59,771</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>6,579,046</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating expenses:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee compensation</td>
<td>5,042,708</td>
</tr>
<tr>
<td>Operating supplies and services</td>
<td>113,532</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>5,699</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,374,109</td>
</tr>
<tr>
<td>Consultants and professional services</td>
<td>328,125</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>6,864,173</strong></td>
</tr>
</tbody>
</table>

Operating loss  
(285,127)  

<table>
<thead>
<tr>
<th>Nonoperating revenues:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment earnings</td>
<td>18,256</td>
</tr>
<tr>
<td><strong>Total nonoperating revenues</strong></td>
<td><strong>18,256</strong></td>
</tr>
</tbody>
</table>

Loss before transfers  
(266,871)  

Transfers in  
1,000,000  

Transfers (out)  
(1,015,659)  

Change in net position  
(282,530)  

Net position, July 1, 2012  
3,121,806  

**Net position, June 30, 2013**  
$2,839,276  

See accompanying notes to financial statements
Cash flows from operating activities:
Receipts from customers for goods and services $ 6,586,707
Payments to suppliers for goods and services (448,966)
Payments to other Pima County funds for goods and services (2,010,045)
Payments to employees (4,450,172)
Net cash used for operating activities (322,476)

Cash flows from noncapital financing activities:
Transfers in 1,000,000
Transfers out (1,015,659)
Loans with other Pima County funds 2,773
Net cash used for noncapital financing activities (12,886)

Cash flows from investing activities:
Interest received on investments 18,592
Net cash provided by investing activities 18,592

Net decrease in cash and cash equivalents (316,770)

Cash and cash equivalents, July 1, 2012 3,743,255

Cash and cash equivalents, June 30, 2013 $ 3,426,485
(continued)
Reconciliation of operating loss to net cash used for operating activities

Operating loss $ (285,127)

Adjustments to reconcile operating loss to net cash used for operating activities:
Changes in assets and liabilities:
Decrease in assets:  
Accounts receivable $ 7,661
Increase (decrease) in liabilities:  
Accounts payable $(19,650)  
Accrued employee compensation $(25,365)  
Due to other governments 5

Net cash used for operating activities $ (322,476)

Noncash investing, capital, and noncapital financing activities during the year ended June 30, 2013:

The Fund retired fully depreciated capital assets with an original cost of $63,275.
Note 1 - Summary of Significant Accounting Policies

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

During the year ended June 30, 2013, the County early implemented the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB Statement No. 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB Pronouncements. The County also early implemented the provisions of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources.

A. Reporting Entity

The Fund is accounted for as an enterprise fund of Pima County, Arizona, and the ultimate financial accountability for the Fund remains with Pima County. The Fund’s management is responsible for issuing zoning permits and enforcing and administering building and zoning codes and land development ordinances in Pima County.

The financial statements present only the Development Services Enterprise Fund as one of the funds of Pima County and are not intended to present the balances and activity of Pima County in its entirety.

B. Fund Accounting

The Fund’s accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Fund’s available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

The Fund’s financial transactions are recorded and reported as an enterprise fund because its operations are financed and operated in a manner similar to private business enterprises. It is the intent of the Board of Supervisors that the costs (expenses, including depreciation) of goods or services provided by the Fund on a continuing basis be financed or recovered primarily through service charges.

C. Basis of Accounting

Basis of accounting relates to the timing of the measurements made, and determines when revenues, expenses and assets, deferred outflows of resources, liabilities and deferred inflows of resources are recognized in the accounts and reported in the financial statements. The financial statements of the Fund are reported using the economic resources measurement focus and are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flow. When both restricted and unrestricted components of net position are available to finance Fund expenses, restricted resources are used before unrestricted resources. Interfund transactions that would be treated as revenues or expenses if they involved parties external to the County are recorded in the appropriate revenue or expense accounts unless in conflict with GASB pronouncements.
Note 1 - Summary of Significant Accounting Policies (continued)

D. Basis of Presentation

The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

A statement of net position provides information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the Fund at the end of the year. Assets and liabilities are classified as either current or noncurrent and deferred outflows and inflows of resources, when applicable, are separately reported on the statement of net position. Net position is classified according to external restrictions or availability of assets to satisfy the Fund’s obligations. Net investment in capital assets represents the cost of capital assets, net of accumulated depreciation. Restricted net position encompasses grants, contracts, and other resources that have been externally restricted for specific purposes. Unrestricted net position includes the remaining component of net position, including the portion that has been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses and changes in net position provides information about the Fund’s financial activities during the year. Revenues and expenses are classified as either operating or non-operating, and all changes in net position are reported including capital contributions and transfers. Generally, charges for services and other fees generated for issuing zoning permits and enforcing building, zoning, and land development rules and regulations are considered to be operating revenues. Other revenues, such as investment income, are not generated from operations and are considered to be non-operating revenues. Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets.

A statement of cash flows provides information about the Fund’s sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as operating, noncapital financing, capital and related financing, or investing.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit with the Pima County Treasurer, investments with the State Treasurer, and deposits held in escrow accounts from both restricted and unrestricted sources. Unrestricted cash and cash equivalents consist of cash on hand, cash and investments held by the Pima County Treasurer in an investment pool, and investments with the State Treasurer. Restricted cash and cash equivalents consist of cash and investments held by the Pima County Treasurer in an investment pool, and deposits held in escrow accounts. All investments are stated at fair value. For the purposes of its statement of cash flows, the County considers cash on hand, demand deposits, and cash on deposit with the County Treasurer, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

F. Accounts Receivable

Accounts receivable consist primarily of amounts due from customers for services provided. These balances are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through charges to earnings and credits to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.
Note 1 - Summary of Significant Accounting Policies (continued)

G. Capital Assets

Capital assets are reported at cost. The Fund capitalizes all land regardless of cost, buildings and intangible software assets valued at $100,000 and all machinery and equipment valued at $5,000 and above. Depreciation of assets is charged as an expense against operations.

Assets are depreciated over their estimated useful lives using the straight-line method. For equipment, the estimated useful lives range from 5 to 15 years.

H. Compensated Absences

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

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

Employees may accumulate up to 1,920 of sick hours. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Sick leave benefits do not vest with employees; however employees who are eligible to retire from County service into the Arizona State Retirement System, may request sick leave be converted to annual leave, on a predetermined conversion basis. An estimate of those retirement payouts is accrued as a liability.

Note 2 - Cash and Investments

Cash and cash investments consist of $500 of cash on hand and $3,425,985 of cash on deposit with the County Treasurer and are available on demand. The Treasurer pools these deposits with other County monies for investment within the County Treasurer’s pool. The Fund’s deposits are included in the Treasurer’s investment pool but 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. The Pima County Treasurer’s investment pool is unrated.

Custodial credit risk—For an investment, custodial credit 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 an outside party’s possession. The County does not have a formal policy with respect to custodial credit risk.

Concentration of credit risk—The County has no formal policy with respect to limiting the amount the Treasurer may invest in any one issuer.

Interest Rate Risk—Interest rate risk is the risk that changes in interest rates will adversely affect an investment’s fair value. The County does not have a formal investment policy with respect to interest rate risk. The Pima County Treasurer’s investment pool had a weighted average maturity of 497 days at June 30, 2013.

Legal Provisions—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
Note 2 - Cash and Investments (continued)

government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States; 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—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, and notes must be rated within the top three ratings by a nationally recognized rating agency.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investors’ service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

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

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

Interest rate risk—Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk—Statutes do not allow foreign investments.

Note 3 - Capital Assets

Capital asset activity for the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2012</td>
<td></td>
<td></td>
<td>June 30, 2013</td>
</tr>
<tr>
<td>Equipment</td>
<td>$965,626</td>
<td></td>
<td>$63,275</td>
<td>$902,351</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(965,626)</td>
<td></td>
<td>63,275</td>
<td>(902,351)</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$0</td>
<td></td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note 4 - Claims, Judgments and Risk Management

The Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund is a participant in Pima County’s self-insurance program, and in the opinion of the Fund’s management, that program would cover any unfavorable outcomes from these risks. Accordingly, the Fund has no risk of loss beyond adjustments to future years’ premium payments to Pima County’s self-insurance program. All estimated losses for unsettled claims and actions of Pima County are determined on an actuarial basis and are included in the Pima County Comprehensive Annual Financial Report.
Note 5 - Related Party Transactions

Administrative and Fiscal Services—For the year ended June 30, 2013, the Fund incurred expenses from Pima County for a variety of administrative and fiscal services totaling $1,772,519. Of that amount, $617,901 was for temporary or part-time staffing, $202,701 was for motor pool charges, $620,455 was for the allocation of overhead, $8,340 was for postage, $201,124 was for self-insurance premiums, $5,202 was for printing and microfilming, and $116,796 was for other miscellaneous charges.

Public Works Center—The Fund occupies a portion of the Public Works Center and pays rent equivalent to its pro rata share of the building expenses incurred by the Pima County Facilities Management Department. For the year ended June 30, 2013, rent expense for the Fund totaled $237,526.

Note 6 - Due To Other Pima County funds

Due to other Pima County funds represents payables for goods and services. At June 30, 2013, the payables include $169 due to the General Fund.

Note 7 - Retirement Plan

Plan Description—The Fund contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan administered by the Arizona State Retirement System (ASRS) that covers employees of the State of Arizona and employees of participating political subdivisions and school districts.

Benefits are established by state statute and generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree’s average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree’s health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her spouse. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Funding Policy—The Arizona State Legislature establishes and may amend active plan members’ and the County’s contribution rates. For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of the members’ annual covered payroll and the County was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members’ annual covered payroll.
Note 7 - Retirement Plan (continued)

The County’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

<table>
<thead>
<tr>
<th>Years ended June 30</th>
<th>Retirement Fund</th>
<th>Health Benefit Supplement Fund</th>
<th>Long-Term Disability Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$340,415</td>
<td>$21,587</td>
<td>$7,971</td>
</tr>
<tr>
<td>2012</td>
<td>$338,079</td>
<td>$21,580</td>
<td>$8,221</td>
</tr>
<tr>
<td>2011</td>
<td>$342,967</td>
<td>$22,458</td>
<td>$9,516</td>
</tr>
</tbody>
</table>

The financial statements for the ASRS plan can be obtained by contacting ASRS at:

3300 N Central Ave
Phoenix, AZ 85012
(602) 240-2000 or (800) 621-3778
Independent Auditors’ Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

To the Honorable Board of Supervisors  
of Pima County, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the  
standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of  
the United States, the financial statements of Pima County Development Services Enterprise Fund (the “Fund”), an  
enterprise fund of Pima County, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial  
statements, which collectively comprise the Fund’s financial statements, and have issued our report thereon dated October  
18, 2013, which was modified for consistency for the adoption of GASB Statement No. 62, Codification of Accounting and  
Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities.

Internal Control over Financial Reporting - In planning and performing our audit of the financial statements, we  
considered the Fund’s internal control over financial reporting (internal control) to determine the audit procedures that are  
appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the  
purpose of expressing an opinion on the effectiveness of the Fund’s internal control. Accordingly, we do not express an  
opinion on the effectiveness of the Fund’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees,  
in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely  
basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a  
reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and  
corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that  
is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not  
designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given  
these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material  
weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Fund’s financial statements  
are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,  
contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of  
financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of  
our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of  
noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report - The purpose of this report is solely to describe the scope of our testing of internal control and  
compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund’s internal control  
or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards  
in considering the Fund’s internal control and compliance. Accordingly, this communication is not suitable for any other  
purpose.

Phoenix, Arizona  
October 18, 2013