



CITY OF TUCSON, ARIZONA



CAFR

Comprehensive
Annual
Financial Report

FISCAL YEAR JULY 1, 2014 - JUNE 30, 2015

City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015



Prepared by: The Department of Finance,
Accounting Operations Division



CITY OF TUCSON, ARIZONA



INTRODUCTORY SECTION

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2015

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	v
City of Tucson Officials	xi
City of Tucson Organizational Chart	xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	17
Statement of Activities	18
<u>Fund Financial Statements</u>	
Governmental Funds:	
Balance Sheet	20
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Proprietary Funds:	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Fund Net Position	26
Statement of Cash Flows	27
Fiduciary Funds:	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30
<u>Notes to Basic Financial Statements</u>	
Note 1 - Summary of Significant Accounting Policies	31
Note 2 - Property Tax	41
Note 3 - Individual Fund Disclosures	42
Note 4 - Deposits and Investments	42
Note 5 - Interfund Balances and Transfers	51
Note 6 - Capital Assets	53
Note 7 - Changes in Long-term Debt and Liabilities	54
Note 8 - Lease Obligations	55
Note 9 - Bond Issues	56
Note 10 - Advance Refunding/Defeasance of Debt	59
Note 11 - Landfills	59
Note 12 - Pension Plans	60
Note 13 - Other Post Employment Benefits	76
Note 14 - Self Insurance Program	78
Note 15 - Pledged Revenues	79
Note 16 - Contingencies and Commitments	79
Note 17 - Remediation Liability	82
Note 18 - Credit Card Payments by the City of Tucson	83
Note 19 - Potential Streetcar Claims	83
Note 20 - Restatement	83
Note 21 - New Governmental Accounting Standard Board (GASB) Pronouncements	84

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2015

Page

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

General Fund	87
Mass Transit Special Revenue Fund	88
Note to Required Supplementary Information	89

Pension Plans Disclosures

Schedule of Changes in the City's Net Pension Liability and Related Ratios - TSRS	92
Schedule of the Pension Net Pension Position Liability - TSRS	93
Schedule of Contributions - TSRS	94
Notes to Schedule of Contributions - TSRS	94
Schedule of Pension Investment Returns - TSRS	95
Schedule of Changes in the City's Net Pension Liability and Related Ratios - PSPRS	96
Schedule of Contributions - PSPRS	98
Notes to Schedule of Contributions - PSPRS	99
Schedule of the City's Proportionate Share of the Net Pension Liability - Elected Official	100
Schedule of Contributions - Elected Official	101
Schedule of Agent OPEB Plan's Funding Progress	102

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Statements

Nonmajor Governmental Funds:

Balance Sheet	103
Statement of Revenues, Expenditures, and Changes in Fund Balances	110

Nonmajor Enterprise Funds:

Statement of Net Position	118
Statement of Revenues, Expenses, and Changes in Fund Net Position	119
Statement of Cash Flows	120

Internal Service Funds:

Statement of Net Position	121
Statement of Revenues, Expenses, and Changes in Fund Net Position	122
Statement of Cash Flows	123

Fiduciary Funds:

Statement of Fiduciary Assets and Liabilities - All Agency Funds	124
--	-----

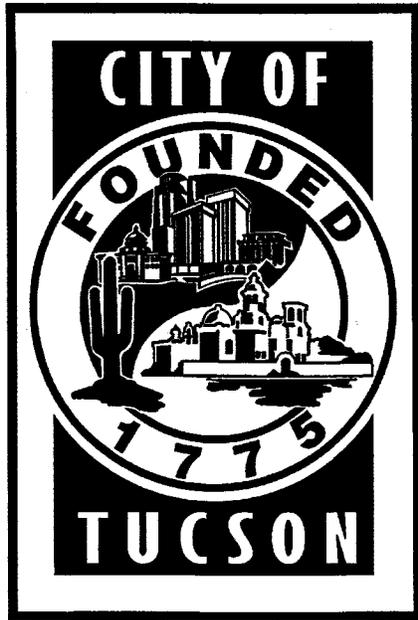
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Nonmajor Governmental Funds:

Parkwise	126
Convention Center Fund	127
H.U.R.F. Fund	127
Civic Contribution Fund	128
Community Development Block Grants Fund	129
Miscellaneous Housing Grant Fund	129
Public Housing Section 8 Fund	130
HOME Affordable Housing Fund	131
Other Federal Grants Fund	131
Non-Federal Grants Fund	132
Sun Link Fund	133
Special Assessment Bond and Interest Debt Service Fund	134
General Obligation Bond and Interest Debt Service Fund	135
Street and Highway Bond and Interest Debt Service Fund	135
Capital Improvements Fund	138
Regional Transportation Authority Fund	139
2012 General Obligation Streets Improvements Fund	139
Development Fee Fund	140

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2015

	Page
<hr/>	
<u>Schedule of Revenues, Expenses, and Changes in Net Position - Budget to Actual</u>	
Environmental Services Fund	142
Tucson Golf Enterprise Fund	143
Public Housing Fund	144
HCD Non-PHA Asset Management Fund	145
Water Utility Fund	146
Revenues, Expenses and Flow of Funds Per Ordinance No. 6347:	
Water Utility Fund	148
STATISTICAL SECTION (UNAUDITED)	Table
Expenditures/Expenses by Department	I 152
Net Position by Component	II 153
Changes in Net Position	III 154
Fund Balances, Governmental Funds	IV 156
Tax and Other Agency Revenues, General Fund	V 157
Changes in Fund Balances, Governmental Funds	VI 158
Taxable Sales by Category	VII 160
Business Privilege Taxes	VIII 161
Principal Business Privilege Tax Remitters by Activity	IX 162
Ratios of Outstanding Debt by Type	X 163
Ratios of Net General Bonded Debt Outstanding	XI 164
Direct and Overlapping Governmental Activities Debt	XII 165
Legal Debt Margin Information	XIII 166
Pledged Revenue Coverage	XIV 167
Demographic and Economic Statistics	XV 168
Principal Employers	XVI 169
Adopted Budget Full-time-Equivalent City Employees by Function	XVII 170
Capital Asset Statistics by Function	XVIII 171
Operating Indicators by Function	XIX 172
GLOSSARY	173



January 29, 2016



CITY OF
TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

Honorable Mayor and Council and Citizens of the City of Tucson, Arizona:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2015, as required by Chapter XXIX of the City Charter. The CAFR was prepared in accordance with accounting principles generally accepted in the United States of America.

City management is responsible for both the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management's Discussion and Analysis (MD&A) beginning on page 5 provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

Independent Audits

The City Charter requires an annual independent audit. The City engaged CliftonLarsonAllen LLP to express an opinion on the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report, and the City received an unmodified opinion upon completion of the audit. CliftonLarsonAllen LLP also audited the City's Federal financial assistance program, complying with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The Single Audit report is published separately from this report and is available upon request.

City Profile

Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. More than 300 years after Tucson's founding as a mission site, the City continues to grow and celebrate its diverse cultural influences. Tucson is Southern Arizona's largest city and the second largest city in the State of Arizona. It is located 100 miles southeast of Phoenix and 60 miles north of the U.S.–Mexico border.

The City was incorporated on February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. All funds and entities related to the City are controlled by the Mayor and Council and are included in the basic financial statements. These funds and entities provide a full range of services to a population of approximately 530,000 including Fire, Police, Transportation, Parks and Recreation, Water, Environmental Services and General Government.

Budget System and Controls

Tucson, like all cities in the State of Arizona, is subject to budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-80 adjusted to reflect subsequent inflation and population growth. Under State statutes, the City must either use the State's expenditure limitation or follow an alternative expenditure limitation option which must be voter-approved. The City's current limitation amount includes three voter approved increases to the base. Voter approved \$800,000 in November 1981, \$46.9 million in November 1987, and another permanent adjustment of \$50.0 million was approved to the base limitation during the November 2013 election. The most recent adjustment became effective in fiscal year 2015.

Legal control over the budget derives from state statutes that prohibit the City from exceeding the budget by purpose. The City of Tucson defines "purpose" as a series of departments and offices organized into the following six program categories: Elected and Official, Public Safety and Justice Services, Community Enrichment and Development, Support Services, Non-Departmental, and Pension Services. The Budget Office and the City Manager or designee can authorize transfers within program categories and Mayor and Council authorize transfers between program categories as long as State set spending limitations are not violated. Additional information is provided in the notes to the basic financial statements.

Financial Policies

The City has adopted a comprehensive set of financial policies that incorporate a wide range of topics including fiscal and financial planning, budgetary planning, capital management, expenditure control, fund balance, revenues and collections, cash management and investments, financial reporting and debt management. The financial goals are broad and will help the City improve service delivery at the most cost-effective basis, maintain an adequate financial base to sustain our service ability in spite of local or regional economic fluctuations, and ensure adherence to the highest accounting and management practices. Additionally, these policies are reviewed periodically and refined as necessary. The most recent change occurred on November 18, 2014, when the Mayor and Council approved limiting the average annual debt service for Certificates of Participation to 10% of average General Fund operating revenues.

In January 2011, post the Great Recession, Mayor and Council adopted a fund balance policy with the goal to restore fund balance within five years of revenue stabilization. The policy states that the City will maintain a stabilization fund that represents no less than 10% of General Fund revenues as “Committed Fund Balance” with established restrictions on how it can be used. A minimum target of 7% of general fund revenues will be “Unassigned” to help provide additional stability during cyclical changes in the economy. Currently, our unassigned fund balance represents 3.4% of General Fund revenues and the committed fund balance for the stabilization fund is 4.9%.

Assessing Economic Condition

The economic outlook for Tucson is positive with forecasts of modest growth in population, housing permits, and personal income although not at the pace of other parts of the State. The third quarter of 2015 Tucson employment results were flat compared to the previous year. The slow growth is attributable to state and local fiscal drag with state budget reductions affecting the local economy.

Tucson has a broad based economy that is anchored in tourism, higher education, retail, military, government and various high-tech and health care employers. In October 2015, the City’s unemployment rate was 5.5%, a significant drop from the 10% peak during the Great Recession. Greater Tucson jobs are up 1.3% on a year-to-date basis and 2% year over year with a gain of 7,400 jobs. Median household income for Tucson is at 85% of the U.S. level, reflecting in part the City’s large student, retiree, and military populations.

Sales tax revenues comprise approximately 40% of the City’s General Fund, with retail sales being a major component. Sales tax revenues continue to grow but the impact of recent State legislation regarding construction sales tax was greater than anticipated for City revenues. Retail sales growth rates for the Tucson Metropolitan Area are projected to increase from 1.4% in 2015 to 3.1% in 2020. State-shared sales tax revenues represent approximately 10% of the City’s general fund, and retail sales growth rates for Arizona are expected to average 5% during the next five years.

With 350 days of sunshine every year, tourism is a major economic engine for the Tucson community. Major world class attractions include Saguaro National Park, the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. Thousands of visitors attend annual signature events, such as the Tucson Gem and Mineral Show, El Tour de Tucson and the Tucson Rodeo and Parade (La Fiesta de los Vaqueros). These visitors generate sales in lodging, dining, retail, recreation and transportation and have an estimated local impact of \$150 million dollars.

Long-Term Planning

Tucson voters approved Plan Tucson, the City’s General and Sustainability Plan. Plan Tucson is a long-term policy document intended to provide a vision and future direction for the City in areas such as economic development, housing, water, historic preservation, transportation, and land use. Plan Tucson will provide the basis of an Annual Work Program. The Annual Work Program will establish Mayor and Council priorities for intermediate (1-3 years) objectives on which City government will focus. These priorities form the development of the Operating and Capital Budgets and the allocation of resources on an annual basis.

The City utilizes a long term financial model and anticipates a continued challenge in balancing future revenue growth estimated to be outpaced by projected expenses. Arizona law requires cities to balance the total expenditures and other requirements to the total resources in their budgets. The City is balancing its budget by making expenditure reductions and using other resources, such as debt proceeds and fund balances. Fiscal Year 2016 General Fund expenditure budget and investments to other funds totals

\$494.1 million. The City plans to use \$3.7 million unassigned fund balance and \$9.0 million one-time revenue from land sales to offset the funding gap.

Increasing employee benefit costs are the main reason for the City having insufficient funds for its services, causing City's expenses to exceed its revenues. The State controlled Public Safety Personnel Retirement System (PSPRS) was sued twice for changes made to cost of living adjustments. The Arizona Supreme Court decided Senate Bill 1609's impairment of the formula for calculating cost of living adjustments owed to beneficiaries violates the Arizona Constitution. COLAs were restored to members. This decision increased PSPRS liabilities and contribution rates for employers. The City chose to take in the 3 year phase in option. The Hall case is pending and if reversed would again increase pension liabilities and employer contribution rates.

The City General Fund is challenged to maintain current levels of service with fully funding the preventative maintenance program on the City's assets and infrastructure, and its vehicle and computer replacement programs with limited resources. The City has deferred maintenance, repair and replacements that are a risk. Available resources are also at risk by potential legislative changes that negatively impact local revenues such as the recent changes in contracting taxes. For fiscal year 2016, the Community Oriented Policing Services (COPS) hiring grant that funded 75 police positions will expire, so the general fund will be absorbing these positions prospectively. Additionally, the City was awarded \$8.6 million through the Department of Homeland Security's Staffing for Adequate Fire & Emergency Response (SAFER) grant program to hire 54 firefighters. The grant's performance period spans two years, and the general fund is expected to absorb the firefighter positions in September of 2017.

The Self-Insurance Fund ended the year with a positive net position for the first time in 15 years. The internal service fund had been underfunded by not charging rates at the appropriate levels. A plan was developed to eliminate the \$28 million deficit in fiscal year 2010. Deficit reduction measures put in place five years ago include assessing department rates calculated by an actuary along with inclusion of tort claim reimbursement in the primary property tax levy.

City Charter Review

A Charter Review Committee (CRC) was formed in 2014 to address five major working topics: Form of Government, Elections, Civil Service, Access to Government and Taxation Authority. The latter topic, taxation authority, will review the City's self-imposed restrictions regarding excise taxes and property tax limits. This review is considered a long-term planning effort that will seek to align priorities within the community to resources legally permitted by the City's charter.

The CRC report recommended five separate ballot measures to be placed in the November 2015 election. After considering the CRC's report, the Mayor and Council chose to refer certain proposed Charter amendments to the November 2015 ballot, but chose not to refer the financial amendments, in part because of the number and nature of the ballot questions that the voters already were considering at that time.

On November 3, 2015, voters passed two charter amendments. The first provides for equal voting rights for Mayor and Council and including the Mayor in the determination of the quorum for Council meetings. The other Charter amendment modifies the method of appointment and removal of City department directors, such that all are appointed by the City Manager subject to the consent of the Mayor and Council. It also eliminates civil service rights for these positions.

Mayor and Council reconvened the CRC to further consider prior recommendations or any additional Charter modifications, specifically the financial amendments that include 1) authorization to pledge City excise tax revenue 2) modify the \$1.75 per \$100 of assessed value limit on ad valorem taxes so it does not apply to secondary property taxes 3) authorize Mayor and Council to propose to voters a business transaction tax that exceeds 2%.

Major Initiatives

Street Improvements - In accordance with Proposition 409, the City continues to restore, repair and resurface streets inside the Tucson city limits with the \$100 million bond program approved by the voters in November 2012. Street surfacing will be over a five-year period and approximately 85% of bond funds will be allocated to major streets and 15% will be allocated to neighborhood streets. The bond package included approximately 244 centerline miles of road repair and preservation. Lower petroleum prices, a favorable bidding environment, and conservative original cost estimates have created an additional \$40 million capacity in the road bond program. An additional 101 miles of road preservation and resurfacing have been added to the original plan for a new total of 345 centerline miles.

Water Reliability - Tucson Water's \$325 million 5-Year Capital Improvement Plan (CIP) is the cornerstone in a long-term water supply plan, allowing the department to purchase, store, recover and deliver the City's full allocation of Colorado River Water. The plan focuses on main replacements, meter replacement, reservoir rehabilitation, well drilling/equipment, control system upgrades and acoustic fiber upgrades. The CIP includes a new reservoir and booster station at the Hayden-Udall treatment plant that is estimated to cost \$15.7 million. The program will be funded by a combination of water revenues and debt financing.

Sustainability – The City started a \$13.4 million project to replace the aged Compressed Natural Gas (CNG) Plant that sustains two major services to the community, Sun Tran bus service and Environmental Services refuse collection. The new plant will meet industry vehicle fueling standards, promoting the reduction of the City's carbon footprint, and provide for backup emergency generator power.

The City is also implementing an enterprise software system called TUMS, Tucson Utility Management System, to monitor water and energy use and track progress towards reducing usage each year over the next five years.

Public Safety – In 2015, the City completed a \$9.6 million project to renovate and upgrade the 911 Emergency Communications Center located at the Thomas O. Price Service Center. Improvements include expanding the dispatch operations facility to allow for 20-year growth, replacing console and telephone switching, and upgrading the radio communications infrastructure used in public safety and medical dispatch operations. This project was funded by public safety impact fees, Pima County bonds and miscellaneous federal grants.

Economic Development – Tucson's Modern Streetcar, Sun Link, commenced operations in July 2014. The Sun Link route connects the recently renovated Tucson Convention Center to both the University of Arizona and the west side of the interstate. Ridership has exceeded expectations in its first year of operations. This corridor has experienced transformational growth including: \$930 million in recent private and public investment and over 2,000 jobs for that investment, including new retail, office, infrastructure and residential projects, 2,000 new housing units, and over 110 new restaurant, bars, cafes and retail businesses. The City recently selected a developer for the Ronstadt Transit Center which is at the heart of downtown to create a distinctive multimodal, mixed use development to incorporate a modern transit center. Tucson is using incentives to continue to revitalize its downtown resulting in its first downtown grocery store in 42 years and the AC Hotel by Marriott will be the first hotel to break

ground downtown since the 1970s. There are two more pending downtown and university area hotels planned including Marriott Residence Inn.

Annexations – Annexation continues to be a high priority to increase the City’s revenue base and bring new development into City limits. With a large unincorporated area surrounding Tucson, the City misses the opportunity to collect millions of dollars of state shared revenue. The City is focused on delivering the highest levels of service to encourage annexation of residents and businesses. Three important annexations were completed in fiscal year 2015 that will increase future revenues for the City of Tucson: 1) Empire Vista will bring a projected revenue of \$2.5 million over a 10 year period, primarily from state shared revenue to be received by annexing 153 homes; 2) Ghost River Ranch, a proposed residential community, will generate approximately \$365,000 over 10 years; 3) Century Marketplace, over 160 acres of vacant land zoned for a large retail development, has a projected 10 year revenue of \$45 million from construction sales tax, impact fees, and retail sales tax.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 33 consecutive years (fiscal years ended 1982 through 2014). We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Additionally, the City of Tucson received the “Distinguished Budget Presentation Award” for the fiscal year beginning July 1, 2014 from the GFOA for our conformity in budget presentation. We believe that our current budget continues to conform to the program requirements and we expect to receive this award again for the fiscal year beginning July 1, 2015.

Acknowledgements

The preparation of this report would not have been possible without the talent, effort, and dedication of the Accounting Operations Division. Special acknowledgement is made for the work of Accounting Administrator, Shane Oman; Finance Manager, Aaron Williams, CPA; Principal Accountants, Yvette Hurley and Kristie Ellis; Senior Fund Accountants, Linda Guerrero, Robert Hayes Jr., Darla Lovett, Rob Roach, David Roels and Susan Speiss; and Administrative Assistant, Valerie Sparks.

A special thanks to the many employees of other departments who responded timely to the requests for detailed information that accompanies each annual audit, as well as the continued support of Mayor and Council and the City Manager’s Office.

Respectfully submitted,



Silvia Amparano, CPA
Finance Director

City of Tucson Officials

Mayor and Council



HONORABLE
JONATHAN ROTHSCHILD
Mayor



REGINA ROMERO
Ward One



PAUL CUNNINGHAM
Ward Two



KARIN UHLICH
Ward Three



SHIRLEY SCOTT
Ward Four



RICHARD FIMBRES
Ward Five



STEVE KOZACHIK
Ward Six

City Administration



MARTHA DURKIN
Interim City Manager
At June 30, 2015



MICHAEL J. ORTEGA, P.E.
City Manager
July 1, 2015

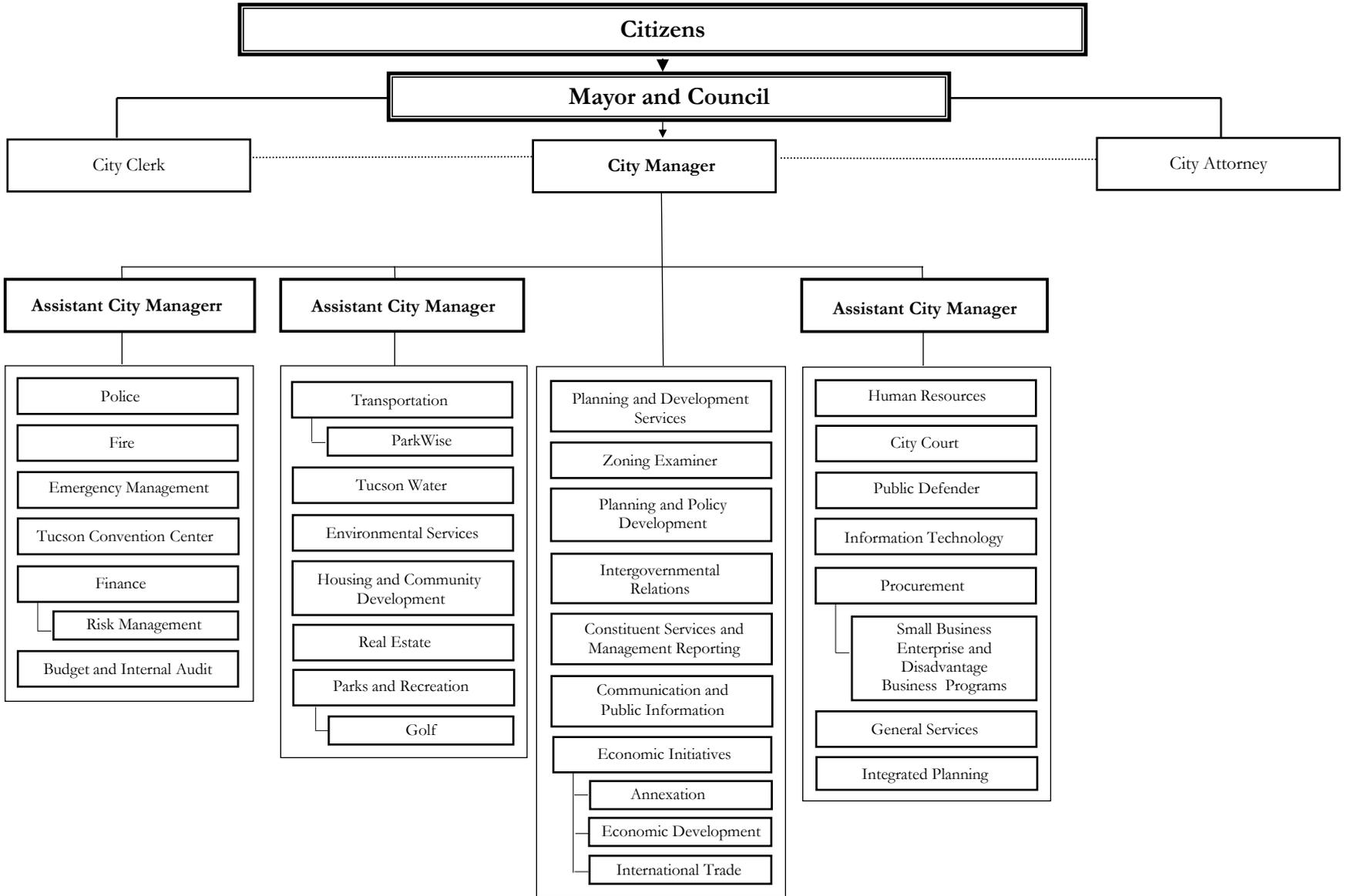
SILVIA AMPARANO, CPA
Finance Director

KAREN TENACE, CPA
Deputy Finance Director

SHANE OMAN
Finance Administrator



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2015**





Government Finance Officers Association

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

Presented to

**City of Tucson
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



CITY OF TUCSON, ARIZONA



Financial Section

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Tucson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 accounting principles generally accepted in the United States of America; 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 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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note 20). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and budgetary comparison information on pages 87 through 89 and the pension plan disclosures on pages 92 through 102 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 auditing standards generally accepted in the United States of America, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tucson, Arizona's basic financial statements. The combining and individual fund financial statements and schedules on pages 103 through 146 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents and supplemental schedules on pages 148 and 149 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.

The Honorable Mayor and Members of the City Council
City of Tucson, Arizona

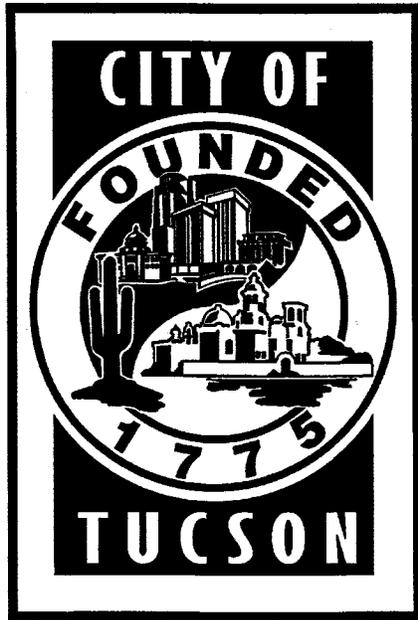
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, on our consideration of the City'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 result 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 the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tucson, Arizona
January 27, 2016



CITY OF TUCSON, ARIZONA



Management's Discussion
and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

INTRODUCTION

The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the transmittal letter at the beginning of the CAFR and the City's financial statements which immediately follow this section. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

FINANCIAL HIGHLIGHTS

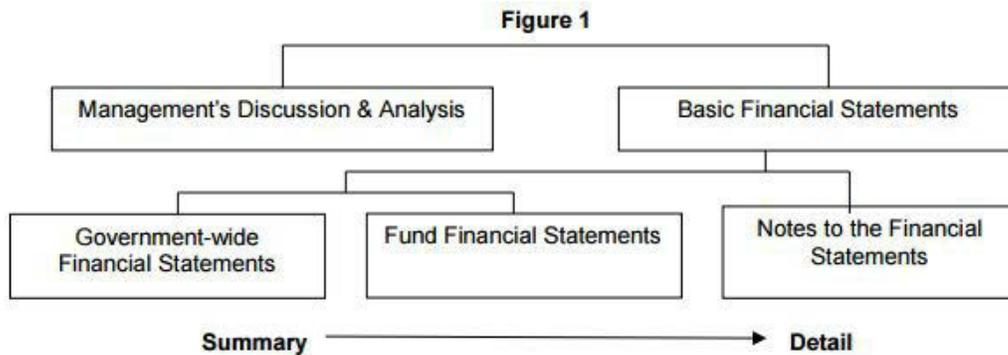
The City's financial position improved over last fiscal year with an increase in total net position. The highlights are explained below:

- At fiscal year end, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$1.6 billion—reported as net position. Assets and deferred outflows totaled \$4.3 billion while liabilities and deferred inflows were \$2.7 billion.
- In comparing fiscal year 2015 to fiscal year 2014, total net position (restated) increased by \$7.1 million. Governmental activities decreased \$20.0 million, while business-type activities increased \$27.1 million. Within the governmental activities, unrestricted net position decreased by \$52.7 million and net investment in capital assets increased \$40.2 million. Within the business-type activities, unrestricted net position increased by \$12.8 million and net investment in capital assets increased \$13.5 million.
- The cash and cash equivalents for the governmental and business-type activities decreased a combined total of \$6.9 million over last year.
- The City's governmental funds reported a combined fund balance of \$165.6 million, a decrease of \$16.3 million from last fiscal year.
- The General Fund reported a fund balance of \$65.7 million. This is a decrease of \$1.0 million (1.5%) over the last fiscal year.
- The City implemented Governmental Accounting Standard Board Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by Governmental Accounting Standard Board Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* causing an overall decrease to beginning net position of \$891.9 million. See Note 20.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

OVERVIEW OF FINANCIAL STATEMENTS

Required Components of Annual Financial Report



This annual report consists of a series of financial statements that are categorized as either government-wide financial statements or fund financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities, which provide information about the activities of the City as a whole and present a long-term view of the City's finances. The fund financial statements represent how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Also included in the fund financial statements are the fiduciary funds. These include financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. Finally, the notes to the financial statements should be read in conjunction with the financial statements as they are an integral part to fully understand the statements.

Basic Financial Statements

The Basic Financial Statements section contains two types of statements that present financial data in different manners. The first two statements represent the government-wide financial statements, which provide short and long-term information about the City's overall financial status comparable to a private-sector business. Following the government-wide statements are the fund financial statements which provide a short-term view of the City's operations at a more detailed level.

The financial statements also include notes that provide more detailed data for some of the figures in the financial statements. The statements are followed by the "Required Supplementary Information" section that provides budgetary analysis for the major governmental funds. The "Combining Statements and Individual Fund Statements and Schedules" section presents combining statements for non-major governmental funds, non-major enterprise funds, and non-major internal service funds, along with budget to actual comparisons for individual funds.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows, liabilities and deferred inflows. The Statement of Activities includes all revenues and expenses regardless of when cash is received or dispersed. These two statements report the City's net position and its change during the fiscal year. Net position, the residual amount of assets

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

and deferred outflows less liabilities and deferred inflows, is one way to measure financial health. An increase of net position shows financial improvement, while a decrease indicates financial decline.

To assess the overall health of the City, additional non-financial factors, such as changes in bond ratings, changes in the City's property tax base, projected business privilege tax collection trends, and the condition of the City's infrastructure are also considered.

There are two types of activities in the government-wide financial statements. The first activity, governmental, represents most of the City's basic services such as police, fire, transportation, and parks. Business privilege taxes, property taxes, state revenue sharing, fines, customer service fees, grants and contributions from agencies finance most of these activities. The second activity, business-type, or enterprise funds, represents those areas in which the City charges fees to customers to cover the costs of certain services it provides. The City's enterprise funds are Environmental Services, Water Utility, Tucson Golf Enterprise, Non-Public Housing Asset (PHA) Management, and Public Housing Asset Management Properties (AMP).

Fund Financial Statements

The fund financial statements provide more detailed information about the City's major and non-major funds rather than the City as a whole. Funds are groups of related accounts used to maintain control over resources that have been segregated for specific activities or purposes. The funds have specific funding sources and expenditures/expenses for particular programs. Some funds are required by state law or by bond covenants, while Mayor and Council establish other funds for management purposes.

There are three types of fund financial statements: governmental, proprietary, and fiduciary. As described below, the governmental fund statements use a different accounting approach from the proprietary and fiduciary statements.

- *Governmental fund statements* disclose how general government services, such as police, fire, transportation, and parks and recreation, were financed in the short-term as well as what remains for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities, reported in the government-wide financial statements, and governmental funds is provided in a reconciliation following the respective fund financial statements. Reconciling items include: converting fund capital expenditures to capital assets, reducing long-term debt by debt service principal expenditures, and establishing liabilities for issuing new debt such as bonds and capital leases.
- *Proprietary fund statements* report revenues from fees charged to customers for services provided by the City and are reported in the same manner as the government-wide financial statements. Because both types of statements adhere to the full accrual basis of accounting standards, the total enterprise column on the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* for proprietary funds provides the same financial information as the business-type activity columns in the government-wide financial statements. In addition, a Statement of Cash Flows is provided. Internal service funds are combined into a single column on these statements, and they are reported as part of both the governmental and business-type activities in the government-wide financial statements.
- *Fiduciary fund statements* represent funds for which the City acts as a trustee. Like the proprietary funds, they follow the standards for full accrual basis of accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net position for the City increased 0.4% over the course of the year to \$1.6 billion; an increase of \$7.1 million. Governmental activities decreased \$20.0 million while business-type net position increased \$27.1 million. As shown in Figure 2, the largest component of net position represents the City's investment in capital assets, i.e., land, buildings, equipment and infrastructure, net of accumulated depreciation and related debt. The second largest component of net position represents restricted net position, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net position is unrestricted.

The change in net position for Governmental Activities was largely due to an increase of \$52.7 million in unrestricted deficit, and \$40.2 million increase in net investment in capital assets. The increase in net investment in capital assets is primarily due to continued corridor widening projects. The implementation of GASB 68, which included a restatement of net position, significantly contributed to a \$161.7 million increase to deferred outflows, \$135.7 million increase to long-term liabilities and a \$52.7 million increase in unrestricted deficit.

The change in net position for Business-type activities is due to a decrease of \$12.8 million in unrestricted deficit, and \$13.5 million increase in net investment in capital assets. The \$13.5 million increase is due to capital asset activity exceeding debt activity mostly in the Water Utility fund. The \$12.8 million net decrease in the unrestricted deficit is primarily due to the improvement in working capital (current assets minus current liabilities) of both Environmental Services and Water Utility funds.

Figure 2 is a comparative summary of the City's net position for fiscal years 2015 and 2014:

Net Position		Figure 2				
	Governmental Activities		Business-type Activities		Total	
	2015	2014 Restated*	2015	2014 Restated*	2015	2014 Restated*
Current and Other Assets	\$ 382,936,566	\$ 377,296,069	\$ 252,820,116	\$ 235,293,370	\$ 635,756,682	\$ 612,589,439
Capital Assets	2,095,350,226	2,085,549,257	1,361,273,746	1,346,701,930	3,456,623,972	3,432,251,187
Deferred Outflows	174,152,064	12,479,350	21,853,333	13,017,331	196,005,397	25,496,681
Total Assets and Deferred Outflows	2,652,438,856	2,475,324,676	1,635,947,195	1,595,012,631	4,288,386,051	4,070,337,307
Current and Other Liabilities	186,576,406	168,984,708	89,518,956	79,774,112	276,095,362	248,758,820
Long-term Liabilities	1,568,142,993	1,432,388,252	678,818,996	687,219,402	2,246,961,989	2,119,607,654
Deferred Inflows	44,244,990	426,725	79,914,537	67,461,903	124,159,527	67,888,628
Total Liabilities and Deferred Inflow	1,798,964,389	1,601,799,685	848,252,489	834,455,417	2,647,216,878	2,436,255,102
Net Position:						
Net Investment in Capital Assets	1,539,250,781	1,499,029,239	825,087,980	811,642,121	2,364,338,761	2,310,671,360
Restricted	147,289,613	154,849,334	39,601,012	38,724,476	186,890,625	193,573,810
Unrestricted (Deficit)	(833,065,927)	(780,353,582)	(76,994,286)	(89,809,383)	(910,060,213)	(870,162,965)
Total net position	\$ 853,474,467	\$ 873,524,991	\$ 787,694,706	\$ 760,557,214	\$1,641,169,173	\$1,634,082,205

*Beginning net position as restated June 30, 2014, due to the provisions of GASB 68.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Figure 3 shows condensed financial information derived from the government-wide Statement of Activities and reflects how the City's net position changed during the course of the fiscal year:

Changes in Net Position						Figure 3
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 114,680,412	\$ 104,412,957	\$ 242,991,704	\$ 231,559,735	\$ 357,672,116	\$ 335,972,692
Operating Grants and Contributions	118,631,887	108,429,579	6,110,015	6,077,057	124,741,902	114,506,636
Capital Grants and Contributions	81,649,759	123,245,299	7,631,102	8,463,198	89,280,861	131,708,497
Total Program Revenues	314,962,058	336,087,835	256,732,821	246,099,990	571,694,879	582,187,825
General Revenues:						
Taxes:						
Property	44,992,133	43,912,695			44,992,133	43,912,695
Business Privilege	194,523,190	193,235,470			194,523,190	193,235,470
Public Utility	21,791,368	20,886,226			21,791,368	20,886,226
Hotel/Transient Occupancy	13,397,772	12,290,994			13,397,772	12,290,994
Occupational		87,846				87,846
Liquor		750,481				750,481
Unrestricted Grants and Contributions	131,349,102	124,171,684			131,349,102	124,171,684
Investment Income (Loss)	988,190	1,127,524	1,761,345	2,079,879	2,749,535	3,207,403
Miscellaneous	1,225,842	14,843,790			1,225,842	14,843,790
Total General Revenues	408,267,597	411,306,710	1,761,345	2,079,879	410,028,942	413,386,589
Total Revenues	723,229,655	747,394,545	258,494,166	248,179,869	981,723,821	995,574,414
Expenses:						
Elected and Official	20,624,381	22,266,302			20,624,381	22,266,302
Support Services	50,308,291	48,948,932			50,308,291	48,948,932
Public Safety and Justice Services	323,811,440	260,591,927			323,811,440	260,591,927
Community Enrichment and Development	297,437,927	271,590,886			297,437,927	271,590,886
Non-Departmental	25,615,851	28,356,640			25,615,851	28,356,640
Interest on Long-term Debt	25,387,637	24,236,525			25,387,637	24,236,525
Fiscal Agent and Other Fees	1,880,263	1,868,185			1,880,263	1,868,185
Public Housing AMP			9,974,288	10,257,513	9,974,288	10,257,513
Non-PHA Asset Management			2,267,351	1,383,356	2,267,351	1,383,356
Environmental Services			41,611,732	57,226,295	41,611,732	57,226,295
Tucson Golf Enterprise Fund			8,276,232	6,753,158	8,276,232	6,753,158
Water Utility			167,441,460	151,980,908	167,441,460	151,980,908
Total Expenses	745,065,790	657,859,397	229,571,063	227,601,230	974,636,853	885,460,627
Changes in Net Position before Transfers	(21,836,135)	89,535,148	28,923,103	20,578,639	7,086,968	110,113,787
Transfers	1,785,611	957,697	(1,785,611)	(957,697)		
Changes in Net Position	\$ (20,050,524)	\$ 90,492,845	\$ 27,137,492	\$ 19,620,942	\$ 7,086,968	\$ 110,113,787

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Governmental Activities

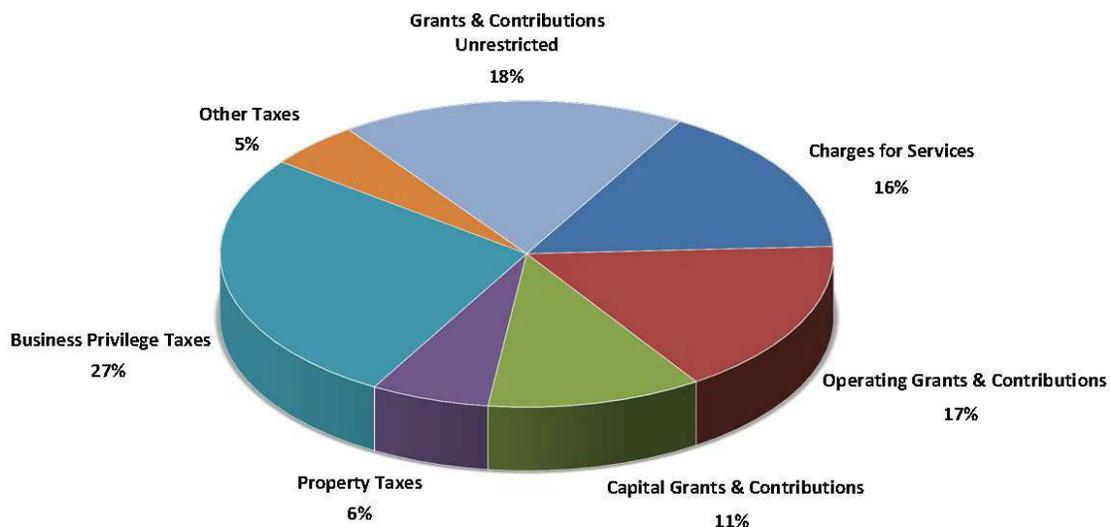
For fiscal year 2015, revenues decreased \$24.2 million and expenses increased \$87.2 million from fiscal year 2014. Program revenues decreased \$31.4 million in the Grants and Contributions area due to fewer active capital projects; but increased \$10.3 million in the Charges for Services area related to various general fees/fines and admission increases of \$7.1 million, Tucson Convention Center revenue increase of \$1.8 million, and modern streetcar revenue increase of \$1.0 million. The increase to expenses is largely due to \$46.8 million related to the implementation of GASB 68 which increases pension liability expense. Wages, benefits and pension contributions increased \$4.0 million for Police and \$1.4 million for Fire. Other significant expense increases include \$18.9 million in street repair and maintenance, \$3.0 million convention center renovation costs and \$1.0 million for upgrades to transit security systems and increased para-transit routes.

Program revenues, including charges for services and operating/capital grants or contributions, covered 43.5% of costs. General revenues covered the remaining 56.5% of governmental costs. Components of general revenues include taxes, unrestricted grants and contributions and miscellaneous revenues.

Total General Revenues decreased \$3.0 million. Within General Revenues, Taxes increased \$3.5 million (1.6%) and Unrestricted Grants and Contributions (primarily State shared revenues) increased \$7.2 million (5.8%) over fiscal year 2014. Miscellaneous Revenues decreased \$13.6 million. The decrease in Miscellaneous Revenues is due to both fiscal year 2014 including a one time settlement of \$7.8 million and a fiscal year 2015 reclassification of capital project items of \$7.2 million.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2015:

**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2015**



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

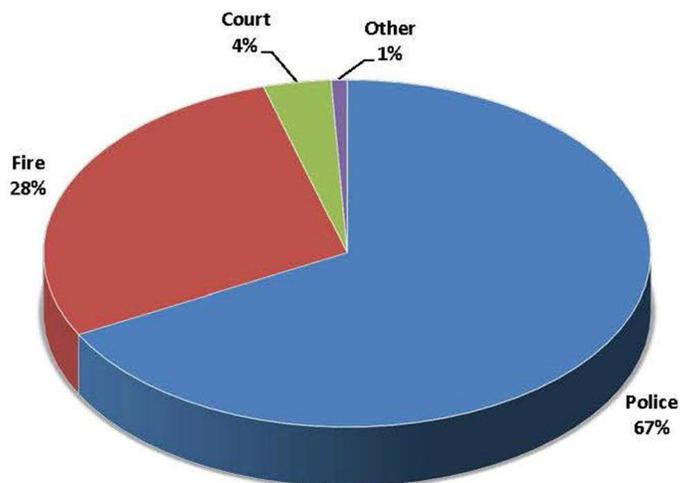
Net expenses (program revenues less expenses) generated from governmental activities are presented by function in Figure 4 below to illustrate how much support each function receives from the City's general revenues:

Net Expense/Revenue-Governmental Activities		Figure 4		
Function	2015		2014	
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage
Elected and Official	\$ (19,490,475)	5%	\$ (20,879,527)	6%
Support Services*	(48,798,517)	11%	(45,411,111)	14%
Public Safety and Justice Services	(274,360,043)	64%	(213,244,178)	66%
Community Enrichment and Development	(69,132,758)	16%	(18,938,382)	6%
Non-Departmental*	8,945,961	-2%	2,805,981	-1%
Interest	(25,387,637)	6%	(24,236,525)	8%
Fiscal Agent Fees and Other Fees	(1,880,263)	0%	(1,868,185)	1%
Total Net Expense	\$ (430,103,732)	100%	\$ (321,771,927)	100%

*A re-classification of some program revenues between functions in fiscal year 2015 for Support Services and Non-Departmental results in different figures presented here than in the fiscal year 2014 CAFR. Total net (exp)/rev remains the same.

In Governmental Activities, the largest user of resources is Public Safety and Justice Services, which includes expenses for Police, Fire, Courts, Public Defender and the Equal Opportunity Programs. The following chart illustrates the break out of expenses within Public Safety and Justice Services:

Public Safety and Justice Services Expenses by Department
For the Fiscal Year Ended June 30, 2015



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Business-type Activities

The following funds comprise the Business-type Activities: Water Utility, Environmental Services, Tucson Golf Enterprise, Public Housing Asset Management Properties (AMP) and Non-PHA Asset Management. The Environmental Services Fund and the Water Utility Fund are major funds for the City's business-type (or enterprise) activity. In fiscal year 2015 the business-type net position increased \$27.1 million or 3.5%. Net investment in capital assets increased \$13.5 million and the unrestricted net position deficit decreased \$12.9 million. The largest changes were an increase to the net investment in capital assets in both the Environmental Services fund, \$9.4 million and the Water Utility fund, \$6.1 million.

Water Utility Revenues

Total operating revenues increased by \$9.9 million or 5.8%. A Central Arizona Project (CAP) water surcharge rate increase resulted in an increase in CAP revenue of \$2.2 million in fiscal year 2015 over fiscal year 2014. Water rates also increased, resulting in a revenue increase of \$2.5 million. Additionally, ground water credits were sold for \$3.0 million and a one-time settlement of \$2.6 million was received.

Water Utility Expenses

Total operating expenses increased by \$6.7 million in fiscal year 2015 compared to fiscal year 2014. The main operating expense increases are professional services and utilities \$1.3 million, tax adjustments \$2.0 million and depreciation \$3.4 million.

Environmental Services Revenues

Total operating revenues increased slightly over fiscal year 2015 and continue to support operations.

Environmental Services Expenses

Total expenses decreased \$15.5 million, primarily due to fiscal year 2014 recording a one-time \$12.2 million liability catch up for remediation activities at the Silverbell Landfill. The Los Reales Cell Three capital asset became fully depreciated during fiscal year 2014; this resulted in \$1.6 million lower depreciation expense in fiscal year 2015 .

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City has two major governmental funds: the General Fund and the Mass Transit Fund. The General Fund fund balance decreased by \$1.1 million during fiscal year 2015 and the Mass Transit Fund fund balance increased \$1.4 million. The General Fund \$2.2 million decrease to the assigned fund balance is to meet potential revenue shortfalls projected in FY 2016. The committed fund balance increase of \$1.2 million is attributed to slight increases in restricted funds for Court's case processing fees and restricted annexation reserve. The increased fund balance in the Mass Transit Fund is due to an increase in non-spendable prepayments.

General Fund Revenues

- Total General Fund revenues increased \$14.9 million, or 3.3%. Tax revenues, which represent 51.9% of total revenues, increased \$5.1 million. The City's business privilege tax (sales tax) increased \$1.6 million and use tax increased \$2.1 million.
- Other agency revenues, which include state shared and other intergovernmental agreement revenues, increased \$8.2 million. The state revenue-sharing revenues, which represent 28.1% of general fund

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

revenues, increased \$7.2 million. This increase is mainly due to higher state income tax revenue collected by Arizona, which is shared with local governments.

- Charges for Service revenues represent 8.2% of total revenues and increased \$2.3 million from last fiscal year. This increase is made from small increases across multiple service categories. A few of the larger revenue increases are in paramedic ambulance revenues, \$0.5 million; zoo admissions, \$0.5 million; planning and review fees, \$0.5 million.

General Fund Expenditures

- General Fund expenditures increased by \$24.4 million from fiscal year 2014, or 6.1%.
- Police expenditures increased \$4.0 million related to wages, benefits and pension contribution increases.
- Fire expenditures increased \$2.7 million. The majority is related to wages, benefits and pension contribution increases of \$1.4 million. Minor additional expenditures are in ambulance supplies and fleet repairs.
- Capital expenditures increased \$4.3 million due to replacement vehicles of \$2.5 million, election equipment of \$1.3 million and system upgrades of \$1.0 million.

Mass Transit Fund Revenues

- Total revenues increased by \$7.9 million. The majority of the increase is attributed to additional federal grant and contributions revenue to purchase replacement buses.

Mass Transit Fund Expenditures

- Total expenditures increased \$10.1 million. Capital outlay and capital projects, which are primarily federally funded, accounted for the increase. The majority of this increase is for purchase of replacement buses, transit center facility and security upgrades and additional para-transit routes.

General Fund Budgetary Highlights

The annual budget is the legally adopted expenditure control document of the City. The budgetary comparison schedule for the General Fund shows the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year.

- Tax revenue is \$5.4 million below the final budget. Projections were based on an increase of 3% over fiscal year 2014 projected revenues.
- Licenses and Permits revenue is \$1.3 million over the final budget. Planning and review fees increased more than expected.
- Increased issuance of citations and tax intercepts led to Fines and Forfeitures revenue to exceed the final budget by \$1.3 million.
- Charges for Services revenue is \$1.5 million above final budget due to increased Zoo attendance, purchase card rebates and paramedic services.
- Salary and benefit savings across all departments resulted in expenditure savings of \$6.3 million.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2015 and June 30, 2014:

Capital Assets (Net of Depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 745,031,654	\$ 731,192,594	\$ 70,633,929	\$ 70,534,092	\$ 815,665,583	\$ 801,726,686
Buildings and Improvements	397,913,109	373,611,408	106,868,359	101,822,120	504,781,468	475,433,528
Equipment	85,694,271	82,325,046	26,510,525	23,132,679	112,204,796	105,457,725
Infrastructure/Distribution and Collections Systems	354,191,644	379,041,294	972,952,655	943,188,704	1,327,144,299	1,322,229,998
Construction in Progress	512,519,548	519,378,915	132,181,310	155,897,367	644,700,858	675,276,282
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 2,095,350,226	\$ 2,085,549,257	\$ 1,361,273,746	\$ 1,346,701,930	\$ 3,456,623,972	\$ 3,432,251,187

Additional information regarding capital assets can be found in Note 6.

Governmental Activities

Capital assets in the Governmental Activities represent 60.6% of the City's capital assets. Total assets increased by \$9.8 million.

- Land represents 35.6% of capital assets and had a net increase of \$13.8 million from fiscal year 2014. This increase is due to routine acquisition of easements for \$8.6 million combined with land sales of \$5.0 million.
- Building and improvements represent 19.0% of capital assets and had a net increase of \$24.3 million from fiscal year 2014. The increase includes \$19.3 million of improvements related to Parks and Recreation locations and \$9.7 million of solar panels.

Business-type Activities

Business-type activities assets represent 39.4% of the City's capital assets. Business-type activities had a net increase of \$14.6 million in capital assets during the fiscal year.

- Construction in Progress represents 9.7% of capital assets, which decreased by a net of \$23.7 million. This decrease represents the difference of capital assets that are not fully completed and completed assets that have been added to other asset groups such as Infrastructure.
- Infrastructure represents 71.5% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by \$29.8 million.

Long-term Debt and Liabilities

Figure 6 illustrates the City's debt as of June 30, 2015 and June 30, 2014. Additional information regarding long-term debt can be found in Note 7.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Debt	\$ 213,495,000	\$ 214,760,000	\$	\$	\$ 213,495,000	\$ 213,450,000
Street & Highway Revenue Bonds	82,975,000	97,050,000			82,975,000	97,050,000
Certificates of Participation	231,775,881	248,512,017	10,589,119	10,722,983	242,365,000	259,235,000
Special Assessment Bonds	1,139,000	1,577,000			1,139,000	1,577,000
Clean Renewable Energy Bonds	12,580,100	13,889,400			12,580,100	13,889,400
Water Revenue Bonds			518,990,120	528,966,548	518,990,120	528,966,548
Unamortized Amount on Premiums and Discounts	24,718,710	21,148,338	34,508,857	25,226,982	59,227,567	46,375,320
Landfill Closure/Post Closure Remediation	1,290,770	2,175,719	15,321,916	18,199,360	16,612,686	20,375,079
Capital Leases Payable	3,073,227	2,062,612	355,417		3,428,644	2,062,612
Other Long-term Debt	21,082,384	21,226,884	8,554,615	7,906,447	29,636,999	29,133,331
Other Post-employment Benefits	9,749,568	8,451,596	2,045,786	1,661,356	11,795,354	10,112,952
Pension - Unfunded*	975,223,314	808,502,256	77,689,648	83,416,613	1,052,912,962	891,918,869
Compensated Absences	33,922,674	32,929,291	4,986,414	4,885,885	38,909,088	37,815,176
Claims and Judgments	39,936,500	38,166,700			39,936,500	38,166,700
Total	\$1,650,962,128	\$1,510,451,813	\$ 714,825,913	\$ 720,502,669	\$2,365,788,041	\$2,229,644,482

*Pension-Unfunded 2014 balance is restated due to implementation in fiscal year 2015 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Presenting the restated balance results in different figures presented here than in the fiscal year 2014 CAFR. Additional information can be found in Note 20.

Outstanding debt for the City totaled \$1.7 billion with 69.4% attributed to governmental activities and the remaining 30.6% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year.

Governmental Activities

- The City issued General Obligation Bonds, Series 2012-C with a par amount of \$20 million on June 30, 2015. These bonds are the third in the series of five that will be issued each year until 2017 as a result of the passage of Proposition 409. The proposition was passed in a City general election November 6, 2012, which allows the City to issue up to \$100 million of general obligation bonds to be used for the repair and resurfacing of 130 miles of major roadways and 114 miles of neighborhood streets within the City.
- The City issued \$36.5 million of General Obligation Refunding Bonds, Series 2015, to refund certain maturities of multiple series, saving \$3.1 million over the life of the issuance.
- The City issued Certificates of Participation (COPS), Refunding Tax-Exempt Series 2015, with a par amount of \$19.6 million. The refunding was done to reduce debt service costs over the life of the issue by \$1.1 million, at net present value.

Business-type Activities

- The City issued Water System Revenue Obligation Bonds, Series 2015, with a par amount of \$20.6 million for acquisition and construction of water system improvements and to pay costs related to the issuance of the bonds.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

- The City issued \$46.6 million of Water System Revenue Refunding Bonds, Series 2015, to refund multiple previous issuances and to reduce debt service costs.

Bond Ratings

Figure 7 provides a 2 year comparison of the City's bond ratings:

Bond Ratings Figure 7						
Type of Bond:	Moody		Standard and Poor's		Fitch	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	Aa3	Aa3	AA-	AA-	AA-	AA
Street & Highway User Revenue Bonds						
Senior Lien	A1	A1	AA+	AA+	AA	AA
Junior Lien	A2	A2	AA	AA	AA-	AA-
Water System Revenue Bonds						
Senior Lien	Aa2	Aa2	AA	AA	AA	AA
Certificates of Participation	A1	A1	A+	A+	A+	AA-

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Division, 255 W. Alameda, 8th floor, Tucson, Arizona 85701, (520) 837-4330, www.tucsonaz.gov/finance.

CITY OF TUCSON, ARIZONA



BASIC FINANCIAL STATEMENTS

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30 2015

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 104,734,267	\$ 69,867,365	\$ 174,601,632
Cash & Investments - Restricted		36,045,695	36,045,695
Cash & Investments with Fiscal Agent - Restricted	57,693,537	35,345,628	93,039,165
Taxes Receivable, Net	17,985,457		17,985,457
Accounts Receivable, Net	19,644,818	26,623,863	46,268,681
Special Assessments Receivable	613,027		613,027
Internal Balances	(5,127,886)	5,127,886	
Due from Other Agencies	68,352,635	592,954	68,945,589
Interest Receivable	6,224,936	184,619	6,409,555
Inventories	3,980,418	4,439,403	8,419,821
Other Assets	3,758,129	2,541,530	6,299,659
Total current assets	<u>277,859,338</u>	<u>180,768,943</u>	<u>458,628,281</u>
Noncurrent assets:			
Long Term Accounts Receivable	24,602,337	208,172	24,810,509
Long Term Notes Receivable	36,831,313	71,590,530	108,421,843
Long Term Investments	12,398,941		12,398,941
Other Assets - Restricted	31,244,637	252,471	31,497,108
Land & Construction in Progress	1,257,551,202	202,815,239	1,460,366,441
Other Capital Assets, Net	837,799,024	1,106,331,539	1,944,130,563
Water Rights		52,126,968	52,126,968
Total noncurrent assets	<u>2,200,427,454</u>	<u>1,433,324,919</u>	<u>3,633,752,373</u>
Total assets	<u>2,478,286,792</u>	<u>1,614,093,862</u>	<u>4,092,380,654</u>
<u>DEFERRED OUTFLOWS</u>			
Loss on Refunding of Debt	13,657,475	17,092,599	30,750,074
Pension Plans	160,494,589	4,760,734	165,255,323
Total deferred outflows	<u>174,152,064</u>	<u>21,853,333</u>	<u>196,005,397</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	41,160,166	6,254,657	47,414,823
Accrued Payroll Liabilities	14,966,344	2,517,481	17,483,825
Accrued Interest Payable	24,218	1,495	25,713
Due to Other Agencies	1,865,464	4,650,102	6,515,566
Refundable Deposits	5,467,636	1,623,017	7,090,653
Customer Advances		77,199	77,199
Liabilities Payable from Restricted Assets	40,273,443	38,388,088	78,661,531
Current Portion of Long Term Liabilities	82,819,135	36,006,917	118,826,052
Total current liabilities	<u>186,576,406</u>	<u>89,518,956</u>	<u>276,095,362</u>
Noncurrent liabilities:			
Long Term Liabilities	1,568,142,993	678,818,996	2,246,961,989
Total non-current liabilities	<u>1,568,142,993</u>	<u>678,818,996</u>	<u>2,246,961,989</u>
Total liabilities	<u>1,754,719,399</u>	<u>768,337,952</u>	<u>2,523,057,351</u>
<u>DEFERRED INFLOWS</u>			
Advance Federal Project Grants	34,565		34,565
Deferred Revenue	1,355,390	71,691,773	73,047,163
Pension Plans	42,855,035	8,222,764	51,077,799
Total deferred inflows	<u>44,244,990</u>	<u>79,914,537</u>	<u>124,159,527</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,539,250,781	825,087,980	2,364,338,761
Restricted for:			
Debt Service	4,230,490	35,345,628	39,576,118
Capital	67,387,652		67,387,652
Self-Insurance Mandates	31,244,637		31,244,637
Transportation	11,434,839		11,434,839
Grants and Entitlements	27,499,060	4,255,384	31,754,444
Other Purposes	5,492,935		5,492,935
Unrestricted	(833,065,927)	(76,994,286)	(910,060,213)
Total net position	<u>\$ 853,474,467</u>	<u>\$ 787,694,706</u>	<u>\$ 1,641,169,173</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 20,624,381	\$ 751,135	\$ 382,771	\$
Support Services	50,308,291	796,493	713,281	
Public Safety and Justice Services	323,811,440	34,657,978	12,299,983	2,493,436
Community Enrichment and Development	297,437,927	45,847,813	103,301,033	79,156,323
Non-Departmental	25,615,851	32,626,993	1,934,819	
Interest	25,387,637			
Fiscal Agent Fees and Other	1,880,263			
Total governmental activities	<u>745,065,790</u>	<u>114,680,412</u>	<u>118,631,887</u>	<u>81,649,759</u>
Business-type activities:				
Public Housing	9,974,288	4,382,173	5,881,411	
Non-PHA Asset Management	2,267,351	1,084,595	228,604	
Environmental Services	41,611,732	48,731,484		108,577
Tucson Golf Enterprise Fund	8,276,232	7,139,282		
Water Utility	167,441,460	181,654,170		7,522,525
Total business-type activities	<u>229,571,063</u>	<u>242,991,704</u>	<u>6,110,015</u>	<u>7,631,102</u>
Total primary government	<u><u>\$ 974,636,853</u></u>	<u><u>\$ 357,672,116</u></u>	<u><u>\$ 124,741,902</u></u>	<u><u>\$ 89,280,861</u></u>

General Revenues:

Taxes:

Property

Business Privilege

Public Utility

Hotel/Transient Occupancy

Unrestricted Grants and Contribution

Investment Income (Loss)

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year - restated

Net position, end of year

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Totals
\$ (19,490,475)	\$	\$ (19,490,475)
(48,798,517)		(48,798,517)
(274,360,043)		(274,360,043)
(69,132,758)		(69,132,758)
8,945,961		8,945,961
(25,387,637)		(25,387,637)
(1,880,263)		(1,880,263)
<u>(430,103,732)</u>		<u>(430,103,732)</u>
	289,296	289,296
	(954,152)	(954,152)
	7,228,329	7,228,329
	(1,136,950)	(1,136,950)
	21,735,235	21,735,235
	<u>27,161,758</u>	<u>27,161,758</u>
<u>(430,103,732)</u>	<u>27,161,758</u>	<u>(402,941,974)</u>
44,992,133		44,992,133
194,523,190		194,523,190
21,791,368		21,791,368
13,397,772		13,397,772
131,349,102		131,349,102
988,190	1,761,345	2,749,535
1,225,842		1,225,842
1,785,611	(1,785,611)	
<u>410,053,208</u>	<u>(24,266)</u>	<u>410,028,942</u>
(20,050,524)	27,137,492	7,086,968
873,524,991	760,557,214	1,634,082,205
<u>\$ 853,474,467</u>	<u>\$ 787,694,706</u>	<u>\$ 1,641,169,173</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30 2015

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash and Cash Equivalents	\$	\$ 259,200	\$ 89,386,434	\$ 89,645,634
Cash & Investments with Fiscal Agents	953,936	82,315	39,949,104	40,985,355
Cash & Investments with Fiscal Agents - Restricted			16,708,182	16,708,182
Taxes Receivable, Net	17,985,457			17,985,457
Accounts Receivable, Net	32,178,686	1,056,966	518,590	33,754,242
Special Assessments Receivable			613,027	613,027
Notes & Loans Receivable	1,505,145		26,771,553	28,276,698
Due from Other Agencies	22,223,245	3,481,219	43,504,859	69,209,323
Interfund Receivable	43,142,404			43,142,404
Grants & Entitlements Receivable		6,381,313	8,916,655	15,297,968
Interest Receivable			137,649	137,649
Inventories	322,998	2,750,309	46,230	3,119,537
Interfund Loans Receivable	8,554,615			8,554,615
Long Term Investments	12,398,941			12,398,941
Other Assets	228,686	3,080,899	21,778	3,331,363
Total assets	\$ 139,494,113	\$ 17,092,221	\$ 226,574,061	\$ 383,160,395
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 6,235,713	\$ 6,518,344	\$ 26,562,443	\$ 39,316,500
Accrued Payroll Liabilities	12,861,678	128,333	1,307,178	14,297,189
Interfund Payable	22,929,670	3,779,301	39,363,103	66,072,074
Due to Other Agencies	1,567,610	224,377	72,799	1,864,786
Refundable Deposits	5,017,627	419	449,590	5,467,636
Bonds & Interest Payable, including Special Assessments			38,525,691	38,525,691
Advances from Grantors			1,747,752	1,747,752
Total liabilities	48,612,298	10,650,774	108,028,556	167,291,628
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	25,172,968	268,724	24,832,415	50,274,107
Total deferred inflows	25,172,968	268,724	24,866,980	50,308,672
Fund balances:				
Nonspendable	11,175,121	5,831,208		17,006,329
Restricted	4,876,013		89,416,493	94,292,506
Committed	29,635,059	82,315	22,639	29,740,013
Assigned	4,285,870	259,200	4,239,393	8,784,463
Unassigned	15,736,784			15,736,784
Total fund balances	65,708,847	6,172,723	93,678,525	165,560,095
Total liabilities, deferred inflows and fund balances	\$ 139,494,113	\$ 17,092,221	\$ 226,574,061	\$ 383,160,395

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
Reconciliation of the Balance Sheet for
Governmental Funds to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances (pg.20)		\$ 165,560,095
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:</p>		
Capital Assets Net of Accumulated Depreciation		2,085,704,000
<p>Deferred Inflows not recognized in the current period and, therefore, are not reported in the governmental funds</p>		
Loss on Refunding of Debt		13,657,475
<p>Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities consist of:</p>		
Bonds and Notes Payable	(322,327,711)	
Capital Leases	(234,849,108)	
Compensated Absences	(33,922,674)	
OPEB Liabilities	(9,749,568)	
Other Long-term Debt	(21,082,384)	
Total Long-term Liabilities		(621,931,445)
<p>Interest payable on long-term debt is not reported in governmental funds.</p>		
		(24,218)
<p>Unavailable revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.</p>		
		48,918,718
<p>Internal service funds are used by management to charge the costs of fleet maintenance, self-insurance, and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		19,173,602
<p>Pension related items are not reported in the governmental fund financial statements since they are not related to current financial resources. The pension related items included in governmental activities (excluding internal service funds) consist of:</p>		
Net Pension Liability	(975,223,314)	
Deferred Inflow of Resources	(42,855,035)	
Deferred Outflow of Resources	160,494,589	
		(857,583,760)
Net Position of Governmental Activities		\$ 853,474,467

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 243,058,369	\$	\$ 30,148,102	\$ 273,206,471
Licenses and Permits	28,226,186		378,391	28,604,577
Fines and Forfeitures	16,062,876		768,774	16,831,650
Developer Fees			1,522,640	1,522,640
Use of Money and Property	467,589	514,633	1,458,878	2,441,100
Federal Grants and Contributions	5,100	22,475,522	66,655,935	89,136,557
Other Agencies	136,956,086	13,320,084	90,723,606	240,999,776
Charges for Services	38,532,303	13,674,426	10,439,588	62,646,317
Special Assessments			323,164	323,164
Contributions from Outside Sources			401,711	401,711
Miscellaneous	5,077,423	563,386	2,041,476	7,682,285
Total revenues	<u>468,385,932</u>	<u>50,548,051</u>	<u>204,862,265</u>	<u>723,796,248</u>
Expenditures:				
Current -				
Elected and Official	20,744,170		379,604	21,123,774
Support Services	45,101,531		142,591	45,244,122
Public Safety and Justice Services	249,939,175		11,710,927	261,650,102
Community Enrichment and Development	52,282,125	75,323,604	119,532,326	247,138,055
Non-Departmental	22,572,002		1,440,378	24,012,380
Capital Outlay	5,836,400	15,237,225	6,338,119	27,411,744
Capital Projects	683,119	2,371,372	60,012,318	63,066,809
Debt service -				
Principal	14,965,385		34,778,000	49,743,385
Interest	9,537,333		16,001,791	25,539,124
Fiscal Agent Fees	19,650		3,975	23,625
Debt Issuance Costs	486,625		710,642	1,197,267
Total expenditures	<u>422,167,515</u>	<u>92,932,201</u>	<u>251,050,671</u>	<u>766,150,387</u>
Excess (deficiency) of revenues over expenditures	<u>46,218,417</u>	<u>(42,384,150)</u>	<u>(46,188,406)</u>	<u>(42,354,139)</u>
Other financing sources (uses):				
Bond Issuance			83,950,000	83,950,000
Capital Leases/Certificates of Participation	20,659,864			20,659,864
Premium on Debt Issuance	2,579,091		5,708,191	8,287,282
Refunded Bond Escrow Agent	(21,487,330)		(66,938,954)	(88,426,284)
Transfers In	1,600,000	43,725,841	26,299,578	71,625,419
Transfers Out	(50,613,653)		(19,411,766)	(70,025,419)
Total other financing sources (uses)	<u>(47,262,028)</u>	<u>43,725,841</u>	<u>29,607,049</u>	<u>26,070,862</u>
Changes in fund balances	<u>(1,043,611)</u>	<u>1,341,691</u>	<u>(16,581,357)</u>	<u>(16,283,277)</u>
Fund balances, beginning of year	66,752,458	4,831,032	110,259,882	181,843,372
Fund balances, end of year	<u>\$ 65,708,847</u>	<u>\$ 6,172,723</u>	<u>\$ 93,678,525</u>	<u>\$ 165,560,095</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds (pg. 22) \$ (16,283,277)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Expenditures	90,478,553	
Depreciation Expense	(67,763,523)	

Only gains or losses on sale of capital assets are reported in the Statement of Activities, whereas total proceeds are recorded in the governmental funds. The change in net position differs by the cost of the assets sold. 22,715,030

Proceeds on the sale of an asset	(5,002,334)	
Gain on the sale of an asset	1,569,387	
Loss on the sale of an asset	(3,825,062)	
		(7,258,009)

Net changes in the Statement of Activities that do not provide/(use) current financial resources are not reported as revenue/(expenditures) in the governmental funds. (1,869,970)

Transfer of Assets to Enterprise Funds (3,536,837)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds exceeded repayments:

Debt Proceeds	(104,609,864)	
Repayment of Debt Principal	49,743,385	
		(54,866,479)

Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Position.

Extinguishment of Debt		91,058,624
------------------------	--	------------

Accrued interest expense is not recorded in the governmental funds. The following amount represents the amount by which the premium on debt exceeds a discount, accrued interest expense and the amortization of the premium:

Premium on Issuance of Debt	(8,287,281)	
Accrued Interest Expense	5,304	
Amortization of Premium/Discount on Debt	1,206,409	
		(7,075,568)

Expenses in the Statement of Activities that do not use current financial resources are not reported as expenditures in the funds.

Change in Other Long-term Debt		144,500
Change in Compensated Absences Liability		(993,383)
Change in OPEB Liability		(1,297,972)
Change in Pension Liability		(49,081,504)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported within governmental activities.

		8,294,321
Change in Net Position of Governmental Activities		\$ (20,050,524)

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30 2015

	Business-type Activities			Governmental	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Internal Service Funds	
			Total		
ASSETS					
Current assets:					
Cash and Cash Equivalents	\$ 9,263,754	\$ 48,306,690	\$ 12,296,921	\$ 69,867,365	\$ 15,088,633
Cash & Investments - Restricted		36,045,695		36,045,695	
Cash & Investments with Fiscal Agent - Restricted		35,345,628		35,345,628	
Accounts Receivable, Net	3,138,169	23,431,202	54,492	26,623,863	127,882
Interfund Receivable	22,929,670			22,929,670	
Due from Other Agencies	11,381		581,573	592,954	16,509
Interest Receivable	63,877	100,618	20,124	184,619	281,153
Inventories		4,214,997	224,406	4,439,403	860,881
Other Assets		2,502,583	38,947	2,541,530	426,766
Total current assets	35,406,851	149,947,413	13,216,463	198,570,727	16,801,824
Noncurrent assets:					
Long Term Accounts Receivable		208,172		208,172	
Long Term Notes Receivable			71,590,530	71,590,530	
Other Assets - Restricted		252,471		252,471	31,244,637
Land & Construction in Progress	19,341,519	169,874,132	13,599,588	202,815,239	668,364
Other Capital Assets, Net	21,064,371	1,052,901,434	32,365,734	1,106,331,539	8,977,862
Water Rights		52,126,968		52,126,968	
Total noncurrent assets	40,405,890	1,275,363,177	117,555,852	1,433,324,919	40,890,863
Total assets	75,812,741	1,425,310,590	130,772,315	1,631,895,646	57,692,687
DEFERRED OUTFLOWS					
Loss on Refunding of Debt		17,092,599		17,092,599	
Pension Plans	1,205,606	3,162,060	393,068	4,760,734	
Total deferred outflows	1,205,606	20,254,659	393,068	21,853,333	
LIABILITIES					
Current liabilities:					
Accounts Payable	1,958,500	3,319,058	977,099	6,254,657	1,843,666
Accrued Payroll Liabilities	613,465	1,656,406	247,610	2,517,481	669,155
Accrued Interest Payable			1,495	1,495	
Due to Other Agencies	5,755	4,606,354	37,993	4,650,102	678
Refundable Deposits	74,651	1,034,193	514,173	1,623,017	
Current Portion of Bonds Payable		32,420,907		32,420,907	1,319,300
Current Portion of Contracts Payable	268,000		81,954	349,954	
Claims Payable					9,422,515
Remediation Obligations					348,305
Current Portion of Compensated Absences	609,062	1,760,284	116,159	2,485,505	
Liabilities Payable from Restricted Assets		38,388,088		38,388,088	
Customer Advances			77,199	77,199	
Current portion of Long Term Liabilities	750,551			750,551	
Total current liabilities	4,279,984	83,185,290	2,053,682	89,518,956	13,603,619
Noncurrent liabilities:					
Bonds Payable		521,050,072		521,050,072	11,260,800
Contracts Payable	10,349,118		273,463	10,622,581	
Interfund Loans Payable			8,554,615	8,554,615	
Claims Payable					30,513,985
Remediation Obligations					942,465
Compensated Absences	663,493	1,734,448	102,967	2,500,908	
Pension Liability	19,674,093	51,601,140	6,414,415	77,689,648	
Other Post-employment Benefits	598,024	1,447,762		2,045,786	
Long Term Liabilities	56,355,386			56,355,386	
Total non-current liabilities	87,640,114	575,833,422	15,345,460	678,818,996	42,717,250
Total liabilities	91,920,098	659,018,712	17,399,142	768,337,952	56,320,869

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
June 30, 2015

DEFERRED INFLOWS

Deferred revenue		90,766	71,601,007	71,691,773	
Pension Plans	2,082,329	5,461,526	678,909	8,222,764	
Total deferred inflows	<u>2,082,329</u>	<u>5,552,292</u>	<u>72,279,916</u>	<u>79,914,537</u>	

NET POSITION

Net Investment in Capital Assets	29,788,772	749,689,303	45,609,905	825,087,980	(2,933,875)
Restricted for Debt Service		35,345,628		35,345,628	
Restricted for Self Insurance Mandates					31,244,637
Restricted for Grants and Entitlements			4,255,384	4,255,384	
Unrestricted	(46,772,852)	(4,040,686)	(8,378,964)	(59,192,502)	(26,938,944)
Total net position	<u>\$ (16,984,080)</u>	<u>\$ 780,994,245</u>	<u>\$ 41,486,325</u>	<u>\$ 805,496,490</u>	<u>\$ 1,371,818</u>

Reconciliation to Government-Wide Statement of Net Position

Adjustment to consolidate internal service activities	(15,839,003)	(1,623,347)	(339,434)	(17,801,784)	
Total Net Position - Business Type	<u>\$ (32,823,083)</u>	<u>\$ 779,370,898</u>	<u>\$ 41,146,891</u>	<u>\$ 787,694,706</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities			Governmental
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Internal Service Funds
Operating revenues:				
Charges for Services	\$ 47,936,869	\$ 175,426,614	\$ 12,002,642	\$ 235,366,125
Federal Grants and Contributions			6,110,015	6,110,015
Miscellaneous	794,615	6,227,556	603,408	368,481
Total operating revenues	48,731,484	181,654,170	18,716,065	60,505,718
Operating expenses:				
Salaries, Wages and Benefits	15,006,999	30,922,125	5,504,774	51,433,898
Contractual Services	17,671,960	65,207,482	10,285,580	93,165,022
Commodities	4,284,730	8,243,561	2,104,245	14,632,536
Cost of Goods Sold			597,432	597,432
Benefits and Claims				10,126,137
Depreciation	3,706,588	35,205,332	1,937,189	40,849,109
Total operating expenses	40,670,277	139,578,500	20,429,220	200,677,997
Operating income (loss)	8,061,207	42,075,670	(1,713,155)	48,423,722
Nonoperating revenues (expenses):				
Property Taxes				1,430,708
Other Agencies				310,729
Investment Income	278,597	893,175	128,408	1,300,180
Gain (loss) on Sale of Property/Equipment	358,000	(230,052)	333,217	461,165
Federal Grants and Contributions	108,577			108,577
Non-Grant Contributions		734,619		734,619
Interest Expense	(481,451)	(18,967,617)	(79,757)	(19,528,825)
Debt Issuance Costs	9,864	(1,458,631)		(1,448,767)
Other Non-operating Income (Expense)		(7,698,707)		(7,698,707)
Total nonoperating revenues (expenses)	273,587	(26,727,213)	381,868	(26,071,758)
Income (loss) before capital contributions and transfers	8,334,794	15,348,457	(1,331,287)	22,351,964
Capital Contributions		6,787,906	(185,611)	6,602,295
Transfers In			80,000	80,000
Transfers Out		(1,600,000)	(80,000)	(1,680,000)
Changes in net position	8,334,794	20,536,363	(1,516,898)	27,354,259
Total net position, beginning of year- restated	(25,318,874)	760,457,882	43,003,223	778,142,231
Total net position, end of year	\$ (16,984,080)	\$ 780,994,245	\$ 41,486,325	\$ 805,496,490
Reconciliation to government-wide Statement of Activities				
Changes in net position	8,334,794	20,536,363	(1,516,898)	27,354,259
Adjustment to consolidate internal service activities	(469,868)	261,995	(8,894)	(216,767)
Changes in net position - Business-type activities	\$ 7,864,926	\$ 20,798,358	\$ (1,525,792)	\$ 27,137,492

The notes to the basic financial statements are an integral part of this statement.

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business-type Activities				Governmental
	Environmental Services	Water Utility Fund	Non-Major	Total	Internal Service Funds
			Enterprise Funds		
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 47,813,581	\$ 182,031,611	\$ 12,931,367	\$ 242,776,559	\$ 60,263,128
Cash Payments to Suppliers for Goods and Services	(21,558,460)	(72,769,334)	(12,964,973)	(107,292,767)	(30,729,415)
Cash Payments to Employees for Services	(15,053,978)	(33,406,625)	(5,119,582)	(53,580,185)	(15,708,619)
Subsidy from Federal Grant			6,011,202	6,011,202	
Other Operating Revenues	794,615		1,202	795,817	238,714
Cash Payments to Claimants					(8,356,337)
Net Cash Provided (Used) by Operating Activities	11,995,758	75,855,652	859,216	88,710,626	5,707,471
Cash Flows from Noncapital Financing Activities					
Property Taxes					1,297,995
Interfund Transfers	(22,929,671)	(1,600,000)		(24,529,671)	
Advances from Other Funds			648,168	648,168	
Subsidy from Federal Grant	104,984	734,619		839,603	310,729
Interest Paid on Advances			(5,616)	(5,616)	
Net Cash Provided (Used) by Noncapital Financing Activities	(22,824,687)	(865,381)	642,552	(23,047,516)	1,608,724
Cash Flows from Capital and Related Financing Activities					
Proceeds from Leasing Activities			423,050	423,050	
Bond Issuance		11,516,131		11,516,131	
Premium on Bonds		12,368,357		12,368,357	
Acquisition and Construction of Capital Assets	(12,287,613)	(41,270,589)	(436,516)	(53,994,718)	(69,755)
Principal Paid on Capital Debt		(26,636,001)	(67,633)	(26,703,634)	(1,309,300)
Interest Paid on Capital Debt	(607,605)	(20,983,770)	(75,894)	(21,667,269)	(513,188)
Fiscal Agent Fees Paid on Capital Debt		(1,458,633)		(1,458,633)	
Capital Contributions-System Equity fee		2,342,320		2,342,320	
Proceeds from Sale of Assets/Equipment	(321,589)	(230,052)	381,580	(170,061)	280,190
Net Cash Provided (Used) by Capital and Related Financing Activities	(13,216,807)	(64,352,237)	224,587	(77,344,457)	(1,612,053)
Cash Flows from Investing Activities:					
Interest on Investments	282,806	881,099	128,888	1,292,793	201,886
Proceeds from Sale of Investments					33,941,230
Purchase of Investments					(31,467,899)
Net Cash Provided (Used) by Investing Activities	282,806	881,099	128,888	1,292,793	2,675,217
Net Increase (Decrease) in Cash and Cash Equivalents	(23,762,930)	11,519,133	1,855,243	(10,388,554)	8,379,359
Cash and Cash Equivalents - July 1	33,026,684	108,178,880	10,441,678	151,647,242	6,709,274
Cash and Cash Equivalents - June 30	\$ 9,263,754	\$ 119,698,013	\$ 12,296,921	\$ 141,258,688	\$ 15,088,633

CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities			Total	Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds		Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ 8,061,207	\$ 42,075,670	\$ (1,713,155)	\$ 48,423,722	\$ 2,764,307
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	3,706,588	35,205,332	1,937,189	40,849,109	1,768,496
Provision for Landfill Closure	(609,916)			(609,916)	
Other Adjustments:					
Decrease (Increase) in Assets / Deferred Outflows:					
Accounts Receivable	(133,782)	1,539,594	10,066	1,415,878	(3,709)
Pension Plans	(1,205,606)	(3,162,060)	(393,068)	(4,760,734)	
Inventory and Prepays		(154,595)	(106,626)	(261,221)	434,990
Due from Other Agencies			(98,813)	(98,813)	(167)
Other Assets		(2,088,951)		(2,088,951)	
Increase (Decrease) in Liabilities / Deferred Inflows:					
Accounts Payable	1,003,511	21,463	120,602	1,145,576	(99,404)
Accrued Payroll Liabilities	(44,251)	(98,401)	34,113	(108,539)	(42,570)
Accrued Compensated Absences	20,039	59,914	20,575	100,528	
Pension Plans	2,082,329	5,461,526	678,909	8,222,764	
Pension Liability	(1,019,779)	(5,009,621)	302,435	(5,726,965)	
Accrued Other Post-Employment Benefits	120,289	264,142		384,431	
Deferred Revenue			60,015	60,015	
Customer/Refundable Deposits	10,493	(1,162,153)	2,600	(1,149,060)	
Claims and Judgments Payable					1,769,800
Remediation Obligation					(884,950)
Due to Other Agencies	4,636	2,903,792	8,050	2,916,478	678
Other Operating Liabilities			(3,676)	(3,676)	
Net Cash Provided (Used) by Operating Activities	\$ 11,995,758	\$ 75,855,652	\$ 859,216	\$ 88,710,626	\$ 5,707,471
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets	\$	\$ 4,445,586	\$	\$ 4,445,586	\$ 3,736,252
Refunding Bonds	255,136			255,136	
Defeased Bonds	(265,000)			(265,000)	
Total Noncash Investing, Capital, and Financing Activities:	\$ (9,864)	\$ 4,445,586	\$	\$ 4,435,722	\$ 3,736,252

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30 2015

	Pension Trust	Agency
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,567,105	\$ 1,859,195
Accounts Receivable, Net		11,788,284
Employer Contributions Receivable	1,281,772	
Employee Contributions Receivable	255,796	
Interest & Dividends Receivable	1,707,713	
Due from Brokers	946,994	
Short Term Investments	8,958,665	
Securities Lending Cash Collateral	19,876,248	
U.S. Treasuries, Agencies & Other Governmental Bonds	62,887,490	
Bonds and Preferred Stock	55,247,455	
U.S. Equity	372,249,062	
International Bonds & Other Fixed Income Instrument	39,885,129	
International Equity & Comingled Equity Funds	97,369,073	
Real Estate & Comingled Real Estate Funds	58,761,226	
Infrastructure Investment Funds	40,220,260	
Total assets	762,213,988	13,647,479
 <u>LIABILITIES</u>		
Accounts Payable	384,773	767,567
Accrued Payroll Liabilities	15,459	
Due to Other Agencies		12,879,912
Due to Securities Borrowers	19,876,248	
Due to Brokers	2,143,655	
Refundable Deposits	306	
Total liabilities	22,420,441	13,647,479
 <u>NET POSITION</u>		
Held in trust	\$ 739,793,547	\$

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2015

	Pension Trust
Additions:	
Employer Contributions	\$ 33,985,523
Employee Contributions	7,531,845
Net Increase (Decrease) in Fair Value of investment	22,467,139
Interest, Dividends and Other Income	12,309,498
Securities Lending Income	163,140
Less: Investment Activity Expense	(4,092,449)
Less: Securities Lending Expense	(65,676)
Miscellaneous Additions	20,783
Total additions	72,319,803
 Deductions:	
Payments to Participants	65,216,458
Refunds and Transfers to Other Plans	2,395,893
Administrative Expense	650,405
Total deductions	68,262,756
 Changes in net position	 4,057,047
 Net position, beginning of year	 735,736,500
 Net position, end of year	 \$ 739,793,547

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the significant accounting principles and practices of the City of Tucson (City) are discussed in subsequent sections of this note. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the significant policies:

A. Reporting Entity

The accompanying financial statements include the City and all of its component units, collectively referred to as "the financial reporting entity". The component unit discussed below has been included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Tucson Supplemental Retirement System

The Tucson Supplemental Retirement System (TSRS or System) is a single-employer defined benefit plan established by the City and administered by a seven-member Board of Trustees. Although the system is a separate legal entity, its sole purpose is to provide services exclusively to the City; therefore, it is included as a Pension Trust Fund in these basic financial statements. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Finance Department, PO Box 27450, Tucson, AZ 85726.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and Statement of Activities) report information on all nonfiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues, include all governmental funds, along with internal service funds. Business-type activities, which rely to a significant extent on fees and charges for services, include the enterprise funds and are reported separately from the governmental activities.

The Statement of Net Position reports the assets, deferred outflows, deferred inflows, and liabilities of the primary government. The net position section of this statement represents the residual amount of assets plus deferred outflows less their associated liabilities and deferred inflows. The net position section is divided into three categories. The first category is *Net Investment in Capital Assets*, which includes capital assets, deferred outflows, inflows attributable to the acquisition, construction, or improvement of capitals, net of accumulated depreciation, and any outstanding debt associated with the capital assets. Capital assets cannot readily be sold and converted into cash. The second category is *Restricted Net Position*, which includes those assets, net of their related debt, that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is *Unrestricted Net Position*, and this represents resources that generally can be used for any purpose. However, they are not necessarily in a spendable form, such as cash.

The Statement of Activities shows the degree to which direct expenses of various City functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges for services, fines and forfeitures, and licenses and fees, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, which are not specifically identifiable with a particular function or segment, are reported as general revenues at the bottom of the statement. The general revenues support the net costs of the functions and segments not covered by program revenues.

Separate financial statements are provided for the governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. In general, major individual funds are reported as separate columns in the fund financial statements, while non-major funds are displayed in aggregate.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The City accounts for the operations of each fund through a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, and fund balance/net position, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. Governmental Funds

Major Funds:

General Fund - This fund is the main operating fund of the City that is used to account for and report all financial resources not accounted for and reported in another fund.

Mass Transit Fund - This fund is used to account for and report all the revenues and other financial resources necessary to operate fixed route and paratransit services within the Tucson metropolitan area. The main sources of revenue are Charge for Services from customers and Other Agencies, such as other cities and Pima County, federal grants and contributions, and an investment from the General Fund for fiscal year 2015 of \$43,725,841.

Non-major Funds:

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources (other than proprietary and fiduciary functions) that are restricted to expenditures for specified purposes other than debt service and capital projects. Resources must be derived from one or more specific revenue sources. This includes federal grants and various City functions such as Tucson Convention Center, Highway User Revenue, Streetcar Operating, and Housing and Community Development Funds.

Debt Service Funds - These funds are used to account for and report the accumulation of resources that are restricted, committed, or assigned for the payment of long-term debt principal, interest, and other related costs for General Obligation, Street and Highway, and Special Assessment Bonds.

Capital Project Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities and other capital assets. This includes the General Obligation, Capital Improvement, Development Fee, and the Regional Transportation Authority Fee Funds.

2. Enterprise Funds

The City has five enterprise funds which are used to account for certain operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity; 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges; or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Funds:

The Water Utility Fund accounts for the financing and operation of all activities necessary to provide water services to the Tucson metropolitan area. Since the Water Utility is a segment accounted for within an individual fund, no further segment information is presented in these notes.

The Environmental Services Fund accounts for the financing and operation of all activities necessary to provide solid waste services to residential and commercial customers in the City of Tucson. Since the Environmental Services Fund is a segment accounted for within an individual fund, no further segment information is presented in these notes.

Non-major Funds:

The Non-Public Housing Authority (Non-PHA) Asset Management Fund accounts for all operating activities necessary to support non-public housing assets. Since the Non-PHA Asset Management Fund is a segment accounted for within an individual fund, no further segment information is presented.

The Public Housing Fund accounts for the operating and capital activities necessary to support public housing programs. Since the Public Housing Fund is a segment accounted for within an individual fund, no further segment information is presented.

The Tucson Golf Enterprise Fund accounts for the financing and operation of the City's golf courses, driving ranges, pro shops and clubhouses. Since the Golf Fund is a segment accounted for within an individual fund, no further segment information is presented in these notes. Effective February 1, 2014, all 5 City golf courses are now managed by OB Sports, an independent contractor.

3. Internal Service Funds

These funds are used to account for the financing of self-insurance and facilities and fleet maintenance services provided to City departments on a cost-reimbursement basis. The costs of the internal service fund services are spread to the appropriate functions on the government-wide Statement of Activities, and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any "doubling-up" effect of these revenues and expenses.

4. Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust and Agency Funds. The Pension Trust Fund is accounted for in the same manner as proprietary funds. Agency Funds, which include collections for payment of medical insurance premiums, grant fiduciary and Pima County sewer collections, are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

D. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported on the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual, i.e., when they are both "measurable and available". "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers specific revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when the related liability is incurred. However, principal and interest on long-term debt are recorded as fund liabilities when the payment is due or when amounts have been accumulated in the debt service fund for payment early in the following fiscal year. Certain compensated absences and claims and judgment expenditures are recorded when payment is due. In general, only matured assets and liabilities are shown on the balance sheets, and unassigned fund balance is considered a measure of "available spendable resources."

Major revenue sources susceptible to accrual are business privilege and other taxes and grants and similar items when all eligibility requirements are met. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Governmental fund inventories, deposits, and long-term advances receivable do not represent "available spendable resources" and are offset by fund balance primarily nonspendable accounts.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, (i.e., charges to customers or users who purchase or use the goods or services of that activity). Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity. Water connection fees for the Water Utility are established at an amount necessary to recover related costs and are recorded as capital contributions.

The City does not currently employ an indirect cost allocation system. The General Fund and certain other funds charge service fees to other operating funds to support general services used by the operating funds (like accounting and maintenance).

E. Reserve for Loss and Loss Adjustment Expenses

The Self-Insurance Fund establishes claim liabilities based on actuarial estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

F. Budgetary Information

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of expenditures based on a factor of increases in population and inflation, which are adjusted annually. Under the State statutes, the City must either use the State's expenditure limitation or follow an alternative expenditure limitation, which must be voter approved. The City is under the State approved expenditure limitation that includes three voter approved increases in the base. The voters passed an increase of \$800 thousand in November 1981 and an additional \$46.9 million permanent adjustment in November 1987. In November 2013, voters approved a \$50 million permanent adjustment effective July 1, 2014.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City formulates its budget to ensure compliance with the applicable provisions of this limitation. The City uses the following procedures and policies in establishing the budgetary data reflected in the financial statements:

1. The City Charter requires the City Manager to prepare a written estimate of the funds required to conduct the business and affairs of the City. The estimate, which is the recommended budget, is due on or before the first Monday in May of each year or on such date fixed by the Mayor and Council. The recommended budget may be increased or decreased until tentatively adopted by Mayor and Council.
2. Public hearings are conducted on the recommended budget.
3. State statutes require the City to prepare a full and complete statement of the estimated expenditures and revenues for the fiscal year. Mayor and Council tentatively adopt the budget for the following fiscal year. After the adoption of the tentative budget, total appropriations cannot be increased.
4. A Public hearing is held on the budget as tentatively adopted and on the proposed property tax levy.
5. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget by purpose. Purpose is defined as a series of departments/offices categorized as follows: Elected Officials, Public Safety and Justice Services, Community Enrichment and Development, Support Services, Public Utilities and Non-Departmental. Transfers between purposes, such as Public Safety and Justice Services and Support Services, can be made upon Mayor and Council approval.
6. All appropriations lapse at year-end.
7. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2015.

G. Cash and Cash Equivalents

For purposes of the statements of cash flows, which are prepared for the enterprise and internal service funds, the City considers all highly-liquid investments (including the funds' participation in the investment pool account and appropriate restricted assets) to be cash equivalents. Individual fund investments with an initial maturity of 12 months or less when purchased are considered to be cash equivalents.

H. Method used to Value Investments

Investments are reported at fair value. The fair value of the pooled investments is based on current market prices. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value. Estimated fair value for real estate and infrastructure investments are established by third party appraisers.

Interest and dividend income is recognized on the modified accrual basis, except for proprietary funds that are on the accrual basis. Changes in the fair value of investments are recognized as revenue on a monthly basis.

Income from pooled investments is allocated to the individual funds based on each fund's monthly average cash balance in relation to the total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. This is the case for certain special revenue funds. Income from non-pooled investments is recorded based on the specific investments held by the fund. All other interest income is recorded in the fund that earned the interest.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accounts/Notes Receivable

The Water Utility Funds' assets and revenues include \$11,894,260 for water sales delivered, but unbilled at June 30, 2015.

General Fund accounts receivables of \$32,178,686 are net of allowance for doubtful accounts of \$305,970. The Water Utility and Environment Services accounts receivable of \$23,431,202 and \$3,138,169, respectively, are net of allowance for doubtful accounts of \$796,939 and \$285,347, respectively.

The Housing and Community Development Department provides many loans to homeowners through Housing and Urban Development financing. The loans are placed on each homeowner's title as a lien against the property naming the City as the lien holder. Dependent upon the homeowner's qualification, an affordability period (from 5 to 20 years) is determined. Each lien is forgiven evenly over the determined affordability period. The City only receives a payoff if a property is sold prior to the end of the affordability period (some sales do not result in payment to the City). Less than 10% of these liens have resulted in payoffs to the City in the past 5 years. As of June 30, 2015, these loans totaled \$6,216,914. Due to the infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

J. Inventories/Prepays

Inventories and prepaid items are reported using the consumption method. Inventories of the governmental and enterprise funds consist primarily of expendable supplies held for consumption. These inventories are maintained on a perpetual system and are primarily valued using the weighted-average cost method, which is not in excess of market. At the time inventories/prepays are consumed, expenditures are recorded in the governmental funds and expenses are recorded in the enterprise funds. In the governmental funds, a nonspendable fund balance account is established for the inventory amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. A nonspendable fund balance account is established for prepaid items that are material.

K. Restricted Assets/Liabilities

In accordance with applicable covenants of enterprise fund bond issues or other agreements, appropriate assets and liabilities have been restricted. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

L. Capital Assets

Capital assets, which include property, equipment, buildings, and infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), are depreciated and reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets and depreciation expense are not shown in the governmental fund financial statements.

Capital assets have an estimated useful life greater than one year and are valued at historical cost or estimated historical cost if actual historical cost is not available. The estimated useful lives for City assets are determined on a variety of methods that include engineering estimates, industry standards, and replacement cycles. Additions subsequent to that date are stated at cost. Donated capital assets are valued at their estimated fair value on the date donated. The capitalization threshold for equipment is \$5,000.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. Construction costs of capital assets and improvements are capitalized when the project is completed.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives. Land and construction-in-progress are not depreciated.

	<u>Estimated Useful Life (Years)</u>
Buildings and Building Improvements	20 – 40
Improvements Other Than Buildings	10 – 40
Wells, Tanks and Improvements	40 – 100
Machinery and Equipment	3 – 20

The City's policy is to capitalize interest on proprietary fund capital projects if it is material, based upon GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. Interest costs capitalized during the fiscal year for the City's water utility fund was \$582,719. Interest on general government capital projects is not capitalized.

The enterprise funds do not levy special assessments to construct or purchase capital assets.

M. Water Rights

The City does not place a limitation on the useful life of the water rights. The water rights are recorded at historical cost and are considered to have an indefinite useful life. The total book value for water rights for the Water Utility Fund is \$52,126,968 at June 30, 2015.

N. Compensated Absences

Vacation and compensatory time benefits are accrued as liabilities as employees earn the benefits to the extent that they meet both of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; and 2) it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments. Sick leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through cash payments conditioned on the employees' retirement.

For governmental funds, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. For the government-wide financial statements, as well as the enterprise fund financial statements, all of the outstanding compensated absences are recorded as a liability.

O. Long-term Obligations

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the appropriate Statement of Net Position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method. Bond issue costs are expensed to the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The amount capitalized under capital leases is the lesser of the present value of the minimum lease payments or the fair value of the leased properties at the beginning of the respective lease terms. When a governmental fund type acquires a capital asset through a capital lease agreement, the acquisition is reflected as an expenditure and other financing source. Capitalized leases of proprietary funds are accounted for entirely within the respective proprietary fund by capitalizing the asset acquired and recording the lease obligation as a liability.

Bonds and other long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Deferred Outflows/Inflows of Resources

Deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Q. Fund Balance Policies

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Unrestricted fund balance is the total fund balance less Nonspendable and Restricted fund balances. The Unrestricted fund balance includes Committed, Assigned and Unassigned classifications.

Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because either: 1) it is not in a spendable form, such as inventory or prepaid items, or 2) legally or contractually required to be maintained intact.

Restricted – Restricted fund balance is externally (outside the City) enforceable constraints imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes by City Charter).

Committed – Committed fund balance is self-imposed constraints imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval through an ordinance or resolution is required to commit resources or to rescind the commitment. Although an ordinance is the most binding, it is equally difficult to commit/rescind the commitment using either process. A Stabilization Fund, or “Rainy Day Fund”, is included as a subset of committed fund balance. As of June 30, 2015, this fund is approximately five percent (5%) of General Fund revenues, short of the ten percent (10%) target goal included in the City’s comprehensive financial policies (Resolution No. 22319). These policies were first adopted in January 2011, by Mayor and Council, post 2008-2009 recession, with the goal to restore fund balance within five years of revenue stabilization.

Assigned – Assigned fund balance represents constraints imposed by management. The City’s financial policies approved by Mayor and Council designated the Finance Director as the approver of any designations to Assigned fund balance as deemed appropriate to meet potential future needs.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned – Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

Mayor and Council established a Community Banking Program on May 29, 2013. In July 2013, \$5 million was transferred from the City's Investment Pool account to Alliance Bank to begin participation in a two year Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the county up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to Alliance Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01 and allowed in the City's investment policy. Ten million dollars of the Stabilization Fund is now held in a 2-year CDARS investment.

A target of a minimum of seven percent of General Fund revenues will be "Unassigned/contingency", with the intention to provide additional stability to the General Fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the City. Funds in excess of the minimum targets will be retained in the Unassigned General Fund Balance to supplement "pay as you go" requirements.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

As of June 30, 2015, the fund balance details by classification are listed on the next page:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>General Fund</u>	<u>Mass Transit</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Inventory	\$ 323,000	\$ 2,750,309	\$	\$ 3,073,309
Prepaid Expenditures		3,080,899		3,080,899
Long-term Investment	2,297,506			2,297,506
Golf Long-term Loan	<u>8,554,615</u>			<u>8,554,615</u>
Total Nonspendable	<u>11,175,121</u>	<u>5,831,208</u>		<u>17,006,329</u>
Restricted:				
Debt Service			3,306,319	3,306,319
Transportation			62,687,735	62,687,735
Parks and Recreation			5,825,892	5,825,892
Capital Projects			7,655,128	7,655,128
Donations			616,922	616,922
Federal Grants			6,670,761	6,670,761
Public Safety	<u>4,876,013</u>		<u>2,653,736</u>	<u>7,529,749</u>
Total Restricted	<u>4,876,013</u>		<u>89,416,493</u>	<u>94,292,506</u>
Committed To:				
Transportation	2,273,745		19,278	2,293,023
Parks and Recreation	1,227,504			1,227,504
Public Housing	341,074			341,074
Public Safety	1,662,646			1,662,646
Economic Development	1,011,636			1,011,636
Stabilization Fund	22,836,507			22,836,507
Transit		82,315		82,315
Other Purposes	<u>281,947</u>		<u>3,361</u>	<u>285,308</u>
Total Committed	<u>29,635,059</u>	<u>82,315</u>	<u>22,639</u>	<u>29,740,013</u>
Assigned To:				
Transportation			1,695,786	1,695,786
Management Contingencies	3,711,430			3,711,430
Parks and Recreation				
Transit		259,200	2,519,107	2,778,307
Other Purposes	<u>574,440</u>		<u>24,500</u>	<u>598,940</u>
Total Assigned	<u>4,285,870</u>	<u>259,200</u>	<u>4,239,393</u>	<u>8,784,463</u>
Unassigned:				
	<u>15,736,784</u>			<u>15,736,784</u>
Total Fund Balances	<u>\$ 65,708,847</u>	<u>\$ 6,172,723</u>	<u>\$ 93,678,525</u>	<u>\$ 165,560,095</u>

R. Interfund Transactions

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenue, expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the Statement of Net Position as Internal Balances. The "doubling-up" effect of internal service fund activity has been removed by adjusting the expenses shown in the various functions within the Statement of Activities.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Donor-Restricted Endowments

The City receives gifts and donations from individuals and/or organizations to support various City functions. The net appreciation of investments in fiscal year 2015 was \$2,911 and is included in restricted net position as Restricted for Donations. There are no state laws governing the expenditure of investment income for City donations.

T. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - PROPERTY TAX:

Property taxes are levied and collected by the Pima County Treasurer on behalf of the City. Property taxes are levied no later than the third Monday in August and are payable in two installments. Taxes become delinquent after the first business day of both November and May, respectively, and a lien against real and personal property attaches on the first day of January preceding assessment and levy.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies: a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may be used only to retire bond indebtedness.

The primary property tax levy is limited to an increase of 2% over the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1% of their homes' market values. If the combined primary property tax (for the City, County, etc.) exceeds 1% of the market value of the homes, the school districts will reduce their rates until the homeowners' aggregate rate is equal to or less than the allowable 1%. The State or County will then subsidize the school districts for the reduced revenue. This 1% limitation applies to primary property taxes and does not affect the secondary property tax levy. The City Charter sets an upper property tax limit of \$1.75 per \$100 of assessed value. Therefore, the City cannot levy a combined primary and secondary property tax that exceeds \$1.75.

There is also a control on the assessed value of property for primary tax purposes. The base year for the tax system is fiscal year 1978-79, which was recalculated in 2006 due to a subsequent constitutional amendment. From this base year, two assessed values evolve. The primary assessed values are allowed to grow or increase by no more than 10% a year. The dollar amount of the secondary property tax levy is unlimited, and the actual full cash value of property is used in determining the tax rate.

Arizona State law allows cities and towns to include tort claim reimbursements in the primary tax levy. The property tax revenue represents a reimbursement to the City's Self-Insurance Fund for the actual cost of liability claim judgments exceeding \$20,000 paid during the prior fiscal year.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 3 - INDIVIDUAL FUND DISCLOSURES

At June 30, 2015, the following funds had deficit fund balances or net position:

Environmental Services	\$	(16,984,080)
General Services Fund	\$	(10,781,094)

The deficit in the Environmental Services fund is primarily due to the increase in remediation obligations of the Silverbell landfill remediation site and the unfunded pension liability. The deficit in the General Services Fund is due to the incurrence of debt to solar panel capital assets that have been transferred to other functions. This fund has revenue sources from department charges and utility solar rebates to pay the debt service.

Note 4 - DEPOSITS AND INVESTMENTS

The City maintains an investment pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "Cash and Cash Equivalents." A single master custodian holds all assets of the investment pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

The majority of deposits and investments of the Tucson Supplemental Retirement System (TSRS), a defined benefit pension plan, are held in trust separately from those of other City funds by a master custodian. However, biweekly contributions to the fund for this plan are held in the investment pool to cover recurring expenditures.

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2015:

	Cash and Cash Equivalents	Reconciling Adjustments	Total
Bank Deposits	\$ 233,687,278	\$ (18,613,650)	\$ 215,073,628
Investments	798,986,505	111,680	799,098,185
Total	<u>\$ 1,032,673,783</u>	<u>\$ (18,501,970)</u>	<u>\$ 1,014,171,813</u>

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and Cash Equivalents	\$ 174,601,632	\$ 4,426,300	\$ 179,027,932
Noncurrent Investments	43,643,578	755,454,608	799,098,186
Cash & Investments Restricted	36,045,695		36,045,695
Total	<u>\$ 254,290,905</u>	<u>\$ 759,880,908</u>	<u>\$ 1,014,171,813</u>

A. Deposits

Reconciling items in the previous table are made up of outstanding checks, deposits in transit and other miscellaneous items. Bank balances are covered by federal depository insurance or collateral (if applicable) held by the City's agents in the City's name.

B. Investments

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations typically rated by one or more nationally recognized statistical-rating organizations (NRSROs) i.e., Moody's/Standard & Poors. These obligations may consist of the U.S. Government Treasuries, Agencies and instrumentalities, money market funds consisting of primarily U.S. Governmental issues, repurchase

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

agreements, negotiable and non-negotiable bank certificates of deposit (CDs), commercial paper rated P-2/A-2 or better, corporate bonds and notes rated A2/A or better, and the State of Arizona Local Government Investment Pool. Operating and capital projects funds may be invested for a maximum of five years based on projected construction schedules.

The Tucson Supplemental Retirement System (TSRS) is governed by a separate management board. The City Code provides that the TSRS Board of Trustees make investments in accordance with the "prudent person rule." Trust investments are also governed by an approved investment policy. The TSRS Board of Trustees authorizes domestic and foreign investments including U.S. Government obligations and Agency issues, corporate bonds, stocks, real estate, infrastructure and money market funds, as well as derivative investments. The investment policy also establishes the asset mix and target allocations for each asset class permitted.

Short-term investments for this fund may be made up of commercial paper, time deposits, guaranteed insurance contracts, money market funds or any other short-term investment fund (STIF) vehicle permitted.

The City's deposits and investments for all funds at fiscal year-end are listed below at fair value net of accruals. These deposits and investments are held by the City or its agents in the City's name and are either insured, registered or collateralized (if applicable). A portion of these investments are subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk which are all discussed in the sections that follow.

<u>Investments</u>	<u>Fair Value</u>
U.S. Issues not on Securities Loan:	
U.S. Treasuries, Agencies & Other Governmental Bonds	\$ 233,012,956
Corporate Bonds & Other Fixed Income Instruments	97,174,234
U.S. Equity & Commingled Equity Funds	359,633,881
Non-U.S. Issues not on Securities Loan:	
International Bonds & Other Fixed Income Instruments	39,885,129
International Equity & Commingled Equity Funds	96,492,560
Subtotal	<u>826,198,760</u>
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Treasuries, Agencies & Other Governmental Bonds	299,987
U.S. Corporate Bonds & Other Fixed Income Instruments	5,421,378
U.S. Equity	12,615,181
International Equity	876,513
Subtotal	<u>19,213,059</u>
Securities Lending Short-Term Collateral Investment Pool	19,876,248
Money Market Funds/Short-Term Investments	68,404,230
Real Estate & Commingled Real Estate Funds	58,761,226
Infrastructure Investment Funds	40,220,260
Subtotal	<u>187,261,964</u>
Total Deposits and Investments	<u>\$ 1,032,673,783</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

C. Credit Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Associated with credit risk is concentration of credit risk and custodial credit risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City has the following investment policies governing the City's investment pool account that addresses the various credit risks defined above. Investments shall be limited to the following instruments and percentages:

1) Obligations of the U.S. Government, its Agencies and instrumentalities; 2) Repurchase agreements whose underlying collateral is commercial paper rated P-1/A-1 (Moody's/Standard & Poors) with maturities not to exceed 180 days or rated P-2/A-2 with maturities not to exceed 90 days; 3) Bonds, notes and debentures issued by U.S. corporations rated at least A2/A; 4) Money market funds, non-negotiable CDs, etc., that are either insured by an Agency of the federal government or collateralized (if applicable) by obligations of the U.S. Government, its Agencies and instrumentalities or General Obligation municipal bonds rated A2/A or better at the minimum State of Arizona mandated required amount on deposit, calculated on market values. The collateral must be held by the Trust department of the financial institution or delivered to the City's agent; 5) Except for direct obligations of the U.S. Treasury or a U.S. Agency, not more than 5% of the portfolio shall be invested in securities of any one issuer; 6) A minimum of 15% of the portfolio shall be invested in highly liquid securities such as money market funds; 7) Not more than 25% of the portfolio shall be invested in medium-term corporate notes, commercial paper and negotiable CDs; 8) not more than 20% of the portfolio shall be invested in Arizona municipal securities; 9) not more than 25% of the portfolio shall be invested in 144A securities (applicable to large institutional investors only), subject to meeting all the investment policy requirements described above.

The City's investment pool account had the following credit risk structure as of June 30, 2015:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash & Cash Equivalents:				
Wells Fargo Government MM Fund	1	Aaa	\$ 34,777,691	15.88%
U.S. Treasury Notes	18	Aaa	120,311,619	54.93%
U.S. Agency & Municipal Bonds	6	Aaa	16,571,691	7.57%
Negotiable Certificates of Deposit	6	P-1	16,215,679	7.40%
U.S. Corporate Bonds	12	A1	31,132,478	14.23%
TOTAL	<u>43</u>		<u>\$ 219,009,158</u>	<u>100%</u>

Footnotes:

(1) Per Moody's Investor Service, Inc. (Moody's)

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

The City also maintains investments and cash funds in specific accounts outside of the investment pool account to meet certain operational and legal requirements which are reported as follows, at fair value net of accruals. As of June 30, 2015, these funds consisted of: a U.S. Treasury Note with a fair value of \$31,244,637, a U.S. Agency Bond with a fair value of \$2,297,506 and various other operational accounts totaling \$14,554,485. The City of Tucson banking policy for these cash accounts are consistent with the investment pool account policy described above.

During the fiscal year, the City funded an additional Community Banking Deposit program. The objective of the program is to help spur local economic activity by depositing funds with "local" financial institutions to be subsequently lent out locally for new consumer and small business loans. After completion of a solicitation for offers from local institutions, the City made an additional deposit of five million dollars in a FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product. As of June 30, 2015, the fair value of this investment was \$10,101,434.

The TSRS pension fund presently maintains two externally managed fixed income (bond) accounts which are exposed to some form of credit risk. The assets in the first account are actively managed while the assets in the second account are invested in a commingled bond index fund (passively managed).

The TSRS Board has given the actively managed account manager discretion to invest in a broad array of public and private asset classes, instruments and investment vehicles in order to meet or exceed the agreed upon investment return custom benchmark. However, the following specific investment policy guidelines pertain to this manager. 1) The maximum position in a single issuer (excluding obligations of U.S. Government and its Agencies) should not exceed 5% of the portfolio's assets at current market value; 2) The portfolio should maintain an average quality of a least Ba1/BB+; 3) Money market instruments must be rated in one of the two highest categories by a NRSRO; 4) The minimum rating of individual issues should be Caa2/CCC as rated by Moody's, Standard & Poors or Fitch; 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken.

The passive fund is expected to replicate, as close as possible, the characteristics, quality and performance of its underlying index, the BC aggregate Bond Index.

The table on the following page provides the TSRS pension fund credit risk structure as of June 30, 2015:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash and Cash Equivalents:				
Cash & Short Term Investment Funds	5	Aaa	\$ 8,452,241	
Subtotal	5		8,452,241	5.08%
U.S. Agency & Other Governmental Obligations:				
Municipal Bonds	3	B3	1,438,453	
BlackRock U.S. Debt Fund	1	Aa2	61,449,036	
Subtotal	4		62,887,489	37.78%
U.S. Corporate Bonds & Other Fixed Income Instruments:				
Asset Backed Securities	3	Baa2	433,450	
Collateralized Mortgage Obligations	5	Baa2	713,539	
Fixed Income Swaps & Options	64	Baa2	(1,001,520) (2)	
Futures	2	Aaa	(101,408) (2)	
Banking & Finance	14	Ba2	5,046,023	
Health Care	2	Ba2	1,104,750	
Oil, Gas & Chemicals	15	Ba2	2,562,601	
Communications	3	Baa2	809,664	
Utilities (3)	9	BBB+	3,476,253	
Other Corporate Issues (3)	35	BBB+	13,340,637	
PIMCO Private Mortgage Sector Fund	9	Baa2	28,863,466	
Subtotal	161		55,247,455	33.19%
International Bonds & Other Fixed Income Instruments				
	181	Ba1	39,885,129	23.95%
Total	351		\$166,472,314	100%

Footnotes:

- (1) Per Moody's Investor Service, Inc. (Moody's)
- (2) A negative value in any of the instruments noted above is the result of netting long and short positions against each other. This strategy is utilized as a means to mitigate interest rate risk obtained from holding long positions in mortgages and/or corporate bonds.
- (3) Utilities and Other Corporate Issues ratings are per Standard and Poor.

D. Interest Rate Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. For fixed income securities, there is an inverse relationship between the change in interest rates and their fair value. For example, in a rising interest rate environment the value of fixed income securities will tend to fall by varying degrees depending on the length of their maturities. In general, the value of fixed income securities with a longer duration will tend to decrease more than shorter duration securities in a rising interest rate environment.

The City's investment pool account maintains the following investment policy with regard to interest rate risk:

- 1) Investment maturities shall be scheduled to enable the City to meet all operating requirements which may be reasonably anticipated; 2) A minimum of 15% of the portfolio shall be invested in highly liquid securities with a maturity of six months or less to meet the day-to-day operations of the City; 3) Surplus and idle money not related to the day-to-day operation of the City may be invested in authorized investments with a final maturity not exceeding five years from the date of investment.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

The City's investment pool account had the following maturity structure as of June 30, 2015:

<u>Investment Type/Maturity</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<u>Cash & Cash Equivalents</u>		
Wells Fargo Government MM Fund	\$ 34,777,691	
	34,777,691	15.88%
<u>Less Than 1 Year</u>		
U.S. Corporate Bonds	3,760,800	
	3,760,800	1.72%
<u>Between 1 to 2 Years</u>		
U.S. Treasury Notes	88,313,980	
U.S. Agencies	3,647,544	
Negotiable Certificates of Deposit	13,966,939	
U.S. Corporate Bonds	7,994,960	
Municipal Bonds	1,518,212	
	115,441,635	52.71%
<u>Between 2 to 3 Years</u>		
U.S. Treasury Notes	31,997,639	
U.S. Agencies	9,726,423	
Negotiable Certificates of Deposit	2,248,740	
U.S. Corporate Bonds	19,376,718	
	63,349,520	28.92%
<u>Between 3 to 5 Years</u>		
U.S. Agencies	1,679,512	
	1,679,512	0.77%
TOTAL	\$ 219,009,158	100%

Effective Duration: 1.79 Years

The TSRS pension fund's investment policy regarding interest rate risk for the actively managed fixed income account, is to limit duration to within 30% of the custom benchmark which is defined as 25% BC Mortgage Index, 25% BC Credit index, 25% BC High Yield Index and 25% JPM EMBI Global Index. The passive fund should match, as close as possible, the maturity structure and duration of the BC Aggregate Bond Index.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

The TSRS fund had the following maturity structure as of June 30, 2015:

Investment Type	Maturity Structure				Fair Value
	Investment Maturities (in Years)				
	Less Than 1	1 - 5	6 - 10	More Than 10	
Cash & Short Term Investment Fund	\$ 8,452,241	\$	\$	\$	\$ 8,452,241
U.S. Agency & Other Governmental Obligations				1,438,453	1,438,453
BlackRock U.S. Debt Fund			61,449,036		61,449,036
U.S. Corporate & Other Fixed Income Instruments	1,587,259	37,955,112	6,552,303	9,152,781	55,247,455
International Bonds & Other Fixed Income Instruments	142,091	16,414,650	11,183,394	12,144,994	39,885,129
TOTAL	\$ 10,181,591	\$ 54,369,762	\$ 79,184,733	\$ 22,736,228	\$ 166,472,314
Effective Duration:					
Active Account	4.9 years				
Passive Account	5.23 years				

Note: The information indicated has been presented using the specific identification method

E. Foreign Currency Risk

As defined by the Governmental Accounting Standards Board (GASB) in Statement 40, foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The exposure to foreign currency risk is currently limited to some of the investments within the TSRS pension fund. The TSRS Board has given the fund's international equity managers discretion to invest in a broad array of common and preferred stocks, convertibles and warrants of companies headquartered outside of the United States in order to meet or exceed their agreed upon investment return benchmarks. However, the following specific investment policy guidelines pertain to these managers: 1) Investments in any single country market should not exceed more than 4 times the weight of the country in the benchmark index or 50% of portfolio assets, whichever is lower; 2) If a country has a greater than 50% weight in the index, the maximum exposure to that country in the portfolio may be as high as its weight in the index; 3) No more than 35% of each manager's portfolio should be invested in "emerging markets" (i.e., markets that are not included in the Morgan Stanley Capital International Europe, Australia and Far East index); 4) Managers are permitted to enter into hedging strategies, including cross-currency hedges, using forward currency exchange contracts and currency options; 5) Derivatives should not be used for the purpose of speculation or for leveraging the portfolio.

The following table provides the TSRS fund foreign currency risk exposure as of June 30, 2015:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk Exposure

Currency Type	Cash & Cash Equivalents (1)	Fixed Income (1)	Equity	Real Estate	Infra- structure	Foreign Exchange Contracts (2)	Fair Value	Percent of Total
Australian Dollar	\$ (15,744)	\$	\$	\$	\$	\$	\$ (15,744)	-0.002%
Brazil Real	15,949	262,489				(285,126)	(6,688)	-0.001%
Canadian Dollar	410		1,577,768				1,578,178	0.215%
Euro Currency Unit	5,649,816	9,180,109	17,428,648		20,839,504	(15,677,073)	37,421,004	5.100%
Hong Kong Dollar			4,273,802				4,273,802	0.582%
Indian Rupee						(30,582)	(30,582)	-0.004%
Japanese Yen	19,018		9,036,536			(1,003,122)	8,052,432	1.097%
Mexican New Peso	23						23	0.000%
Polish Zloty	12,285						12,285	0.002%
British Pound Sterling	10,393	5,254,153	11,841,930			(5,403,875)	11,702,601	1.595%
S. African Comm Rand	9,904						9,904	0.001%
South Korean Won			3,140,118				3,140,118	0.428%
Swiss Franc	754		7,466,704			(99,665)	7,367,793	1.004%
Currency Subtotals	5,702,808	14,696,751	54,765,506		20,839,504	(22,499,443)	73,505,126	10.017%
U.S. Dollar	(5,247,302)	153,197,495	412,975,192	58,761,226	19,380,756	21,244,235	660,311,602	89.984%
TOTAL	<u>\$ 455,506</u> 0.06%	<u>\$ 167,894,246</u> 22.88%	<u>\$ 467,740,698</u> 63.74%	<u>\$ 58,761,226</u> 8.01%	<u>\$ 40,220,260</u> 5.48%	<u>\$ (1,255,208)</u> -0.17%	<u>\$ 733,816,728</u> 100%	<u>100%</u>

Footnotes:

- (1) A negative value in the instruments noted above is the result of netting long and short positions against each other. This strategy is utilized as a means to mitigate interest rate risk obtained from holding long positions in mortgages and/or corporate bonds.
- (2) A negative currency position is obtained by accepting an obligation to deliver the designated currency to a counterparty at a specified date in the future. This position is favorable for portfolio returns if the currency depreciates in value versus the U.S. dollar over the period of the contract.

F. Securities Lending

The Board of Trustees for the Tucson Supplemental Retirement System permits the custodian bank, BNY Mellon, to lend securities to broker-dealers and other entities. Each loan is executed with a simultaneous agreement to return the collateral for the same securities in the future. The custodian bank lends U.S. securities for collateral initially valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned for collateral initially valued at 105% of the fair value of the securities plus any accrued interest. Collateral is marked-to-market daily. As of June 30, 2015, the carrying amount and fair value of securities on loan was \$19,876,248. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

In the event of a borrower's default, the custodian bank is obligated to indemnify the lender if, and to the extent that, the fair value of the collateral is insufficient to replace the loaned securities. BNY Mellon's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations covering securities lending.

Although the average term of the security loans is one week, each loan can be terminated at will by either the lender or the borrower. Cash collateral is invested in a short-term investment pool, which on average had a weighted maturity of 30 days. The relationship between the maturities of the investment pool and the security loans are affected by the maturities of the loans made by other entities that use the agent's pool.

The lender cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2015, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

G. Derivatives

The Tucson Supplemental Retirement System (TSRS), a fiduciary fund, permits the limited use of derivatives by its international equity and external fixed income managers. Examples of derivative instruments permitted, but not limited to, are forward foreign currency exchange contracts, financial futures, options, swaps and swaptions. All derivative instruments utilized are considered "Investment Derivative Instruments" as defined in GASB Statement 53.

The following table is a summary of the various derivative instruments utilized by the System's actively managed external fixed income manager as of June 30, 2015. Changes in Fair Value is included as part of the overall Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Position, Fiduciary Fund – Pension Trust. Fair Value is included as part of investments listed under Corporate Bonds & Other Fixed Income Instruments in the Statement of Fiduciary Funds Net Position, Pension Trust column.

Derivatives				
<u>Investment Derivative Instrument</u>	<u>Notional Amount (1)</u>	<u>Changes in Fair Value</u>	<u>Fair Value</u>	<u>Principal Risk</u>
Government Futures	\$ 6,600,000	\$ (18,000,887)	\$ 7,920,152	Interest Rate
Options	\$ (12,100,000)	\$ (63,509)	\$ (63,509)	Credit
Currency Forwards (Net)	\$ 143,140,120	\$ 6,062,589	\$ 22,487,786	Foreign Currency
Forward Transactions (Not including Mortgage TBA)	\$ 300,000	\$ 300,797	\$ 300,797	Credit
Credit Default Swaps	\$ 12,530,000	\$ (1,318,107)	\$ (930,106)	Credit
Interest Rate Swaps	\$ (14,650,000)	\$ 317,048	\$ (42,841)	Interest Rate

Footnotes:

(1) The Notional Amount is the number of currency units (stated in U.S. and/or foreign currencies), shares or other units specified in the derivative instrument. It is a stated amount on which payments depend.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 4 - DEPOSITS AND INVESTMENTS (Continued)

Whenever possible, the investment manager will base the valuation of derivatives on market information; however, where market quotes are not readily available, an independent third party pricing vendor will be utilized. Exchange traded derivatives are an example of derivatives where market quotes are available, whereas over-the counter (OTC) securities are not traded over standardized markets.

In addition to the principal risks noted above, Forward Foreign Currencies, Credit Default Swaps and Interest Rate Swaps are also subject to counterparty risk. In general, counterparty risk is the risk of loss of an amount expected to be delivered under an agreement in the event of the default or bankruptcy of the counterparty. Generally, counterparty risk is controlled through dealing with a number of different counterparties reasonably deemed to be creditworthy by the investment manager and using agreements with counterparties that permit netting of obligations. Counterparty risk with swaps is limited by execution under standardized International Swap and Derivatives Association Agreements. These contracts allow for the mutual exchange of collateral should an overall unsecured market value exceed a certain threshold (e.g., \$250,000).

Credit, interest rate and foreign currency risks are addressed in previous sections of this Note. These risks, applicable to other fixed income and foreign investments, are not substantially different from principal risks associated with derivative instruments.

Note 5 - INTERFUND BALANCES AND TRANSFERS

Interfund receivables/payables represent cash transfers between funds as of June 30, 2015. These are necessary to cover short term timing differences between cash outflows and inflows for specific funds. The following governmental interfund receivables/payables are eliminated in the government-wide financial statements.

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 43,142,404	\$ 22,929,670
Mass Transit Fund		3,779,301
Other Non-major Governmental Funds		39,363,103
Total Governmental Funds	43,142,404	66,072,074
Enterprise Funds:		
Environmental Services	22,929,670	
Total All Funds	\$ 66,072,074	\$ 66,072,074

The Due from/to Other Agencies balances at June 30, 2015 are listed on the next page. These represent receivables/payables to federal, state, or local governmental agencies. Fiduciary Fund due from/to are not shown on the government-wide financial Statement of Net Position.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued)

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 22,223,245	\$ 1,567,610
Mass Transit Fund	3,481,219	224,377
Other Non-major Governmental Funds	42,625,278	72,799
Total Governmental Funds	68,329,742	1,864,786
Internal Service Funds:		
Self Insurance		52
General Services		476
Fleet Services	16,509	150
Total Internal Service Funds	16,509	678
Enterprise Funds:		
Water Utility		4,606,354
Environmental Services	11,381	5,755
Other Non-major Enterprise Funds	581,573	37,993
Total Enterprise Funds	592,954	4,650,102
Fiduciary Funds:		
Sewer User Fee Fund		12,807,194
HIDTA Fund		72,718
Total Fiduciary Funds		12,879,912
Total All Funds	\$ 68,939,205	\$ 19,395,478

Transfers are primarily: 1) Operational subsidies from the General Fund to various funds. 2) Payment in lieu of taxes from the Water Utility Fund to the General Fund. Capital asset and other transfers between the Internal Service Funds, Enterprise Funds, and Governmental Funds of \$3,920,404 are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2015, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,600,000	\$ 50,613,653
Mass Transit Fund	43,725,841	
Other Non-major Governmental Funds	26,299,578	19,411,766
Total Governmental Funds	71,625,419	70,025,419
Enterprise Funds:		
Water Utility		1,600,000
Other Non-major Enterprise Funds	80,000	80,000
Total Enterprise Funds	80,000	1,680,000
Total All Funds	\$ 71,705,419	\$ 71,705,419

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets as of June 30, 2015:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 731,192,594	\$ 20,625,472	\$ (6,786,412)	\$ 745,031,654
Construction-in-Progress	519,378,915	47,431,283	(54,290,650)	512,519,548
Capital Assets being Depreciated:				
Buildings and Improvements	629,038,510	45,095,145	(814,973)	673,318,682
Equipment	299,854,790	27,654,393	(17,408,423)	310,100,760
Infrastructure	876,348,985			876,348,985
Totals at Historical Cost	<u>3,055,813,794</u>	<u>140,806,293</u>	<u>(79,300,458)</u>	<u>3,117,319,629</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	255,427,102	20,656,089	(677,618)	275,405,573
Equipment	217,529,744	24,026,278	(17,149,533)	224,406,489
Infrastructure	497,307,691	24,849,650		522,157,341
Total Accumulated Depreciation	<u>970,264,537</u>	<u>69,532,017</u>	<u>(17,827,151)</u>	<u>1,021,969,403</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,085,549,257</u>	<u>\$ 71,274,276</u>	<u>\$ (61,473,307)</u>	<u>\$ 2,095,350,226</u>

Depreciation expense was charged to governmental purposes as follows:

Elected and Official	\$ 143,650
Public Safety and Justice Services	7,093,670
Community Enrichment and Development	54,507,752
Support Services	6,579,713
Non-Departmental	1,207,232
Total Depreciation Expense	<u>\$ 69,532,017</u>

Business-Type Activities:

Non-depreciated Assets				
Land	\$ 70,534,092	\$ 148,200	\$ (48,363)	\$ 70,633,929
Construction-in-Progress	155,897,367	55,573,424	(79,289,481)	132,181,310
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	224,996,737	10,822,153	(6,428)	235,812,462
Equipment	82,689,672	11,099,450	(6,425,227)	87,363,895
Distribution and Collection Systems	1,349,479,304	58,217,010	(1,155,622)	1,406,540,692
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,936,911,478</u>	<u>135,860,237</u>	<u>(86,925,121)</u>	<u>1,985,846,594</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	123,174,617	5,769,486		128,944,103
Equipment	59,556,993	7,803,414	(6,507,037)	60,853,370
Distribution and Collective Systems	406,290,600	27,297,437		433,588,037
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	<u>590,209,548</u>	<u>40,870,337</u>	<u>(6,507,037)</u>	<u>624,572,848</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,346,701,930</u>	<u>\$ 94,989,900</u>	<u>\$ (80,418,084)</u>	<u>\$ 1,361,273,746</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 7 - CHANGES IN LONG-TERM DEBT AND LIABILITIES

The following is a summary of changes in long-term debt as of June 30, 2015:

	Beginning Balance, Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 214,760,000	\$ 56,535,000	\$ (57,800,000)	\$ 213,495,000	\$ 23,780,000
Street & Highway Revenue Bonds	97,050,000	27,415,000	(41,490,000)	82,975,000	13,185,000
Certificates of Participation	248,512,017	19,359,864	(36,096,000)	231,775,881	16,597,000
Special Assessment Bonds	1,577,000		(438,000)	1,139,000	447,000
Clean Renewable Energy Bonds	13,889,400		(1,309,300)	12,580,100	1,319,300
Unamortized Amount:					
on Premiums	21,566,945	8,287,281	(4,744,163)	25,110,063	
on Discounts	(418,607)		27,254	(391,353)	
Total Bonds and Notes Payable	<u>596,936,755</u>	<u>111,597,145</u>	<u>(141,850,209)</u>	<u>566,683,691</u>	<u>55,328,300</u>
Other Liabilities:					
Capital Leases	2,062,612	1,300,000	(289,385)	3,073,227	375,031
Other Long-term Debt	21,226,884		(144,500)	21,082,384	234,000
Other Post Employment Benefits	8,451,596	1,297,972		9,749,568	
Compensated Absences	32,929,291	17,761,847	(16,768,464)	33,922,674	17,110,984
Pension*	808,502,256	185,246,099	(18,525,041)	975,223,314	
Remediation	2,175,719		(884,949)	1,290,770	348,305
Claims and Judgments	38,166,700	10,126,137	(8,356,337)	39,936,500	9,422,515
Total Other Liabilities	<u>913,515,058</u>	<u>215,732,055</u>	<u>(44,968,676)</u>	<u>1,084,278,437</u>	<u>27,490,835</u>
Governmental Activities Long Term Liabilities	<u>\$ 1,510,451,813</u>	<u>\$ 327,329,200</u>	<u>\$ (186,818,885)</u>	<u>\$ 1,650,962,128</u>	<u>\$ 82,819,135</u>
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 528,966,548	\$ 70,670,212	\$ (80,646,640)	\$ 518,990,120	\$ 32,420,907
Certificates of Participation	10,722,983	255,136	(389,000)	10,589,119	268,000
Unamortized Amount:					
Bond Premiums	25,226,982	12,368,356	(3,086,481)	34,508,857	
Total Bonds and Notes Payable	<u>564,916,513</u>	<u>83,293,704</u>	<u>(84,122,121)</u>	<u>564,088,096</u>	<u>32,688,907</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	39,516,495	2,517,207	(249,681)	41,784,021	750,551
Remediation	18,199,360		(2,877,444)	15,321,916	
Capital Leases		423,050	(67,633)	355,417	81,954
Other Post Employment Benefits	1,661,356	384,430		2,045,786	
Compensation Absences	4,885,885	131,915	(31,386)	4,986,414	2,485,505
Pension*	83,416,613	539,349	(6,266,314)	77,689,648	
Loans Payable	7,906,447	648,168		8,554,615	
Total Other Liabilities	<u>155,586,156</u>	<u>4,644,119</u>	<u>(9,492,458)</u>	<u>150,737,817</u>	<u>3,318,010</u>
Business-type Activities Long Term Liabilities	<u>\$ 720,502,669</u>	<u>\$ 87,937,823</u>	<u>\$ (93,614,579)</u>	<u>\$ 714,825,913</u>	<u>\$ 36,006,917</u>

*From restated net position per GASB 68

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 8 - LEASE OBLIGATIONS

A. Certificates of Participation/Capital Leases

The City has entered into several long-term capital leases involving the acquisition of real estate and equipment for general city purposes; these commitments are expected to be funded by the City's General, Special Revenue and Internal Service Funds.

Below is a schedule by years of future minimum lease payments as of June 30, 2015:

Years ending June 30,	Governmental Activites	Business-Type Activites
2016	\$ 28,073,787	\$ 846,685
2017	27,808,272	847,428
2018	28,157,500	792,521
2019	28,158,663	786,370
2020	26,580,061	1,112,941
2021-2025	115,024,559	6,578,343
2026-2030	61,385,445	4,517,425
2031-2034	6,786,594	
Total Minimum Lease Payments	<u>321,974,881</u>	<u>15,481,713</u>
Less: Amount Representing Interest (interest rates range: 1.101% to 6.52%)	87,125,773	4,537,177
Total Less Interest	<u>\$ 234,849,108</u>	<u>\$ 10,944,536</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$161,951,065), improvements other than buildings (\$21,235,088), equipment (\$19,739,899), and streets (\$65,193,265).

Assets purchased through capital leases for Business-Type Activities include equipment (\$4,669,050).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$2,442,331. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2015, were as follows:

Years ending June 30,	
2016	\$ 2,429,201
2017	1,884,505
2018	1,876,924
2019	1,580,763
2020	1,517,065
2021-2025	6,869,544
2026-2030	469,299
2031-2035	465,723
2036-2040	455,214
2041-2045	466,595
2046-2050	478,259
Total Minimum Future Lease Payments	<u>\$ 18,493,092</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 9 - BOND ISSUES

A. Governmental Funds

General Obligation Bonds provide funds for construction of police and fire facilities, street maintenance, lighting and sidewalk improvements, drainage system improvements, environmental safety improvements, parks improvements and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled semi-annually from July 1, 2015 to July 1, 2027. General Obligation Bonds are payable from property taxes.

Street and Highway User Revenue Bonds provide funds to improve, construct and reconstruct streets and highways in the City, to acquire rights-of-way for such purposes by purchase, condemnation or otherwise, and to pay costs relating to the issuance of the bonds. Debt service payments are scheduled semi-annually from July 1, 2015 to July 1, 2022. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2015 bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2015
1994 Series C (1997)	7.00	2016	\$ 10,510,000	\$ 1,000,000
1998 Refunding	5.38-5.50	2021	26,470,000	22,505,000
2000 Series B (2001)	5.75	2016	26,680,000	2,000,000
2003 Refunding	3.60	2016	22,465,000	145,000
2000-E Series (2005)	3.75	2016	25,815,000	4,000,000
2006 Series Refunding	4.00-5.00	2021	50,525,000	49,525,000
2007 Series Refunding	5.00	2019	19,190,000	15,140,000
2000-F Series (2007)	4.00-5.00	2023	13,325,000	4,575,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	11,745,000
2012-B Series Refunding	1.49-3.22	2020	11,315,000	6,325,000
2012-A Series (2013)	4.00-5.00	2026	20,000,000	20,000,000
2012-B Series (2014)	3.00-5.00	2027	20,000,000	20,000,000
2012-C Series (2015)	2.00-3.00	2023	20,000,000	20,000,000
2015 Series Refunding	2.00-5.00	2023	36,535,000	36,535,000
Total			\$ 314,575,000	\$ 213,495,000

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2015
2000-D Series (2005)	5.00	2016	\$ 6,000,000	\$ 250,000
2009 Refunding	5.00	2019	10,130,000	10,130,000
2010 Refunding	4.00-5.00	2020	10,560,000	10,560,000
2011 Refunding	5.00	2021	10,730,000	10,730,000
2013 Refunding	3.00-5.00	2022	34,500,000	23,890,000
2015 Series	3.00-5.00	2018	27,415,000	27,415,000
Total			\$ 99,335,000	\$ 82,975,000

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 9 - BOND ISSUES (Continued)

B. Enterprise Funds

Water revenue bonds, obligations, and loans provide funds for the purpose of the acquisition and construction of water system improvements.

Water Utility Revenue Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2015
1994 Series A (1996)	6.00 - 8.00	2018	\$ 33,000,000	\$ 750,000
2009 Refunding	5.00	2019	2,815,000	2,305,000
2007 Refunding	5.00	2021	31,460,000	30,605,000
2005 Refunding	5.00	2022	55,110,000	6,430,000
2006 Refunding	3.50 - 4.25	2024	85,460,000	80,950,000
2005 Series A (2005)	3.50 - 4.45	2025	31,665,000	800,000
2005 Series C (2008)	4.00 - 5.00	2026	20,425,000	4,625,000
Water System Revenue Obligations 2009	5.00	2029	35,635,000	34,365,000
Water System Revenue Obligations 2010	6.00	2030	38,510,000	38,510,000
Water System Revenue Obligations 2011	2.75 - 5.00	2032	30,965,000	30,215,000
Water System Revenue Obligations 2012	2.00 - 5.00	2033	31,555,000	28,485,000
2012 Refunding Series A	4.00 - 5.00	2018	36,120,000	36,120,000
2012 Refunding Series B	.57 - 1.80	2016	14,635,000	550,000
2013A Refunding	2.00 - 5.00	2025	34,280,000	24,700,000
2013B Refunding	.61 - 2.75	2022	18,825,000	18,650,000
Water System Revenue Obligation, Series 2013	1.50 - 5.00	2030	21,065,000	20,565,000
Water System Revenue Obligation, Series 2014	3.00 - 5.00	2033	35,630,000	35,630,000
2015 Refunding	3.00 - 5.00	2032	46,640,000	46,640,000
Water System Revenue Obligation, Series 2015	2.00 - 5.00	2033	20,570,000	20,570,000
Jr Lien Water System Refunding Bond 2012	1.90	2021	15,245,000	9,225,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	3,691,257
2004 Water Infrastructure Finance Authority (WIF5)	3.15 - 3.15	2023	3,000,000	1,480,187
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	1,246,020
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	1,636,774
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	1,579,080
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	1,253,494
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	4,073,907
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	12,122,535
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	1,894,838
2009B Water Infrastructure Finance Authority (WIF12)	3.60	2028	1,000,000	726,900
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,928,442
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	13,135,314
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	3,531,372
Total			<u>\$ 711,457,000</u>	<u>\$ 518,990,120</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 9 - BOND ISSUES (Continued)

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2015 was \$1,139,000 that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$1,300,773 in the Special Assessment Bond & Interest Fund at June 30, 2015 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

The City entered into lease agreements with Bank of America to issue the City CREBS to install additional solar panels on various City buildings. The bonds were issued under the Build America Bond program, with interest subsidized, partially or entirely, by the US Treasury. The bonds will mature on January 1, 2026.

E. Annual Principal and Interest Requirements

Following is a summary of debt service requirements to maturity, including principal and interest:

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 23,780,000	\$ 8,891,481	\$ 13,185,000	\$ 3,855,618	\$ 447,000	\$ 47,072
2017	25,655,000	7,825,596	13,610,000	3,400,250	399,000	25,125
2018	24,720,000	6,745,178	14,145,000	2,757,450	257,000	8,340
2019	26,380,000	5,740,486	10,130,000	2,090,250	36,000	946
2020	28,225,000	4,569,658	10,560,000	1,583,750		
2021-2025	67,235,000	9,813,888	21,345,000	1,598,000		
2026-2030	17,500,000	750,000				
Totals	\$ 213,495,000	\$ 44,336,287	\$ 82,975,000	\$ 15,285,318	\$ 1,139,000	\$ 81,483

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewable Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 1,319,300	\$ 471,866	\$ 32,420,907	\$ 22,150,662
2017	1,334,300	429,834	33,919,941	20,895,725
2018	1,349,300	387,092	34,812,527	19,664,751
2019	1,364,300	343,356	37,203,779	18,351,589
2020	1,379,300	298,910	38,633,818	16,942,780
2021-2025	5,388,600	794,632	181,079,341	60,590,091
2026-2030	445,000	12,638	123,927,142	25,257,907
2030-2033			36,992,665	2,865,949
Totals	\$ 12,580,100	\$ 2,738,328	\$ 518,990,120	\$ 186,719,454

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 10 - ADVANCE REFUNDING/DEFEASANCE OF DEBT

On June 24, 2015, the City issued \$19,615,000 in tax-exempt Certificates of Participation to refund and restructure the Series 2006 and 2006-A bonds and to pay costs associated with the issuance of the bonds. Interest rates on the refunding bonds range from 4% to 5% with maturity dates from July 1, 2018 to July 1, 2026. Debt service payments are scheduled semi-annually with amounts ranging from \$932,894 to \$4,238,100 (including interest). The City realized net present value savings of \$1,077,494 over the life of the issuance, as a result of the refunding/restructuring.

On June 17, 2015, the City issued \$36,535,000 General Obligation Bonds to refund Series 2005A, 2005A Refunding, 2005B, 2005B Refunding and 2000-F (2007) bonds and to pay costs associated with the issuance of the bonds. Interest rates on the refunding bonds range from 2% to 5% with maturity dates from July 1, 2016 to July 1, 2023. Debt service payments are scheduled semi-annually with amounts ranging from \$58,875 to \$8,416,800 (including interest). The City realized net present value savings of \$3,054,537 over the life of the issuance, as a result of the refunding.

On June 17, 2015, the City issued \$27,415,000 Senior Lien Street and Highway Bonds to refund Series 2005 and 2005 Refunding bonds and to pay costs associated with the issuance of the bonds. Interest rates on the refunding bonds range from 3% to 5% with maturity dates from July 1, 2016 to July 1, 2018. Debt service payments are scheduled semi-annually with amounts ranging from \$253,500 to \$10,393,500 (including interest). The City realized net present value savings of \$2,007,567 over the life of the issuance, as a result of the refunding.

On February 25, 2015 the City issued \$46,640,000 Water System Revenue Refunding Bonds, Series 2015, to refund Water System Revenue Bonds, Series 2005-B (2007) and Water System Revenue Bonds, Series 2005-C (2008) and to pay costs related to the issuance of the bonds. The interest rates on the refunding bonds ranges from 3% to 5% with maturity dates from July 1, 2022 to July 1, 2032. Debt service payments are scheduled semi-annually at amounts ranging from \$765,520 to \$7,865,475 (including interest). The economic gain resulting from the refunded bonds is \$5,507,973, based on the net present value from delivery date. The difference in cash flow requirements to service the prior debt of \$80,508,188 and the cash flows to service the new debt of \$73,376,220 is \$7,131,968.

Note 11 - LANDFILLS

The U.S. Environmental Protection Agency ruling "Solid Waste Disposal Facility Criteria" requires the City to incur specified landfill closure and post-closure care costs. Closure requirements have been established for municipal landfills that received solid waste after October 9, 1991. Additional thirty-year post-closure monitoring and maintenance functions are required of landfills that accepted solid waste after October 9, 1993. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City records a liability for these required costs based upon each landfill's percentage of capacity used through June 30, 2015. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2015. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

In addition to the federal requirements discussed above, the City must comply with certain Federal/State requirements dealing with aquifer protection or clean-up. The recognition of this liability is also based on the percentage of landfill capacity used, and cost estimates are in current dollars.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 11 - LANDFILLS (Continued)

Total liability for closure/post-closure costs, including aquifer protection and clean-up, is as follows:

<u>Landfill Site</u>	<u>Landfill Capacity Used as of 6/30/2015</u>	<u>Estimated Closure/Post- Closure Costs*</u>	<u>Liability Recognized at 6/30/15</u>	<u>Estimated Closure/ Post closure Cost to be Recognized in Future Years</u>	<u>Estimated Remaining Life in Years</u>
Los Reales	93.9 %	\$ 34,663,000	\$ 32,552,021	\$ 2,110,978	30
Harrison	100 %	4,113,000	4,113,000		
Irvington	100 %	2,443,000	2,443,000		
Mullins	100 %	2,676,000	2,676,000		
Totals		<u>\$ 43,895,000</u>	<u>\$ 41,784,021</u>	<u>\$ 2,110,978</u>	

**Revised estimates of closure and post-closure costs are made annually.*

Environmental Service's ten year financial plan included amounts to meet future capital projects and long-term liabilities such as landfill closure and post-closure. Specific amounts within Environmental Service's Net Position have been set aside to cover these costs. As of June 30, 2015, \$11,146,600 was restricted for future capital projects and \$7,894,247 was restricted for future landfill closure/post-closure needs.

The June 30, 2015, liability for closure and post-closure costs is \$41,784,021 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 12 – PENSION PLANS

The City contributes to the Tucson Supplemental Retirement System (TSRS), the Public Safety Personnel Retirement System (PSPRS), and the Elected Officials Retirement Plan (EORP). At June 30, 2015, the City reported the following aggregate amounts related to these pension plans:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 975,223,314	\$ 77,689,648	\$ 1,052,912,962
Deferred outflows of resources	160,494,589	4,760,734	165,255,323
Deferred inflows of resources	42,855,035	8,222,764	51,077,799
Pension expense	118,812,806	7,175,428	125,988,234

A. Tucson Supplemental Retirement System Pension Plan

The Tucson Supplemental Retirement System (System or TSRS) plan is a single-employer defined benefit plan for City of Tucson ("City") employees. It was established in the City Charter to provide its members with a supplement to the retirement and disability benefits of the social security system. The System is governed by a seven member Board of Trustees: a chairman who is appointed by the Mayor and Council, the City's directors of Human Resources and of Finance, two members elected by the membership of the System, a retired member elected by the System's retirees, and one member appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Trustees and must be approved by Mayor and Council.

The System covers substantially all City of Tucson, Arizona, employees, except for appointed officials and staff who may elect not to join, and commissioned police and fire personnel and elected officials, who are covered

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

under other plans. Employees participate in the System immediately upon beginning employment with the City. Employee membership data as of June 30, 2015 is as follows:

Active Plan Participants	
Active plan members	2,665
Inactive plan members (or their beneficiaries) currently receiving benefits	2,809
Inactive plan members entitled to but not yet receiving benefits	328
Total active plan participants	5,802

Tier I benefit plan: Any employee hired prior to July 1, 2011, who has attained the earlier of age 62, or a combination of the employee's age and years of creditable service equaling the sum of 80, is entitled to receive monthly retirement benefits calculated at 2.25% of average final monthly compensation multiplied by the number of years of creditable service. Employees hired after July 1, 2009 receive the same benefit, but are required to have a minimum of five years accrued service. Average final monthly compensation is defined as the highest compensation of 36 consecutive months during the 120 months immediately preceding retirement. Accrued unused sick leave and vacation leave at the final salary is included in the member's service period and is substituted for an equal number of hours at the beginning of the 36 month period for determining the average final salary calculation.

Tier II benefit plan: Any employee hired after June 30, 2011, who has attained the minimum retirement age of age 60, and who also has a combination of employee age and years of service equaling the sum of 85, is entitled to receive monthly retirement benefits calculated at 2.00% of average final monthly compensation multiplied by the number of years of creditable service. Average final monthly compensation is defined as the highest compensation of 60 consecutive months during the 120 months immediately preceding retirement. Accrued unused sick leave and vacation leave at the final salary is not included for member service credits or as a substitution for an equal number of hours at the beginning of the 60 month period final average salary calculation.

An employee who retires after attaining age 55 with 20 or more years of creditable service under Tier I; or after attaining age 60 with 20 or more years of credited service under Tier II, is entitled to early retirement benefits reduced to the actuarial equivalent of the amount to which the employee would have been entitled upon attaining normal retirement.

An employee is always fully vested in his/her individual contributions. Upon termination of employment for reasons other than retirement, employees having five or more years of creditable service (terminated vested participants) may leave their contributions in the System as a deferred retirement, and begin drawing a retirement allowance when they reach either their normal or early retirement eligibility date.

Employees with ten or more years of creditable service, who are not yet eligible to retire and who have a total and permanent disability may apply for disability retirement.

The beneficiary of an employee who pre-selected a retirement option and died while eligible to retire, shall receive a benefit based upon the selected option if the member has made such an election by June 30, 2009.

The spousal beneficiary of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 100% joint and survivor annuity based on the member's years of credited service and average final monthly compensation at the time of the

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

member's death, or may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

The named beneficiary of an employee who is other than the spouse of the employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, may choose to receive a benefit equal to a 15 year term certain benefit to the named beneficiary, or the beneficiary may elect to receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

Multiple designated beneficiaries of an employee who died while eligible to receive benefits but who had not pre-selected a benefit option by June 30, 2009, receive a lump sum payment of twice the members account balance plus interest, measured on the date of death.

The beneficiary of an employee who was not eligible for any retirement benefits, but had more than five years of creditable service, may receive a lump sum payment of twice the member account balance plus interest, measured on the date of death.

Employee Contributions - Employee contributions are 5% of active member covered payroll for employees hired prior to July 1, 2006. Employees hired after June 30, 2006 contribute an amount equal to 40% of the actuarially required contribution rate determined annually by the system actuary. All member contributions are made by payroll deductions applied to regular pay, based on the approved contribution rates established by the system actuary, applied as a percent of payroll.

Effective July 1, 2013, the funding policy changed for employees hired after June 30, 2006; requiring a contribution rate that is equal to a range of between 50% and 100% of the normal cost of the members benefit Tier. For Tier I members (hired between July 1, 2006 and June 30, 2011), the contribution rate is 6.715%. For Tier II members (hired after July 1, 2011), the contribution rate is 5.06%. A reserve is established for contributions and earnings allocations, less amounts transferred to the reserve for retirement benefits which includes retirement and disability and amounts reserved for terminated employees. If an employee leaves covered employment before attaining five years' service credit, the accumulated contributions plus interest are refunded to the employee or his designated beneficiary. There are no long-term contracts for employee contributions to the plan, and all contributions are made on a bi-weekly basis.

Employer Contributions – Employer contributions are based on the annual required contribution rate determined by the Actuary, and are equal to the difference between the recommended total contribution rate and the employee rates, based on a level percentage of payroll method. The contribution rate is determined by the actuary at a level necessary to finance employee participation in the System and to fund the costs of administering the System. The annual rate determined by the Actuary is recommended to the Board of Trustees and considered for approval and adoption. There are no long-term contracts for employer contributions to the plan, and all contributions are made on a bi-weekly basis.

Two general types of net position reserves are maintained within the System. The Reserve for Employee Contributions contains the employee contributions for all contributing members of the System, plus allocated interest earnings. At the time an employee retires or defers retirement, the actuarial value of the individual's retirement benefits is transferred to the Reserve for Retirement Benefits, which is decreased by payments to retirees and increased by interest earnings. The reserves are fully funded.

Earnings of the System are allocated semi-annually (at June 30 and December 31) to the reserves which comprise net position. At the year ended June 30, 2015, allocations were based on rates of return of 6.00% per annum. Any unallocated earnings remain in unreserved net position.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

The net position at June 30, 2015, consisted of the following components:

Reserved for employee contributions	\$ 143,648,835
Reserved for retirement benefits	661,292,061
Unreserved net position (deficit)	(65,147,349)
Net Position	<u>\$ 739,793,547</u>

The System is governed by a Board of Trustees. The Board of Trustees is required by City Code in making investment decisions, to exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income there from, as well as the probable safety of the capital. Investments of the System are held separately from those of other City funds by investment custodians. Quoted market prices have been used to value investments as of June 30, 2015.

For those investments that do not have established market exchanges, the fair value is estimated as objectively as possible by third party appraisals. Real Estate and Infrastructure investment managers utilize third party appraisals to determine fair market value of assets under investment. Infrastructure investments pertain to forms of “real” property used for general public purposes that typically involve partnerships between governmental and private entities. Examples of infrastructure investments are toll roads, bridges, pipelines, airports, shipping ports, etc. The System currently participates in two pooled infrastructure funds as well as three real estate funds.

These investments are either held by the System or its agent in the System’s name and are insured, registered or collateralized. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Government Accounting Standards Board (GASB) Statement 40 requires the System to disclose such risks which are all discussed in the sections that follow.

All System investments are reflected in the following schedule with the exception of amounts held in the City’s investment pool account and certain deposits of \$111,680. The City maintains an investment pool account for City funds. Bi-weekly contributions for the Tucson Supplemental Retirement System are held in the City’s investment pool account and are used to pay recurring expenditures. The \$2,567,105 cash balance in the investment pool account, as well as, current deposits to the City’s investment pool account are invested in money market funds consisting of U.S. Treasuries and Agencies and separately held issues of federal agency and U.S. corporate bonds with ratings no lower than A2 as reported by Moody’s.

The components of the net pension liability at June 30, 2015 are as follows:

Total Pension Liability	\$ 1,021,377,564
Plan's Fiduciary Net Position	739,793,547
Net Pension Liability	<u>\$ 281,584,017</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.43%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources—For the year ended June 30, 2015, the City recognized pension expense for TSRS of \$22,163,305. At June 30, 2015 the City 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
Differences between expected and actual experience	\$	\$ 5,968,431
Assumption changes		23,834,757
Net Difference between projected and actual earnings on pension plan investments	17,255,153	
Total	\$ 17,255,153	\$ 29,803,188

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the TSRS will be recognized in pension expense as follows:

Year ended June 30

2016	\$	(4,908,351)
2017		(4,908,351)
2018		(4,908,351)
2019		2,177,018
2020		
Total	\$	(12,548,035)

The actuarial assumptions used in the June 30, 2015 valuation covering the plan year July 1, 2014 through June 30, 2015 are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Inflation	3.00%
Salary Increases	3.00% to 6.50% including inflation
Investment Rate of Return	7.25%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2009-2013.
Mortality	Pre and Post-retirement: RP-2000 Combined Mortality Table for males and females projected with Scale BB to 2020. Disabled retirement: RP-2000 Disabled Mortality Table for males and Females.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method which best estimates 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. Best estimates of arithmetic real rates of return were adopted by the plan’s trustees after considering input from the plan’s investment consultant(s) and actuary. The major asset class allocation is listed below for June 30, 2015:

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return Arithmetic</u>
Large Cap Equities	36%	8.90%
Small/Mid Cap Equities	10%	10.15%
International Equities	15%	9.25%
Fixed Income	26%	3.05%
Real Estate	8%	7.35%
Infrastructure	5%	8.90%
Total	100%	
Average Arithmetic Return		7.43%

The discount rate is used in the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligation in the future. To make this determination, employer contributions, employee contribution, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk free” rate is required as described below.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and tax-exempt municipal bond rate base on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate of return are not met). For this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 3.8%; and the resulting single discount rate is 7.25%.

The following provides the sensitivity of the net pension liability to changes in the discount rate. The information below presents the plan’s net pension liability. It is calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
Net Pension Liability	\$ 387,785,524	\$ 281,584,017	\$ 192,147,703

TSRS did not hold investments (other than those explicitly guaranteed by the U.S. Government) in any one organization that represent 5% or more of the Plan’s fiduciary net position at June 30, 2015.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

For the year ended June 30, 2015, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 4.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Public Safety Personnel Retirement System

Plan description—City public safety employees (Tucson Police and Tucson Fire) 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 seven-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. The PSPRS issues publicly available financial reports that include financial statements and required supplementary information. Financial statements are issued by PSPRS and are available online at www.psprs.com.

Benefits provided—The PSPRS 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 monthly compensation, and service credit as follows:

	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
<u>Retirement and Disability</u>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
<u>Benefit percent</u>		
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	
<u>Survivor Benefit</u>		
Retired Members	80% of retired member's pension benefit	
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

At June 30, 2015, the following employees were covered by the agent pension plan's benefit terms:

<u>Plan Participants</u>	<u>Police</u>	<u>Fire</u>
Active plan members	858	498
Retirees and beneficiaries	835	509
Inactive, non-retired members	146	99
Total plan participants	<u>1,839</u>	<u>1,106</u>

In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. 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. Employees covered by the Public Safety Personnel Retirement System contribute 11.05% of their salary to the System. The System's funding policy provides for actuarially determined employer contribution rates which will provide assets sufficient to pay benefits when due. For the fiscal year ended June 30, 2015, the required employer contribution rates were 48.59% and 51.15%, respectively, for Police and Fire. If a member leaves covered employment or dies and no benefit is payable, accumulated member contributions are refunded to the member or designated beneficiary.

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	<u>Police</u>	<u>Fire</u>
Pension Contributions Made	\$ 27,082,363	\$ 16,332,609
Health Insurance Premium Benefit		
Annual OPEB Cost	1,438,054	818,139
Contributions Made	1,438,054	818,139

At June 30, 2015, the City reported the following net pension liabilities:

	<u>Police</u>	<u>Fire</u>
Total Pension Liability	\$ 767,401,990	\$ 477,118,955
Plan's Fiduciary Net Position	297,320,211	177,549,205
Net Pension Liability	<u>\$ 470,081,779</u>	<u>\$ 299,569,750</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	38.74%	37.21%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 Years
Asset Valuation Method	7-Year smoothed market; 80%/120% corridor
Price Inflation	4.0%; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

Actuarial assumptions used in the June 30, 2014 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 pension plan investments was determined to be 7.85 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 geometric real rates of return for each major asset class are summarized in the table on the next page:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Investments	2.00%	3.25%
Total	100.00%	

The projection of cash flows used to determine the PSPRS discount rates 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 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.

The Changes in the Net Pension Liability (next page):

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

Tucson Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 651,957,100	\$ 288,161,213	\$ 363,795,887
Changes for the year:			
Service cost	11,720,855		11,720,855
Interest on the total pension liability	49,886,649		49,886,649
Changes of benefit terms	17,350,937		17,350,937
Differences between the expected and actual experience in the measurement of the pension liability	(1,845,566)		(1,845,566)
Changes of assumptions	82,969,636		82,969,636
Contributions--employer		25,050,303	(25,050,303)
Contributions--employee		6,411,220	(6,411,220)
Net investment income		36,646,985	(36,646,985)
Benefits payments, including refunds of employee contributions	(44,637,621)	(44,637,621)	
Other changes (Net transfer)		(14,311,889)	14,311,889
Net changes	\$ 115,444,890	\$ 9,158,998	\$ 106,285,892
Balances at June 30, 2015	\$ 767,401,990	\$ 297,320,211	\$ 470,081,779
Tucson Fire	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 413,654,974	\$ 174,841,394	\$ 238,813,580
Changes for the year:			
Service cost	7,175,895		7,175,895
Interest on the total pension liability	31,594,819		31,594,819
Changes of benefit terms	9,902,338		9,902,338
Differences between the expected and actual experience in the measurement of the pension liability	99,733		99,733
Changes of assumptions	44,213,488		44,213,488
Contributions--employer		15,972,870	(15,972,870)
Contributions--employee		3,849,878	(3,849,878)
Net investment income		22,057,153	(22,057,153)
Benefits payments, including refunds of employee contributions	(29,522,292)	(29,522,292)	
Other changes		(9,649,798)	9,649,798
Net changes	\$ 63,463,981	\$ 2,707,811	\$ 60,756,170
Balances at June 30, 2015	\$ 477,118,955	\$ 177,549,205	\$ 299,569,750

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate—The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Tucson Police			
Rate	6.85%	7.85%	8.85%
Net Pension liability	\$ 555,526,068	\$ 470,081,779	\$ 398,399,039
Tucson Fire			
Rate	6.85%	7.85%	8.85%
Net Pension liability	\$ 350,348,355	\$ 299,569,750	\$ 256,721,791

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

Pension Expense—For the year ended June 30, 2015, the City recognized \$58,105,894 in PSPRS pension expense.

Pension Deferred Outflows/Inflows of Resources—At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Tucson Police		
Differences between expected and actual experience	\$	\$ 1,503,027
Assumption changes	67,570,383	
Net Difference between projected and actual earnings on pension plan investments		12,084,186
City contributions subsequent to measurement date	27,082,363	
Total	<u>\$ 94,652,746</u>	<u>\$ 13,587,213</u>
Tucson Fire		
Differences between expected and actual experience	\$ 82,136	\$
Assumption changes	36,412,393	
Net Difference between projected and actual earnings on pension plan investments		7,273,252
City contributions subsequent to measurement date	16,332,609	
Total	<u>\$ 52,827,138</u>	<u>\$ 7,273,252</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Tucson Police	Tucson Fire
Year ended June 30		
2016	\$ 12,035,667	\$ 6,000,379
2017	12,035,667	6,000,379
2018	12,035,667	6,000,379
2019	12,035,667	6,000,379
2020	5,840,502	5,219,761
Total	\$ 53,983,170	\$ 29,221,277

C. Elected Officials Retirement Plan

Plan Description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). 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 EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS's Web site at www.psprs.com.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

	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 and age 65 5 years any age* any years and age if disabled	10 years age 62 5 years and age 65 Any years and age if disabled
Final average salary is based on	Highest 36 months of last 10 years	Highest 60 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 75% of disability retirement benefit	50% of retired member's benefit 50% of disability retirement benefit
Active Members and Other Inactive Members		

**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 earnings.

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, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the City was required to contribute 23.5 percent of active EORP members' annual covered payroll. In addition, the City was required by statute to contribute 23.5 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the EORP. The City's contributions to the pension plan for the year ended June 30, 2015, were \$43,829.

Pension Liability—At June 30, 2015, the City reported a liability for its proportionate share of the net pension liability of the EORP that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

amounts the City 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 City were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,732,465
State's proportionate share of the EORP net pension liability associated with the City	<u>531,189</u>
Total	<u>\$ 2,263,654</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The City's proportion of the net pension liability as of June 30, 2013 and 2014 was based on the City's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year ended June 30, 2014. The City's proportion measured as of June 30, 2013 and 2014 was 0.26%.

Pension expense and deferred outflows/inflows of resources—For the year ended June 30, 2015, the City recognized pension expense for EORP of \$670,974 and revenue of \$157,451 for the City's proportionate share of the State's appropriation to EORP. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,612	\$
Assumption changes	468,845	
Net Difference between projected and actual earnings on pension plan investments		32,846
City contributions subsequent to measurement date	<u>43,829</u>	
Total	<u>\$ 520,286</u>	<u>\$ 32,846</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

The \$43,829 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. 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 ended June 30

2016	\$	266,183
2017		193,852
2018		(8,212)
2019		(8,212)
2020		
Total	<u>\$</u>	<u>443,611</u>

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	Members retired on or before July 1, 2011: 3% of benefit Members retired on or after August 1, 2011: 0.5% of benefit
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

Actuarial assumptions used in the June 30, 2014 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 EORP pension plan investments was determined to be 7.85 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 geometric real rates of return for each major asset class are summarized in the following table on the following page:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 12 – PENSION PLANS (Continued)

Asset Class	Target Allocation	Real Return Geometric Basis
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate—The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

	1% Decrease 4.67%	Current Discount Rate 5.67%	1% Increase 6.67%
Net Pension Liability	\$ 2,022,508	\$ 1,732,465	\$ 1,487,569

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

Note 13 – OTHER POST EMPLOYMENT BENEFITS

Plan Description—The City contributes to the plans described below. Benefits are established by City Charter and State Statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits.

Post-employment health care and life insurance benefits (OPEB) are provided in addition to the pension benefits described. The City provides OPEB for retired employees through a single-employer defined benefit plan. The benefits, benefits levels, employee contributions and employer contributions are governed by the City and can be amended by the City through management approval. This benefit is offered to retirees who have qualified to receive a monthly retirement allowance from either the Tucson Supplemental Retirement System or from the Arizona Public Safety Retirement System. The City contribution to medical premiums ends when the retiree reaches age 65 and becomes eligible for Medicare. Separate financial statements are not issued.

The City contributed towards the medical premiums of 1,234 participants as of June 30, 2014. Depending upon the date of retirement, the City generally pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents. City of Tucson employees retiring or entering a Deferred Retirement Option Plan program after January 1, 2011, will receive a fixed retiree health subsidy based on their plan choice.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 13 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy—The City’s policy for other post-employment benefits is to contribute 75% of the cost of retiree medical premiums prior to Medicare eligibility (age 65) for retirements that occurred prior to January 1, 2011. Effective January 1, 2011, the employer contribution changed to a flat rate. Contribution amounts will vary based on plan options. The City also provides a life insurance benefit of \$7,500 to all retirees, regardless of age. Currently the costs associated with this retirement benefit are expended as the appropriate medical and life insurance premiums are paid. For fiscal year 2015 the City’s portion of the retiree medical insurance was \$8,352,718 and the retiree life insurance was \$286,660.

The City’s annual OPEB cost plan is financed on a pay-as-you-go basis. The City’s annual ARC, employer contributions, OPEB adjustments, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three fiscal years are listed below:

OPEB Cost Plan for the Last Three Fiscal Years							
Fiscal Year ended, June 30	Annual Required Contribution (ARC)	Employer contributions	Interest on Net OPEB	ARC Adjustment	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Liability)
2015	\$15,497,550	\$ 13,866,659	\$ 455,083	\$ (403,572)	\$ 15,549,061	89.51%	\$11,795,354
2014	15,291,809	13,797,801	385,887	(342,209)	\$ 15,335,487	90.23%	10,112,952
2013	17,005,336	15,481,278	315,696	(279,963)	\$ 17,041,069	91.04%	8,575,266

Funding Status—The following table provides the funded status of the plans as of the most recent valuation date of June 30, 2015 and two prior years. The purpose of the valuation is to measure the funding progress of the plan and to establish contribution rates for the 2015 - 2016 fiscal year.

Schedule of Funding Progress with Dollar Amounts in Thousands (Excluding Health Insurance Subsidy - Police & Fire)						
Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age / Projected Unit Credit (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	Unfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
OPEB (City)						
2015	0	\$ 213,318	\$ 213,318	0.00	\$ 225,458	94.6%
2014	0	213,216	213,216	0.00	240,171	88.8%
2013	0	239,474	239,474	0.00	227,365	105.0%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 13 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Trend Information—OPEB cost information for the current and two preceding years for each of the agent plans is detailed below. In addition, actuarial methods and assumptions for each plan are also described.

OPEB Three Year Trend Information with Dollar Amounts in Thousands

Fiscal Year Ended 6/30	Annual Required Contribution	Percentage of ARC Contributed	Net OPEB Obligation
2015	\$ 15,498	89.5%	\$ 11,795
2014	15,292	90.2%	10,113
2013	17,005	91.0%	8,575

OPEB Actuarial Information

Actuarial Valuation Date	July 1, 2014
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-year open, level % of pay
Remaining Amortization Period	30 years as of July 1, 2014
Asset Valuation Method	N/A. No assets in OPEB trust.

Actuarial Assumptions:

Investment Rate of Return	4.50%
Projected Payroll Increases	3.50%
Medical/Drug cost trend rate	10.50% in 2014/2015, then 7.0% in 2015/2016 grading down by 0.5% per year until ultimate rate of 5.0%

Note 14 – SELF INSURANCE PROGRAM

The City is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained commercial coverage for Property Insurance, Public Employee Fidelity Bonds, Crime Insurance, Aircraft Insurance and Miscellaneous Insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the Self Insurance Internal Service Fund that has an appointed Board of Trustees. There have not been any settlements in excess of the insurance coverage provided by this fund in the previous three years.

The estimated outstanding losses are the cost of unpaid claims, which are calculated on a present value basis based on a 3% discount rate. Claims and expenses are recognized when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Claims accounted for include reported and paid claims, reported but unpaid claims, and incurred but not reported (IBNR) claims.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 14 – SELF INSURANCE PROGRAM (Continued)

Changes in the Self Insurance Fund's aggregate claims liabilities for the fiscal years ended June 30, 2015, and 2014, are as follows:

	2015	2014
Beginning of fiscal year liability	\$ 38,166,700	\$ 43,820,846
Current year claims and changes in estimates	10,126,137	5,396,530
Claim payments	<u>(8,356,337)</u>	<u>(11,050,676)</u>
Balance at fiscal year end	<u>\$ 39,936,500</u>	<u>\$ 38,166,700</u>

Note 15 – PLEDGED REVENUES

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$711,457,000 in utility system revenue outstanding bonds and obligations. Proceeds from the bonds provided financing for the construction of various utility related projects including new water pipelines and water treatment plants. The bonds are payable solely from utility customer net revenues and are payable through June 2033. Annual principal and interest payments on the bonds are expected to require less than 55.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$705,709,574. Principal and interest paid for the current year and total customer net revenues were \$49,318,757 and \$89,138,858, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$82,975,000 in outstanding Street and Highway Bonds. Proceeds from the bonds provided financing for the construction, acquiring rights-of-way and for maintaining City streets and highways. The bonds are payable solely from H.U.R.F. revenues and are payable through 2022. Fiscal Year 2015 annual principal and interest payments on the bonds required 39.0% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$98,260,318. Principal and interest paid for the current year and total H.U.R.F. revenues were \$17,509,350 and \$44,846,287, respectively.

Note 16 – CONTINGENCIES AND COMMITMENTS

A. Litigation

The City is subject to a number of lawsuits, investigations and other claims (some of which involve substantial amounts) that are incidental to the ordinary course of its operations, including those related to wrongful death and personal injury matters. Although the City Attorney does not currently possess sufficient information to reasonably estimate the amounts of the liabilities to be recorded upon the settlement of such claims and lawsuits, some claims could be significant to the City's operations. While the ultimate resolution of such lawsuits, investigations, and claims cannot be determined at this time, in the opinion of City management, based on the advice of the City Attorney, the resolution of these matters will not have a material adverse effect on the City's financial position.

B. Central Arizona Project Water Purchase Contract

The Central Arizona Water Conservation District (CAWCD) is the entity responsible for contracting with the Secretary of Interior for Central Arizona Project (CAP) water and for subcontracting with users within the State of Arizona. Under a contract between the City, CAWCD and the Department of the Interior, the City currently has the right to receive 144,172 acre-feet of CAP water each year. In return, the City agreed to pay a capital financing charge that is designed to recover a portion of the Federal Government's CAP construction costs. This charge, which must be paid regardless of whether the City orders any CAP water, is adjusted annually and is on a per-acre-foot allocation basis; the CAP capital financing for the year was \$3,171,784. In addition, commodity charges, which are designed to cover CAWCD operating and maintenance expenses, are based on the quantity of CAP water taken by the City. The commodity charge for the year was \$23,604,242.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 16 – CONTINGENCIES AND COMMITMENTS (Continued)

C. Construction and Other Commitments

In governmental fund types, construction and other commitments, if significant, are appropriately identifiable through constraints on specific uses of fund balance.

D. Federal and State Grants

Accounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies and low-income housing tax credits from the State of Arizona. Notes and interest receivables have been established for: the sales price, certain construction costs paid by the City, and accrued interest due on the notes at 7.5%. The note balance, with accrued interest at 7.5% thereon, totaled \$31,015,072 at June 30, 2015.

According to the terms of the regulatory and operating agreement with the U.S. Department of Housing, the Tucson House units must be operated as affordable housing for a period of not less than the compliance period, as defined in Section 42 of the Internal Revenue Code. The tax credit compliance period ended in 2014 and the City is assessing its option to repurchase the Tucson House in exchange for forgiveness of the debt. The Extended Land Use Agreement requires continued affordability for a 40 year period ending in 2039. In addition, the Agreement Concerning the Affordable Housing Program Loan with the Federal Home Loan Bank (FHLB) requires the units be operated as low-income housing for period a 50 year period ending in 2049 with the subsidy being forgiven annually over that period. If the terms are violated, the City will be jointly liable (with the limited partnership) for repayment of the subsidy to the FHLB. The City has made certain commitments to ensure affordability, and therefore, has potential associated liability. The likelihood of such liabilities occurring is considered remote by the City.

F. Financing of Posadas Sentinel Low-income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (Posadas), whereby the City leased various properties to Posadas for 75 years. Under the terms of the lease, Posadas will develop and operate the properties solely as low-income residential housing facilities. Posadas is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as notes receivable. The note balance, with accrued interest at 7.5% thereon, was \$26,841,388 at June 30, 2015.

Eligibility of Posadas Sentinel LLLP for the tax credits requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2017, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credits, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 16 – CONTINGENCIES AND COMMITMENTS (Continued)

G. Financing of South Park Low-income Housing

On December 2, 2002 and as amended on September 1, 2003, the City entered into a capital lease with South Park Development Partners LLLP (South Park), whereby the City leased various properties to South Park for 75 years. Under the terms of the lease, South Park will develop and operate the properties solely as low-income residential housing facilities. South Park is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest at various rates, was \$3,961,351 at June 30, 2015.

Eligibility of South Park Development Partners LLLP for the tax credits requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2019, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credit, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

H. Financing of Silverbell Homes Low-income Housing

On November 15, 2005 and as amended on September 6, 2006, the City entered into a capital lease with Silverbell Homes Limited Partnership (Silverbell Homes), whereby the City leased various parcels to Silverbell Homes for a period of 89 years. Under the terms of the lease Silverbell Homes will develop and operate the properties solely as low-income residential housing facilities. Silverbell Homes financed this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest, was \$2,227,669 at June 30, 2015.

Eligibility of Silverbell Homes for the tax credits requires that the properties be operated as affordable housing as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2022, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credit, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

I. Financing of Martin Luther King Low-income Housing

On September 22, 2009, the City amended a ground lease for 89 years with MLK I, LLC (MLK) to include only an above ground condominium unit for development of low-income residential housing units. MLK financed this development through Low-Income Housing Tax Credit Exchange funds and State Housing Funds from the State of Arizona, Federal Home Loan Bank funds from Alliance Bank, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance was \$7,499,217 at June 30, 2015.

Eligibility of MLK for the tax credit exchange funds requires that the properties be operated as affordable housing during the compliance period, as defined in Section 42 of the Internal Revenue Code. The compliance period is expected to end in 2025, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

J. Starr Pass Resort Developments Lease

On May 11, 2005, the City entered into a sublease agreement with Starr Pass Resort Developments LLC. The City acquired, among other property, an interest in the real property and the improvements to a parking garage structure located on the Starr Pass grounds. The City issued Certificates of Participation for \$2,640,000 to pay

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 16 – CONTINGENCIES AND COMMITMENTS (Continued)

ground rent to Starr Pass Resort Developments. Under the terms of the lease, Starr Pass developed and operates the properties. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City was \$1,645,000 at June 30, 2015.

The proceeds from the 2007 Taxable Certificates of Participation in the amount of \$2,545,000 will be used by the City to acquire a leasehold interest in the 2007 Taxable Property, which consists of certain real property and a parking garage to be constructed thereon, from Starr Pass pursuant to the 2007 Starr Pass Lease. Starr Pass will use such amount to finance the construction of a second parking garage for use by guests of the JW Marriott Starr Pass Resort located in the City. The City will assign its interest in the 2007 Starr Pass Lease and the 2007 Taxable Property to the Trustee. The Trustee will, in turn, lease its interest in the 2007 Taxable Property to the City pursuant to the Series 2007 Lease. The City will then sublease the 2007 Taxable Property to Starr Pass to manage and operate the second public parking garage over a 20-year period. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City was \$1,845,000 at June 30, 2015.

K. Rio Nuevo Multipurpose Facilities District

In order to resolve variety of lawsuits between the City and the Rio Nuevo Multipurpose Facilities District (the District”), the City Mayor and Council and the District Board signed an agreement of February 7, 2013. In this agreement, the City will pay the District, in recognition for monies spent for the construction of the garage and to relinquish any claims on future revenues, \$21,279,884 between fiscal year 2013 through 2050. The terms of the agreement specifies that the City will retain ownership, be solely responsible for the operation and maintenance, and shall be solely responsible for any issues with all third parties relating to the design, construction and operation of the garage. The City will not sell or lease the entire garage without prior written consent from the District. The District will continue to satisfy the existing debt service obligation. As of June 30, 2015, the notes receivable balance due is \$21,082,384.

L. Encumbrances

The City of Tucson utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. All appropriations lapse on the last day of the fiscal year. Any outstanding commitments that the City intends to honor are re-budgeted in the new fiscal year. At June 30, 2015, the City intended to honor \$80,549,051 of outstanding encumbrances in the new fiscal year.

General Fund	\$	4,891,152
Mass Transit		14,571,697
Nonmajor Governmental Funds		61,086,202
	<u>\$</u>	<u>80,549,051</u>

Note 17 – REMEDIATION LIABILITY

The City owned and operated fueling facilities that are now closed. When the underground storage tanks were removed, evidence was found that contaminants had leaked into the ground creating a possible hazard to our groundwater resources. In accordance with state statutes, the City started remediation actions to clear, remove, and monitor the sites. Cost estimates are based on actual monthly expenditures annualized for the ten year estimate. Changes to the estimates will depend on the periodic sampling of the affected areas. See Note 7 for liability information.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 18 – CREDIT CARD PAYMENTS BY THE CITY OF TUCSON

The City of Tucson requires some vendors to accept payment only through credit cards. In such cases Arizona Revised Statutes requires the City to disclose the requirement during the bid process or amend the contract under a mutual agreement with the vendor. The statute also requires disclosure of the incentive received by the City resulting from credit card payments. For fiscal year 2015 the City received rebate revenues of \$722,216.

Note 19 – POTENTIAL STREETCAR CLAIMS

After completion of the Modern Streetcar project, the City and Old Pueblo Trackworks are in negotiations regarding potential claims based on a request for additional compensation for extended project overhead, additional supervision and production inefficiencies. As of June 30, 2015, a resolution had not been reached and an amount, if any, cannot be estimated at this time.

Note 20 – RESTATEMENT

For fiscal year 2015, the City implemented GASB Statement No. 68, Accounting and Financial Report for Pensions. This standard establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through pension plans. It also establishes requirements for reporting information about pension-related financial support provided by entities that make contributions to pension plans that are used to provide pensions to the employees of other entities. To establish beginning balances for the net pension liability, the fiscal year 2014 ending net positions for the City's government-wide and enterprise fund financial statements were restated as follows:

Government-Wide Finance Statements

	Governmental Activities	Business-Type Activities	Total
Net Position, June 30, 2014, as Previously Reported	\$ 1,682,027,247	\$ 843,973,827	\$ 2,526,001,074
Cumulative Affect of Application of GASB 68, Net Pension Liability	(849,580,478)	(83,416,613)	(932,997,091)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan During Fiscal Year Ending June 30, 2014	41,078,222		41,078,222
Net Position, June 30, 2014, as Restated	<u>\$ 873,524,991</u>	<u>\$ 760,557,214</u>	<u>\$ 1,634,082,205</u>

Enterprise Fund Financial Statements

	Environmental Services	Water Utility Fund	Non-Major Enterprise
Net Position, June 30, 2014, as Previously Reported	\$ (4,625,002)	\$ 817,068,643	\$ 49,115,203
Cumulative Affect of Application of GASB 68, Net Pension Liability	(20,693,872)	(56,610,761)	(6,111,980)
Net Position, June 30, 2014, as Restated	<u>\$ (25,318,874)</u>	<u>\$ 760,457,882</u>	<u>\$ 43,003,223</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 20 – RESTATEMENT (Continued)

The restatement required by GASB Statement No. 68 affected unrestricted net position category as presented below:

	Governmental Activities		Business-type Activities		Total	
	Previously Reported	Restated	Previously Reported	Restated	Previously Reported	Restated
Net Investment in Capital Assets	\$ 1,499,029,239	\$ 1,499,029,239	\$ 811,642,121	\$ 811,642,121	\$ 2,310,671,360	\$ 2,310,671,360
Restricted for:						
Debt Service	3,052,237	3,052,237	29,403,200	29,403,200	32,455,437	32,455,437
Capital	83,597,648	83,597,648			83,597,648	83,597,648
Self-Insurance Mandates	33,941,230	33,941,230			33,941,230	33,941,230
Grants and Entitlements	28,305,979	28,305,979	9,321,276	9,321,276	37,627,255	37,627,255
Other Purposes	5,952,240	5,952,240			5,952,240	5,952,240
Unrestricted	28,148,674	(780,353,582)	(6,392,770)	(89,809,383)	21,755,904	(870,162,965)
Total Net Position	<u>\$ 1,682,027,247</u>	<u>\$ 873,524,991</u>	<u>\$ 843,973,827</u>	<u>\$ 760,557,214</u>	<u>\$ 2,526,001,074</u>	<u>\$ 1,634,082,205</u>
	Environmental Services		Water Utility Fund		Non-Major Enterprise Funds	
	Previously Reported	Restated	Previously Reported	Restated	Previously Reported	Restated
Net Investment in Capital Assets	\$ 20,392,140	\$ 20,392,140	\$ 743,550,012	\$ 743,550,012	\$ 47,699,969	\$ 47,699,969
Restricted for Debt Service			29,403,200	29,403,200		
Restricted for Capital					2,554,209	2,554,209
Restricted for Grants and Entitlements					(1,138,975)	(7,250,955)
Unrestricted	(25,017,142)	(45,711,014)	44,115,431	(12,495,330)		
Total Net Position	<u>\$ (4,625,002)</u>	<u>\$ (25,318,874)</u>	<u>\$ 817,068,643</u>	<u>\$ 760,457,882</u>	<u>\$ 49,115,203</u>	<u>\$ 43,003,223</u>

Note 21 – NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations, which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. This statement provides guidance for determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations. On July 1, 2014, the City adopted this Statement which had no impact on its financial statements and, thus, no additional note disclosures were required.

In November 2013, the GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. This statement is intended to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issues relate to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. On July 1, 2014, the City adopted this Statement, which had a significant impact on its financial statements as explained in Note 12 and Note 20.

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Note 21 – NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS (Cont.)

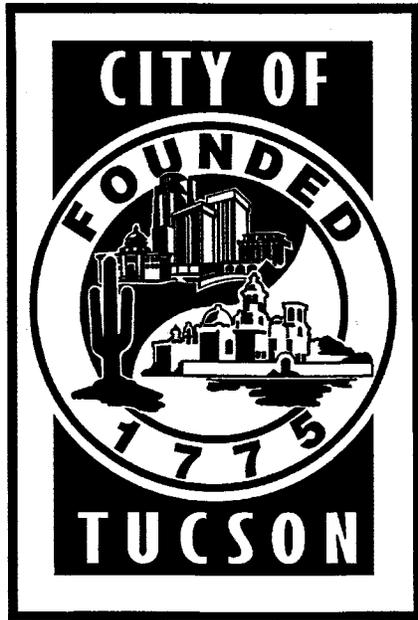
generally are the same as in Statement 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement addresses reporting by OPEB plans that administer benefits on behalf of governments and parallels the pension standards issued in 2012—GASB Statement No. 67, Financial Reporting for Pension Plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and parallels the pension standards issued in 2012—GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Together, these pension and OPEB standards provide consistent and comprehensive guidance for all postemployment benefits. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. This statement reduces the hierarchy of generally accepted accounting principles (GAAP) to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

In August 2015, the GASB issued Statement No. 77, Tax Abatement Disclosures. This statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement specifies information that the government must disclose about the agreements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.



CITY OF TUCSON, ARIZONA



**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 248,482,190	\$ 248,482,190	\$ 243,058,369	\$ (5,423,821)
Licenses and Permits	26,369,430	26,959,430	28,226,186	1,266,756
Fines and Forfeitures	14,799,250	14,766,250	16,062,876	1,296,626
Use of Money and Property	525,270	433,020	467,589	34,569
Federal Grants and Contributions			5,100	5,100
Other Agencies	136,125,230	136,125,230	136,956,086	830,856
Charges for Services	37,017,990	37,017,990	38,532,303	1,514,313
Miscellaneous	4,613,640	4,613,640	5,077,423	463,783
Total revenues	467,933,000	468,397,750	468,385,932	(11,818)
Expenditures:				
Current -				
Elected and Official	22,334,550	21,955,066	20,744,170	1,210,896
Support Services	46,079,950	45,719,190	45,101,531	617,659
Public Safety/Justice Services	250,971,070	252,470,940	249,939,175	2,531,765
Community Enrichment and Development	52,078,320	53,281,090	52,282,125	998,965
Non-Departmental	22,815,750	22,827,750	22,572,002	255,748
Capital Outlay	4,998,010	5,093,634	5,836,400	(742,766)
Capital Projects	900,000	888,000	683,119	204,881
Debt service -				
Principal	15,605,390	14,870,390	14,965,385	(94,995)
Interest	11,138,260	10,361,480	9,537,333	824,147
Fiscal Agent Fees			19,650	(19,650)
Issuance Costs of Debt			486,625	(486,625)
Total expenditures	426,921,300	427,467,540	422,167,515	5,300,025
Excess (deficiency) of revenues over expenditures	41,011,700	40,930,210	46,218,417	5,288,207
Other financing sources (uses):				
Refunding Proceeds			20,659,864	20,659,864
Premium on Debt Issuance			2,579,091	2,579,091
Refunded Bond Escrow Agent			(21,487,330)	(21,487,330)
Transfers In	1,600,000	1,600,000	1,600,000	
Transfers Out	(50,017,190)	(50,017,190)	(50,613,653)	(596,463)
Total other financing sources (uses)	(48,417,190)	(48,417,190)	(47,262,028)	1,155,162
Change in fund balances	\$ (7,405,490)	\$ (7,486,980)	(1,043,611)	\$ 6,443,369
Fund balance, beginning of year			66,752,458	
Fund balance, end of year			\$ 65,708,847	

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2015

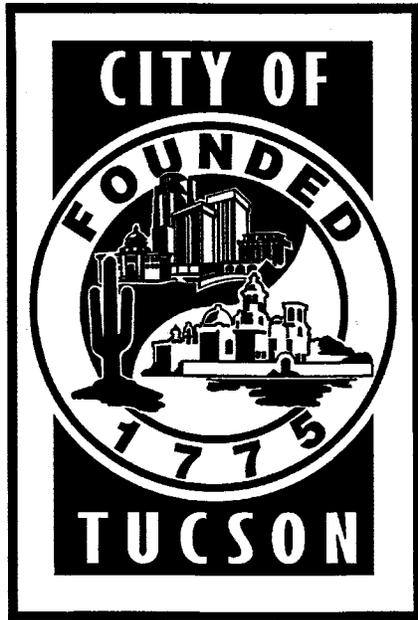
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of Money and Property	\$ 366,400	\$ 366,400	\$ 514,633	\$ 148,233
Federal Grants and Contributions	26,415,740	26,415,740	22,475,522	(3,940,218)
Other Agencies	13,044,510	12,454,510	13,320,084	865,574
Charges for Services	15,253,680	15,253,680	13,674,426	(1,579,254)
Miscellaneous	70,200	70,200	563,386	493,186
Total revenues	<u>55,150,530</u>	<u>54,560,530</u>	<u>50,548,051</u>	<u>(4,012,479)</u>
Expenditures:				
Current -				
Community Enrichment and Development	77,507,270	78,739,550	75,323,604	3,415,946
Capital Outlay	19,193,800	16,168,940	15,237,225	931,715
Capital Projects	2,728,600	2,519,830	2,371,372	148,458
Total expenditures	<u>99,429,670</u>	<u>97,428,320</u>	<u>92,932,201</u>	<u>4,496,119</u>
Excess (deficiency) of revenues over expenditures	<u>(44,279,140)</u>	<u>(42,867,790)</u>	<u>(42,384,150)</u>	<u>483,640</u>
Other financing sources (uses):				
Transfers In	44,279,140	44,279,140	43,725,841	(553,299)
Total other financing sources (uses)	<u>44,279,140</u>	<u>44,279,140</u>	<u>43,725,841</u>	<u>(553,299)</u>
Changes in fund balances	<u>\$</u>	<u>\$ 1,411,350</u>	<u>1,341,691</u>	<u>\$ (69,659)</u>
Fund balance, beginning of year			4,831,032	
Fund balance, end of year			<u>\$ 6,172,723</u>	

The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

NOTE - BUDGET INFORMATION:

The City prepares a legally adopted annual operating budget for the General Fund and Mass Transit fund. The City's budget is adopted using a basis of accounting consistent with generally accepted accounting principles (GAAP), with immaterial exceptions (e.g., beginning fund balance is budgeted as a revenue source). The City's actuals are presented on a GAAP basis; therefore, no reconciliation is necessary.



PENSION
PLANS
DISCLOSURES

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)
Last 10 Fiscal Years (Built Prospectively)

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 15,753,944	\$ 14,825,019
Interest	70,688,775	66,915,612
Differences Between Expected and Actual Experience	(7,815,270)	325,890
Changes of Assumptions	(31,210,057)	76,945,563
Benefit Payments, Including Refunds of Member Contributions	<u>(67,612,351)</u>	<u>(66,002,013)</u>
Net Change in Total Pension Liability	(20,194,959)	93,010,071
Total Pension Liability - Beginning	<u>1,041,572,523</u>	<u>948,562,453</u>
Total Pension Liability - Ending	<u><u>\$ 1,021,377,564</u></u>	<u><u>\$ 1,041,572,524</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 33,985,523	\$ 34,189,288
Contributions - Member	7,531,845	7,338,543
Net Investment Income	30,684,188	119,729,154
Benefit Payments, Including Refunds of Member Contributions	(67,612,351)	(66,002,013)
Administrative Expense	(650,405)	(735,739)
Other	<u>118,247</u>	<u>171,077</u>
Net Change in Plan Fiduciary Net Position	4,057,047	94,690,310
Plan Fiduciary Net Position - Beginning	<u>735,736,500</u>	<u>641,046,190</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 739,793,547</u></u>	<u><u>\$ 735,736,500</u></u>
City's Net Position Liability - Ending	<u><u>\$ 281,584,017</u></u>	<u><u>\$ 305,836,024</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.43%	70.64%
Covered-Employee Payroll	\$ 123,414,560	\$ 126,639,423
City's Net Position Liability as a Percentage of Covered Employee Payroll	228.16%	241.50%

**CITY OF TUCSON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE PENSION NET POSITION LIABILITY
 TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)**

Fiscal Year Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015	\$ 1,021,377,564	\$ 739,793,547	\$ 281,584,017	72.43%	\$ 123,414,560	228.16%
2014	1,041,572,524	735,736,500	305,836,024	70.64%	126,639,423	241.50%

**CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)**

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Rate	Actuarially Determined Contribution	Actual Contribution as a % of covered payroll	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Covered Employee Payroll
6/30/2013	2015	26.95%	\$ 34,129,324	27.50%	\$ 33,985,523	\$ 143,801	\$ 125,857,903	\$ 126,639,423
6/30/2012	2014	27.09%	34,094,906	27.09%	34,189,288	(94,382)	125,003,023	125,857,903

**NOTES TO SCHEDULE OF CONTRIBUTIONS
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)**

Valuation Date: June 30, 2015

Notes: Actuarially determined contribution rates are calculated for the fiscal year beginning one year after the valuation date (one year lag).

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Inflation	3.00%
Salary Increases	3.00% to 6.50% including inflation
Investment Rate of Return	7.25%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2009-2013.
Mortality	Pre and Post-retirement: RP-2000 Combined Mortality Table for males and females projected with Scale BB to 2020. Disabled retirement: RP-2000 Disabled Mortality Table for males and Females.

**CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION INVESTMENT RETURNS
TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS)**

	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.17%	19.11%

**CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)**

TUCSON POLICE	
	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability	
Service Cost	\$ 11,720,855
Interest	49,886,649
Changes of Benefit Terms	17,350,937
Differences Between Expected and Actual Experience	(1,845,566)
Changes of Assumptions	82,969,636
Benefit Payments, Including Refunds of Member Contributions	(44,637,621)
Net Change in Total Pension Liability	<u>115,444,890</u>
Total Pension Liability - Beginning	<u>651,957,100</u>
Total Pension Liability - Ending	<u>\$ 767,401,990</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 25,050,303
Contributions - Member	6,411,220
Net Investment Income	36,646,985
Benefit Payments, Including Refunds of Member Contributions	(44,637,621)
Other (Net Transfer)	(14,311,889)
Net Change in Plan Fiduciary Net Position	<u>9,158,998</u>
Plan Fiduciary Net Position - Beginning	<u>288,161,213</u>
Plan Fiduciary Net Position - Ending	<u>\$ 297,320,211</u>
City's Net Position Liability - Ending	<u>\$ 470,081,779</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.74%
Covered-Employee Payroll	\$ 57,677,943
City's Net Position Liability as a Percentage of Covered Employee Payroll	815.01%

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

TUCSON FIRE	
	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability	
Service Cost	\$ 7,175,895
Interest	31,594,819
Changes of Benefit Terms	9,902,338
Differences Between Expected and Actual Experience	99,733
Changes of Assumptions	44,213,488
Benefit Payments, Including Refunds of Member Contributions	(29,522,292)
Net Change in Total Pension Liability	<u>63,463,981</u>
Total Pension Liability - Beginning	413,654,974
Total Pension Liability - Ending	<u>\$ 477,118,955</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 15,972,870
Contributions - Member	3,849,878
Net Investment Income	22,057,153
Benefit Payments, Including Refunds of Member Contributions	(29,522,292)
Other (Net Transfer)	(9,649,798)
Net Change in Plan Fiduciary Net Position	<u>2,707,811</u>
Plan Fiduciary Net Position - Beginning	174,841,394
Plan Fiduciary Net Position - Ending	<u>\$ 177,549,205</u>
City's Net Position Liability - Ending	<u>\$ 299,569,750</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	37.21%
Covered-Employee Payroll	\$ 35,105,468
City's Net Position Liability as a Percentage of Covered Employee Payroll	853.34%

**CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)**

TUCSON POLICE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2014	2015	\$ 25,050,303	\$ 25,050,303		\$ 57,677,943	43.43%

TUCSON FIRE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2014	2015	\$ 15,972,870	\$ 15,972,870		\$ 35,105,468	45.50%

**CITY OF TUCSON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO SCHEDULE OF CONTRIBUTIONS
 SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)**

Valuation Date:

Notes

Actuarially determined contribution rates are calculated as of June 30 each year, which are 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Fiscal Year 2014 Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset Valuation Method	7-Year smoothed market; 20% corridor
Wage growth	5.00%
Price Inflation	3.0% - 4.0% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	5.00% to 9.00% including inflation
Investment Rate of Return	8.00%, net of investment and administrative expenses
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 projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

**CITY OF TUCSON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COST-SHARING PENSION PLAN - ELECTED OFFICIAL**

Fiscal Year Ending June 30,	City's Proportion of Net Pension Liability	City's Proportionate Share of Net Pension Liability	State's Prop Net Pension Liability	TOTAL	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2015	0.258%	\$ 1,732,465	\$ 531,189	\$ 2,263,654	\$ 186,000	1217.02%

**CITY OF TUCSON, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 COST-SHARING PENSION PLAN - ELECTED OFFICIAL**

Valuation Date	Fiscal Year Ending June 30,	Statutorily Required Contribution	City's Contributions in Relation to Statutorily Required Contribution	City's Contribution Deficiency (Excess)	Covered Payroll	City's Contributions as a Percentage of Covered Employee Payroll
6/30/2014	2015	\$ 43,829	\$ 43,829	\$	\$ 186,000	23.56%
6/30/2013	2014	55,049	55,049		186,000	29.60%

**CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLAN'S FUNDING PROGRESS**

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	Unfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
Tucson Police						
2015	\$ 16,692,997	\$ 21,156,184	\$ 4,463,187	78.90	\$ 58,837,806	7.59%
2014	15,974,237	20,768,531	4,794,294	76.92	57,677,930	8.31%
2013		20,511,640	20,511,640	0.00	57,032,297	35.96%
Tucson Fire						
2015	11,451,289	11,629,158	177,869	98.47	35,256,316	0.50%
2014	10,990,964	12,908,005	1,917,041	85.15	35,105,469	5.46%
2013		12,850,458	12,850,458	0.00	34,904,848	36.82%

Note 1 – Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same pension fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new Health Insurance Fund.

CITY OF TUCSON, ARIZONA



Combining Statements and Individual
Fund Statements and Schedules

COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
JUNE 30 2015

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 18,872,474	\$ 3,315,423	\$ 67,198,537	\$ 89,386,434
Cash & Investments with Fiscal Agents	1,033,480	38,525,691	389,933	39,949,104
Cash & Investments with Fiscal Agents - Restricted			16,708,182	16,708,182
Accounts Receivable, Net	490,895		27,695	518,590
Special Assessments Receivable		613,027		613,027
Notes & Loans Receivable	26,771,553			26,771,553
Due from Other Agencies	4,391,260		39,113,599	43,504,859
Grants & Entitlements Receivable	8,916,655			8,916,655
Interest Receivable	33,223	7,915	96,511	137,649
Inventories	46,230			46,230
Other Assets	21,778			21,778
Total assets	\$ 60,577,548	\$ 42,462,056	\$ 123,534,457	\$ 226,574,061
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 4,133,066	\$	\$ 22,429,377	\$ 26,562,443
Accrued Payroll Liabilities	1,225,273		81,905	1,307,178
Interfund Payable	5,937,181	5,504	33,420,418	39,363,103
Due to Other Agencies	72,799			72,799
Refundable Deposits	246,055	23,535	180,000	449,590
Bonds & Interest Payable, including Special Assessments		38,525,691		38,525,691
Advances from Grantors	1,747,752			1,747,752
Total liabilities	13,362,126	38,554,730	56,111,700	108,028,556
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred revenues	24,230,868	601,007	540	24,832,415
Total deferred inflows	24,230,868	601,007	35,105	24,866,980
Fund balances:				
Restricted	18,722,522	3,306,319	67,387,652	89,416,493
Committed	22,639			22,639
Assigned	4,239,393			4,239,393
Total fund balances	22,984,554	3,306,319	67,387,652	93,678,525
Total liabilities, deferred inflows and fund balances	\$ 60,577,548	\$ 42,462,056	\$ 123,534,457	\$ 226,574,061

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30 2015

	ParkWise	Convention Center Fund	H.U.R.F. Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,904,415	\$ 1,773,427	\$ 8,633,579
Cash & Investments with Fiscal Agents	19,278		433,502
Accounts Receivable, Net	109,943	63,661	277,983
Notes & Loans Receivable			
Due from Other Agencies			3,473,927
Grants & Entitlements Receivable			
Interest Receivable	5,163		28,060
Inventories		46,230	
Other Assets		20,650	
Total assets	\$ 2,038,799	\$ 1,903,968	\$ 12,847,051
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 281,722	\$ 831,155	\$ 703,721
Accrued Payroll Liabilities	38,536	2,209	689,056
Interfund Payable			
Due to Other Agencies	586	58,637	935
Refundable Deposits	2,891	158	18,500
Advances from Grantors			
Total liabilities	323,735	892,159	1,412,212
Deferred inflows:			
Deferred revenues		987,309	
Total deferred inflows		987,309	
Fund balances:			
Restricted			11,434,839
Committed	19,278		
Assigned	1,695,786	24,500	
Total fund balances	1,715,064	24,500	11,434,839
Total liabilities, deferred inflows and fund balances	\$ 2,038,799	\$ 1,903,968	\$ 12,847,051

Civic Contribution Fund	Community Development Block Grants Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	HOME Affordable Housing Fund	Other Federal Grants Fund
\$ 621,514	\$ 50,000	\$	\$ 3,162,061	\$	\$
	29,303		73	9,932	580,700
	5,518,013			21,253,540	
		37,752			
	1,313,592	1,179,907	2,060	614,962	5,806,134
1,128					
<u>\$ 622,642</u>	<u>\$ 6,910,908</u>	<u>\$ 1,217,659</u>	<u>\$ 3,164,194</u>	<u>\$ 21,878,434</u>	<u>\$ 6,386,834</u>
\$ 2,359	\$ 639,968	\$ 353,450	\$ 138,589	\$ 277,743	\$ 674,037
	52,803	25,010	58,188	17,544	307,887
	510,611	839,199		180,311	4,235,681
	17				11,384
	25,385		169,146	12,757	17,218
	24,433				1,072,348
<u>2,359</u>	<u>1,253,217</u>	<u>1,217,659</u>	<u>365,923</u>	<u>488,355</u>	<u>6,318,555</u>
	1,993,162			21,250,397	
	1,993,162			21,250,397	
616,922	3,664,529		2,798,271	139,682	68,279
3,361					
<u>620,283</u>	<u>3,664,529</u>		<u>2,798,271</u>	<u>139,682</u>	<u>68,279</u>
<u>\$ 622,642</u>	<u>\$ 6,910,908</u>	<u>\$ 1,217,659</u>	<u>\$ 3,164,194</u>	<u>\$ 21,878,434</u>	<u>\$ 6,386,834</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30 2015
(Concluded)

	Non-Federal Grants Fund	Sun Link Fund	Totals
<u>ASSETS</u>			
Cash and Cash Equivalents	\$	\$ 2,727,478	\$ 18,872,474
Cash & Investments with Fiscal Agents			1,033,480
Accounts Receivable, Net			490,895
Notes & Loans Receivable			26,771,553
Due from Other Agencies	879,581		4,391,260
Grants & Entitlements Receivable			8,916,655
Interest Receivable			33,223
Inventories			46,230
Other Assets			21,778
Total assets	\$ 879,581	\$ 2,727,478	\$ 60,577,548
 <u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 23,159	\$ 207,163	\$ 4,133,066
Accrued Payroll Liabilities	34,040		1,225,273
Interfund Payable	171,379		5,937,181
Due to Other Agencies	32	1,208	72,799
Refundable Deposits			246,055
Advances from Grantors	650,971		1,747,752
Total liabilities	879,581	208,371	13,362,126
 Deferred inflows:			
Deferred revenues			24,230,868
Total deferred inflows			24,230,868
 Fund balances:			
Restricted			18,722,522
Committed			22,639
Assigned		2,519,107	4,239,393
Total fund balances		2,519,107	22,984,554
 Total liabilities, deferred inflows and fund balances	\$ 879,581	\$ 2,727,478	\$ 60,577,548

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30 2015

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
ASSETS				
Cash and Cash Equivalents	\$ 1,309,877	\$ 2,005,546	\$	\$ 3,315,423
Cash & Investments with Fiscal Agents	29,340	23,972,785	14,523,566	38,525,691
Special Assessments Receivable	613,027			613,027
Interest Receivable	2,411		5,504	7,915
Total assets	\$ 1,954,655	\$ 25,978,331	\$ 14,529,070	\$ 42,462,056
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Interfund Payable	\$	\$	\$ 5,504	\$ 5,504
Refundable Deposits	23,535			23,535
Bonds & Interest Payable, including Special Assessments	29,340	23,972,785	14,523,566	38,525,691
Total liabilities	52,875	23,972,785	14,529,070	38,554,730
Deferred inflows:				
Deferred revenues	601,007			601,007
Total deferred inflows	601,007			601,007
Fund balances:				
Restricted	1,300,773	2,005,546		3,306,319
Total fund balances	1,300,773	2,005,546		3,306,319
Total liabilities, deferred inflows and fund balances	\$ 1,954,655	\$ 25,978,331	\$ 14,529,070	\$ 42,462,056

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30 2015

	2012 General Obligation Streets Improvements Fund	Capital Improvements Fund	Development Fee Fund
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 34,008,405	\$	\$ 33,190,132
Cash & Investments with Fiscal Agents	389,933		
Cash & Investments with Fiscal Agents - Restricted		16,708,182	
Accounts Receivable, Net		19,751	
Due from Other Agencies		917,752	
Interest Receivable	37,201		59,310
Total assets	\$ 34,435,539	\$ 17,645,685	\$ 33,249,442
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 6,543,956	\$ 1,891,973	\$ 111,844
Accrued Payroll Liabilities		9,371	
Interfund Payable		10,404,939	
Refundable Deposits			
Total liabilities	6,543,956	12,306,283	111,844
Deferred Inflows:			
Advance Federal Project Grants		34,565	
Deferred Revenue		540	
Total fund balances		35,105	
Fund balances:			
Restricted	27,891,583	5,304,297	33,137,598
Total fund balances	27,891,583	5,304,297	33,137,598
Total liabilities, deferred inflows and fund balances	\$ 34,435,539	\$ 17,645,685	\$ 33,249,442

Regional Transportation Authority Fund	Totals
\$	\$ 67,198,537
	389,933
	16,708,182
7,944	27,695
38,195,847	39,113,599
	96,511
<u>\$ 38,203,791</u>	<u>\$ 123,534,457</u>

\$ 13,881,604	\$ 22,429,377
72,534	81,905
23,015,479	33,420,418
180,000	180,000
<u>37,149,617</u>	<u>56,111,700</u>

	34,565
	540
	<u>35,105</u>

1,054,174	67,387,652
<u>1,054,174</u>	<u>67,387,652</u>

<u>\$ 38,203,791</u>	<u>\$ 123,534,457</u>
----------------------	-----------------------

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2015

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 30,148,102	\$	\$ 30,148,102
Licenses and Permits	378,391			378,391
Fines and Forfeitures	766,145	2,629		768,774
Developer Fees			1,522,640	1,522,640
Use of Money and Property	902,605	29,784	526,489	1,458,878
Federal Grants and Contributions	66,636,184		19,751	66,655,935
Other Agencies	40,959,615	7,900,509	41,863,482	90,723,606
Charges for Services	10,439,588			10,439,588
Special Assessments		323,164		323,164
Contributions from Outside Sources	401,711			401,711
Miscellaneous	940,581		1,100,895	2,041,476
Total revenues	<u>121,424,820</u>	<u>38,404,188</u>	<u>45,033,257</u>	<u>204,862,265</u>
Expenditures:				
Current -				
Elected and Official	379,604			379,604
Public Safety and Justice Services	11,710,844		83	11,710,927
Community Enrichment and Development	96,115,936		23,416,390	119,532,326
Support Services			142,591	142,591
Non-Departmental	1,440,378			1,440,378
Capital Outlay	3,834,251		2,503,868	6,338,119
Capital Projects	5,076,502		54,935,816	60,012,318
Debt service -				
Principal	1,315,000	33,463,000		34,778,000
Interest	1,087,732	14,254,688	659,371	16,001,791
Fiscal Agent Fees		3,975		3,975
Debt Issuance Costs		562,055	148,587	710,642
Total expenditures	<u>120,960,247</u>	<u>48,283,718</u>	<u>81,806,706</u>	<u>251,050,671</u>
Excess (deficiency) of revenues over expenditures	<u>464,573</u>	<u>(9,879,530)</u>	<u>(36,773,449)</u>	<u>(46,188,406)</u>
Other financing sources (uses):				
Bond Issuance		63,950,000	20,000,000	83,950,000
Capital Leases				
Premium on Debt Issuance		5,169,671	538,520	5,708,191
Refunded Bond Escrow Agent		(66,938,954)		(66,938,954)
Transfers In	6,862,879	8,877,066	10,559,633	26,299,578
Transfers Out	(8,877,066)		(10,534,700)	(19,411,766)
Total other financing sources (uses)	<u>(2,014,187)</u>	<u>11,057,783</u>	<u>20,563,453</u>	<u>29,607,049</u>
Change in fund balances	<u>(1,549,614)</u>	<u>1,178,253</u>	<u>(16,209,996)</u>	<u>(16,581,357)</u>
Fund balances, beginning of year	24,534,168	2,128,066	83,597,648	110,259,882
Fund balances, end of year	<u>\$ 22,984,554</u>	<u>\$ 3,306,319</u>	<u>\$ 67,387,652</u>	<u>\$ 93,678,525</u>



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	ParkWise	Convention Center Fund	H.U.R.F. Fund
Revenues:			
Licenses and Permits	\$	\$	\$ 378,391
Fines and Forfeitures	766,145		
Use of Money and Property	148,797	72,975	658,958
Federal Grants and Contributions			
Other Agencies			36,945,778
Charges for Services	3,830,447	4,574,833	441,940
Contributions from Outside Sources			
Miscellaneous	4,267	25,638	817,232
Total revenues	<u>4,749,656</u>	<u>4,673,446</u>	<u>39,242,299</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	2,871,818	8,140,765	29,339,346
Non-Departmental		1,313,153	100,580
Capital Outlay	1,708,673	59,775	589,192
Capital Projects			192,564
Debt service -			
Principal	580,000		
Interest	677,693		
Total expenditures	<u>5,838,184</u>	<u>9,513,693</u>	<u>30,221,682</u>
Excess (deficiency) of revenues over expenditures	<u>(1,088,528)</u>	<u>(4,840,247)</u>	<u>9,020,617</u>
Other financing sources (uses):			
Transfers In		4,835,747	
Transfers Out			(8,877,066)
Total other financing sources (uses)		<u>4,835,747</u>	<u>(8,877,066)</u>
Change in fund balances	<u>(1,088,528)</u>	<u>(4,500)</u>	<u>143,551</u>
Fund balances (deficits), beginning of year	2,803,592	29,000	11,291,288
Fund balances (deficits), end of year	<u>\$ 1,715,064</u>	<u>\$ 24,500</u>	<u>\$ 11,434,839</u>

Civic Contribution Fund	Community Development Block Grants Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	HOME Affordable Housing Fund	Other Federal Grants Fund
\$	\$	\$	\$	\$	\$
2,911			14,453	115	4,396
	6,881,738	4,487,394	34,720,132	4,185,061	16,361,859
	342,331		38,571	234,981	
401,711					
	861	73	87,088		
<u>404,622</u>	<u>7,224,930</u>	<u>4,487,467</u>	<u>34,860,244</u>	<u>4,420,157</u>	<u>16,366,255</u>
7,934					287,728
46,935					10,153,318
265,058	5,963,606	4,487,467	35,334,567	4,280,475	1,201,115
26,645					
			20,551		1,447,534
7,073	1,560,251				3,274,398
	15,280				
<u>353,645</u>	<u>7,539,137</u>	<u>4,487,467</u>	<u>35,355,118</u>	<u>4,280,475</u>	<u>16,364,093</u>
50,977	(314,207)		(494,874)	139,682	2,162
<u>50,977</u>	<u>(314,207)</u>		<u>(494,874)</u>	<u>139,682</u>	<u>2,162</u>
569,306	3,978,736		3,293,145		66,117
<u>\$ 620,283</u>	<u>\$ 3,664,529</u>	<u>\$</u>	<u>\$ 2,798,271</u>	<u>\$ 139,682</u>	<u>\$ 68,279</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015
(Concluded)

	Non-Federal Grants Fund	Sun Link Fund	Totals
Revenues:			
Licenses and Permits	\$	\$	\$ 378,391
Fines and Forfeitures			766,145
Use of Money and Property			902,605
Federal Grants and Contributions			66,636,184
Other Agencies	2,012,209	2,001,628	40,959,615
Charges for Services		976,485	10,439,588
Contributions from Outside Sources			401,711
Miscellaneous		5,422	940,581
Total revenues	<u>2,012,209</u>	<u>2,983,535</u>	<u>121,424,820</u>
Expenditures:			
Current -			
Elected and Official	83,942		379,604
Public Safety and Justice Services	1,510,591		11,710,844
Community Enrichment and Development	375,460	3,856,259	96,115,936
Non-Departmental			1,440,378
Capital Outlay		8,526	3,834,251
Capital Projects	42,216		5,076,502
Debt service -			
Principal		735,000	1,315,000
Interest		394,759	1,087,732
Total expenditures	<u>2,012,209</u>	<u>4,994,544</u>	<u>120,960,247</u>
Excess (deficiency) of revenues over expenditures		<u>(2,011,009)</u>	<u>464,573</u>
Other financing sources (uses):			
Transfers In		2,027,132	6,862,879
Transfers Out			(8,877,066)
Total other financing sources (uses)		<u>2,027,132</u>	<u>(2,014,187)</u>
Change in fund balances		<u>16,123</u>	<u>(1,549,614)</u>
Fund balances (deficits), beginning of year		2,502,984	24,534,168
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 2,519,107</u>	<u>\$ 22,984,554</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
Revenues:				
Taxes	\$	\$ 30,148,102	\$	\$ 30,148,102
Fines and Forfeitures	2,629			2,629
Use of Money and Property	10,134		19,650	29,784
Other Agencies			7,900,509	7,900,509
Special Assessments	323,164			323,164
Total revenues	<u>335,927</u>	<u>30,148,102</u>	<u>7,920,159</u>	<u>38,404,188</u>
Expenditures:				
Debt service -				
Principal	438,000	20,060,000	12,965,000	33,463,000
Interest	70,064	9,640,274	4,544,350	14,254,688
Fiscal Agent Fees	1,500	1,475	1,000	3,975
Debt Issuance Costs		303,819	258,236	562,055
Total expenditures	<u>509,564</u>	<u>30,005,568</u>	<u>17,768,586</u>	<u>48,283,718</u>
Excess (deficiency) of revenues over expenditures	<u>(173,637)</u>	<u>142,534</u>	<u>(9,848,427)</u>	<u>(9,879,530)</u>
Other financing sources (uses):				
Bond Issuance		36,535,000	27,415,000	63,950,000
Premium on Debt Issuance		3,088,310	2,081,361	5,169,671
Refunded Bond Escrow Agent		(38,413,954)	(28,525,000)	(66,938,954)
Transfers In			8,877,066	8,877,066
Total other financing sources (uses)		<u>1,209,356</u>	<u>9,848,427</u>	<u>11,057,783</u>
Change in fund balances	<u>(173,637)</u>	<u>1,351,890</u>		<u>1,178,253</u>
Fund balances, beginning of year	1,474,410	653,656		2,128,066
Fund balances (deficits), end of year	<u>\$ 1,300,773</u>	<u>\$ 2,005,546</u>	<u>\$</u>	<u>\$ 3,306,319</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Capital Improvements Fund</u>	<u>2012 General Obligation Streets Improvements Fund</u>
Revenues:		
Developer Fees	\$	\$
Use of Money and Property	2,046	192,306
Grants and Contributions	19751	
Other Agencies	1,505,122	
Miscellaneous	80,118	
Total revenues	<u>1,607,037</u>	<u>192,306</u>
Expenditures:		
Current -		
Public Safety and Justice Services	83	
Community Enrichment and Development	49,839	23,014,670
Support Services	45,649	
Capital Outlay	284,811	
Capital Projects	2,781,997	
Debt service -		
Interest	659,371	
Debt Issuance Costs		148,587
Total expenditures	<u>3,821,750</u>	<u>23,163,257</u>
Excess (deficiency) of revenues over expenditures	<u>(2,214,713)</u>	<u>(22,970,951)</u>
Other financing sources (uses):		
Bond Issuance		20,000,000
Capital Leases		
Premium on Debt Issuance		538,520
Transfers In		
Transfers Out	(10,534,700)	
Total other financing sources (uses)	<u>(10,534,700)</u>	<u>20,538,520</u>
Change in fund balances	<u>(12,749,413)</u>	<u>(2,432,431)</u>
Fund balances, beginning of year	18,053,710	30,324,014
Fund balances, end of year	<u>\$ 5,304,297</u>	<u>\$ 27,891,583</u>

Development Fee Fund	Regional Transportation Authority Fund	Totals
\$ 1,522,640	\$	\$ 1,522,640
260,956	71,181	526,489
		19,751
	40,358,360	41,863,482
	1,020,777	1,100,895
<u>1,783,596</u>	<u>41,450,318</u>	<u>45,033,257</u>
		83
	351,881	23,416,390
96,942		142,591
	2,219,057	2,503,868
3,760,516	48,393,303	54,935,816
		659,371
		148,587
<u>3,857,458</u>	<u>50,964,241</u>	<u>81,806,706</u>
<u>(2,073,862)</u>	<u>(9,513,923)</u>	<u>(36,773,449)</u>
		20,000,000
		538,520
24,933	10,534,700	10,559,633
		(10,534,700)
<u>24,933</u>	<u>10,534,700</u>	<u>20,563,453</u>
<u>(2,048,929)</u>	<u>1,020,777</u>	<u>(16,209,996)</u>
35,186,527	33,397	83,597,648
<u>\$ 33,137,598</u>	<u>\$ 1,054,174</u>	<u>\$ 67,387,652</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30 2015

	Tucson Golf Enterprise Fund	Public Housing Fund	Non-PHA Asset Management Fund	Totals
<u>ASSETS</u>				
Current assets:				
Cash and Cash Equivalents	\$ 9,550	\$ 9,304,225	\$ 2,983,146	\$ 12,296,921
Accounts Receivable, Net	14,107	8,251	32,134	54,492
Due from Other Agencies	417,762	163,811		581,573
Interest Receivable		15,817	4,307	20,124
Inventories	224,406			224,406
Other Assets	38,947			38,947
Total current assets	704,772	9,492,104	3,019,587	13,216,463
Noncurrent assets:				
Long Term Notes Receivable		71,590,530		71,590,530
Land & Construction in Progress	2,701,865	8,395,006	2,502,717	13,599,588
Other Capital Assets, Net	12,760,899	12,194,337	7,410,498	32,365,734
Total noncurrent assets	15,462,764	92,179,873	9,913,215	117,555,852
Total assets	16,167,536	101,671,977	12,932,802	130,772,315
<u>DEFERRED OUTFLOWS</u>				
Pension Plans		354,469	38,599	393,068
Total deferred outflows		354,469	38,599	393,068
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	369,459	429,497	178,143	977,099
Accrued Payroll Liabilities	43,906	185,324	18,380	247,610
Accrued Interest Payable	687	648	160	1,495
Due to Other Agencies	37,870	18	105	37,993
Refundable Deposits		458,078	56,095	514,173
Current Portion of Contracts Payable	81,954			81,954
Current Portion of Compensated Absences		115,221	938	116,159
Customer Advances	77,199			77,199
Total current liabilities	611,075	1,188,786	253,821	2,053,682
Noncurrent liabilities:				
Long Term Contracts Payable	273,463			273,463
Interfund Loans Payable	8,554,615			8,554,615
Compensated Absences		91,528	11,439	102,967
Pension Liability		5,784,540	629,875	6,414,415
Total non-current liabilities	8,828,078	5,876,068	641,314	15,345,460
Total liabilities	9,439,153	7,064,854	895,135	17,399,142
<u>DEFERRED INFLOWS</u>				
Deferred Revenue		71,595,242	5,765	71,601,007
Pension Plans		612,240	66,669	678,909
Total deferred inflows		72,207,482	72,434	72,279,916
<u>NET POSITION</u>				
Net Investment in Capital Assets	15,107,347	20,589,343	9,913,215	45,609,905
Restricted for Grants and Entitlements		2,164,767	2,090,617	4,255,384
Unrestricted	(8,378,964)			(8,378,964)
Total net position	\$ 6,728,383	\$ 22,754,110	\$ 12,003,832	\$ 41,486,325

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Tucson Golf Enterprise Fund	Public Housing Fund	Non-PHA Asset Management Fund	Totals
Operating revenues:				
Charges for Services	\$ 7,138,080	\$ 3,779,967	\$ 1,084,595	\$ 12,002,642
Federal Grants and Contributions		5,881,411	228,604	\$ 6,110,015
Miscellaneous	1,202	602,206		\$ 603,408
Total operating revenues	<u>7,139,282</u>	<u>10,263,584</u>	<u>1,313,199</u>	<u>18,716,065</u>
Operating expenses:				
Salaries, Wages and Benefits	43,685	4,693,815	767,274	5,504,774
Contractual Services	5,711,867	3,528,255	1,045,458	10,285,580
Commodities	1,180,419	763,214	160,612	2,104,245
Cost of Goods Sold	597,432			597,432
Depreciation	722,768	920,414	294,007	1,937,189
Total operating expenses	<u>8,256,171</u>	<u>9,905,698</u>	<u>2,267,351</u>	<u>20,429,220</u>
Operating loss	<u>(1,116,889)</u>	<u>357,886</u>	<u>(954,152)</u>	<u>(1,713,155)</u>
Nonoperating revenues (expenses):				
Investment Income		53,329	75,079	128,408
Gain (loss) on Sale of Property/Equipment		7,051	326,166	333,217
Interest Expense	(11,167)	(68,590)		(79,757)
Total nonoperating revenues (expense)	<u>(11,167)</u>	<u>(8,210)</u>	<u>401,245</u>	<u>381,868</u>
Income (loss) before capital contributions, transfers and special items	<u>(1,128,056)</u>	<u>349,676</u>	<u>(552,907)</u>	<u>(1,331,287)</u>
Capital Contributions		(185,611)		(185,611)
Transfers In			80,000	80,000
Transfers Out		(80,000)		(80,000)
Change in net position	<u>(1,128,056)</u>	<u>84,065</u>	<u>(472,907)</u>	<u>(1,516,898)</u>
Total net position, beginning of year - Restated	7,856,439	22,670,045	12,476,739	43,003,223
Total net position, end of year	<u>\$ 6,728,383</u>	<u>\$ 22,754,110</u>	<u>\$ 12,003,832</u>	<u>\$ 41,486,325</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Tucson Golf Enterprise Fund	Public Housing Fund	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 7,165,177	\$ 4,672,148	\$ 1,094,042	\$12,931,367
Cash Payments to Suppliers for Goods and Services	(7,729,785)	(4,160,658)	(1,074,530)	(12,964,973)
Cash Payments to Employees for Services	(4,209)	(4,677,698)	(437,675)	(5,119,582)
Subsidy from Federal Grant		5,782,598	228,604	6,011,202
Other Operating Revenues	1,202			1,202
Net Cash Provided (Used) by Operating Activities	<u>(567,615)</u>	<u>1,616,390</u>	<u>(189,559)</u>	<u>859,216</u>
Cash Flows from Noncapital Financing Activities				
Interfund Transfers		(80,000)	80,000	
Advances from Other Funds	648,168			648,168
Interest Paid on Advances	(5,616)			(5,616)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>642,552</u>	<u>(80,000)</u>	<u>80,000</u>	<u>642,552</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Leasing Activities	423,050			423,050
Acquisition and Construction of Capital Assets	(423,050)	(13,466)		(436,516)
Principal Paid on Capital Debt	(67,633)			(67,633)
Interest Paid on Capital Debt	(7,304)	(68,590)		(75,894)
Proceeds from Sale of Assets/Equipment		7,051	374,529	381,580
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(74,937)</u>	<u>(75,005)</u>	<u>374,529</u>	<u>224,587</u>
Cash Flows from Investing Activities:				
Interest on Investments		56,018	72,870	128,888
Net Cash Provided (Used) by Investing Activities		56,018	72,870	128,888
Net Increase (Decrease) in Cash and Cash Equivalents		<u>1,517,403</u>	<u>337,840</u>	<u>1,855,243</u>
Cash and Cash Equivalents - July 1	<u>9,550</u>	<u>7,786,822</u>	<u>2,645,306</u>	<u>10,441,678</u>
Cash and Cash Equivalents - June 30	<u>\$ 9,550</u>	<u>\$ 9,304,225</u>	<u>\$ 2,983,146</u>	<u>12,296,921</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,116,889)	\$ 357,886	\$ (954,152)	\$ (1,713,155)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	722,768	920,414	294,007	1,937,189
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	30,773	1,049	(21,756)	10,066
Deferred Outflow of Resources - Pension Plan		(354,469)	(38,599)	(393,068)
Due from Other Agencies		(98,813)		(98,813)
Inventory and Prepaids	(106,626)			(106,626)
Increase (Decrease) in Liabilities:				
Accounts Payable	(142,051)	131,114	131,539	120,602
Accrued Payroll Liabilities	39,476	(13,636)	8,273	34,113
Accrued Compensated Absences		24,138	(3,563)	20,575
Deferred Inflow of Resources - Pension Plan		612,240	66,669	678,909
Unfunded Pension Liability		5,615	296,820	302,435
Deferred Revenue		55,267	4,748	60,015
Customer/Refundable Deposits	683	(24,433)	26,350	2,600
Due to Other Agencies	7,927	18	105	8,050
Other Operating Liabilities	(3,676)			(3,676)
Net Cash Provided (Used) by Operating Activities	<u>\$ (567,615)</u>	<u>\$ 1,616,390</u>	<u>\$ (189,559)</u>	<u>\$ 859,216</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
JUNE 30 2015

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
<u>ASSETS</u>				
Current assets:				
Cash and Cash Equivalents	\$ 2,207,855	\$ 10,317,635	\$ 2,563,143	\$ 15,088,633
Accounts Receivable, Net	121,498		6,384	127,882
Due from Other Agencies	16,509			16,509
Interest Receivable	2,043	273,737	5,373	281,153
Inventories	860,881			860,881
Other Assets		426,766		426,766
Total current assets	<u>3,208,786</u>	<u>11,018,138</u>	<u>2,574,900</u>	<u>16,801,824</u>
Noncurrent assets:				
Other Assets - Restricted		31,244,637		31,244,637
Land & Construction in Progress	317,073	30,242	321,049	668,364
Other Capital Assets, Net	8,663,569	99,704	214,589	8,977,862
Total noncurrent assets	<u>8,980,642</u>	<u>31,374,583</u>	<u>535,638</u>	<u>40,890,863</u>
Total assets	<u>12,189,428</u>	<u>42,392,721</u>	<u>3,110,538</u>	<u>57,692,687</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	617,014	284,996	941,656	1,843,666
Accrued Payroll Liabilities	250,226	49,529	369,400	669,155
Current Portion of Bonds Payable			1,319,300	1,319,300
Due to Other Agencies	150	52	476	678
Claims Payable		9,422,515		9,422,515
Remediation Obligations		348,305		348,305
Total current liabilities	<u>867,390</u>	<u>10,105,397</u>	<u>2,630,832</u>	<u>13,603,619</u>
Noncurrent liabilities:				
Bonds Payable			11,260,800	11,260,800
Claims Payable		30,513,985		30,513,985
Remediation Obligations		942,465		942,465
Total non-current liabilities		<u>31,456,450</u>	<u>11,260,800</u>	<u>42,717,250</u>
Total liabilities	<u>867,390</u>	<u>41,561,847</u>	<u>13,891,632</u>	<u>56,320,869</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	8,980,641	129,945	(12,044,461)	(2,933,875)
Restricted for Self Insurance Mandates		31,244,637		31,244,637
Unrestricted	2,341,397	(30,543,708)	1,263,367	(26,938,944)
Total net position	<u>\$ 11,322,038</u>	<u>\$ 830,874</u>	<u>\$ (10,781,094)</u>	<u>\$ 1,371,818</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
Operating revenues:				
Charges for Services	\$ 23,116,489	\$ 16,960,158	\$ 20,060,590	\$ 60,137,237
Miscellaneous	238,714	111,049	18,718	368,481
Total operating revenues	<u>23,355,203</u>	<u>17,071,207</u>	<u>20,079,308</u>	<u>60,505,718</u>
Operating expenses:				
Salaries, Wages and Benefits	5,879,344	1,187,766	8,598,939	15,666,049
Contractual Services	4,919,537	3,954,089	7,007,642	15,881,268
Commodities	12,228,510	79,318	1,991,633	14,299,461
Benefits and Claims		10,126,137		10,126,137
Depreciation	1,686,390	15,519	66,587	1,768,496
Total operating expenses	<u>24,713,781</u>	<u>15,362,829</u>	<u>17,664,801</u>	<u>57,741,411</u>
Operating income (loss)	<u>(1,358,578)</u>	<u>1,708,378</u>	<u>2,414,507</u>	<u>2,764,307</u>
Nonoperating revenues (expenses):				
Property Taxes		1,430,708		1,430,708
Other Agencies			310,729	310,729
Investment Income	325	78,438	15,037	93,800
Gain (loss) on Sale of Property/ Equipment	318,872		(50,122)	268,750
Interest Expense			(513,188)	(513,188)
Total nonoperating revenues (expenses)	<u>319,197</u>	<u>1,509,146</u>	<u>(237,544)</u>	<u>1,590,799</u>
Income (loss) before capital contributions and transfers	<u>(1,039,381)</u>	<u>3,217,524</u>	<u>2,176,963</u>	<u>4,355,106</u>
Capital Contributions	3,729,350		(6,902)	3,722,448
Change in net position	<u>2,689,969</u>	<u>3,217,524</u>	<u>2,170,061</u>	<u>8,077,554</u>
Total net position, beginning of year	8,632,069	(2,386,650)	(12,951,155)	(6,705,736)
Total net position, end of year	<u>\$ 11,322,038</u>	<u>\$ 830,874</u>	<u>\$ (10,781,094)</u>	<u>\$ 1,371,818</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fleet Services	Self Insurance Fund	General Services Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 23,112,271	\$ 17,071,207	\$ 20,079,650	\$ 60,263,128
Cash Payments to Suppliers for Goods and Services	(17,377,760)	(4,473,822)	(8,877,833)	(30,729,415)
Cash Payments to Employees for Services	(5,891,770)	(1,182,686)	(8,634,163)	(15,708,619)
Other Operating Revenues	238,714			238,714
Cash Payments to Claimants		(8,356,337)		(8,356,337)
Net Cash Provided (Used) by Operating Activities	<u>81,455</u>	<u>3,058,362</u>	<u>2,567,654</u>	<u>5,707,471</u>
Cash Flows from Noncapital Financing Activities:				
Property Taxes		1,297,995		1,297,995
Federal Subsidy for Energy Bonds Interest			310,729	310,729
Net Cash Provided (Used) by Noncapital Financing Activities		<u>1,297,995</u>	<u>310,729</u>	<u>1,608,724</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(90,745)		20,990	(69,755)
Principal Paid on Capital Debt			(1,309,300)	(1,309,300)
Interest Paid on Capital Debt			(513,188)	(513,188)
Proceeds from Sale of Assets/Equipment	330,313		(50,123)	280,190
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>239,568</u>		<u>(1,851,621)</u>	<u>(1,612,053)</u>
Cash Flows from Investing Activities:				
Interest on Investments	157	188,502	13,227	201,886
Proceeds from Sale of Investments		33,941,230		33,941,230
Purchase of Investments		(31,467,899)		(31,467,899)
Net Cash Provided (Used) by Investing Activities	<u>157</u>	<u>2,661,833</u>	<u>13,227</u>	<u>2,675,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>321,180</u>	<u>7,018,190</u>	<u>1,039,989</u>	<u>8,379,359</u>
Cash and Cash Equivalents - July 1	<u>1,886,675</u>	<u>3,299,445</u>	<u>1,523,154</u>	<u>6,709,274</u>
Cash and Cash Equivalents - June 30	<u>\$ 2,207,855</u>	<u>\$ 10,317,635</u>	<u>\$ 2,563,143</u>	<u>\$ 15,088,633</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,358,578)	\$ 1,708,378	\$ 2,414,507	\$ 2,764,307
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	1,686,390	15,519	66,587	1,768,496
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	(4,052)		343	(3,709)
Inventory	(76,885)			(76,885)
Due from Other Agencies	(167)			(167)
Prepaid Expense		511,875		511,875
Increase (Decrease) in Liabilities:				
Accounts Payable	(152,977)	(67,392)	120,965	(99,404)
Accrued Payroll Liabilities	(12,426)	5,080	(35,224)	(42,570)
Claims and Judgments Payable		1,769,800		1,769,800
Remediation Obligation		(884,950)		(884,950)
Due to Other Agencies	150	52	476	678
Net Cash Provided (Used) by Operating Activities	<u>81,455</u>	<u>3,058,362</u>	<u>2,567,654</u>	<u>5,707,471</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	3,729,350		6,902	3,736,252
Total Noncash Investing, Capital and Financing Activities:	<u>\$ 3,729,350</u>	<u>\$</u>	<u>\$ 6,902</u>	<u>\$ 3,736,252</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Sewer User Fee Fund				
Assets				
Cash and Cash Equivalents	\$ 4,298,705	\$ 138,803,359	\$ 141,583,922	\$ 1,518,142
Accounts Receivable, Net	10,236,490	142,916,337	141,863,775	11,289,052
Total assets	\$ 14,535,195	\$ 281,719,696	\$ 283,447,697	\$ 12,807,194
Liabilities				
Due to Other Agencies	\$ 14,535,195	\$ 421,494,746	\$ 423,222,747	\$ 12,807,194
Total liabilities	\$ 14,535,195	\$ 421,494,746	\$ 423,222,747	\$ 12,807,194
Employee Prepaid Insurance Fund				
Assets				
Cash and Cash Equivalents	\$ 5,878,130	\$ 63,704,847	\$ 69,314,642	\$ 268,335
Accounts Receivable, Net		499,232		499,232
Total assets	\$ 5,878,130	\$ 64,204,079	\$ 69,314,642	\$ 767,567
Liabilities				
Accounts Payable	\$ 5,878,130	\$ 63,659,539	\$ 68,770,102	\$ 767,567
Total liabilities	\$ 5,878,130	\$ 63,659,539	\$ 68,770,102	\$ 767,567
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Cash and Cash Equivalents	\$ 75,235	\$ 5,249,333	\$ 5,251,850	\$ 72,718
Total assets	\$ 75,235	\$ 5,249,333	\$ 5,251,850	\$ 72,718
Liabilities				
Due to Other Agencies	\$ 75,235	\$ 5,249,333	\$ 5,251,850	\$ 72,718
Total liabilities	\$ 75,235	\$ 5,249,333	\$ 5,251,850	\$ 72,718
Totals				
Assets				
Cash and Cash Equivalents	\$ 10,252,070	\$ 207,757,539	\$ 216,150,414	\$ 1,859,195
Accounts Receivable, Net	10,236,490	143,415,569	141,863,775	11,788,284
Total assets	\$ 20,488,560	\$ 351,173,108	\$ 358,014,189	\$ 13,647,479
Liabilities				
Accounts Payable	\$ 5,878,130	\$ 63,659,539	\$ 68,770,102	\$ 767,567
Due to Other Agencies	14,610,430	426,744,079	428,474,597	12,879,912
Total liabilities	\$ 20,488,560	\$ 490,403,618	\$ 497,244,699	\$ 13,647,479

**BUDGET AND ACTUAL
NONMAJOR
GOVERNMENTAL FUNDS**

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015

	ParkWise		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	693,240	766,145	72,905
Use of Money and Property	102,110	148,797	46,687
Federal Grants and Contributions			0
Other Agencies			0
Charges for Services	3,686,640	3,830,447	143,807
Contributions from Outside Sources			0
Miscellaneous		4,267	4,267
Total revenues	<u>4,481,990</u>	<u>4,749,656</u>	<u>267,666</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	2,861,600	2,871,818	(10,218)
Non-Departmental			
Capital Outlay	1,676,450	1,708,673	(32,223)
Capital Projects			
Debt service -			
Principal	580,000	580,000	
Interest	668,040	677,693	(9,653)
Total expenditures	<u>5,786,090</u>	<u>5,838,184</u>	<u>(52,094)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,304,100)</u>	<u>(1,088,528)</u>	<u>215,572</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (1,304,100)</u>	<u>(1,088,528)</u>	<u>\$ 215,572</u>
Fund balances, beginning of year		2,803,592	
Fund balances (deficits), end of year		<u>\$ 1,715,064</u>	

Convention Center Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
66,080	72,975	6,895
2,408,000	4,574,833	2,166,833
11,540	25,638	14,098
<u>2,485,620</u>	<u>4,673,446</u>	<u>2,187,826</u>
6,002,810	8,140,765	(2,137,955)
1,315,690	1,313,153	2,537
	59,775	(59,775)
<u>7,318,500</u>	<u>9,513,693</u>	<u>(2,195,193)</u>
<u>(4,832,880)</u>	<u>(4,840,247)</u>	<u>(7,367)</u>
4,832,880	4,835,747	2,867
<u>4,832,880</u>	<u>4,835,747</u>	<u>2,867</u>
<u>\$</u>	<u>(4,500)</u>	<u>\$ (4,500)</u>
	29,000	
	<u>\$ 24,500</u>	

H.U.R.F. Fund		
Budget	Actual	Variance - Positive (Negative)
441,000	\$ 378,391	\$ (62,609)
570,070	658,958	88,888
36,556,190	36,945,778	389,588
249,000	441,940	192,940
239,800	817,232	577,432
<u>38,056,060</u>	<u>39,242,299</u>	<u>1,186,239</u>
29,923,490	29,339,346	584,144
100,580	100,580	
711,970	589,192	122,778
233,370	192,564	40,806
<u>30,969,410</u>	<u>30,221,682</u>	<u>747,728</u>
<u>7,086,650</u>	<u>9,020,617</u>	<u>1,933,967</u>
(9,837,070)	(8,877,066)	960,004
<u>(9,837,070)</u>	<u>(8,877,066)</u>	<u>960,004</u>
<u>\$ (2,750,420)</u>	<u>143,551</u>	<u>\$ 2,893,971</u>
	11,291,288	
	<u>\$ 11,434,839</u>	

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015
(Continued)

	Civic Contribution Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	8,000	2,911	(5,089)
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	324,550	401,711	77,161
Miscellaneous			
Total revenues	<u>332,550</u>	<u>404,622</u>	<u>72,072</u>
Expenditures:			
Current -			
Elected and Official		7,934	(7,934)
Public Safety and Justice Services	21,000	46,935	(25,935)
Community Enrichment and Development	670,570	265,058	405,512
Non-Departmental		26,645	(26,645)
Capital Outlay			
Capital Projects	158,860	7,073	151,787
Debt service -			
Principal			
Interest			
Total expenditures	<u>850,430</u>	<u>353,645</u>	<u>496,785</u>
Excess (deficiency) of revenues over expenditures	<u>(517,880)</u>	<u>50,977</u>	<u>568,857</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (517,880)</u>	<u>50,977</u>	<u>\$ 568,857</u>
Fund balances, beginning of year		569,306	
Fund balances (deficits), end of year		<u>\$ 620,283</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015**

(Continued)

	Public Housing Section 8 Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	20,000	14,453	(5,547)
Federal Grants and Contributions	38,115,670	34,720,132	(3,395,538)
Other Agencies			
Charges for Services		38,571	38,571
Contributions from Outside Sources			
Miscellaneous		87,088	87,088
Total revenues	<u>38,135,670</u>	<u>34,860,244</u>	<u>(3,275,426)</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	37,778,190	35,334,567	2,443,623
Non-Departmental			
Capital Outlay	23,480	20,551	2,929
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	<u>37,801,670</u>	<u>35,355,118</u>	<u>2,446,552</u>
Excess (deficiency) of revenues over expenditures	<u>334,000</u>	<u>(494,874)</u>	<u>(828,874)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 334,000</u>	<u>(494,874)</u>	<u>\$ (828,874)</u>
Fund balances, beginning of year		3,293,145	
Fund balances (deficits), end of year		<u>\$ 2,798,271</u>	

HOME Affordable Housing Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	115	115
6,065,920	4,185,061	(1,880,859)
	234,981	234,981
<u>6,065,920</u>	<u>4,420,157</u>	<u>(1,645,763)</u>

Other Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	4,396	4,396
32,447,400	16,361,859	(16,085,541)
<u>32,447,400</u>	<u>16,366,255</u>	<u>(16,081,145)</u>

6,065,920	4,280,475	1,785,445
<u>6,065,920</u>	<u>4,280,475</u>	<u>1,785,445</u>

303,640	287,728	15,912
13,246,450	10,153,318	3,093,132
2,893,660	1,201,115	1,692,545
2,448,070	1,447,534	1,000,536
3,373,590	3,274,398	99,192
<u>22,265,410</u>	<u>16,364,093</u>	<u>5,901,317</u>

	139,682	139,682
--	---------	---------

10,181,990	2,162	(10,179,828)
------------	-------	--------------

\$	139,682	\$ 139,682
----	---------	------------

\$ 10,181,990	2,162	\$ (10,179,828)
---------------	-------	-----------------

\$ 139,682

66,117
\$ 68,279

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2015
(Concluded)

	Non-Federal Grants Fund		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	2,379,790	2,012,209	(367,581)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>2,379,790</u>	<u>2,012,209</u>	<u>(367,581)</u>
Expenditures:			
Current -			
Elected and Official	80,740	83,942	(3,202)
Public Safety and Justice Services	1,248,990	1,510,591	(261,601)
Community Enrichment and Development	600,570	375,460	225,110
Non-Departmental			
Capital Outlay	179,820		179,820
Capital Projects	26,000	42,216	(16,216)
Debt service -			
Principal			
Interest			
Total expenditures	<u>2,136,120</u>	<u>2,012,209</u>	<u>123,911</u>
Excess (deficiency) of revenues over expenditures	<u>243,670</u>		<u>(243,670)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 243,670</u>		<u>\$ (243,670)</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year		<u>\$</u>	

Sun Link Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	441,000	\$ 378,391	\$ (62,609)
			693,240	766,145	72,905
			766,260	902,605	136,345
			91,388,140	66,636,184	(24,751,956)
2,000,000	2,001,628	1,628	40,935,980	40,959,615	23,635
1,296,390	976,485	(319,905)	7,976,030	10,439,588	2,463,558
	5,422	5,422	324,550	401,711	77,161
			251,340	940,581	689,241
<u>3,296,390</u>	<u>2,983,535</u>	<u>(312,855)</u>	<u>142,776,540</u>	<u>121,424,820</u>	<u>(21,351,720)</u>
			384,380	379,604	4,776
			14,516,440	11,710,844	2,805,596
4,120,560	3,856,259	264,301	104,060,040	96,115,936	7,944,104
			1,416,270	1,440,378	(24,108)
80,000	8,526	71,474	5,119,790	3,834,251	1,285,539
			5,535,120	5,076,502	458,618
735,000	735,000		1,315,000	1,315,000	
776,780	394,759	382,021	1,444,820	1,087,732	357,088
<u>5,712,340</u>	<u>4,994,544</u>	<u>717,796</u>	<u>133,791,860</u>	<u>120,960,247</u>	<u>12,831,613</u>
			8,984,680	464,573	(8,520,107)
(2,415,950)	(2,011,009)	404,941			
			5,738,050	6,862,879	1,124,829
905,170	2,027,132	1,121,962	(9,837,070)	(8,877,066)	960,004
			<u>(4,099,020)</u>	<u>(2,014,187)</u>	<u>2,084,833</u>
<u>905,170</u>	<u>2,027,132</u>	<u>1,121,962</u>			
\$ (1,510,780)	16,123	\$ 1,526,903	\$ 4,885,660	(1,549,614)	\$ (6,435,274)
	2,502,984			24,534,168	
	<u>\$ 2,519,107</u>			<u>\$ 22,984,554</u>	

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON- MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2015

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures	2,000	2,629	629
Use of Money and Property	12,160	10,134	(2,026)
Other Agencies			
Special Assessments	293,380	323,164	29,784
Total revenues	<u>307,540</u>	<u>335,927</u>	<u>28,387</u>
Expenditures:			
Debt service -			
Principal	438,000	438,000	
Interest	70,070	70,064	6
Fiscal Agent Fees	1,250	1,500	(250)
Issuance Cost of Debt			
Total expenditures	<u>509,320</u>	<u>509,564</u>	<u>(244)</u>
Excess (deficiency) of revenues over expenditures	<u>(201,780)</u>	<u>(173,637)</u>	<u>28,143</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Refunded Bond Escrow Agent			
Transfers In			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (201,780)</u>	<u>(173,637)</u>	<u>\$ 28,143</u>
Fund balances, beginning of year		1,474,410	
Fund balances (deficits), end of year		<u>\$ 1,300,773</u>	

General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 30,622,420	\$ 30,148,102	\$ (474,318)
<u>30,622,420</u>	<u>30,148,102</u>	<u>(474,318)</u>
20,060,000	20,060,000	
9,762,310	9,640,274	122,036
2,900	1,475	1,425
	303,819	(303,819)
<u>29,825,210</u>	<u>30,005,568</u>	<u>(180,358)</u>
<u>797,210</u>	<u>142,534</u>	<u>(654,676)</u>
	36,535,000	36,535,000
	3,088,310	3,088,310
	(38,413,954)	(38,413,954)
	<u>1,209,356</u>	<u>1,209,356</u>
<u>\$ 797,210</u>	<u>1,351,890</u>	<u>\$ 554,680</u>
	653,656	
	<u>\$ 2,005,546</u>	

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
20,000	19,650	(350)
7,652,830	7,900,509	247,679
<u>7,672,830</u>	<u>7,920,159</u>	<u>247,329</u>
12,965,000	12,965,000	
4,544,350	4,544,350	
	1,000	(1,000)
550	258,236	(257,686)
<u>17,509,900</u>	<u>17,768,586</u>	<u>(258,686)</u>
<u>(9,837,070)</u>	<u>(9,848,427)</u>	<u>(11,357)</u>
	27,415,000	27,415,000
	2,081,361	2,081,361
	(28,525,000)	(28,525,000)
9,837,070	8,877,066	(960,004)
<u>9,837,070</u>	<u>9,848,427</u>	<u>11,357</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u>\$</u>	

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON- MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2015
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 30,622,420	\$ 30,148,102	\$ (474,318)
Fines and Forfeitures	2,000	2,629	629
Use of Money and Property	32,160	29,784	(2,376)
Other Agencies	7,652,830	7,900,509	247,679
Special Assessments	293,380	323,164	29,784
Total revenues	<u>38,602,790</u>	<u>38,404,188</u>	<u>(198,602)</u>
Expenditures:			
Debt service -			
Principal	33,463,000	33,463,000	
Interest	14,376,730	14,254,688	122,042
Fiscal Agent Fees	4,150	3,975	175
Issuance Cost of Debt	550	562,055	(561,505)
Total expenditures	<u>47,844,430</u>	<u>48,283,718</u>	<u>(439,288)</u>
Excess (deficiency) of revenues over expenditures	<u>(9,241,640)</u>	<u>(9,879,530)</u>	<u>(637,890)</u>
Other financing sources (uses):			
Bond Issuance		63,950,000	(63,950,000)
Premium on Debt Issuance		5,169,671	(5,169,671)
Refunded Bond Escrow Agent		(66,938,954)	66,938,954
Transfers In	9,837,070	8,877,066	960,004
Total other financing sources (uses)	<u>9,837,070</u>	<u>11,057,783</u>	<u>(1,220,713)</u>
Change in fund balances	<u>\$ 595,430</u>	<u>1,178,253</u>	<u>\$ (1,858,603)</u>
Fund balances, beginning of year		2,128,066	
Fund balances (deficits), end of year		<u>\$ 3,306,319</u>	



CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2015

	Capital Improvements Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		2,046	2,046
Grants and Contributions		19,751	19,751
Other Agencies	1,060,300	1,505,122	444,822
Miscellaneous		80,118	80,118
Total revenues	<u>1,060,300</u>	<u>1,607,037</u>	<u>546,737</u>
Expenditures:			
Current -			
City Court		83	(83)
Community Enrichment and Development	90,000	49,839	40,161
Support Services	75,000	45,649	29,351
Capital Outlay	19,750	284,811	(265,061)
Capital Projects	15,216,960	2,781,997	12,434,963
Debt Service -			
Interest		659,371	(659,371)
Debt Issuance Costs			
Total expenditures	<u>15,401,710</u>	<u>3,821,750</u>	<u>11,579,960</u>
Excess (deficiency) of revenues over expenditures	<u>(14,341,410)</u>	<u>(2,214,713)</u>	<u>12,126,697</u>
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Premium on Debt Issuance			
Transfers In			
Transfers Out		(10,534,700)	(10,534,700)
Total other financing sources (uses)		<u>(10,534,700)</u>	<u>(10,534,700)</u>
Change in fund balances	<u>\$ (14,341,410)</u>	<u>(12,749,413)</u>	<u>\$ 1,591,997</u>
Fund balances, beginning of year		18,053,710	
Fund balances (deficits), end of year		<u>\$ 5,304,297</u>	

Regional Transportation Authority Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 95,130	\$ 71,181	\$ (23,949)
38,747,970	40,358,360	1,610,390
	1,020,777	1,020,777
<u>38,843,100</u>	<u>41,450,318</u>	<u>2,607,218</u>
374,500	351,881	22,619
	2,219,057	(2,219,057)
44,840,440	48,393,303	(3,552,863)
<u>45,214,940</u>	<u>50,964,241</u>	<u>(5,749,301)</u>
<u>(6,371,840)</u>	<u>(9,513,923)</u>	<u>(3,142,083)</u>
	10,534,700	10,534,700
	10,534,700	10,534,700
\$ (6,371,840)	1,020,777	\$ 7,392,617
	33,397	
	<u>\$ 1,054,174</u>	

2012 General Obligation Streets Improvements Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 150,000	\$ 192,306	\$ 42,306
26,771,940	23,014,670	3,757,270
	148,587	(148,587)
<u>26,771,940</u>	<u>23,163,257</u>	<u>3,608,683</u>
<u>(26,621,940)</u>	<u>(22,970,951)</u>	<u>3,650,989</u>
20,000,000	20,000,000	
	538,520	538,520
<u>20,000,000</u>	<u>20,538,520</u>	<u>538,520</u>
\$ (6,621,940)	(2,432,431)	\$ 4,189,509
	30,324,014	
	<u>\$ 27,891,583</u>	

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2015
(Concluded)

	Development Fee Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$ 5,700,000	\$ 1,522,640	\$ (4,177,360)
Use of Money and Property	400,000	260,956	(139,044)
Grants and Contributions			
Other Agencies			
Miscellaneous			
Total revenues	<u>6,100,000</u>	<u>1,783,596</u>	<u>(4,316,404)</u>
Expenditures:			
Current -			
City Court			
Community Enrichment and Development			
Support Services	134,600	96,942	37,658
Capital Outlay	71,320		71,320
Capital Projects	4,243,790	3,760,516	483,274
Debt Service -			
Interest			
Debt Issuance Costs			
Total expenditures	<u>4,449,710</u>	<u>3,857,458</u>	<u>592,252</u>
Excess (deficiency) of revenues over expenditures	<u>1,650,290</u>	<u>(2,073,862)</u>	<u>(3,724,152)</u>
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Premium on Debt Issuance			
Transfers In		24,933	24,933
Transfers Out			
Total other financing sources (uses)		<u>24,933</u>	<u>24,933</u>
Change in fund balances	<u>\$ 1,650,290</u>	<u>(2,048,929)</u>	<u>\$ (3,699,219)</u>
Fund balances, beginning of year		35,186,527	
Fund balances (deficits), end of year		<u>\$ 33,137,598</u>	

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 5,700,000	1,522,640	(4,177,360)
645,130	526,489	(118,641)
	19,751	19,751
39,808,270	41,863,482	2,055,212
	1,100,895	1,100,895
<u>46,153,400</u>	<u>45,033,257</u>	<u>(1,120,143)</u>
	83	(83)
27,236,440	23,416,390	3,820,050
209,600	142,591	67,009
91,070	2,503,868	(2,412,798)
64,301,190	54,935,816	9,365,374
	659,371	(659,371)
	148,587	(148,587)
<u>91,838,300</u>	<u>81,806,706</u>	<u>10,031,594</u>
<u>(45,684,900)</u>	<u>(36,773,449)</u>	<u>8,911,451</u>
20,000,000	20,000,000	
	538,520	538,520
	10,559,633	10,559,633
	(10,534,700)	(10,534,700)
<u>20,000,000</u>	<u>20,563,453</u>	<u>563,453</u>
<u>\$ (25,684,900)</u>	<u>(16,209,996)</u>	<u>\$ 9,474,904</u>
	83,597,648	
	<u>\$ 67,387,652</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENVIRONMENTAL SERVICES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 46,959,000	\$ 47,936,869	\$ 977,869
Miscellaneous	919,000	794,615	(124,385)
Total operating revenues	<u>47,878,000</u>	<u>48,731,484</u>	<u>853,484</u>
Operating expenses:			
Salaries, Wages and Benefits	15,584,210	15,006,999	577,211
Contractual Services	20,746,480	17,671,960	3,074,520
Commodities	5,417,800	4,284,730	1,133,070
Depreciation		3,706,588	(3,706,588)
Total operating expenses	<u>41,748,490</u>	<u>40,670,277</u>	<u>1,078,213</u>
Operating Income (Loss)	<u>6,129,510</u>	<u>8,061,207</u>	<u>1,931,697</u>
Nonoperating revenues (expenses):			
Investment Income	50	278,597	278,547
Gain (Loss) on Sale of Property/Equipment	67,630	358,000	290,370
Federal Grants and Contributions	150,000	108,577	(41,423)
Interest Expense	(490,430)	(481,451)	8,979
Debt Issuance Costs		9,864	9,864
Lease Agreement Principal	(124,000)		124,000
Total nonoperating revenues (expenses)	<u>(396,750)</u>	<u>273,587</u>	<u>670,337</u>
Income (Loss) before capital contributions and transfers	<u>5,732,760</u>	<u>8,334,794</u>	<u>2,602,034</u>
Changes in net Position	<u>\$ 5,732,760</u>	<u>8,334,794</u>	<u>\$ 2,602,034</u>
Total net position, beginning of year - Restated		(25,318,874)	
Total net position (deficit), end of year		<u>\$ (16,984,080)</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
TUCSON GOLF ENTERPRISE FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Tucson Golf Enterprise Fund		
	Budget	Actual	Variance - Positive/ Negative
Operating revenues:			
Charges for Services	\$ 8,130,050	\$ 7,138,080	\$ (991,970)
Miscellaneous Revenue		1,202	1,202
Total operating revenues	<u>8,130,050</u>	<u>7,139,282</u>	<u>(990,768)</u>
Operating expenses:			
Salaries, Wages and Benefits		43,685	(43,685)
Contractual Services	6,048,720	5,711,867	336,853
Commodities	1,238,130	1,180,419	57,711
Cost of Goods Sold	709,240	597,432	111,808
Depreciation		722,768	(722,768)
Total operating expenses	<u>7,996,090</u>	<u>8,256,171</u>	<u>(260,081)</u>
Operating income (loss)	<u>133,960</u>	<u>(1,116,889)</u>	<u>(1,250,849)</u>
Nonoperating revenues (expenses):			
Interest Expense		(11,167)	(11,167)
Total nonoperating revenues (expenses)		<u>(11,167)</u>	<u>(11,167)</u>
Income (loss) before capital contributions and transfers	<u>133,960</u>	<u>(1,128,056)</u>	<u>(1,262,016)</u>
Transfers Out			
Special Items			
Changes in net position	<u>\$ 133,960</u>	<u>(1,128,056)</u>	<u>\$ (1,262,016)</u>
Total net position, beginning of year		7,856,439	
Total net position, end of year		<u>\$ 6,728,383</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PUBLIC HOUSING FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 6,476,690	\$ 3,779,967	\$ (2,696,723)
Federal Grants and Contributions	6,207,480	5,881,411	(326,069)
Miscellaneous	51,880	602,206	550,326
Total operating revenues	<u>12,736,050</u>	<u>10,263,584</u>	<u>(2,472,466)</u>
Operating expenses:			
Salaries, Wages and Benefits	5,119,810	4,693,815	425,995
Contractual Services	6,979,500	3,528,255	3,451,245
Commodities	1,050,450	763,214	287,236
Depreciation		920,414	(920,414)
Total operating expenses	<u>13,149,760</u>	<u>9,905,698</u>	<u>3,244,062</u>
Operating Income (Loss)	<u>(413,710)</u>	<u>357,886</u>	<u>771,596</u>
Nonoperating revenues (expenses):			
Investment Income	38,890	53,329	14,439
Gain (Loss) on Sale of Property/Equipment		7,051	7,051
Other Nonoperating Income (Expenses)		(68,590)	(68,590)
Total nonoperating revenues (expenses)	<u>38,890</u>	<u>(8,210)</u>	<u>(47,100)</u>
Income (Loss) before capital contributions and transfers	<u>(374,820)</u>	<u>349,676</u>	<u>724,496</u>
Capital Contributions		(185,611)	(185,611)
Transfers Out		(80,000)	(80,000)
Changes in net position	<u>\$ (374,820)</u>	<u>84,065</u>	<u>\$ 458,885</u>
Total net position, beginning of year - Restated		22,670,045	
Total net position, end of year		<u>\$ 22,754,110</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
HCD NON-PHA ASSET MGMT FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 1,027,930	\$ 1,084,595	\$ 56,665
Federal Grants and Contributions	208,200	228,604	20,404
Miscellaneous			
Total operating revenues	<u>1,236,130</u>	<u>1,313,199</u>	<u>77,069</u>
Operating expenses:			
Salaries, Wages and Benefits	425,210	767,274	(342,064)
Contractual Services	1,099,020	1,045,458	53,562
Commodities	170,510	160,612	9,898
Depreciation		294,007	(294,007)
Total operating expenses	<u>1,694,740</u>	<u>2,267,351</u>	<u>(572,611)</u>
Operating Income (Loss)	<u>(458,610)</u>	<u>(954,152)</u>	<u>(495,542)</u>
Nonoperating revenues (expenses):			
Investment Income	68,200	75,079	6,879
Gain (loss) on Sale of Property/Equipment		326,166	326,166
Total nonoperating revenues (expenses)	<u>68,200</u>	<u>401,245</u>	<u>333,045</u>
Income (Loss) before capital contributions and transfers	<u>(390,410)</u>	<u>(552,907)</u>	<u>(162,497)</u>
Transfers In		<u>80,000</u>	<u>80,000</u>
Changes in net position	<u>\$ (390,410)</u>	<u>(472,907)</u>	<u>\$ (82,497)</u>
Total net position, beginning of year - Restated		12,476,739	
Total net position, end of year		<u>\$ 12,003,832</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WATER UTILITY - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 182,602,550	\$ 175,426,614	\$ (7,175,936)
Miscellaneous	2,340,000	6,227,556	3,887,556
Total operating revenues	<u>184,942,550</u>	<u>181,654,170</u>	<u>(3,288,380)</u>
Operating expenses:			
Salaries, Wages and Benefits	35,267,090	30,922,125	4,344,965
Contractual Services	67,466,390	65,207,482	2,258,908
Commodities	9,092,230	8,243,561	848,669
Depreciation		35,205,332	(35,205,332)
Total operating expenses	<u>111,825,710</u>	<u>139,578,500</u>	<u>(27,752,790)</u>
Operating Income (Loss)	<u>73,116,840</u>	<u>42,075,670</u>	<u>(31,041,170)</u>
Nonoperating revenues (expenses):			
Investment Income	314,250	893,175	578,925
Gain (Loss) on Sale of Property/Equipment		(230,052)	(230,052)
Non-Grant Contributions	750,000	734,619	(15,381)
Interest Expense	(23,374,080)	(18,967,617)	4,406,463
Issuance Costs	(280,000)	(1,458,631)	(1,178,631)
Other Nonoperating Income (Expenses)		(7,698,707)	(7,698,707)
Total nonoperating revenues (expenses)	<u>(22,589,830)</u>	<u>(26,727,213)</u>	<u>(4,137,383)</u>
Income (Loss) before capital contributions and transfers	<u>50,527,010</u>	<u>15,348,457</u>	<u>(35,178,553)</u>
Capital Contributions	2,983,000	6,787,906	3,804,906
Transfers Out		(1,600,000)	(1,600,000)
Changes in net position	<u>\$ 53,510,010</u>	<u>20,536,363</u>	<u>\$ (32,973,647)</u>
Total net position, beginning of year - Restated		760,457,882	
Total net position, end of year		<u>\$ 780,994,245</u>	



CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Revenues:

Sale of Water:		
Potable Water Sales		\$ 133,493,366
Reclaimed Water Sales		9,070,375
Central Arizona Project Charge		21,410,392
Connection Fees		1,444,549
Environmental and Sewer Billing Services		4,074,528
TCE Clean Up Reimbursement		979,441
Plan Review and Inspection Fees		583,543
Other		10,597,977

Non-Operating Income:

Impact Fees	\$ 2,481,092	
Investment Earnings - Operating Fund	483,101	
Investment Earnings - Debt Service	125,803	
Federal Non-Grant Contributions (BABS)	734,619	
Proceeds from Sale of Property/Equipment	373,780	
Proceeds from Property Equipment Rental	284,271	
Total Non-Operating Income	<u>4,482,666</u>	
Total Revenues		<u>186,136,837</u>

Operation and Maintenance Expenses:

Director's Office		7,001,646
Business Services		4,387,520
Customer Services		7,852,208
Water Operations		21,392,395
Planning and Engineering		6,523,342
Quality Management		10,259,536
Power - Potable System		13,226,848
Power - Reclaimed System		1,613,250
CAP Water Purchases:		
Commodity	23,604,242	
Capital Charges	3,171,784	
Total CAP Water Purchases	<u>26,776,026</u>	
General Expenses		3,402,348
Capitalized Operation and Maintenance Expense		(5,437,140)
Total Operation and Maintenance Expense		<u>96,997,979</u>

Net Revenue Available After Operations (2) \$ 89,138,858

CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Bond Debt Service:

Senior Liens

Interest	\$	20,073,447
Principal		24,900,000
Total Debt Service for Water Revenue Bonds		44,973,447

Junior Liens (Water Infrastructure Finance Authority)

Interest		1,043,670
Principal		3,301,640
Total Debt Service for Water Infrastructure Finance Authority		4,345,310

Combined Senior and Junior Liens

Interest		21,117,117
Principal		28,201,640
Total Debt Service		49,318,757

Net Revenue Available After Operations

Bond Debt Service for Senior Liens	\$	44,165,411
------------------------------------	----	------------

Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	\$	39,820,101
--------------------------------------	----	------------

- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financials statements are presented on a GAAP basis.
- (2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement of \$48,430,572. The City's experience has shown that more favorable interest rates (and thus lower debt service costs) can be attained if such coverage is 150% to 200%. For the period ended June 30, 2015, maximum future annual debt service coverage of senior lien debt is 184%.

An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2015, the debt coverage on Senior Lien Annual Debt Service Requirement was 198% .

The Water Utility's Junior Lien Debt has requirements that Net Revenues Available After Operations and Senior Lien debt service payments for any fiscal year must equal or exceed 175% of the Annual Debt Service Requirement for that fiscal year. If this requirement is not met, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2015, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 1092%.

In Comprehensive Annual Financial Reports for prior fiscal years, the debt coverage ratio was calculated on combined Senior and Junior Lien coverage ratio. For comparative purposes, the combined Annual Debt Service coverage ratio for the fiscal year period ended June 30, 2015, is 181%. The maximum future debt service coverage is 160%.



CITY OF TUCSON, ARIZONA



STATISTICAL SECTION

Statistical Section - Unaudited

This part of the City of Tucson's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

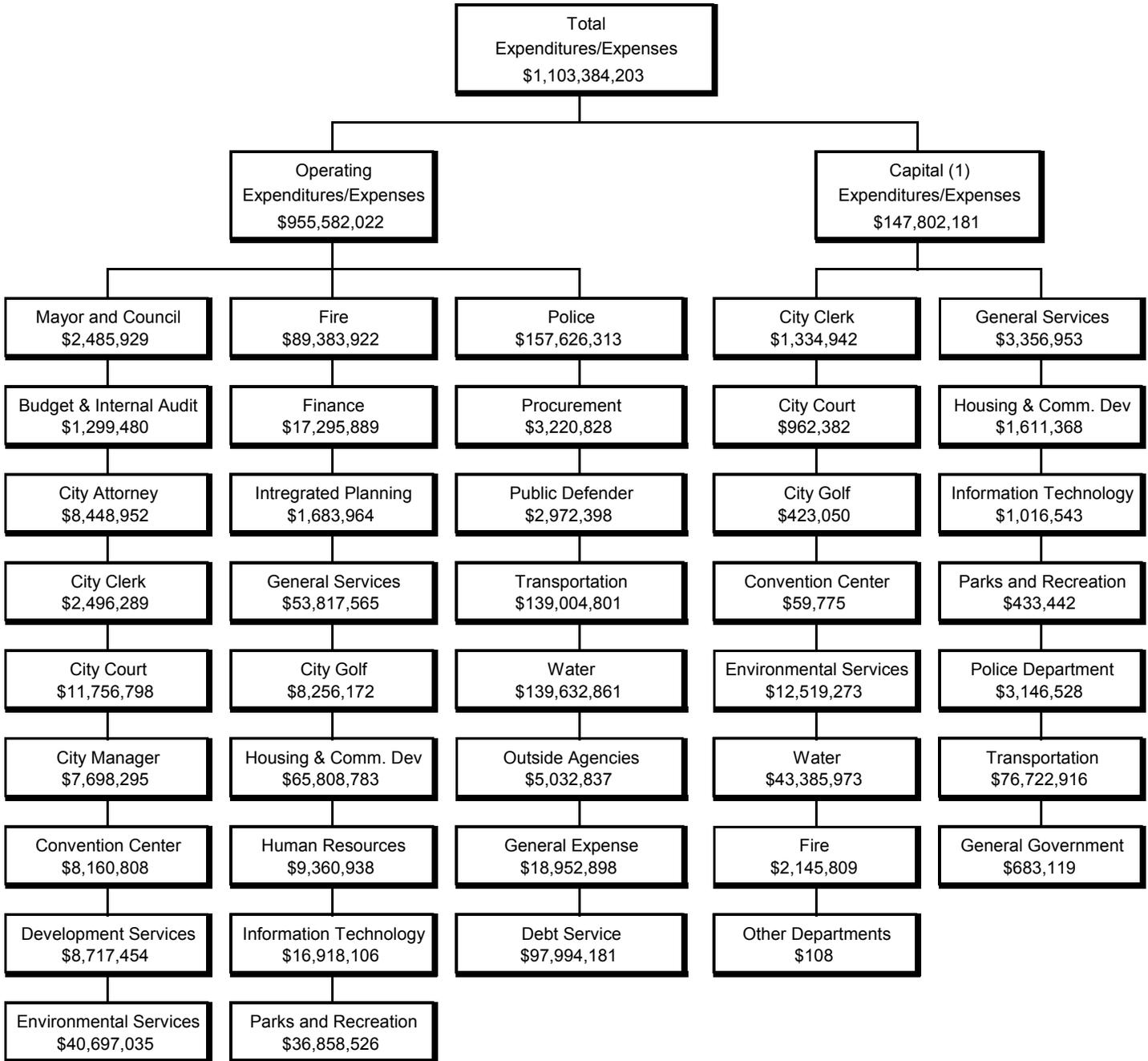
Contents

	<u>Page</u>
Financial Trends	152
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	160
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	163
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	168
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	170
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

City of Tucson
Expenditures/Expenses by Department
Fiscal Year 2015

TABLE I



Note: (1) Not all capital expenditures/expenses become City Assets

CITY OF TUCSON
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE II

	Fiscal Year									
	2006 (1)	2007 (2)	2008	2009	2010	2011	2012	2013 (3)	2014 (4)	2015
Governmental Activities										
Net Investment in Capital Assets	\$ 976,649,504	959,636,068	1,048,004,576	1,128,906,123	1,231,660,136	1,244,170,566	1,350,013,946	1,450,248,757	1,499,029,239	1,539,250,781
Restricted	138,645,084	177,158,918	164,195,246	154,738,778	129,992,175	159,017,958	118,633,469	141,695,269	154,849,334	147,289,613
Unrestricted	42,058,585	28,276,910	(2,780,426)	(24,665,404)	(13,022,236)	24,382,059	33,108,497	(409,624)	(780,353,582)	(833,065,927)
Total Net position	\$ 1,157,353,173	1,165,071,896	1,209,419,396	1,258,979,497	1,348,630,075	1,427,570,583	1,501,755,912	1,591,534,402	873,524,991	853,474,467
Business-type Activities										
Net Investment in Capital Assets	\$ 583,166,485	681,599,255	696,128,404	727,347,232	737,714,049	752,837,699	769,213,845	788,088,044	811,642,121	825,087,980
Restricted	3,254,815	25,024,209	26,615,863	33,361,233	35,566,434	35,160,494	36,339,552	37,933,738	38,724,476	39,601,012
Unrestricted	(20,024,020)	(42,876,565)	(60,875,072)	(37,020,962)	(36,777,570)	(26,949,353)	(10,391,767)	(1,669,897)	(89,809,383)	(76,994,286)
Total Net position	\$ 566,397,280	663,746,899	661,869,195	723,687,503	736,502,913	761,048,840	795,161,630	824,351,885	760,557,214	787,694,706
Primary Government										
Net Investment in Capital Assets	\$ 1,559,815,989	1,641,235,323	1,744,132,980	1,856,253,355	1,969,374,185	1,997,008,265	2,119,227,791	2,238,336,801	2,310,671,360	2,364,338,761
Restricted	141,899,899	202,183,127	190,811,109	188,100,011	165,558,609	194,178,452	154,973,021	179,629,007	193,573,810	186,890,625
Unrestricted	22,034,565	(14,599,655)	(63,655,498)	(61,686,366)	(49,799,806)	(2,567,294)	22,716,730	(2,079,521)	(870,162,965)	(910,060,213)
Total Net position	\$ 1,723,750,453	1,828,818,795	1,871,288,591	1,982,667,000	2,085,132,988	2,188,619,423	2,296,917,542	2,415,886,287	1,634,082,205	1,641,169,173

- Notes:** (1) Restated ending FY 2006/beginning FY 2007 Governmental Activities net position because of an error due to reporting of construction in progress. This caused the Invested in Capital Assets, Net of Related Debt to decrease by \$9,009,120. The ending FY 2006/beginning FY 2007 Business-type Activities were restated because of an asset impairment. The Invested in Capital Assets, Net of Related Debt decreased by \$32,225,361.
- (2) Restated ending FY 2007/beginning FY 2008 Net Position for Governmental and Business-type Activities to meet new HUD reporting requirements.
- (3) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position.
- (4) The implementation of GASB Statement 68 requires the City to recognize pension liabilities and related expenses on the financial statements. The restatement affected the unrestricted net position. (See Note 20)

CITY OF TUCSON
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE III

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 (3)	2014 (4)	2015
Expenses										
Governmental Activities										
Elected and Official Support Services	\$ 17,443,632	18,282,947	20,700,143	18,779,409	18,771,020	22,071,179	22,496,102	22,380,772	22,266,302	20,624,381
Neighborhood Services	341,517,918	359,333,504	372,033,490	366,985,315	354,449,593	340,720,803	497,892,563			
Public Safety and Justice Services									260,591,927	323,811,440
Public Safety/ Neighborhood Services								373,619,042		
Operations and Development	137,175,591	153,134,680	156,511,559	143,961,284	137,548,043	146,488,882	12,266,031	170,562,802		
Community Enrichment and Development									271,590,886	297,437,927
Strategic Initiatives	12,499,925	8,156,745	7,217,537	6,517,311	5,538,870					
Non-Departmental	14,972,390	35,332,418	46,693,111	43,079,731	29,756,362	27,175,033	27,092,579	45,134,817	28,356,640	25,615,851
Interest on Long-term Debt	24,108,533	27,227,363	27,105,560	27,364,406	27,605,603	27,880,687	32,242,741	30,428,436	24,236,525	25,387,637
Fiscal Agent Fees and Other	74,613	43,875	41,025	327,635	801,342	1,803,136	58,676	2,419,872	1,868,185	1,880,263
Total Governmental Activities	605,884,662	650,000,761	677,774,332	649,742,970	619,021,562	608,304,557	627,167,531	683,547,155	657,859,397	745,065,790
Business-type Activities										
Public Housing (1)			11,184,715	11,006,286	12,370,229	12,138,321	11,062,401	11,866,322	10,257,513	9,974,288
Non-PHA Asset Management (2)							1,120,698	1,409,258	1,383,356	2,267,351
Environmental Services	42,987,747	46,037,471	53,420,043	44,676,920	48,824,879	45,752,439	48,122,885	44,760,999	57,226,295	41,611,732
Tucson Golf Enterprise Fund	9,003,837	9,692,464	10,847,587	9,864,806	9,184,549	8,452,760	7,371,311	6,650,603	6,753,158	8,276,232
Water Utility	119,187,111	118,221,611	130,340,130	125,467,271	127,688,652	130,382,350	140,597,834	138,822,228	151,980,908	167,441,460
Total Business-type Activities	171,178,695	173,951,546	205,792,475	191,015,283	198,068,309	196,725,870	208,275,129	203,509,410	227,601,230	229,571,063
Total Primary Government Expenses	\$ 777,063,357	823,952,307	883,566,807	840,758,253	817,089,871	805,030,427	835,442,660	887,056,565	885,460,627	974,636,853
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 12,359,186	10,190,224	10,160,837	6,901,801	6,472,160	7,969,980	8,179,531	8,909,982	6,681,559	7,829,176
Recreation Fees	4,388,275	4,240,903	4,302,267	4,256,646	4,558,748	5,024,093	5,108,831	5,631,054	5,569,954	5,634,416
Paramedic Services Fees	7,184,801	7,243,133	8,510,101	8,830,533	10,921,989	12,111,479	7,856,194	12,098,585	10,616,793	11,155,836
Transit Fees	8,879,486	9,576,722	10,205,276	11,058,854	11,896,786	11,273,379	14,315,113	13,940,587	13,689,563	14,650,911
Other Charges for Service	67,970,643	59,651,892	68,504,419	70,813,426	68,746,501	70,395,491	65,894,543	64,077,153	67,855,088	75,410,073
Operating Grants & Contributions	134,853,525	119,726,357	112,001,911	119,638,739	124,171,155	119,655,515	118,671,770	131,713,221	108,429,579	118,631,887
Capital Grants and Contributions	36,449,563	56,340,464	87,427,159	124,734,954	116,859,034	95,761,089	122,030,260	153,546,244	123,245,664	81,649,759
Total Governmental Activities Program Revenues	272,085,479	266,969,695	301,111,970	346,234,953	343,626,373	322,191,026	342,056,242	389,916,826	336,088,200	314,962,058
Business-type Activities:										
Charges for Services:										
Public Housing AMP (1)			7,415,970	3,454,415	3,575,243	3,894,804	4,337,148	4,006,300	3,881,856	4,382,173
Non-PHA Asset Management (2)							728,920	1,093,525	1,008,228	1,084,595
Environmental Services	39,809,587	42,960,815	42,533,898	43,888,522	40,998,260	48,442,224	50,327,999	48,646,855	48,788,808	48,731,484
Water Utility	119,838,422	115,937,118	122,794,083	126,998,731	135,055,480	143,991,812	151,809,779	158,996,999	171,755,468	181,654,170
Tucson Golf Enterprise Fund	8,230,509	8,900,670	9,284,924	7,861,067	7,341,967	7,015,322	6,126,611	6,011,381	6,125,375	7,139,282
Operating Grants and Contributions				6,761,845	7,762,635	6,769,831	6,876,004	6,511,555	6,077,057	6,110,015
Capital Grants and Contributions	23,309,465	18,305,223	18,768,422	16,126,145	10,190,038	10,963,141	11,214,120	9,214,121	8,463,198	7,631,102
Total Business-type Activities Program Revenues	191,187,983	186,103,826	200,797,297	205,090,725	204,923,623	221,077,134	231,420,581	234,480,736	246,099,990	256,732,821
Total Primary Government Program Revenues	\$ 463,273,462	453,073,521	501,909,267	551,325,678	548,549,996	543,268,160	573,476,823	624,397,562	582,188,190	571,694,879

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 (3)	2014 (4)	2015 (5)
Net (Expenses) Revenue										
Governmental Activities	\$ (333,799,183)	(383,031,066)	(376,662,362)	(303,508,017)	(275,395,189)	(286,113,531)	(285,111,289)	(293,630,329)	(321,771,197)	(430,103,732)
Business-type Activities	20,009,288	12,152,280	(4,995,178)	14,075,442	6,855,314	24,351,264	23,145,452	30,971,326	18,498,760	27,161,758
Total Primary Government Net Expense	\$ (313,789,895)	(370,878,786)	(381,657,540)	(289,432,575)	(268,539,875)	(261,762,267)	(261,965,837)	(262,659,003)	(303,272,437)	(402,941,974)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 33,669,712	37,669,367	38,247,154	36,427,562	33,033,945	36,313,914	39,869,881	41,787,498	43,912,695	44,992,133
Business Privilege Taxes	195,790,010	209,180,346	204,012,348	184,328,136	172,738,382	175,207,546	182,474,594	189,238,160	193,235,470	194,523,190
Public Utility Taxes	7,585,462	7,176,742	7,048,842	6,711,441	18,216,381	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368
Hotel/Transient Occupancy Taxes	12,276,201	12,979,893	12,367,631	10,987,895	11,692,050	12,524,705	12,411,247	12,217,409	12,290,994	13,397,772
Occupational Taxes	2,044,040	2,124,410	881,679	86,868	127,851	86,091	84,690	102,558	87,846	
Liquor Taxes	721,117	731,380	670,480	702,523	732,622	760,615	743,322	749,028	750,481	
Unrestricted Grants and Contributions	129,370,825	136,287,823	148,335,159	141,187,557	125,011,993	110,567,181	105,988,454	115,792,652	124,171,684	131,349,102
Investment Income (Loss)	3,932,688	11,613,881	6,480,118	2,505,708	1,086,559	718,308	916,820	227,689	1,127,524	988,190
Miscellaneous	15,542,035	8,370,501	3,750,250	2,082,053	7,500,061	1,966,010	3,860,699	5,756,461	14,843,790	1,225,842
Transfers	59,894	(410,991)	(783,799)	(1,031,319)	(5,094,077)	1,618,501	(9,228,249)	(1,410,120)	957,697	1,785,611
Total Governmental Activities	\$ 400,991,984	425,723,352	421,009,862	383,988,424	365,045,767	365,054,039	359,296,620	391,178,911	412,264,407	410,053,208
Business-type Activities:										
Unrestricted Grants and Contributions										
Investment Income (Loss)	2,809,904	3,586,680	2,633,875	1,752,143	866,019	1,813,164	1,739,089	1,226,119	2,079,879	1,761,345
Miscellaneous										
Transfers	(59,894)	410,991	783,799	1,031,319	5,094,077	(1,618,501)	9,228,249	1,410,120	(957,697)	(1,785,611)
Total Business-type Activities	\$ 2,750,010	3,997,671	3,417,674	2,783,462	5,960,096	194,663	10,967,338	2,636,239	1,122,182	(24,266)
Total Primary Government	\$ 403,741,994	429,721,023	424,427,536	386,771,886	371,005,863	365,248,702	370,263,958	393,815,150	413,386,589	410,028,942
Change in Net Position										
Governmental Activities	\$ 67,192,801	42,692,286	44,347,500	80,480,407	89,650,578	78,940,508	74,185,331	97,548,582	90,493,210	(20,050,524)
Business-type Activities	22,759,298	16,149,951	(1,577,504)	16,858,904	12,815,410	24,545,927	34,112,790	33,607,565	19,620,942	27,137,492
Total Primary Government	\$ 89,952,099	58,842,237	42,769,996	97,339,311	102,465,988	103,486,435	108,298,121	131,156,147	110,114,152	7,086,968

- Notes:**
- (1) Conventional Public Housing accounting moved from governmental funds to enterprise funds.
 - (2) This fund is used to manage non-public housing assets that were moved from governmental funds.
 - (3) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position.
 - (4) Public Safety/Neighborhood Services and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development functions.
 - (5) Beginning in fiscal year 2015, liquor and occupational fees are categorized as a charge for service as they are permits, not taxes.

CITY OF TUCSON
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE IV

	Fiscal Year									
	2006	2007	2008	2009	2010 (1)	2011	2012	2013 (2)	2014	2015
General Fund										
Reserved	\$ 101,993,894	116,841,230	26,948,312	22,727,163						
Unreserved	62,715,037	50,947,576	31,124,703	17,000,405						
Nonspendable					3,091,091	2,725,063	2,736,679	7,885,432	10,539,014	11,175,121
Restricted					4,288,438	5,477,328	4,875,762	4,337,530	5,401,397	4,876,013
Committed					5,412,146	28,162,175	28,074,273	27,692,762	28,356,051	29,635,059
Assigned					11,523,823	13,264,761	18,056,275	1,680,900	6,464,860	4,285,870
Unassigned					22,836,507	11,107,980	8,668,230	12,765,747	15,991,136	15,736,784
Total General Fund	\$ 164,708,931	167,788,806	58,073,015	39,727,568	47,152,005	60,737,307	62,411,219	54,362,371	66,752,458	65,708,847
All Other Governmental Funds										
Reserved	\$ 53,211,786	58,199,299	128,066,834	103,582,644						
Unreserved, Reported In:										
Special Revenue Funds	4,648,468	(487,809)	(11,863,316)	1,099,433						
Capital Project Funds	(3,140,518)	(2,508,873)	(528,205)							
Debt Service Funds										
Total Unreserved	1,507,950	(2,996,682)	(12,391,521)	1,099,433						
Nonspendable					5,014,035	4,186,004		4,115,915	4,505,250	5,831,208
Restricted					68,556,717	85,453,622	59,880,453	76,975,091	93,614,555	89,416,493
Committed					3,284,544	3,360,321	3,142,812	5,187,925	1,611,378	104,954
Assigned					13,779,239	18,901,488	9,861,655	9,559,070	15,359,731	4,498,593
Unassigned					(1,540,527)	(177,479)	(421,037)	(96,591)		
Total All Other Governmental Funds	\$ 54,719,736	55,202,617	115,675,313	104,682,077	89,094,008	111,723,956	72,463,883	95,741,410	115,090,914	99,851,248

- Notes:** (1) For FY 2010 GASB Statement No. 54 was implemented. See Note 1.Q. of the Notes to Basic Financial Statements.
- (2) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position.

CITY OF TUCSON
Tax and Other Agency Revenues, General Fund
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE V

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tax Revenues										
Property Taxes	\$ 9,727,445	9,975,822	10,122,161	11,568,247	11,633,043	12,034,959	12,048,032	12,467,667	12,993,033	13,413,323
Public Utility Taxes (1)	7,585,462	7,176,742	7,048,842	6,711,442	18,216,381	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368
Local Use Taxes	5,406,243	6,839,887	7,949,205	8,770,451	6,688,928	6,361,392	5,229,898	4,332,206	3,275,783	5,336,256
Business Privilege Taxes	190,383,766	202,340,460	196,063,144	169,708,658	166,573,329	168,139,915	176,758,407	182,861,378	187,178,747	188,784,244
Transient Occupancy Taxes	10,206,786	10,963,953	10,488,453	9,270,796	8,578,730	8,865,662	8,881,638	9,018,728	8,853,403	9,743,022
Other Taxes	4,869,058	4,871,730	3,431,368	2,511,727	3,977,799	4,793,061	4,704,477	4,280,298	4,788,139	3,990,156
Total Tax Revenues	\$ 228,178,760	242,168,594	235,103,173	208,541,321	215,668,210	225,486,157	229,797,614	239,677,853	237,975,331	243,058,369
Other Agency Revenues										
Auto Lieu Taxes - State	\$ 23,134,336	23,429,781	23,445,568	22,114,531	20,318,278	19,718,347	19,743,016	19,090,499	20,030,860	20,709,722
Sales Tax - State	51,801,435	50,310,855	48,272,651	41,597,129	38,800,312	40,564,009	40,807,325	42,757,073	45,344,556	47,733,015
Urban Revenue Sharing - State	52,493,683	62,547,187	75,343,982	77,475,899	65,593,404	50,284,825	45,438,112	53,945,081	58,796,268	62,906,365
Contributions and Agency Billings	10,784,563	1,262,098	2,663,381	1,564,782	1,570,211	3,862,945	4,855,284	4,486,826	4,563,843	5,606,984
Total Other Agency Revenue	\$ 138,214,017	137,549,921	149,725,582	142,752,341	126,282,205	114,430,126	110,843,737	120,279,479	128,735,527	136,956,086

Notes: (1) Public Utility Tax rate increased from 2% to 4% effective January 1, 2010

CITY OF TUCSON
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE VI

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 (2)	2014 (3)	2015
Revenues										
Taxes	\$ 252,399,097	268,850,174	262,850,771	233,356,179	237,065,108	249,762,745	255,269,345	267,885,494	265,975,961	273,206,471
Licenses and Permits	21,014,411	22,211,469	23,372,170	22,067,281	21,851,480	22,480,422	22,566,668	20,660,558	20,271,165	28,604,577
Fines and Forfeitures	12,536,270	13,025,976	13,688,009	15,945,245	14,591,212	14,656,099	13,845,465	12,852,016	15,761,622	16,831,650
Developer Fees	8,585,307	6,985,561	5,936,592	6,782,474	3,617,096	4,923,737	6,435,351	7,865,777	5,198,521	1,522,640
Use of Money and Property	5,515,756	13,645,750	8,564,946	4,763,576	3,069,974	2,812,446	2,822,212	2,475,035	3,185,971	2,248,794
Federal Grants and Contributions	80,001,063	88,800,500	75,144,483	97,791,606	108,297,296	98,431,053	130,698,957	147,167,365	81,133,301	89,328,863
Other Agencies	209,999,995	210,751,555	256,350,134	266,729,414	242,284,368	228,230,267	205,536,890	232,434,327	259,994,992	240,999,776
Charges for Services	60,290,340	47,584,931	56,153,508	55,590,055	59,108,565	60,487,549	59,580,884	63,383,040	61,868,702	62,646,317
Special Assessments	1,337,976	873,801	1,712,882	1,155,596	652,683	598,613	523,362	390,049	355,263	323,164
Miscellaneous	9,704,478	6,046,159	4,916,002	5,188,266	3,912,511	3,798,046	3,162,594	6,856,402	14,916,576	8,083,996
Total Revenues	661,384,693	678,775,876	708,689,497	709,369,692	694,450,293	686,180,977	700,441,728	761,970,063	728,662,074	723,796,248
Expenditures										
Current										
Elected and Official	17,638,983	18,113,339	20,547,490	18,326,961	18,435,544	21,539,110	22,745,526	22,220,220	22,491,683	21,123,774
Support Services	56,762,595	45,444,738	43,182,510	37,623,756	38,293,888	37,282,485	32,198,197	33,533,949	44,022,242	45,244,122
Neighborhood Services	338,648,790	336,416,150	354,437,324	355,353,344	334,874,173	328,579,562	446,212,801			
Environment and Development	111,266,055	119,417,994	125,894,170	112,662,056	101,757,866	110,638,943	12,266,031			
Public Safety/Neighborhood Services								359,047,300		
Public Safety and Justice Services									255,356,475	261,650,102
Operations and Development								133,123,134		
Community Enrichment and Development									223,217,451	247,138,055
Strategic Initiatives	12,368,978	7,760,831	7,017,029	6,298,094	5,378,320					
Non-Departmental	12,349,781	34,744,063	39,918,390	36,356,093	30,409,258	22,190,452	26,530,390	25,093,204	26,787,570	24,012,380
Capital Outlay	22,131,307	11,767,166	20,350,305	27,979,817	22,206,864	15,074,167	16,464,806	31,567,755	25,149,554	27,411,744
Capital Projects	58,419,415	84,542,323	94,607,634	109,248,633	95,859,440	120,926,947	105,148,263	114,500,756	81,701,341	63,066,809
Debt Service										
Principal	28,092,430	32,408,561	39,356,327	27,609,139	26,767,636	20,722,468	38,542,247	27,754,913	33,961,609	49,743,385
Interest	24,108,533	27,227,363	27,105,560	27,276,527	27,614,317	27,928,190	31,471,681	29,846,761	24,241,560	25,539,124
Fiscal Agent Fees	74,613	43,875	41,025	49,197	209,780	31,250	40,800	6,138	37,850	23,625
Issuance Cost of Debt	1,334,278	1,512,249		1,183,612	422,079	1,774,291	1,093,410	643,784	1,276,819	1,197,267
Total Expenditures	683,195,758	719,398,652	772,457,764	759,967,229	702,229,165	706,687,865	732,714,152	777,337,914	738,244,154	766,150,387
Excess of Revenues										
Over (Under) Expenditures	\$ (21,811,065)	(40,622,776)	(63,768,267)	(50,597,537)	(7,778,872)	(20,506,888)	(32,272,424)	(15,367,851)	(9,582,080)	(42,354,139)

(Continued)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources (Uses)										
Bond Issuance	\$ 347,766	72,167,871	14,972,655	10,505,635	10,560,000	10,730,000	23,060,000	54,500,000	40,000,000	83,950,000
Capital Leases	72,597,366	46,925,648	3,403,554	37,865,261	15,080,000	66,565,000	24,280,000	1,150,000	29,505,017	20,659,864
Premium on Issuance of Debt	1,095,521	5,263,499		1,757,629	1,686,456	1,575,158	3,624,218	4,008,299	4,123,622	8,287,282
Refunded Bond Escrow Agent Discount on Issuance of Debt		(65,418,781)		(28,778,672)	(24,964,377)	(21,992,814)	(50,175,809)	(37,576,983)	(32,257,750)	(88,426,284)
Transfers In	69,095,663	64,238,616	66,240,407	42,237,209	36,952,322	49,484,780	55,836,769	45,444,401	58,034,047	71,625,419
Transfers Out	(74,454,683)	(80,940,455)	(67,512,881)	(42,052,456)	(39,699,161)	(49,387,896)	(54,626,769)	(44,241,334)	(58,083,265)	(70,025,419)
Total Other Financing Sources (Uses)	68,681,633	42,236,398	17,103,735	21,258,853	(384,760)	56,722,138	1,998,409	23,284,383	41,321,671	26,070,862
Contributions to Permanent or Term Endowments										
Net Change in Fund Balances	\$ 46,870,568	1,613,622	(46,664,532)	(29,338,684)	(8,163,632)	36,215,250	(30,274,015)	7,916,532	31,739,591	(16,283,277)
Debt Service as a % of Noncapital Expenditures (1)	8.7%	9.6%	10.1%	8.8%	9.3%	8.5%	11.5%	9.1%	9.2%	11.1%

Note: (1) Noncapital expenditures are total expenditures less capital outlay and capital project expenditures.

(2) Environment and Development and Neighborhood Services functions were re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.

(3) Public Safety/Neighborhood Services and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development functions.

CITY OF TUCSON
Taxable Sales by Category
Last Ten Fiscal Years

TABLE VII

Activity (1)	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Utilities (2)	\$ 665,840,100	685,494,200	754,333,550	720,709,200	790,046,950	718,552,700	750,007,650	753,704,450	761,478,800	782,177,122
Communications	288,738,150	309,965,250	314,494,025	234,427,450	240,025,429	267,402,622	227,677,700	232,882,104	201,169,667	184,659,928
Publishing & Printing	56,622,550	56,808,850	55,307,570	44,152,529	54,591,885	46,369,408	50,777,500	47,314,952	46,030,420	46,225,728
Restaurants	950,077,050	1,006,900,500	966,255,780	909,165,921	912,271,846	913,184,999	996,147,700	1,031,086,030	1,053,054,171	1,116,095,399
Amusements	60,073,700	68,246,600	62,898,805	56,520,306	80,315,638	81,730,112	84,884,600	88,969,460	85,607,140	85,427,724
Rentals	1,473,847,350	1,576,227,300	1,051,928,291	967,460,437	969,092,254	971,487,214	985,211,000	1,015,055,763	998,954,427	972,479,203
Contracting	898,467,650	1,103,554,400	1,180,979,287	926,838,539	674,230,827	707,955,711	745,759,900	835,481,024	862,574,090	654,854,410
Retail	5,769,134,550	5,861,941,200	5,745,480,498	4,882,756,145	4,668,578,836	4,793,591,280	5,062,139,300	5,336,970,626	5,455,905,198	5,804,257,368
Use Tax	252,770,250	311,142,550	342,690,041	437,398,000	335,281,026	325,202,306	256,853,800	219,717,771	208,957,129	274,254,592
Other	2,148,900	9,693,050	4,337,849	3,459,309	2,332,375	2,324,982	2,051,050	2,812,713	1,388,506	1,711,651
Total Business Privilege Activity	\$ 10,417,720,250	10,989,973,900	10,478,705,696	9,182,887,836	8,726,767,066	8,827,801,334	9,161,510,200	9,563,994,893	9,675,119,548	9,922,143,125
City's Tax Rate	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

Notes: (1) Tax activity reporting were re-calculated for fiscal years 2006-2014 due to changes in tax software collection systems.

(2) The utility activity is split into three categories with different tax rates: utility tax, 2%; public utility tax, 4%; and utility right-of-way tax, 1.5%. The public utility tax is assessed against both the utility and communication activities net of any franchise tax. In fiscal year 2012, the calculation of the utility revenue base was changed because the various tax rates apply to the same revenue base. In previous years an average rate was used, which resulted in using a calculated revenue base.

**CITY OF TUCSON
 Business Privilege Taxes
 Overlapping Tax Rates
 Last Ten Fiscal Years**

TABLE VIII

<u>Fiscal Year</u>	<u>City's Rate</u>	<u>State's Rate (1)</u>	<u>County's Rate - RTA (2)</u>
2006	2.0%	5.6%	
2007	2.0%	5.6%	0.5%
2008	2.0%	5.6%	0.5%
2009	2.0%	5.6%	0.5%
2010	2.0%	6.6%	0.5%
2011	2.0%	6.6%	0.5%
2012	2.0%	6.6%	0.5%
2013	2.0%	5.6%	0.5%
2014	2.0%	5.6%	0.5%
2015	2.0%	5.6%	0.5%

Notes: (1) In May 2010 Arizona voters approved a 1% increase in the State's rate for 3 years. In May 2013, the voters did not approve continuing the 1% increase.

(2) On May 16, 2006 voters in Pima County approved a 20-year Regional Transportation Plan and a regional half-cent sales tax to pay for roadway, transit, bike and pedestrian improvements.

CITY OF TUCSON
Principal Business Privilege Tax Remitters By Activity
Current Year and Nine Years Ago

TABLE IX

Business Sector	Fiscal Year 2006		Fiscal Year 2015	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility	\$ 13,316,802	6.2%	\$ 15,654,120	7.1%
Public Utility	7,229,078	3.3%	21,206,714	9.7%
Public Utility (Right of Way)	242,975	0.1%	712,773	0.3%
Communications	5,774,763	2.7%	3,745,576	1.7%
Publishing & Printing	1,132,451	0.5%	921,730	0.4%
Restaurants	19,001,541	8.8%	22,300,451	10.2%
Amusements	1,201,474	0.6%	1,690,378	0.8%
Rentals	29,476,947	13.7%	19,419,007	8.9%
Contracting	17,969,353	8.3%	12,634,392	5.8%
Retail	115,382,691	53.5%	115,714,650	52.8%
Use Tax	5,055,405	2.3%	5,301,358	2.4%
Other Activities	42,978	0.0%	34,568	0.0%
Total (1)	\$ <u>215,826,458</u>	<u>100%</u>	\$ <u>219,335,717</u>	<u>100%</u>

Notes: (1) Total does not include refunds and other reductions.

CITY OF TUCSON
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

TABLE X

Fiscal Year	Governmental Activities							Total Governmental Activities
	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	
2006	\$ 244,179,667	\$ 151,604,194	\$	\$ 154,668,013	\$ 3,482,290	\$ 7,218,103	\$	\$ 561,152,267
2007	245,941,434	141,039,342		187,546,573	3,331,922	11,505,815		566,450,190
2008	231,335,000	130,074,491	13,400,000	175,822,401	4,333,598	11,484,700		604,261,902
2009	262,210,644	129,612,924	5,900,000	194,647,929	4,192,893	7,697,512	7,595,900	611,857,802
2010	245,618,295	129,386,496		194,509,665	3,626,171	5,687,600	7,011,600	585,839,827
2011	228,830,948	129,040,167		250,893,995	3,052,000	2,875,924	17,662,300	632,355,334
2012	215,939,228	115,753,502		243,748,461	2,469,000	1,660,877	16,458,000	596,029,068
2013	220,197,706	116,685,796		236,008,762	2,006,000	2,340,221	15,178,700	592,417,185
2014	221,448,585	103,815,714		256,206,057	1,577,000	2,062,612	13,889,400	598,999,368
2015	221,866,839	89,760,231		241,337,521	1,139,000	3,073,227	12,580,100	569,756,918

Fiscal Year	Business-type Activities							Per Capita (2)
	Water System Revenue Bonds	General Obligation Bonds (1)	Capital Leases	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personnel Income (2)	
2006	393,737,686	42,386,887	6,787,833	5,471,613	448,384,019	1,009,536,286	3.27%	1,023.66
2007	423,770,161	45,835,796	7,096,351	5,060,079	481,762,387	1,048,212,577	3.17%	1,052.42
2008	448,147,196	45,515,223	7,687,215	4,628,544	505,978,178	1,110,240,080	3.38%	1,095.99
2009	472,246,885		5,028,084	14,559,976	491,834,945	1,103,692,747	3.16%	1,084.39
2010	495,077,420		2,738,197	14,557,161	512,372,778	1,098,212,605	3.12%	1,060.36
2011	508,483,331		1,261,542	14,554,345	524,299,218	1,156,654,552	3.14%	1,187.53
2012	530,725,708		517,185	14,429,000	545,671,893	1,141,700,961	3.10%	1,152.07
2013	543,238,800			10,714,000	553,952,800	1,146,369,985	3.11%	1,150.05
2014	554,163,377			10,753,136	564,916,513	1,163,915,881	3.16%	1,168.54
2015	553,470,977			10,617,119	564,088,096	1,133,845,014	2.96%	1,125.74

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Debt service is paid and bond liability reported in the Environmental Services Enterprise Fund. A restatement was done in FY 2009.

(2) Population and personal income information can be found on Table XV

CITY OF TUCSON
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

TABLE XI

Fiscal Year		General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Estimated Net Full Cash Value	Percentage of Actual Property Value	Per Capita
2006	(1)	\$ 286,566,554	\$ 7,839,739	\$ 278,726,815	\$ 19,785,493,382	1.41%	\$ 282.63
2007	(2)	291,777,230	10,833,913	280,943,317	22,220,936,879	1.26%	282.07
2008	(3)	276,850,223	13,842,695	263,007,528	26,219,680,375	1.00%	259.63
2009	(4)	262,210,644	10,742,199	251,468,445	30,304,695,215	0.83%	247.07
2010		245,618,295	4,234,358	241,383,937	30,988,293,628	0.78%	233.06
2011		228,830,948	1,101,917	227,729,031	29,724,994,272	0.77%	233.81
2012		215,939,228		215,939,228	26,361,320,625	0.82%	217.90
2013		220,197,706		220,197,706	25,277,236,323	0.87%	220.90
2014		221,448,585		221,448,585	23,573,852,432	0.94%	222.33
2015		221,866,839		221,866,839	23,621,125,299	0.94%	220.28

Source: Estimated net full cash value is from the General Obligations, Series 2012-C (2015) Official Statement.

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) Includes \$42,386,887 of General Bonded debt in the Environment Services Fund.
- (2) Includes \$45,835,796 of General Bonded debt in the Environment Services Fund.
- (3) Includes \$45,515,223 of General Bonded debt in the Environment Services Fund.
- (4) General Bonded debt no longer in the Environment Services Fund.

CITY OF TUCSON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

TABLE XII

<u>Overlapping Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt (1)</u>
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 383,935,000	41.32%	\$ 158,641,942
Tucson Unified School District No. 1	186,990,000	76.00%	142,112,400
Flowing Wells Unified School District No. 8	17,455,000	6.02%	1,050,791
Amphitheater Unified School District No. 10	97,530,000	8.20%	7,997,460
Sunnyside Unified School District No. 12	60,830,000	13.13%	7,986,979
Tanque Verde Unified School District No. 13	12,335,000	5.40%	666,090
Vail Unified School District No. 20	61,390,000	13.42%	8,238,538
Sahuarita Unified School District No. 30	38,215,000	27.00%	10,318,050
Other Debt			
Pima County Capital Leases	178,156,361	41.32%	73,614,208
Tucson Unified School District No. 1 Capital Leases	47,666,654	76.00%	36,226,657
Flowing Wells Unified School District No. 8 Capital Leases	62,147	6.02%	3,741
Sunnyside Unified School District No. 12 Capital Leases	2,155,350	13.13%	282,997
Subtotal, Overlapping Debt			447,139,853
City of Tucson, Arizona Direct Debt			569,756,918
Total Direct and Overlapping Debt			<u>\$ 1,016,896,771</u>

Source: State Report of Indebtedness and General Obligations, Series 2012-C (2015) Official Statement.

Notes: (1) Proportion applicable to the City is computed on a ratio of secondary assessed valuation of the overlapping entity within the City to the amount of the total secondary assessed valuation of the City.

CITY OF TUCSON
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary Tax Rate (1)	\$ 0.3469	0.3411	0.3296	0.3231	0.3144	0.3289	0.4297	0.4125	0.5245	0.4829
Secondary Tax Rate	0.8895	0.8846	0.8025	0.6370	0.6200	0.6261	0.7324	0.8514	0.9059	0.9777
Total Property Tax Rate (2)	\$ 1.2364	1.2257	1.1321	0.9601	0.9344	0.9550	1.1621	1.2639	1.4304	1.4606
Secondary Assessed Value	\$ 2,722,915,853	3,016,230,759	3,491,926,602	3,895,581,900	3,862,655,420	3,914,105,239	3,487,959,628	3,377,401,416	3,151,042,287	3,131,952,246
6% Limitation (3)	163,374,951	180,973,846	209,515,596	233,734,914	231,759,325	210,076,018	209,277,578	202,644,085	189,062,537	187,420,723
Less: Direct G.O. Bonds Outstanding	51,333,460	20,715,000	9,145,000	660,000						
Legal Debt Margin	\$ 112,041,491	160,258,846	200,370,596	233,074,914	231,759,325	210,076,018	209,277,578	202,644,085	189,062,537	187,420,723
Legal Debt Margin as a Percentage of the Debt Limit	68.58%	88.55%	95.64%	99.72%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	\$ 544,583,171	603,246,152	698,385,320	779,116,380	772,531,084	782,821,048	697,591,926	675,480,283	630,208,457	624,735,746
Less: Direct G.O. Bonds Outstanding	230,155,609	262,585,610	259,960,610	253,415,610	238,315,610	222,360,610	209,071,010	213,450,000	214,760,000	213,495,000
Legal Debt Margin	\$ 314,427,562	340,660,542	438,424,710	525,700,770	534,215,474	560,460,438	488,520,916	462,030,283	415,448,457	411,240,746
Legal Debt Margin as a Percentage of the Debt Limit	57.74%	56.47%	62.78%	67.47%	69.15%	71.59%	70.03%	68.40%	65.92%	65.83%

Notes: (1) Starting in FY 2011, the primary rate includes a rate for Involuntary Tort Judgements authorized under Arizona Administrative Code Regulation 15-12-202.

(2) The City's ability to issue debt is, in part, limited by the City Charter which precludes the total property tax rate to exceed 1.75 per \$100 assessed value. The secondary property tax rate is levied annually to pay general obligation debt service.

(3) The Arizona Constitution and Arizona Revised Statutes limit the City's general obligation bonded debt capacity to certain percentages of the City's secondary assessed valuation and by the type of project to be constructed. For projects involving water, sewer, artificial lighting, parks, open space and recreational facility improvements, the City can issue general obligation bonds up to 20% of it's secondary assessed valuation. For any other general purpose improvements, the City may issue bonds up to 6% of it's secondary assessed valuation.

CITY OF TUCSON
Pledged Revenue Coverage
For the Last Ten Fiscal Years

TABLE XIV

Water System Revenue Bonds									
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Combined Debt Service		Senior Lien Debt Service		Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio (1)
				Principal	Interest	Principal	Interest		
2006	\$ 128,693,649	\$ 71,289,091	\$ 57,404,558	\$ 11,201,882	\$ 18,924,918	\$	\$	1.87	
2007	124,708,152	73,544,769	51,163,383	15,414,363	15,950,064	13,070,000	15,000,057	1.63	1.82
2008	129,575,735	77,116,750	52,458,985	13,589,134	18,816,787	10,515,000	17,813,015	1.61	1.85
2009	130,592,259	73,340,779	57,251,480	14,102,839	19,565,491	10,850,000	18,214,243	1.70	1.96
2010	138,999,806	71,990,433	67,009,373	17,619,889	19,207,229	14,252,045	18,018,477	1.82	2.08
2011	148,473,207	75,307,470	73,165,737	20,147,455	22,130,225	16,500,000	20,919,848	1.73	1.96
2012	156,327,453	83,267,358	73,060,095	21,198,854	22,226,365	18,330,000	20,946,272	1.68	1.86
2013	163,836,521	84,757,495	79,079,026	24,503,570	21,875,823	19,595,000	20,729,587	1.71	1.96
2014	176,411,669	91,766,938	84,644,731	22,543,481	19,291,096	19,345,000	18,170,704	2.02	2.26
2015	186,136,837	96,997,979	89,138,858	28,201,640	21,117,117	24,900,000	20,073,447	1.81	1.98

Special Assessments					Highway User Fees (HURF)				
Fiscal Year	Special Assessments Collections	Debt Service		Coverage	HURF Revenues	Debt Service		Coverage	
		Principal	Interest			Principal	Interest		
2006	\$ 744,351	\$ 441,600	\$ 168,055	1.22	\$ 50,371,196	\$ 9,250,000	\$ 7,660,318	2.98	
2007	692,291	453,001	170,514	1.11	49,427,956	9,600,000	7,263,235	2.93	
2008	1,370,171	570,887	210,457	1.75	48,918,768	10,000,000	6,831,205	2.91	
2009	742,520	516,254	214,151	1.02	45,849,257		6,118,500	7.49	
2010	677,504	566,635	200,664	0.88	43,475,000		6,150,817	7.07	
2011	612,085	574,000	171,169	0.82	40,018,318		5,941,298	6.74	
2012	536,157	583,000	142,025	0.74	37,160,062	12,255,000	6,167,389	2.02	
2013	396,135	463,000	115,553	0.68	40,613,665		5,437,808	7.47	
2014	371,320	429,000	92,610	0.71	41,266,976	11,660,000	5,042,561	2.47	
2015	335,927	438,000	70,064	0.66	44,846,287	12,965,000	4,544,350	2.56	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include depreciation, interest, or amortization expenses.

(1) The coverage ratio is based on the Annual Debt Service coverage as defined by City of Tucson Ordinance No. 6347. An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. Prior to Fiscal Year 2007, the coverage ratio was based on both senior and junior lien debt service requirements. Starting in Fiscal Year 2007, the coverage ratio requirement will be based on the senior lien annual debt service requirement.

**City of Tucson
Demographic and Economic Statistics (1)
Last Ten Fiscal Years**

TABLE XV

Calendar Year (2)	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2005	986,200	\$ 28,796,630,000	\$ 29,200	4.5%
2006	996,000	30,837,500,000	30,961	3.8%
2007	1,013,000	33,117,770,000	32,693	4.7%
2008	1,017,800	32,873,000,000	32,298	7.9%
2009	1,035,700	34,958,100,000	33,753	8.6%
2010	974,000	35,187,500,000	36,127	9.1%
2011	991,000	36,864,000,000	37,199	7.2%
2012	996,800	37,031,000,000	37,150	7.0%
2013	996,046	37,587,700,000	37,737	6.6%
2014	1,007,200	38,272,000,000	37,998	5.7%

(1) Population and Personal Income are for the Tucson Metropolitan Statistic Area

(2) Data is for the calendar year that ends during that fiscal year. For example, fiscal year 2015 contains data for the calendar year ending December 31, 2014.

Sources: Department of Urban Planning. Economic Outlook, University of Arizona; and the Arizona Department of Administration, Office of Employment and Population Statistics, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XVI

Employer	2006		Employer	2015	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
U.S.Army Intelligence Center & Fort Huachuca	13,098	3.13%	University of Arizona	12,053	3.24%
University of Arizona	10,282	2.46%	Raytheon Missile Systems	11,370	3.06%
Raytheon Missile Systems	10,756	2.57%	Davis-Monthan Air Force Base	10,869	2.92%
State of Arizona	9,742	2.33%	Pima County	7,100	1.91%
Davis-Monthan Air Force Base	8,233	1.97%	U.S. Customs and Border Patrol	6,800	1.83%
Tucson Unified School District No. 1	7,623	1.82%	Tucson Unified School District No. 1	6,467	1.74%
City of Tucson	5,306	1.27%	UA Health Network	6,462	1.74%
Wal-Mart Stores, Inc.	4,980	1.19%	Freeport-McMoRan Copper & Gold, Inc.	5,819	1.56%
Phelps Dodge Mining Co.	4,123	0.99%	U.S. Army Intelligence Center & Fort Huachuca	5,096	1.37%
Carondelet Health Network	3,751	0.90%	State of Arizona	4,986	1.34%
Total	77,894	18.63%		77,022	20.71%

Source: City of Tucson General Obligation Bonds, Series 2012-C (2015) Official Statement

**City of Tucson
 Adopted Budget Full-time-Equivalent City Employees by Function
 Last Ten Fiscal Years**

TABLE XVII

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013 (1)	2014 (2)	2015
Elected and Official	234.50	223.50	253.50	250.00	247.50	214.50	207.50	209.50	223.00	206.50
Neighborhood Services	3,422.05	3,277.80	3,433.55	3,447.05	3,277.55	3,167.80	2,413.75			
Public Safety/Neighborhood Services								2,974.75		
Public Safety and Justice Services									2,239.30	2,237.80
Operations and Development	578.00	564.50	577.50	563.50	456.00	450.00	1,159.25	594.00		
Strategic Initiatives	93.75	63.75	63.75	63.75						
Community Enrichment and Development									1,090.25	1,052.50
Support Services	720.71	724.71	702.16	702.16	676.66	644.50	303.00	301.50	524.00	518.00
Non-Departmental	4.75	14.75	4.00	4.00						
Pension Services								4.00	4.00	4.00
Utility Services-Environmental Services	262.00	251.00	264.00	263.00	248.00	241.00	241.00	237.00	222.00	216.00
Utility Services-Water	571.00	573.00	578.00	580.00	568.00	556.00	556.00	549.00	547.00	547.50
Golf Courses (3)	154.75	154.75	154.75	154.75	154.75	145.25	63.75	68.00	68.00	
Total	6,041.51	5,847.76	6,031.21	6,028.21	5,628.46	5,419.05	4,944.25	4,937.75	4,917.55	4,782.30

Source: Adopted Budget - Volume I

- (1) Environment and Development and Neighborhood Services functions were re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.
- (2) Public Safety/Neighborhood Service and Operations and Development functions were re-organized into the Public Safety and Justice Services and Community Enrichment and Development.
- (3) Beginning in fiscal year 2015, Tucson City Golf is managed by an independent contractor.

**City of Tucson
Capital Asset Statistics by Function
Last Ten Fiscal Years**

TABLE XVIII

Function	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police Facilities	8	8	8	9	9	13	13	13	13	9
Fire Stations	20	20	21	21	21	21	21	21	21	22
Parks & Recreation										
Recreation/Regional Centers	18	18	18	18	18	18	18	18	18	20
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	136	136	142	142	142	142	142	142	142	127
Playfields	231	231	231	231	231	231	231	231	231	225
Swimming Pools	27	27	27	27	27	27	27	27	27	45
Transportation										
Residential (Miles)	1,355	1,378	1,378	1,384	1,384	1,384	1,604	1,604	1,629	1,645
Collectors (Miles)	101	101	101	101	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287	316	316	371	381
Interstate (Miles)	80	80	80	80	80	80	80	80	80	80
Transit										
Buses (Active Fleet)	189	196	203	230	241	240	237	252	240	252
Water										
Operable Wells	212	212	216	216	214	221	226	206	230	225
Miles of Water Mains	4,561	4,617	4,437	4,683	4,454	4,620	4,687	4,793	4,606	4,623

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XIX

Function	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government										
Number of Construction Permits (Residential and Commerical)	6,531	5,187	3,994	2,802	2,921	2,984	2,430	2,295	1,932	2094
Permit Revenue	\$12,965,191	\$10,728,891	\$10,509,526	\$7,227,251	\$6,769,166	\$8,278,724	\$8,179,531	\$8,909,982	\$6,870,350	\$8,644,604
Police										
Calls for Service	337,224	346,836	345,395	327,882	296,316	299,191	305,662	328,015	346,817	326,900
Calls for Service per Capita	0.34	0.35	0.62	0.60	0.54	0.57	0.56	0.62	0.66	0.62
Part I Crimes (% Cleared) (1)	16.30%	16.97%	19.39%	18.41%	20.43%	17.04%	17.13%	11.52%	14.73%	14.80%
Part II Crimes (% Cleared) (1)	89.05%	86.07%	94.14%	94.27%	97.90%	100.00%	93.02%	83.61%	79.22%	37.94%
Fire										
Emergency Responses	71,843	76,567	79,940	79,380	77,800	79,721	80,236	81,941	79,704	85,594
Inspections	2,801	2,644	3,028	7,825	8,712	8,301	8,319	6,293	7,199	5,471
Parks & Recreation										
KIDCO Registration	8,273	6,851	4,423	2,967	2,947	3,710	4,161	3,407	3,209	3,195
Class Enrollment-Other than KIDCO	35,703	19,681	10,531	19,865	7,412	18,304	19,418	17,607	16,949	16,724
Facility Rental	13,095	14,197	14,215	14,021	13,032	11,509	11,734	9,325	9,231	10,688
Zoo Visitors	439,380	467,108	504,528	529,010	514,269	524,701	585,583	549,929	568,028	618,357
Environmental Services										
Landfill Tons of Waste Collected	638,550	690,215	631,465	487,144	412,950	435,864	453,400	471,400	517,564	560,938
Tons of Material Recycled	46,034	46,918	46,096	44,480	44,622	43,534	39,000	38,000	38,623	39,506
Water										
Average Total Monthly Connections										
Potable	220,571	225,048	224,129	228,157	224,562	222,736	223,139	224,284	225,791	227,052
Reclaimed	950	993	1,086	1,053	1,061	1,087	1,087	1,082	1,086	1,076
New Connections										
Potable	4,846	3,880	2,295	1,064	1,064	1,127	1,018	1,459	1,186	1,258
Reclaimed	48	55	15	17	17	0	0	9	0	(10)
Water Sales (1000 ccf)										
Potable	49,536	46,366	46,590	44,443	43,668	42,885	41,433	41,109	41,266	39,876
Reclaimed	5,998	5,848	6,617	7,151	6,913	6,872	6,285	6,483	7,154	6,188
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	10	10	2 to 4 weeks	4 to 6 weeks	4 to 6 weeks	4 to 6 weeks	42	16	2 to 3 weeks	18
The % of Lane Miles Assessed as Satisfactory or Better (2)	85.0%	79%	80%	81%	81%	67%	43%	46%	23%	28%
Traffic Signal Expenditure per Repair	\$89.56	\$95.00	\$250.00	\$486.00	\$516.00	\$567.00	\$700.00	\$746.00	\$831.00	\$593.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$5.67	\$5.91	\$6.02	\$6.44	\$6.23	\$5.78	\$6.89	\$6.20	\$7.11	\$7.08
Sun Tran's Operating Expenses per Passenger Mile	\$0.63	\$0.53	\$0.68	\$0.59	\$0.69	\$0.74	\$0.70	\$0.64	\$0.73	\$0.68

Source: Various City Departments

Note: (1) Part I crimes include Homicides, Sexual Assaults, Robberies, Burglaries, Larceny, Motor Vehicle Thefts, and TPD Arson. Part II crimes include Narcotic Violations, DUI, and Juvenile Violations. Percentage of cases cleared is computed by dividing cases cleared by cases reported.

(2) The criteria for assessing the range of conditions have become more narrow. Other factors for the decrease include deferred maintenance from prior years.

CITY OF TUCSON, ARIZONA



GLOSSARY

Glossary

Accrual basis of accounting. A method of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. All proprietary and trust funds use the accrual basis of accounting.

Agent multiple-employer defined benefit pension plan. An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer's contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer's plan to determine the employer's periodic contribution rate and other information for the individual plan, based on the benefit formula selected by the employer and the individual plan's proportionate share of the pooled assets. The results of the individual valuations are aggregated at the administrative level. [SGAS 27]

Assigned fund balance. The portion of fund balance that reflects the City's intended use of resources. This intent would have to be established by either the Mayor and Council or their designee.

Basic financial statements. The minimum combination of financial statements and note disclosures required for fair presentation in conformity with GAAP.

Basis of accounting. The timing of recognition, that is, when the effects of transactions or events should be recognized for *financial reporting purposes*. For example, the effects of transactions or events can be recognized on an accrual basis (that is, when the transactions or events take place), or on a cash basis (that is, when cash is received or paid). Basis of accounting is an essential part of measurement focus because a particular timing of recognition is necessary to accomplish a particular measurement focus. [SGAS 11]

Budgetary basis of accounting. The method used to determine when revenues and expenditures are recognized for budgetary purposes.

Capital and related financing activities. Term used in connection with cash flows reporting. Capital and related financing activities include (a) acquiring and disposing of capital assets used in providing services or producing goods, (b) borrowing money for acquiring, constructing, or improving capital assets and repaying the amounts borrowed, including interest, and (c) paying for capital assets obtained from vendors on credit. [SGAS 9]

Capital projects fund. Fund type used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Capitalization threshold. The dollar value at which a government elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. For the City, the capitalization threshold is \$5,000.

Cash. The term, as used in connection with cash flows reporting, includes not only currency on hand, but also demand deposits with banks or other financial institutions. *Cash* also includes deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the governmental enterprise may deposit additional cash at any time and also effectively may withdraw cash at any time without prior notice or penalty. [SGAS 9]

Cash equivalent. Term used in connection with cash flows reporting. Short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose "original maturity" means the original maturity to the entity holding the investment. [SGAS 9]

Collateral. Term used in connection with deposits with financial institutions. Security pledged by a financial institution to a governmental entity for its deposit.

Combining financial statements. Financial statements that report separate columns for individual funds or component units. Combining financial statements normally are required in a comprehensive annual financial report to support each column in the basic financial statements that aggregates information from more than one fund or component unit.

Committed fund balance. The portion of fund balance that represents resources whose use is constrained by limitations that the City imposes upon itself at its highest level of decision making (ordinance) and that remain binding unless removed in the same manner.

Component unit. A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. [SGAS 14]

Comprehensive annual financial report (CAFR). A financial report that encompasses all funds and component units of the government. The CAFR should contain (a) the basic financial statements and required supplementary information, (b) combining statements to support columns in the basic financial statements that aggregate information from more than one fund or component unit, and (c) individual fund statements as needed. The CAFR is the governmental unit's official annual report and also should contain introductory information, schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, and statistical data.

Cost-sharing multiple-employer defined benefit pension plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to the employers. A single actuarial valuation covers all plan members and the same contribution rate(s) applies for each employer. [SGAS 25]

Current financial resources measurement focus. Measurement focus according to which the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable (spendable) financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.

Debt service fund. Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Deferred inflows. An acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows have a negative effect on net position, similar to liabilities.

Deferred revenue. Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period.

Defined benefit pension plan. A pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time; the amount specified usually is a function of one or more factors such as age, years of service, and compensation. [SGAS 25]

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available financial resources in governmental funds. After fiscal year 2010, this terminology is no longer used. See Assigned Fund Balance.

Economic resources measurement focus. Measurement focus under which the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net position: The economic resources measurement focus is used for proprietary and fiduciary funds, as well as for government-wide financial reporting. Business enterprises and not-for-profit organizations in the private sector also use it.

Encumbrances. Commitments related to unperformed (executory) contracts for goods or services.

Enterprise fund. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

Expenditure. Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses*.

Fiduciary funds. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Financial reporting entity. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

Financial resources. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

Financial section. One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

Fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund balance. The difference between assets and liabilities reported in a governmental fund. Fund balance can be divided into the following components: nonspendable, restricted, committed, assigned and unassigned.

Fund classifications. One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

Fund type. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

General fund. The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Generally accepted accounting principles (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report*.

Government Finance Officers Association (GFOA). An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local government since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

Governmental Accounting Standards Board (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

Governmental funds. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

Intangible Asset. An asset with an initial useful life beyond a single reporting life and lacks physical substance and is not in a monetary form similar cash or investment securities.

Internal service funds. Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The goal of an internal service fund is to measure the full cost of providing goods or services for the purpose of fully recovering that cost (including the cost of capital assets) through fees or charges.

Introductory section. The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's financial condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

Landfill closure and postclosure care costs. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS18]

Legal debt margin. The excess of the amount of debt legally authorized over the amount of debt outstanding.

Legal defeasance. A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

Legal level of budgetary control. The level at which a government's management may not reallocate resources without special approval from the legislative body.

Materiality. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner, but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a “material” effect on the entity’s reported operating results and financial position but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period. [SGAS 11]

Measurement Focus. The objective of a measurement, that is, what is being expressed in reporting an entity’s financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

Modified accrual basis of accounting. Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Net position. The residual of all elements presented in a statement of financial position. Net position equals assets plus deferred outflows, less liabilities and deferred inflows.

Noncapital financing activities. Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

Nonspendable fund balance. The portion of fund balance that have practical constraints that represent assets that will never convert to cash (inventory), assets that will not convert to cash in the current period (long term portion of a loan receivable), and resources that must be maintained intact pursuant to legal or contractual requirements (principal of an endowment).

Operating Activities: Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

Operating revenues and expenses. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net position. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition. [SGAS 34]

Other financing source. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

Other financing use. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

Other post-retirement healthcare benefits (OPEB). Medical, dental, vision, and other health-related benefits provided to retired employees, dependents, and beneficiaries. [SGAS 26]

Overlapping debt. Proportionate share that property within a government must bear the debts of other local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Pension (and other employee benefit) trust funds. A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Permanent Funds. A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Proprietary funds. Funds that focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Refunding. The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding).

Required supplementary information. Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic statements. [SGAS 5]

Restricted assets. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restricted fund balance. The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions. Such restrictions are imposed by parties altogether outside the City, such as creditors, grantors (federal/state), laws and regulations of other governments.

Special revenue fund. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for a specified purpose.

Statistical section. The third of three essential components of any comprehensive annual financial report. The statistical section provides a broad range of trend data covering key financial indicators from the past 10 fiscal years (e.g., general government revenues and expenditures, property tax collections, debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.

Unassigned fund balance. The surplus in the general fund that is left over if resources are not constrained by nonspendable, committed, restricted, and assigned. Only the general fund can have unassigned fund balance. The other governmental funds, special revenue, debt service, and capital project funds, due to the constraints on these resources can not have a positive unassigned, but can have a negative unassigned balance.



www.tucsonaz.gov/finance