

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year July 1, 2018 - June 30, 2019

City of Tucson, Arizona

City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2019



Prepared by: The Business Services Department



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Introductory Section

CITY OF TUCSON

ARIZONA



CITY OF
TUCSON
OFFICE OF THE
CITY MANAGER

March 26, 2020

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

The Comprehensive Annual Financial Report (CAFR) of the City of Tucson, Arizona, (City) for the fiscal year ended June 30, 2019, is submitted as required by Chapter XXIX of the City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity and to have the report audited by certified public accountants independent of City government. The CAFR was prepared by the City's Accounting Division in accordance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City. Consequently, City management is responsible for the completeness and reliability of the information. To provide a reasonable basis for making these representations, the City 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 are included.

To comply with the City Charter requirement of obtaining an annual independent audit, we engaged Heinfeld, Meech, and Company, P.C. 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.

The letter of transmittal provides a non-technical summary of City finances, economic prospects, and achievements. The Management's Discussion and Analysis (MD&A), beginning on page 3, 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.

City of Tucson Profile

Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. 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. Today, Tucson has a culturally diverse population of more than 529,000 and is Arizona's second largest city, with a metropolitan area exceeding 1.1 million people.

The City operates under a Council-Manager form of government. Council member candidates are nominated in primary elections in each of six wards, but are elected in

citywide elections. The mayor is nominated and elected citywide. The Mayor and Council set policy and appoint a city manager to provide the general supervision and direction for city government operations. The City provides a full range of municipal services including police and fire protection, water and sanitation services, construction and maintenance of streets and recreational activities.

Budget System and Controls

Tucson, like all cities in the State of Arizona, is subject to budget and related legal requirements. State law (ARS §42-17101) requires that on or before the third Monday in July of each fiscal year, the Mayor and Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption. In effect, with the adoption of the tentative budget, the council has set its maximum "limits" for expenditure, but these limits may be reduced upon final adoption.

Once the tentative budget has been adopted, it must be published once a week for at least two consecutive weeks. The tentative budget must be fully itemized in accordance with forms supplied by the auditor general and included in the council meeting minutes.

State law (ARS §42-17104, §42-17105) specifies the city or town council must adopt the final budget for the fiscal year by roll call vote at a special meeting called for that purpose. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year and shall not exceed the total amount proposed for expenditure in the published estimates (ARS §42-17106). Once adopted, no expenditures shall be made for a purpose not included in the budget, and no expenditures shall be made in excess of the amounts specified for each purpose in the budget, except as provided by law. This restriction applies whether or not the city has at any time received, or has on hand, funds or revenue in excess of those required to meet expenditures incurred under the budget. Federal and bond funds are not subject to this requirement.

Financial Policies

The City adopted a comprehensive set of financial policies that incorporate a wide range of topics including 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 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. The General Fund fund balance policy, adopted by Mayor and Council, 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 8.7% of General Fund revenues and the committed fund balance for the stabilization fund is 4.1%.

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. The Arizona economy is set to carry significant momentum into the new year. State job growth hit 3.0% over the year in the third quarter, which was well above the national rate of 1.7% and was the fastest pace in two years. Construction activity led growth, with strong increases in jobs, permits, and prices. While most job gains were concentrated in Phoenix, Tucson generated rapid growth as well. During 2018, retail sales increased approximately 4.5%, while personal income increased 4.3%.

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 at the November 5, 2013 general election. 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 provides the basis for an Annual Work Program which establishes 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.

Throughout FY 2018/19, the City's business privilege tax continued to grow particularly in the retail, restaurant, and construction categories. This is an indication of a strong economy and we think this trend will continue during FY 2019/20. The City engages with the Economic and Business Research Center of the Eller College of Management at the University of Arizona to provide a long-term (30 year) revenue forecasting model. The model projects revenues based on the City's and Pima County's economic activity and national economic conditions. Three sets of forecasts were provided: a "most likely," an "optimistic," and a "pessimistic." The "most likely" scenario calls for continued, but slow, gains in the national and local economies. U.S. economic growth is higher under the "optimistic" assumption. The pessimistic scenario assumes a modest recession beginning in the third quarter of fiscal year 2020. The model indicates that our sales tax revenues will increase during the next 30 years. The model provides a framework for us to use as we forecast in the future.

The City does use a long term financial model and anticipates continued challenges 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 fiscal year 2019/20 General Fund budget continues to be structurally balanced in that there is no use of one-time funds for recurring expenditures.

The City continues to aggressively manage increasing employee benefit costs. Mayor and Council opted to take advantage of an extended amortization period for the public safety pension funds. The Public Safety Personnel Retirement Systems have been underfunded for several years, since the investment returns have not been sufficient to restore it to full financial health. The City (along with other Arizona cities, counties, and state agencies) are required to make additional contributions to restore it to full funding. The City extended the amortization period in which to make these additional contributions by 10 years (i.e. from an original 19-year amortization period to a 29-year period). The effect of this reduces the annual contributions, but it increases the total cost to the City. Mayor and Council are using this financial flexibility to address other pressing needs that are currently facing the City.

Along with managing the pension plans, the City will moved to a self-funded health insurance program effective July 1, 2019. Along with cost savings from benefit design changes and reduced premiums, the City will have increased flexibility and control of the health plan to meet the unique needs of our employees.

Major Initiatives

Economic Investment - Economic investment in the City's downtown continues to be strong. Over the past 8 years, there has been \$439 million in private investment and \$541 million in public investment in this area. Recently, eight projects totaling \$34.5 million were completed. Current projects include 17 projects that total \$305 million in capital investment which include 530 housing units and 428,500 sq. ft. of new commercial space.

The City of Tucson voters continue to show their confidence by approving a \$225.0 million General Obligation bond package for capital improvements dedicated to City park amenities, connections for mobility, and greenways. The City will issue the first series of bonds under this authorization in the spring of 2020.

Our continued efforts to improve our financial condition are noticed by the credit rating agencies Fitch, Standard & Poor's (S&P), and Moody's. All three agencies left their ratings from prior years intact. This means the City continues to be identified with high ratings and a stable outlook. This year we issued water revenue bonds and S&P revised their outlook from stable to positive.

Financial Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards the Certificate of Achievement for Excellence in Financial Reporting to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The City was awarded a Certificate of Achievement for Excellence in Financial Reporting for its June 30, 2018 CAFR for the 37th consecutive year (fiscal years ended 1982 through 2018). A Certificate of Achievement is valid for a period of only one year and we believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

The preparation of this report would not have been possible without the talent, effort, and dedication of the Business Services staff and 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,



Joyce K Garland, CPA

Chief Financial Officer/Assistant City Manager

City of Tucson Officials

Mayor and Council



HONORABLE
JONATHAN ROTHSCHILD
Mayor



REGINA ROMERO
Ward One



PAUL CUNNINGHAM
Ward Two



PAUL DURHAM
Ward Three



SHIRLEY SCOTT
Ward Four



RICHARD FIMBRES
Ward Five



STEVE KOZACHIK
Ward Six

City Administration



MICHAEL J. ORTEGA, P.E.
City Manager

JOYCE GARLAND, CPA
Assistant City Manager
Chief Financial Officer

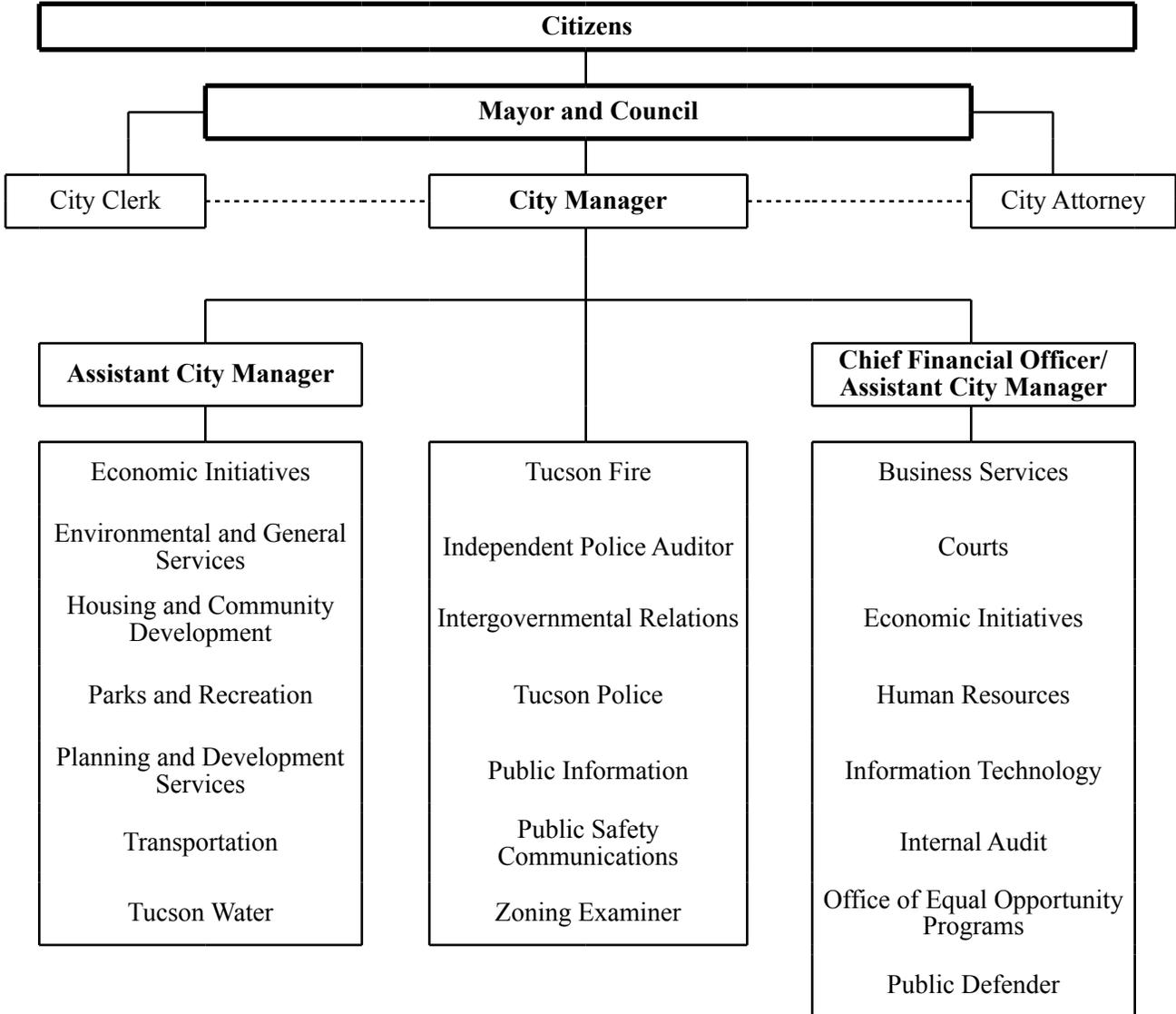
LAURA JESTINGS
Deputy Director

MARCELA CEBALLOS
Finance Administrator

Accounting Operations Team



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2019**





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, 2018

Christopher P. Morill

Executive Director/CEO





Financial Section

CITY OF TUCSON

ARIZONA

INDEPENDENT AUDITOR'S REPORT

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, (City), as of and for the year ended June 30, 2019, 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.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, net pension liability, and other postemployment benefit plan information, listed as Required Supplementary Information in the table of contents, 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's basic financial statements. The Introductory Section, Combining Statements and Individual Fund Financial Statements and Schedules, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statements 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 Statements and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section and Statistical Section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2020, on our consideration of the City of Tucson, Arizona'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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tucson, Arizona's on the 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 of Tucson, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
March 27, 2020



Management Discussion

and Analysis

CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

INTRODUCTION

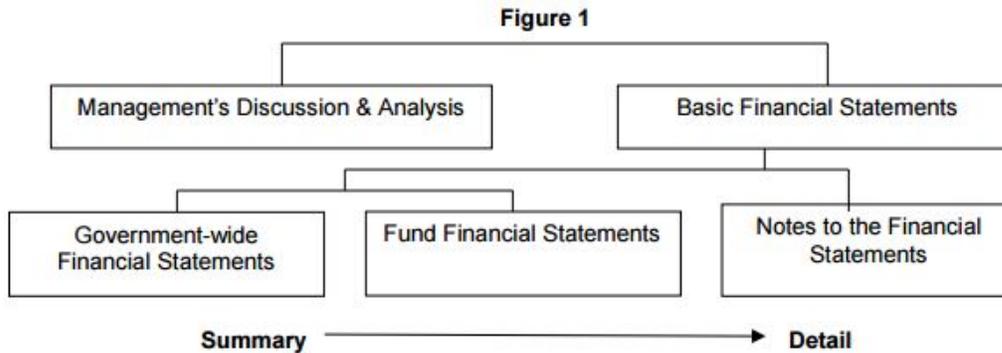
The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the City's financial performance during the fiscal year ended on June 30, 2019 and 2018. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the transmittal letter and other portions of this CAFR.

FINANCIAL HIGHLIGHTS

- On the Government-Wide Financial Statements, total assets plus deferred outflows of resources of the City exceeded its total liabilities plus deferred inflows of resources at the close of the fiscal year by \$1.803 billion (net position). Fiscal year 2019 operations resulted in an increase to net position for the City as a whole of \$163.2 million; from \$1.640 billion at June 30, 2018. Governmental Activities accounted for \$100.4 million or 61.5% of the total increase to net position and Business-type Activities accounted for \$62.8 million or 38.5%.
- On the Government-Wide Financial Statements, the cash and cash equivalents for the governmental and business-type activities increased a combined total of \$77.8 million over last fiscal year's amount of \$314.9 million to \$392.7 in fiscal year 2019. The increase is primarily due to the voter approved sales tax increases dedicated to zoo operations and capital improvements and public safety and road improvements. The restricted funds are reported in Special Revenue Funds. The construction of major projects will begin during fiscal year 2020.
- As of June 30, 2019 and 2018, the City's governmental funds reported combined ending fund balance of \$285.2 million and \$231.9 million, respectively. Approximately 29.1% of the current amount (\$83.1 million); an increase of \$10.2 million from fiscal year 2019 amount of \$72.9 million is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund is \$48.1 million or approximately 8.7% of total General Fund revenues of \$552.2 million exceeding the Mayor or Council adopted financial policy target of 7%. Revenues increased \$12.9 million (2.4%) over the prior fiscal year amount of \$539.3 million.
- The City's total long-term liabilities decreased by \$73.9 million to \$2.66 billion during the current fiscal year. This decrease is mainly due to the reduction in long-term liabilities from the payment of outstanding principal on general obligation and water revenue bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

Required Components of Annual Financial Report



This discussion and analysis are intended to serve as an introduction to the City of Tucson's basic financial statements. The City of Tucson's basic financial statements comprise three components: 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements are designed to provide a broad overview of the City of Tucson's finances, in a manner similar to a private-sector business, and to provide information about the City as a whole, presenting both an aggregate current view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements reflect how services were financed in the short term as well as what dollars remain for future spending. The major fund financial statements also display the City's most significant funds.

The **statement of net position** presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents financial information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and earned but unused vacation and sick leave.

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, parks, streets, and general government. 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. These activities include environmental services, water, golf, and public housing.

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.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of

the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Notes to the Financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information includes budgetary comparisons with the original budget and the final amended budget for the General Fund and each individual major special revenue fund. This section also provides required information regarding the changes in the City's net pension liabilities related to the Tucson Supplemental Retirement System (TSRS) and the Public Safety Personnel Retirement System (PSPRS), and changes in the City's total other post-employment benefits (OPEB) liability related to PSPRS.

The **Statistical Section** provides information regarding a government's economic condition. All of the information presented in this section is organized around five specific objectives: 1. financial trends, 2. revenue capacity, 3. debt capacity, 4. demographic and economic information, and 5. operating information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

On the Government-Wide Financial Statements, total assets plus deferred outflows of resources exceeded its total liabilities plus deferred inflows of resources. The combined net position for the City increased by almost 10% or \$163.2 million over the course of the year to \$1.8 billion from \$1.6 billion. Governmental activities net position increased \$100.4 million and Business-type net position increased \$62.8 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 total change in net position for business-type activities from the fiscal year 2018 amount of \$955.1 million to the fiscal year 2019 amount of \$1.017 billion is an increase of \$62.8 million. The unrestricted deficit decreased by \$13.5 million; net investment in capital assets increased by \$44.2 million; and restricted net position increased by \$4.8 million. The Water Utility net investment in capital assets increased by \$38.0 million from the fiscal year 2018 amount of \$848.9 million to the fiscal year 2019 amount of \$886.9. The increase is due to improvements for distribution and collection systems, upgrades to well fields and related systems, and replacement of outdated meter systems. The Utility Fund's unrestricted net position increased by \$12.3 million from \$21.7 million in fiscal year 2018 to \$34.0 million in fiscal year 2018. In the Environmental Services Fund, net investment in capital assets increased by \$7.7 million and unrestricted deficit decreased by \$3.9 million. The change to the Public Housing Fund's net position is minor with a total increase of \$0.2 million from the fiscal year 2018 amount of \$23.5 million to the fiscal year 2019 amount of \$23.7 million.

Figure 2 is a comparative summary of the City's net position for fiscal years 2019 and 2018:

Net Position							Figure 2
	Governmental Activities		Business-type Activities		Total		
	2019	2018	2019	2018	2019	2018	
Current and Other Assets	\$ 496,307,416	\$ 433,895,211	\$ 358,205,687	\$ 346,411,835	\$ 854,513,103	\$ 780,307,046	
Capital Assets	2,086,916,295	2,058,467,474	1,483,726,202	1,441,413,763	3,570,642,497	3,499,881,237	
Total Assets	2,583,223,711	2,492,362,685	1,841,931,889	1,787,825,598	4,425,155,600	4,280,188,283	
Deferred Outflows	222,916,966	242,017,704	35,750,262	26,528,492	258,667,228	268,546,196	
Current and Other Liabilities	175,579,536	175,807,348	108,521,434	95,451,104	284,100,970	271,258,452	
Long-term Liabilities	1,732,837,712	1,786,394,068	641,548,632	661,844,820	2,374,386,344	2,448,238,888	
Total Liabilities	1,908,417,248	1,962,201,416	750,070,066	757,295,924	2,658,487,314	2,719,497,340	
Deferred Inflows	112,257,500	87,093,478	109,716,669	101,986,451	221,974,169	189,079,929	
Net Position:							
Net Investment in Capital Assets	1,721,002,644	1,626,663,395	973,188,944	928,965,511	2,694,191,588	2,555,628,906	
Restricted	191,076,782	172,997,495	52,571,867	47,813,477	243,648,649	220,810,972	
Unrestricted (Deficit)	(1,126,613,499)	(1,114,575,394)	(7,865,395)	(21,707,273)	(1,134,478,894)	(1,136,282,667)	
Total net position	\$ 785,465,927	\$ 685,085,496	\$1,017,895,416	\$ 955,071,715	\$ 1,803,361,343	\$1,640,157,211	

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		
	2019	2018	2019	2018	2019	2018	
Revenues:							
Program Revenues:							
Charges for Services	\$ 136,761,815	\$ 134,076,707	\$ 292,501,650	\$ 293,849,735	\$ 429,263,465	\$ 427,926,442	
Operating Grants and Contributions	131,696,352	128,237,145	6,344,128	6,629,928	138,040,480	134,867,073	
Capital Grants and Contributions	85,116,519	62,699,881	9,584,432	8,371,840	94,700,951	71,071,721	
Total Program Revenues	353,574,686	325,013,733	308,430,210	308,851,503	662,004,896	633,865,236	
General Revenues:							
Taxes:							
Property	50,075,217	46,886,789			50,075,217	46,886,789	
Business Privilege	301,888,742	280,883,697			301,888,742	280,883,697	
Public Utility	24,929,107	26,220,025			24,929,107	26,220,025	
Hotel/Motel Surcharge	20,570,989	19,961,452			20,570,989	19,961,452	
Unrestricted Grants and Contributions	146,210,462	142,795,992			146,210,462	142,795,992	
Investment Income (Loss)	4,681,992	2,486,914	3,525,040	2,402,465	8,207,032	4,889,379	
Miscellaneous	15,713,447	7,286,229	785,816	631,258	16,499,263	7,917,487	
Total General Revenues	564,069,956	526,521,098	4,310,856	3,033,723	568,380,812	529,554,821	
Total Revenues	917,644,642	851,534,831	312,741,066	311,885,226	1,230,385,708	1,163,420,057	
Expenses:							
Elected and Official	19,700,906	16,070,630			19,700,906	16,070,630	
Support Services	91,648,728	82,468,649			91,648,728	82,468,649	
Public Safety and Justice Services	362,537,783	343,844,545			362,537,783	343,844,545	
Community Enrichment and Development	295,139,603	301,619,258			295,139,603	301,619,258	
General Government	31,633,687	32,782,433			31,633,687	32,782,433	
Interest on Long-term Debt	18,415,499	21,155,574			18,415,499	21,155,574	
Fiscal Agent and Other Fees	26,300	27,100			26,300	27,100	
Public Housing			12,776,478	9,342,251	12,776,478	9,342,251	
Non-PHA Asset Management			2,822,565	2,620,748	2,822,565	2,620,748	
Environmental Services			42,479,357	43,164,262	42,479,357	43,164,262	
Tucson Golf Enterprise Fund			8,099,458	7,927,430	8,099,458	7,927,430	
Water Utility			181,901,212	170,958,445	181,901,212	170,958,445	
Total Expenses	819,102,506	797,968,189	248,079,070	234,013,136	1,067,181,576	1,031,981,325	
Changes in Net Position before Transfers	98,542,136	53,566,642	64,661,996	77,872,090	163,204,132	131,438,732	
Transfers	1,838,295	1,891,737	(1,838,295)	(1,891,737)			
Changes in Net Position	100,380,431	55,458,379	62,823,701	75,980,353	163,204,132	131,438,732	
Net Position, Beginning of Year	685,085,496	629,627,117	955,071,715	879,091,362	1,640,157,211	1,508,718,479	
Net Position, End of Year	\$ 785,465,927	\$ 685,085,496	\$ 1,017,895,416	\$ 955,071,715	\$ 1,803,361,343	\$ 1,640,157,211	

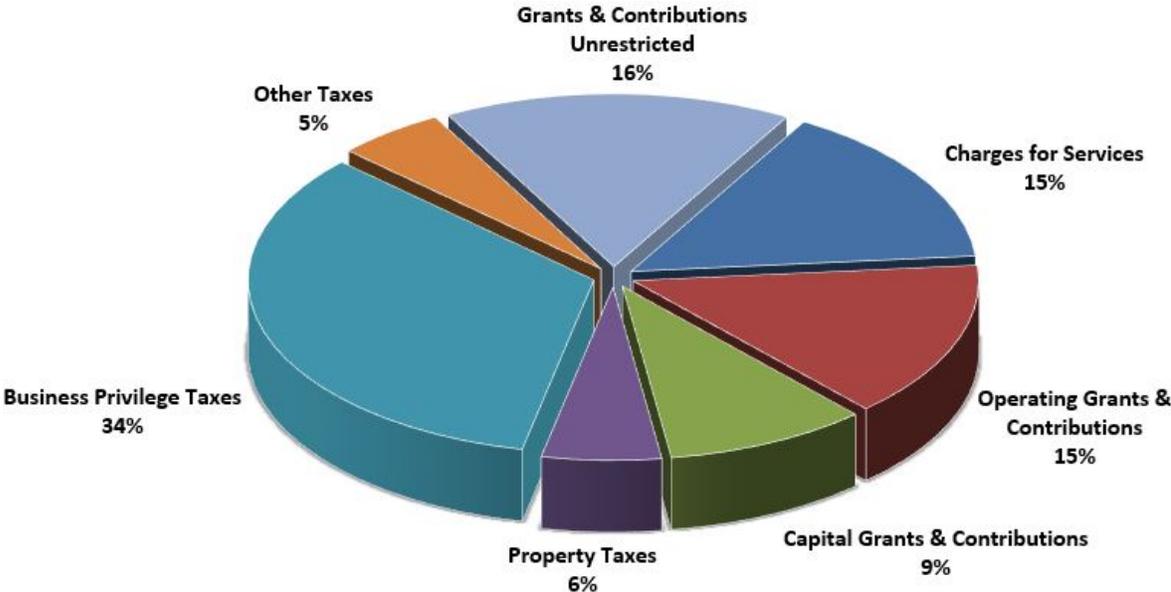
For Governmental Activities, total revenues increased \$66.1 million and expenses increased by \$21.1 million from fiscal year 2018. General revenue components include taxes, unrestricted grants and contributions, investment income (loss), and miscellaneous revenues. Total General revenues increased \$37.6 million with significant increases in Business Privilege Taxes of \$21.0 million, and Miscellaneous of \$8.4 million. Growth in Business Privilege Tax Revenue is due to a strong economy and the collection of two voter approved sales tax increases. One of the increases is one tenth of one cent dedicated to zoo operations and capital improvements and the other increase is one half of one cent dedicated to public safety capital and road improvements. The increase in Miscellaneous Revenue is due to the repayment of a Housing and Urban Development (HUD) loan. The City participated in the HUD Section 108 loan program which offers state and local governments the ability to transform a small portion of their Community Development Block Grant (CDBG) funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects capable of revitalizing entire neighborhoods. General revenues cover 68.9% of governmental costs.

Program revenues, including charges for services and operating/capital grants or contributions, covered 43.1% of governmental costs. Program revenues increased \$28.5 million in total, with an increase in charges for services of \$2.6 million; an increase of \$3.5 million in Operating Grants and Contributions and an increase to Capital Grants and Contributions of \$22.4 million.

Expenses increased by \$21.1 million from fiscal year's 2018 amount of \$798.0 million to fiscal year's 2019 amount of \$819.1 million. The increase to expenses can be attributed to wage and benefit increases and capital outlay and capital project investments.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2019:

**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2019**

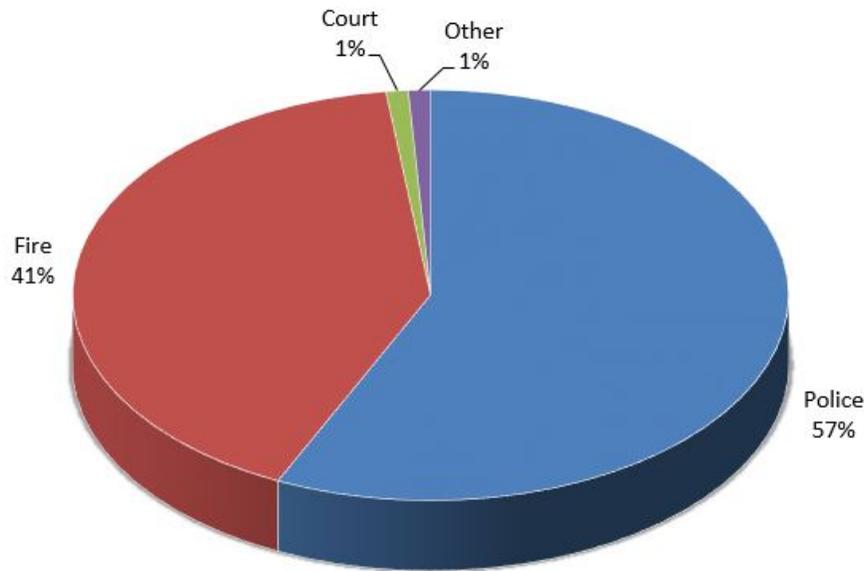


Net expenses (program revenues less expenses) generated from governmental activities are presented by function in Figure 4 below to illustrate how much support each function receives from the City's general revenues:

Net Expense/Revenue-Governmental Activities					Figure 4
Function	2019		2018		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and Official	\$ (18,830,863)	4%	\$ (15,361,720)	3%	
Support Services	(73,154,222)	16%	(62,365,181)	13%	
Public Safety and Justice Services	(319,574,138)	69%	(300,421,668)	64%	
Community Enrichment and Development	(42,630,877)	9%	(77,608,463)	16%	
General Government	7,104,079	-2%	3,985,250	-1%	
Interest	(18,415,499)	4%	(21,155,574)	4%	
Fiscal Agent Fees and Other Fees	(26,300)	1%	(27,100)	1%	
Total Net Expense	\$ (465,527,820)	100%	\$ (472,954,456)	100%	

In Governmental Activities, the largest user of resources is Public Safety and Justice Services, which includes expenses for Police, Fire, Public Safety Communication Center, City Court and Public Defender. 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, 2019



For Business-type Activities net position increased \$62.8 million or 6.6% from the fiscal year 2018 amount of \$955.1 million to \$1.017 billion for fiscal year 2019. Net investment in capital assets increased \$44.2 million, restricted net position increased \$4.8 million and the unrestricted net position deficit decreased \$13.8 million. The major change was an increase in the Water Utility Fund's net investment in capital assets for \$38.0 million from the fiscal year 2018 amount of \$848.9 million to the fiscal year 2019 amount of \$886.9 million. The Water Utility Fund's unrestricted net position increased by \$12.3 million from the fiscal year 2018 amount of \$21.7 million to the fiscal year 2019 amount of \$34.0 million.

The Water Utility total operating revenues decreased by \$5.1 million to \$223.7 million from the fiscal year 2018 amount of \$228.8 million. The decrease can be attributed to the one-time receipt of \$2.8 million for storage credits. Total operating expenses were \$161.8 million, an increase of \$9.6 million from the fiscal year 2018 amount of \$152.2 million.

Environmental Services total operating revenues slightly increased by \$0.4 million from the fiscal year 2018 amount of \$51.8 million to the fiscal year 2019 amount of \$52.2 million and continue to support operating expenses of \$41.1 million.

Public Housing Asset Management Properties total operating revenues slightly increased by \$2.5 million from the fiscal year 2018 amount of \$10.4 million to the fiscal year 2019 amount of \$12.9 million. Total operating expenses increased by \$3.4 million from the fiscal year 2018 amount of \$9.3 million to the fiscal year 2019 amount of \$12.7 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Funds are created and segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Activities not required to be reported in a separate fund are included in the General Fund. Governmental funds are used to account for tax-supported activities.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable and non-spendable resources. Such information may be useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Chief Financial Officer has been delegated authority to assign resources for use for particular purposes by the City Council. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$285.2 million, an increase of \$53.3 million in comparison to the balance at June 30, 2018 of \$231.9 million. Of this amount, \$47.7 million constitutes unassigned fund balance with \$35.5 million assigned for a specific purpose. The remainder of fund balance is either non-spendable, restricted, or committed to indicate that it is not available for new spending.

Revenues for governmental functions totaled \$903.6 million in fiscal year 2019, an increase of approximately 5.7% (\$49.0 million) from the previous year total of \$854.6 million. The increase is due to consumer confidence as seen in business privilege tax growth in the categories of retail, restaurants, and construction. In addition, two voter-approved propositions increasing the City business privilege tax rate and restricting these additional funds for the purposes of zoo operations and capital and for public safety capital equipment and improvements.

Expenditures for governmental functions totaled \$847.6 million, an increase of 2.2% (\$18.6 million) from the fiscal year 2018 total of \$829.0 million. For the current fiscal year, revenues exceeded expenditures for governmental functions by \$56.0 million mainly due to the increases in City taxes and Other Agency revenues which include State Shared sales, auto lieu and income taxes.

The City has two major governmental funds: the General Fund and the Mass Transit Fund.

General Fund

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was \$48.1 million, while the total fund balance was \$123.4 million; the unassigned and total fund balance at the end of fiscal year 2018 were \$38.0 million and \$111.1 million, respectively. The assigned fund balance increased \$0.3 million to \$31.0 million from the fiscal year 2018 amount of \$30.7 million.

In total, General Fund revenues increased \$12.9 million to \$552.2 million, or 2.4% from the fiscal year 2018 amount of \$539.3 million. Tax revenues, representing 53.1% of total revenues, increased by \$7.8 million to \$293.2 million from the fiscal year 2018 amount of \$285.4 million. The City's business privilege tax (sales tax) increased \$4.5 million and use tax increased \$3.3 million due to consumer confidence as seen by the growth in the categories of retail, restaurants, and construction. Other agency revenue, which include state shared and other intergovernmental agreement revenues represents 27.5% of the General Fund revenues. This revenue category increased by \$1.6 million to \$151.8 million from the fiscal year 2018 amount of \$150.2 million mainly in increased State-shared sales taxes.

General Fund expenditures increased 1.0% (\$5.0 million) to \$492.3 million from the fiscal year 2018 amount of \$487.3 million. The City is maintaining the level of operating costs. The increase can be attributed to rate hikes due to health care and public safety pension.

Mass Transit Fund

The Mass Transit Fund is where the financial transactions of the public transportation system (buses and vans) for the City are recorded. At the end of the fiscal year, the total fund balance was \$6.2 million, reporting a slight increase from fiscal year 2018 balance of \$5.8 million. The non-spendable fund balance increased from the fiscal year 2018 amount of \$2.9 million to \$3.2 million because the City had more inventory on hand in the current fiscal year than the prior fiscal year. The assigned fund balance remained the same at \$2.3 million from fiscal year 2018. The assigned fund balance will be used for planned capital projects that were delayed until fiscal year 2020.

Total revenues increased \$9.0 million from the fiscal year 2018 amount of \$36.5 million to the fiscal year 2019 amount of \$45.5 million. The increase is due to federal grant reimbursement for the purchase of buses. Total expenditures increased \$8.4 million in fiscal year 2019 to \$87.7 million from the fiscal year 2018 amount of \$79.3 million due to the purchase of buses.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual budget for its General Fund. A budgetary comparison statement is provided showing the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year. General Fund revenues were \$12.5 million greater than the final budget. Actual total revenues were \$552.2 million with an original projection of \$539.7. The most significant difference between final estimated revenues and actual revenues were in the miscellaneous category due to an unanticipated sale of property and increased recovered expenditures. The other category with the second largest variance is Other Agencies. This increase in revenues is due to additional state-shared sales taxes received.

Total expenditures were \$492.3 million, \$5.3 million less than the 2019 final budget of \$497.6 million and \$3.9 million less of the revised budget of \$496.2 million. The changes from the original budget are due to vacancy savings due to turnover and costs for animal care services being less than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets net of depreciation for its governmental and business-type activities as of June 30, 2019 totaled \$3.6 billion. This investment in capital assets includes land, buildings and improvements, equipment (i.e. vehicles, machinery and fixtures), infrastructure and water distribution and collection systems, construction in progress, and water rights.

Figure 5 provides details of the City's capital assets as of June 30, 2019 and 2018:

Capital Assets (Net of Depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 827,212,828	\$ 799,005,445	\$ 71,579,723	\$ 71,579,723	\$ 898,792,551	\$ 870,585,168
Buildings and Improvements	499,635,948	523,053,603	107,147,317	109,160,025	606,783,265	632,213,628
Equipment	101,363,945	101,768,106	27,946,768	28,815,970	129,310,713	130,584,076
Infrastructure/Distribution and Collections Systems	417,440,358	431,677,285	1,016,031,527	1,023,555,400	1,433,471,885	1,455,232,685
Construction in Progress	241,263,216	203,058,515	208,893,899	156,175,677	450,157,115	359,234,192
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 2,086,916,295	\$ 2,058,562,954	\$ 1,483,726,202	\$ 1,441,413,763	\$ 3,570,642,497	\$ 3,499,976,717

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

Governmental activities assets represent 58.4% of the City's total capital assets and had a net increase of \$28.3 million from fiscal year 2018.

- Land represents 39.6% of capital assets and had a net increase of \$28.2 million from fiscal year 2018. This increase is due to acquisition of easements for \$23.4 million in preparation of major road corridor projects.
- Buildings and Improvements represent 23.9% of capital assets and had a net decrease of \$23.4 million from fiscal year 2018. The decrease represents normal depreciation of \$26.9 million netted against a few small additions and sales.
- Construction in Progress represents 11.6% of capital assets, which increased by \$33.4 million. This increase is due to the capitalization of assets in the amount of \$26.3 million offset by new capital project costs of \$64.4 million.

Business-type activities assets represent 41.6% of the City's capital assets. Business-type activities had a net increase of \$42.3 million in capital assets during the fiscal year.

- Infrastructure represents 68.5% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by \$(7.5) million.
- Buildings and Improvements represent 7.2% of capital assets, which decreased by a net of \$(2.0) million.

Long-term Debt and Liabilities. Figure 6 illustrates the City's debt as of June 30, 2019 and 2018. Additional information regarding long-term debt can be found in Note 7.

Long-term Debt						Figure 6
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Debt	\$ 148,145,000	\$ 174,640,000	\$		\$ 148,145,000	\$ 174,640,000
Street & Highway Revenue Bonds	31,905,000	42,035,000			31,905,000	42,035,000
Certificates of Participation	161,987,596	180,706,467	9,562,405	9,803,533	171,550,001	190,510,000
Special Assessment Bonds		36,000			0	36,000
Clean Renewable Energy Bonds	7,212,900	8,577,200			7,212,900	8,577,200
Water Revenue Bonds			443,916,199	470,175,141	443,916,199	470,175,141
Unamortized Amount on Premiums and Discounts	16,623,306	20,328,844	49,142,207	52,378,619	65,765,513	72,707,463
Landfill Closure/Post Closure Remediation	3,040,768	2,089,660	12,040,365	15,087,698	15,081,133	17,177,358
Capital Leases Payable	13,599,767	15,268,587	206,967	103,865	13,806,734	15,372,452
Other Long-term Debt	6,100,000	14,095,000	1,346,945	1,412,344	7,446,945	15,507,344
Other Post-employment Benefits Pension	169,621,084	211,517,289	26,662,407	35,850,920	196,283,491	247,368,209
Pension	1,173,876,380	1,126,189,565	88,432,498	67,906,580	1,262,308,878	1,194,096,145
Compensated Absences	37,519,452	37,731,721	5,510,238	5,388,217	43,029,690	43,119,938
Claims and Judgments	47,226,118	39,354,500			47,226,118	39,354,500
Total	\$1,816,857,371	\$1,872,569,833	\$679,812,463	\$701,515,342	\$2,496,669,834	\$2,574,085,175

Outstanding debt for the City totaled \$2.5 billion with 72.8% attributed to governmental activities and the remaining 27.2% attributed to business-type activities. The most significant change effected both the governmental and business-type activities is the increase to the long-term amounts related to Post-employment Benefits Other Than Pensions and Pensions of \$17.1 million. The other significant change is the issuance of Water System Revenue Obligation Bonds, Series 2019, with a par amount of \$13.2 million for acquisition and construction of water system improvements and to pay costs related to the issuance of the bonds. These increases are offset by scheduled principal payments on debt and the payment in full of the HUD 108 loan in the amount of \$8.0 million.

Bond Ratings

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

Bond Ratings							Figure 7
Type of Bond:	Moody		Standard and Poor's		Fitch		
	2019	2018	2019	2018	2019	2018	
General Obligation Bonds	Aa3	Aa3	AA-	AA-	AA+	AA+	
Street & Highway User Revenue Bonds							
Senior Lien	A1	A1	AA+	AA+	AA	AA	
Water System Revenue Bonds							
Senior Lien	Aa2	Aa2	AA	AA	AA	AA	
Certificates of Participation	A1	A1	A+(1)	A+(1)	A+	A+	

(1) S&P Insured Rating: AA

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City's Business Services Department, Accounting Division, 255 W. Alameda, 4th floor, Tucson, Arizona 85701, (520) 791-4561 or visit the website at www.tucsonaz.gov/finance.





**Basic Financial
Statements
CITY OF TUCSON
ARIZONA**

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 239,730,454	\$ 152,951,154	\$ 392,681,608
Cash & Investments - Restricted		19,242,814	19,242,814
Cash & Investments with Fiscal Agent - Restricted	43,159,841	44,698,543	87,858,384
Taxes Receivable, Net	36,762,256		36,762,256
Accounts Receivable, Net	26,813,470	36,899,490	63,712,960
Internal Balances	301,327	(301,327)	
Due from Other Agencies	62,501,695	201,887	62,703,582
Interest Receivable	1,359,211	747,604	2,106,815
Inventories	6,193,591	6,665,870	12,859,461
Other Assets	5,960,517	5,062,123	11,022,640
Total current assets	422,782,362	266,168,158	688,950,520
Noncurrent assets:			
Long Term Accounts Receivable	26,028,677	73,588	26,102,265
Long Term Notes Receivable	34,526,141	91,569,766	126,095,907
Long Term Investments	12,970,236		12,970,236
Other Assets - Restricted		394,175	394,175
Land & Construction in Progress	1,068,476,044	280,473,622	1,348,949,666
Other Capital Assets, Net	1,018,440,251	1,151,125,612	2,169,565,863
Water Rights		52,126,968	52,126,968
Total non-current assets	2,160,441,348	1,575,763,731	3,736,205,080
Total assets	2,583,223,710	1,841,931,889	4,425,155,600
DEFERRED OUTFLOWS			
Loss on Refunding of Debt	8,043,252	14,596,460	22,639,712
Pension & Other Post-employment Benefits Plans	214,873,714	21,153,802	236,027,516
Total deferred outflows	222,916,966	35,750,262	258,667,228
LIABILITIES			
Current liabilities:			
Accounts Payable	27,997,459	11,347,602	39,345,061
Accrued Payroll Liabilities	11,016,322	1,819,058	12,835,380
Accrued Interest Payable		9,892	9,892
Due to Other Agencies	4,494,332	2,529,090	7,023,422
Refundable Deposits	6,047,208	2,140,872	8,188,080
Customer Advances		56,132	56,132
Liabilities Payable from Restricted Assets	42,004,556	52,354,957	94,359,513
Current Portion of Long Term Liabilities	84,019,659	38,263,831	122,283,490
Total current liabilities	175,579,536	108,521,434	284,100,970
Noncurrent liabilities:			
Long Term Liabilities	1,732,837,712	641,548,632	2,374,386,344
Total non-current liabilities	1,732,837,712	641,548,632	2,374,386,344
Total liabilities	1,908,417,248	750,070,066	2,658,487,314
DEFERRED INFLOWS			
Advance Federal Project Grants	34,591		34,591
Deferred Revenue	7,947,895	91,499,567	99,447,462
Pension & Other Post-employment Benefits Plans	104,275,014	18,217,102	122,492,116
Total deferred inflows	112,257,500	109,716,669	221,974,169
NET POSITION			
Net Investment in Capital Assets	1,721,002,644	973,188,944	2,694,191,588
Restricted for:			
Debt Service	3,450,449	44,698,543	48,148,992
Capital Projects	46,387,088	822,356	47,209,444
Transportation	20,336,606		20,336,606
Grants and Entitlements	35,414,200	7,050,968	42,465,168
Other Purposes	85,488,439		85,488,439
Unrestricted	(1,126,613,499)	(7,865,395)	(1,134,478,894)
Total net position	\$ 785,465,927	\$ 1,017,895,416	\$ 1,803,361,343

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, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 19,700,906	\$ 545,020	\$ 295,023	\$ 30,000
Support Services	91,648,728	18,372,978	121,528	
Public Safety and Justice Services	362,537,783	28,752,751	12,818,257	1,392,637
Community Enrichment and Development	295,139,603	51,276,099	117,538,745	83,693,882
General Government	31,633,687	37,814,967	922,799	
Interest	18,415,499			
Fiscal Agent Fees and Other	26,300			
Total governmental activities	819,102,506	136,761,815	131,696,352	85,116,519
Business-type activities:				
Public Housing	12,776,478	6,816,292	6,122,690	
Non-PHA Asset Management	2,822,565	2,035,674	221,438	
Environmental Services	42,479,357	52,151,243		48,592
Tucson Golf Enterprise Fund	8,099,458	7,818,726		
Water Utility	181,901,212	223,679,715		9,535,840
Total business-type activities	248,079,070	292,501,650	6,344,128	9,584,432
Total primary government	\$ 1,067,181,576	\$ 429,263,465	\$ 138,040,480	\$ 94,700,951

General Revenues:

Taxes:

Property

Business Privilege

Public Utility

Hotel/Motel Surcharge

Unrestricted Grants and Contribution

Investment Income (Loss)

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
\$ (18,830,863)	\$	\$ (18,830,863)
(73,154,222)		(73,154,222)
(319,574,138)		(319,574,138)
(42,630,877)		(42,630,877)
7,104,079		7,104,079
(18,415,499)		(18,415,499)
(26,300)		(26,300)
<u>(465,527,820)</u>		<u>(465,527,820)</u>
	162,504	162,504
	(565,453)	(565,453)
	9,720,478	9,720,478
	(280,732)	(280,732)
	<u>51,314,343</u>	<u>51,314,343</u>
	<u>60,351,140</u>	<u>60,351,140</u>
<u>(465,527,820)</u>	<u>60,351,140</u>	<u>(405,176,680)</u>
50,075,217		50,075,217
301,888,742		301,888,742
24,929,107		24,929,107
20,570,989		20,570,989
146,210,462		146,210,462
4,681,992	3,525,040	8,207,032
15,713,447	785,816	16,499,263
1,838,295	(1,838,295)	
<u>565,908,251</u>	<u>2,472,561</u>	<u>568,380,812</u>
100,380,431	62,823,701	163,204,132
685,085,496	955,071,715	1,640,157,211
<u>\$ 785,465,927</u>	<u>\$ 1,017,895,416</u>	<u>\$ 1,803,361,343</u>

(*Beginning balance restated as described in note 3)
The notes to the basic financial statements are an integral part of this statement.

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and Cash Equivalents	\$ 37,826,681	\$ 1,429,506	\$ 147,784,920	\$ 187,041,107
Cash & Investments with Fiscal Agents	1,394,443	65,746	41,699,652	43,159,841
Taxes Receivable, Net	29,391,113		7,371,143	36,762,256
Accounts Receivable, Net	34,846,970	659,490	1,064,076	36,570,536
Notes & Loans Receivable	1,409,321		31,769,875	33,179,196
Interfund Receivable	31,688,083			31,688,083
Due from Other Agencies	25,027,458	5,869,221	25,951,268	56,847,947
Grants & Entitlements Receivable		9,444,181	6,827,430	16,271,611
Interest Receivable	367,700		747,225	1,114,925
Inventories	1,134,364	3,160,866	1,898,361	6,193,591
Interfund Loans Receivable	1,346,945			1,346,945
Long Term Investments	12,970,236			12,970,236
Other Assets		88,244	3,162	91,406
Total assets	\$ 177,403,314	\$ 20,717,254	\$ 265,117,112	\$ 463,237,680
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 9,940,008	\$ 2,788,863	\$ 15,075,793	\$ 27,804,664
Accrued Payroll Liabilities	10,362,929	103,625	515,035	10,981,589
Accrued Interest Payable				
Interfund Payable		8,819,614	17,214,722	26,034,336
Due to Other Agencies	854,127	2,775,106	865,099	4,494,332
Refundable Deposits	5,148,582	596	897,366	6,046,544
Bonds & Interest Payable, including Special Assessments			41,117,534	41,117,534
Advances from Grantors			887,022	887,022
Total liabilities	26,305,646	14,487,804	76,572,571	117,366,021
Deferred inflows:				
Advance Federal Project Grants			34,591	34,591
Deferred Revenues	27,726,504	69,473	32,837,742	60,633,719
Total deferred inflows	27,726,504	69,473	32,872,333	60,668,310
Fund balances:				
Nonspendable	5,231,999	3,249,110	1,858,374	10,339,483
Restricted	3,813,568	581,911	151,971,594	156,367,073
Committed	35,272,013	65,746	35,192	35,372,951
Assigned	30,999,957	2,263,210	2,208,421	35,471,588
Unassigned	48,053,627		(401,373)	47,652,254
Total fund balances	123,371,164	6,159,977	155,672,208	285,203,349
Total liabilities, deferred inflows and fund balances	\$ 177,403,314	\$ 20,717,254	\$ 265,117,112	\$ 463,237,680

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, 2019

Total Governmental Fund Balances (pg.18)		\$ 285,203,349
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		
Capital Assets Net of Accumulated Depreciation		2,086,803,077
Deferred Inflows not recognized in the current period and, therefore, are not reported in the governmental funds		
Loss on Refunding of Debt		8,043,252
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities consist of:		
Bonds and Notes Payable	(203,886,207)	
Capital Leases	(175,587,362)	
Compensated Absences	(37,519,452)	
OPEB Liabilities	(169,621,084)	
Other Long-term Debt	(6,100,000)	
Total Long-term Liabilities	(592,714,105)	
Some other assets are not financial resources and therefore, are not reported in the governmental funds.		
		5,516,667
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.		
		52,685,824
The internal service fund is used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.		
		3,205,543
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:		
Net Pension Liability	(1,173,876,380)	
Deferred Inflow of Resources	(104,275,014)	
Deferred Outflow of Resources	214,873,714	
	(1,063,277,680)	
Net Position of Governmental Activities		\$ 785,465,927

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, 2019

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 293,212,683	\$	\$ 100,888,919	\$ 394,101,602
Licenses and Permits	32,866,534		1,727,745	34,594,279
Fines and Forfeitures	8,904,365		967,131	9,871,496
Developer Fees			10,582,494	10,582,494
Use of Money and Property	1,942,398	537,266	3,188,941	5,668,605
Federal Grants and Contributions		18,030,609	66,638,769	84,669,378
Other Agencies	151,816,597	13,523,758	96,194,559	261,534,914
Charges for Services	57,545,531	12,998,641	15,300,752	85,844,924
Special Assessments			12,952	12,952
Contributions from Outside Sources			8,327,145	8,327,145
Miscellaneous	5,905,254	416,982	2,045,973	8,368,209
Total revenues	<u>552,193,362</u>	<u>45,507,256</u>	<u>305,875,380</u>	<u>903,575,998</u>
Expenditures:				
Current -				
Elected and Official	17,152,806		297,734	17,450,540
Support Services	82,656,605			82,656,605
Public Safety and Justice Services	277,303,632		16,447,950	293,751,582
Community Enrichment and Development	35,841,426	75,950,073	114,727,484	226,518,983
General Government	46,197,072		2,774,466	48,971,538
Capital Outlay	2,934,768	11,146,062	10,337,657	24,418,487
Capital Projects	3,893,397	588,969	64,297,596	68,779,962
Debt service -				
Principal	18,737,893		47,670,098	66,407,991
Interest	7,523,329		11,081,282	18,604,611
Fiscal Agent Fees	17,500		8,800	26,300
Total expenditures	<u>492,258,428</u>	<u>87,685,104</u>	<u>267,643,067</u>	<u>847,586,599</u>
Excess (deficiency) of revenues over expenditures	<u>59,934,934</u>	<u>(42,177,848)</u>	<u>38,232,313</u>	<u>55,989,399</u>
Other financing sources (uses):				
Transfers In	2,422,190	42,504,038	11,168,097	56,094,325
Transfers Out	(50,121,036)		(3,933,940)	(54,054,976)
Total other financing sources (uses)	<u>(47,698,846)</u>	<u>42,504,038</u>	<u>7,234,157</u>	<u>2,039,349</u>
Changes in fund balances	12,236,088	326,190	45,466,470	58,028,748
Fund balances, beginning of year, restated*	<u>111,135,038</u>	<u>5,833,787</u>	<u>110,205,738</u>	<u>227,174,563</u>
Fund balances, end of year	<u>\$ 123,371,126</u>	<u>\$ 6,159,977</u>	<u>\$ 155,672,208</u>	<u>\$ 285,203,311</u>

(*Beginning balance of the Safer City Improvement Fund restated as described in Note 3.)

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, 2019

Net Change in Fund Balances - Total Governmental Funds (pg. 20)		\$ 58,028,748
<p>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:</p>		
Capital Expenditures	93,198,449	
Depreciation Expense	<u>(81,413,097)</u>	11,785,352
<p>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.</p>		
Proceeds on the sale of an asset	(1,325,958)	
Gain on the sale of an asset	460,416	
Loss on the sale of an asset	<u>(290,702)</u>	(1,156,244)
<p>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.</p>		
		17,087,116
<p>Transfer of Assets to Enterprise Funds</p>		
		(25,704)
<p>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:</p>		
Repayment of Debt Principal	<u>66,407,991</u>	66,407,991
<p>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:</p>		
Accrued Interest Expense	189,111	
Amortization of Premium/Discount on Debt	<u>1,880,775</u>	2,069,886
<p>Expenses in the Statement of Activities that do not use current financial resources are not reported as expenditures in the funds.</p>		
Change in Compensated Absences Liability		212,270
Change in OPEB Liability		10,508,139
Change in Pension Liability		(57,517,006)
<p>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.</p>		
		<u>(7,020,154)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 100,380,394</u></u>

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, 2019

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Fund Risk Management
ASSETS						
Current assets:						
Cash and Cash Equivalents	\$ 42,119,879	\$ 95,969,449	\$ 12,997,654	\$ 1,864,172	\$ 152,951,154	\$ 52,689,347
Cash & Investments - Restricted		19,242,814			19,242,814	
Cash & Investments with Fiscal Agent - Restricted		44,698,543			44,698,543	
Accounts Receivable, Net	3,428,833	32,745,818	215,151	509,688	36,899,490	
Due from Other Agencies	2,266		199,621		201,887	
Interest Receivable	221,863	509,241	14,563	1,937	747,604	244,285
Inventories		6,422,249		243,621	6,665,870	
Other Assets		5,038,950	532	22,641	5,062,123	352,444
Total current assets	45,772,841	204,627,064	13,427,521	2,642,059	266,469,485	53,286,076
Noncurrent assets:						
Long Term Accounts Receivable		73,588			73,588	
Long Term Notes Receivable			91,152,004	417,762	91,569,766	
Restricted Receivable		394,175			394,175	
Land & Construction in Progress	28,735,339	237,194,053	8,395,006	6,149,224	280,473,622	30,242
Other Capital Assets, Net	26,223,063	1,097,164,891	9,286,968	18,450,689	1,151,125,611	82,975
Water Rights		52,126,968			52,126,968	
Total noncurrent assets	54,958,402	1,386,953,675	108,833,978	25,017,675	1,575,763,730	113,217
Total assets	100,731,243	1,591,580,739	122,261,499	27,659,734	1,842,233,215	53,399,293
DEFERRED OUTFLOWS						
Loss on Refunding of Debt	961,194	13,635,266			14,596,460	
Pension & Other Post-employment Benefits Plans	4,894,249	14,670,893	1,413,592	175,068	21,153,802	
Total deferred outflows	5,855,443	28,306,159	1,413,592	175,068	35,750,262	
LIABILITIES						
Current liabilities:						
Accounts Payable	3,578,533	6,787,703	568,792	412,574	11,347,602	192,794
Accrued Payroll Liabilities	296,999	1,522,051	8		1,819,058	34,733
Accrued Interest Payable				9,892	9,892	
Due to Other Agencies	4	2,487,375	2,181	39,530	2,529,090	
Refundable Deposits	128,777	1,292,281	523,557	196,257	2,140,872	664
Current Portion of Bonds Payable		34,680,012			34,680,012	
Current Portion of Contracts Payable	652,333			57,498	709,831	
Claims Payable						7,802,908
Remediation Obligations						1,924,800
Current Portion of Compensated Absences	415,932	1,536,858	101,526	18,931	2,073,247	
Liabilities Payable from Restricted Assets		52,354,957			52,354,957	
Customer Advances				56,132	56,132	
Current Portion of Long Term Liabilities	800,741				800,741	
Total current liabilities	5,873,319	100,661,237	1,196,064	790,814	108,521,434	9,955,899
Noncurrent liabilities:						
Bonds Payable		457,209,634			457,209,634	
Contracts Payable	10,078,832			149,469	10,228,301	
Interfund Loans Payable				1,346,945	1,346,945	
Claims Payable						39,423,210
Remediation Obligations						1,115,968
Compensated Absences	723,419	2,559,119	145,386	9,067	3,436,991	
Pension Liability	19,812,938	61,095,764	6,694,685	829,111	88,432,498	
Other Post-employment Benefits	7,716,905	18,945,502			26,662,407	
Long Term Liabilities	54,231,856				54,231,856	
Total non-current liabilities	92,563,950	539,810,019	6,840,071	2,334,592	641,548,632	40,539,178
Total liabilities	98,437,269	640,471,256	8,036,135	3,125,406	750,070,066	50,495,077

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
June 30, 2019

DEFERRED INFLOWS

Deferred Revenue	331	100,023	91,256,072	143,141	91,499,567	
Pension & Other Post-employment Benefits Plans	4,606,221	12,883,773	646,982	80,126	18,217,102	
Total deferred inflows	<u>4,606,552</u>	<u>12,983,796</u>	<u>91,903,054</u>	<u>223,267</u>	<u>109,716,669</u>	

NET POSITION

Net Investment in Capital Assets	44,227,238	886,886,785	17,681,974	24,392,947	973,188,944	113,217
Restricted for Debt Service		44,698,543			44,698,543	
Restricted for Capital		822,356			822,356	
Restricted for Self Insurance Mandates						2,791,000
Restricted for Grants and Entitlements			6,053,928	997,040	7,050,968	
Unrestricted	(40,684,373)	34,024,162		(903,857)	(7,564,068)	
Total net position	<u>\$ 3,542,865</u>	<u>\$ 966,431,846</u>	<u>\$ 23,735,902</u>	<u>\$ 24,486,130</u>	<u>\$ 1,018,196,743</u>	<u>\$ 2,904,217</u>

Reconciliation to Government-Wide Statement of Net Position

Adjustment to consolidate internal service activities	(269,624)	(31,703)			(301,327)	
Total Net Position - Business Type	<u>\$ 3,273,241</u>	<u>\$ 966,400,143</u>	<u>\$ 23,735,902</u>	<u>\$ 24,486,130</u>	<u>\$ 1,017,895,416</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, 2019

	Business-type Activities					Governmental
						Internal Service
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Fund Risk Management
Operating revenues:						
Charges for Services	\$ 51,216,757	\$ 220,808,496	\$ 6,787,695	\$ 9,761,837	\$ 288,574,785	\$ 11,858,581
Federal Grants and Contributions			6,122,690	221,438	6,344,128	
Miscellaneous	934,486	2,871,219	28,597	92,564	3,926,866	26,304
Total operating revenues	52,151,243	223,679,715	12,938,982	10,075,839	298,845,779	11,884,885
Operating expenses:						
Salaries, Wages and Benefits	14,850,317	40,583,011	4,956,889	614,795	61,005,012	1,775,754
Contractual Services	16,802,840	74,932,008	6,188,783	7,012,715	104,936,346	5,455,894
Commodities	3,038,891	8,242,534	873,410	1,526,850	13,681,685	101,465
Cost of Goods Sold				599,434	599,434	
Benefits and Claims						17,261,730
Depreciation	6,426,360	38,007,615	719,196	1,137,247	46,290,418	12,504
Total operating expenses	41,118,408	161,765,168	12,738,278	10,891,041	226,512,895	24,607,347
Operating income (loss)	11,032,835	61,914,547	200,704	(815,202)	72,332,884	(12,722,462)
Nonoperating revenues (expenses):						
Property Taxes						2,445,760
Investment Income	680,280	2,701,424	52,957	90,378	3,525,039	917,940
Gain (loss) on Sale of Property/Equipment	298,994	486,822			785,816	
Federal Grants and Contributions	48,592	743,336			791,928	
Interest Expense	(411,853)	(16,845,151)	(38,200)	(30,982)	(17,326,186)	
Debt Issuance Costs		(842,443)			(842,443)	
Other Non-operating Income (Expense)		(883,587)			(883,587)	
Total nonoperating revenues (expenses)	616,013	(14,639,599)	14,757	59,396	(13,949,433)	3,363,700
Income (loss) before capital contributions and transfers	11,648,848	47,274,948	215,461	(755,806)	58,383,451	(9,358,762)
Capital Contributions	25,704	8,792,504			8,818,208	
Transfers In			2,373	6,968	9,341	
Transfers Out		(1,873,340)			(1,873,340)	(175,350)
Changes in net position	11,674,552	54,194,112	217,834	(748,838)	65,337,660	(9,534,112)
Net position, beginning of year	(8,131,687)	912,237,734	23,518,068	25,234,968	952,859,083	12,438,329
Total net position, end of year	\$ 3,542,865	\$ 966,431,846	\$ 23,735,902	\$ 24,486,130	\$ 1,018,196,743	\$ 2,904,217
Reconciliation to government-wide Statement of Activities						
Changes in net position	11,674,552	54,194,112	217,834	(748,838)	65,337,660	
Adjustment to consolidate internal service activities	(949,096)	(1,564,863)			(2,513,959)	
Changes in net position - Business-type activities	\$ 10,725,456	\$ 52,629,249	\$ 217,834	\$ (748,838)	\$ 62,823,701	

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, 2019

	Business-type Activities					Governmental Activities
	Environmental Services		Public Housing	Non-Major Enterprise Funds	Total	Internal Service Fund Risk Management
	Services	Water Utility	Housing	Funds	Total	Risk Management
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 51,027,070	\$222,789,618	\$ 6,735,665	\$ 9,886,799	\$290,439,152	\$ 11,884,885
Cash Payments to Suppliers for Goods and Services	(21,192,913)	(86,878,536)	(6,999,279)	(9,078,782)	(124,149,510)	(4,654,759)
Cash Payments to Employees for Services	(14,915,713)	(40,223,741)	(4,766,696)	(737,985)	(60,644,135)	(1,775,434)
Subsidy from Federal Grant			6,094,058	221,438	6,315,496	
Other Operating Revenues	933,470				933,470	
Cash from Settlements						(9,390,112)
Net Cash Provided (Used) by Operating Activities	15,851,914	95,687,341	1,063,748	291,470	112,894,473	(3,935,420)
Cash Flows from Noncapital Financing Activities						
Property Taxes						2,438,113
Interfund Transfers	25,704	(1,873,340)	2,373	(58,432)	(1,903,695)	(175,350)
Subsidy from Federal Grant	173,928	743,336			917,264	
Interest Paid on Advances				(19,330)	(19,330)	
Net Cash Provided (Used) by Noncapital Financing Activities	199,632	(1,130,004)	2,373	(77,762)	(1,005,761)	2,262,763
Cash Flows from Capital and Related Financing Activities						
Capital Leasing Activities				103,100	103,100	
Bond Issuance		13,195,000			13,195,000	
Premium on Bonds		2,059,041			2,059,041	
Acquisition and Construction of Capital Assets	(14,797,681)	(56,253,044)		(420,460)	(71,471,185)	
Principal Paid on Capital Debt	(241,129)	(35,753,943)			(35,995,072)	
Interest Paid on Capital Debt	(432,826)	(24,291,817)	(38,200)	(6,809)	(24,769,652)	
Fiscal Agent Fees Paid on Capital Debt		(842,443)			(842,443)	
Capital Contributions-System Equity fee		3,180,141			3,180,141	
Proceeds from Sale of Assets/Equipment	383,642	500,885			884,527	
Net Cash Provided (Used) by Capital and Related Financing Activities	(15,087,994)	(98,206,180)	(38,200)	(324,169)	(113,656,543)	
Cash Flows from Investing Activities:						
Interest on Investments	566,871	2,408,934	69,200	93,783	3,138,788	762,141
Purchase of Investments						
Net Cash Provided (Used) by Investing Activities	566,871	2,408,934	69,200	93,783	3,138,788	762,141
Net Increase (Decrease) in Cash and Cash Equivalents	1,530,423	(1,239,909)	1,097,121	(16,678)	1,370,957	(910,516)
Cash and Cash Equivalents - July 1	40,589,456	161,150,715	11,900,534	1,880,849	215,521,554	53,599,863
Cash and Cash Equivalents - June 30	\$ 42,119,879	\$159,910,806	\$ 12,997,655	\$ 1,864,171	\$216,892,511	\$ 52,689,347

CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-type Activities					Governmental Activities
	Environmental		Public	Non-Major Enterprise	Total	Internal Service Fund
	Services		Water Utility	Housing		Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 11,032,835	\$ 61,914,547	\$ 200,704	\$ (815,202)	\$ 72,332,884	\$ (12,722,463)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	6,426,360	38,007,615	719,196	1,137,247	46,290,418	12,504
Provision for Landfill Closure	(4,367,112)				(4,367,112)	
Other Adjustments:						
Decrease (Increase) in Assets / Deferred Outflows:						
Accounts Receivable	(312,953)	(1,105,810)	(164,036)	(211,220)	(1,794,019)	
Pension Plans & Other Post Employment Benefits	(2,402,095)	(7,920,472)	(891,716)	(103,174)	(11,317,457)	
Capitalized Labor Costs		(3,139,701)			(3,139,701)	
Inventory and Prepays	96,119	(698,683)	(532)	55,875	(547,221)	57,802
Due from Other Agencies	125,005	182,207	(28,632)		278,580	
Other Assets	1,699,466	(4,924,214)			(3,224,748)	
Increase (Decrease) in Liabilities / Deferred Inflows:						
Accounts Payable	2,003,704	2,023,399	62,914	147,265	4,237,282	(106,974)
Accrued Payroll Liabilities	27,178	717,452	(93,415)	(77,737)	573,478	321
Accrued Compensated Absences	(92,574)	227,603	(9,592)	(3,418)	122,019	
Pension Plans & Other Post Employment Benefits	590,944	1,829,701	(369,971)		2,050,674	
Pension Liability	3,549,848	15,299,544	1,555,419	121,107	20,525,918	
Accrued Other Post-Employment Benefits	(2,533,657)	(6,654,857)			(9,188,514)	
Deferred Revenue			63,292	95,359	158,651	
Customer/Refundable Deposits	8,842	33,506	17,957	44,331	104,636	664
Claims and Judgments Payable						7,871,618
Remediation Obligation						951,108
Due to Other Agencies	4	(104,496)	2,160	6,071	(96,261)	
Other Operating Liabilities				(105,034)	(105,034)	
Net Cash Provided (Used) by Operating Activities	\$ 15,851,914	\$ 95,687,341	\$ 1,063,748	\$ 291,470	\$ 112,894,473	\$ (3,935,420)
Noncash Investing, Capital, and Financing Activities:						
Contributions of capital assets	\$	\$ 5,612,363	\$	\$	\$ 5,612,363	\$
Total Noncash Investing, Capital, and Financing Activities:	\$	\$ 5,612,363	\$	\$	\$ 5,612,363	\$

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, 2019

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	\$	\$ 4,969,932
Accounts Receivable, Net		11,316,991
Interest & Dividends Receivable	2,007,093	
Due from Brokers	10,386,466	
Short Term Investments	26,032,930	
Securities Lending Cash Collateral	2,614,584	
U.S. Treasuries, Agencies & Other Governmental Bonds	113,295,403	
Bonds and Preferred Stock	54,216,957	
U.S. Equity	275,104,869	
International Bonds & Other Fixed Income Instrument	46,749,395	
International Equity & Comingled Equity Funds	208,519,269	
Real Estate & Comingled Real Estate Funds	77,625,269	
Infrastructure Investment Funds	39,059,474	
Total assets	855,611,709	16,286,923
 LIABILITIES		
Accounts Payable	188,084	4,053,476
Accrued Payroll Liabilities	8,529	
Due to Other Agencies		12,233,446
Due to Other Funds	5,516,068	
Due to Securities Borrowers	2,614,584	
Due to Brokers	10,701,415	
Total liabilities	19,028,680	16,286,922
 NET POSITION		
Restricted for Pensions	\$ 836,583,029	\$

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, 2019

	Pension Trust
Additions:	
Employer Contributions	\$ 32,589,204
Employee Contributions	7,779,477
Net Increase (Decrease) in Fair Value of investment	40,058,019
Interest, Dividends and Other Income	14,516,767
Securities Lending Income	129,014
Less: Investment Activity Expense	(4,879,176)
Less: Securities Lending Expense	(51,579)
Miscellaneous Additions	46,065
Total additions	90,187,791
Deductions:	
Payments to Participants	74,928,771
Refunds and Transfers to Other Plans	1,657,445
Administrative Expense	652,065
Total deductions	77,238,281
Changes in net position	12,949,510
Net position, beginning of year	823,633,518
Net position, end of year	\$ 836,583,028

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, 2019

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, or visit www.tucsonaz.gov/finance.

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 non-fiduciary 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, and deferred inflows attributable to the acquisition, construction, or improvement of capital assets, 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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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 Charges 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 2019 of \$42,504,038.

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. Special revenue funds include federal grants and various City functions such as Tucson Convention Center, Highway User Revenue, Sun Link (Streetcar), 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 Assessments 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 2012 General Obligation Streets Improvement, Capital Improvement, Development Fee, and the Regional Transportation Authority Funds.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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.

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

Non-major Funds:

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.

The Non-Public Housing Authority (Non-PHA) Asset Management Fund accounts for operating activities necessary to support non-public housing assets. The Non-PHA Asset Management Fund is accounted for within an individual fund.

3. Internal Service Fund

This fund is used to account for the financing of self-insurance 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 fund 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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

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 non-spendable 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 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).

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

E. Reserve for Loss and Loss Adjustment Expenses

The Risk Management 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.

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 as follows: Elected Officials, Public Safety and Justice Services, Community Enrichment and Development, Support Services, Public Utilities and General Government. Transfers between purposes, such as General Government 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, 2019.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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.

I. Accounts/Notes Receivable

The Water Utility Funds' assets and revenues include \$14,209,472 for water sales delivered, but unbilled at June 30, 2019.

General Fund accounts receivables of \$34,846,970 are net of allowance for doubtful accounts of \$38,920. The Water Utility and Environmental Services accounts receivable of \$32,745,818 and \$3,428,833, respectively, are net of allowance for doubtful accounts of \$859,731 and \$259,674, 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, 2019, these loans, called forgivable loans, totaled \$5,464,931. 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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 non-spendable 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 non-spendable 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, donated works of art and similar items are reported at their acquisition value. 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.

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

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

M. Water Rights

The City does not place a limitation on the useful life of the water rights and does not expect to cease utilizing the water rights in the foreseeable future. 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, 2019.

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.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

P. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent 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 inflows of resources represent 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 Non-spendable, Restricted, Committed, Assigned, and Unassigned. Unrestricted fund balance is the total fund balance less Non-spendable and Restricted fund balances. The Unrestricted fund balance includes Committed, Assigned and Unassigned classifications.

Non-spendable – The non-spendable 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 is included as a subset of committed fund balance. As of June 30, 2019, this fund is at approximately four percent (4.2%) of General Fund revenues, less than 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 the 2008-2009 Great Recession, with the goal to restore fund balance within five years of revenue stabilization. The Stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned fund balance is depleted.

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

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. The City participates in a Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the country up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to the Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

and allowed in the City's investment policy. The City now holds \$10.1 million of the Stabilization Fund in a two-year CDARS investment with Alliance Bank and Commerce Bank of Arizona.

A target of a minimum of seven percent (7%) 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, 2019, 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, 2019

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 - General Supplies	\$ 1,134,364	\$	\$	\$ 1,134,364
Long-Term Investment	2,750,690			2,750,690
Golf Long-Term Loan	1,346,945			1,346,945
Inventory - Bus and Streetcar Parts		3,160,866	1,858,374	5,019,240
Prepaid Expenditures		88,244		88,244
Total Nonspendable	<u>5,231,999</u>	<u>3,249,110</u>	<u>1,858,374</u>	<u>10,339,483</u>
Restricted:				
Crime Prevention, Investigation and Education	3,813,568			3,813,568
Debt Service			982,650	982,650
Streets, Sidewalks, Drainage and Signage			42,844,342	42,844,342
Streets Resurfacing			37,786,382	37,786,382
Building and Infrastructure Improvements			471,386	471,386
Parks and Recreation Improvements			8,925,421	8,925,421
Zoo Improvement & Operation			10,258,035	10,258,035
General Equipment and Improvements			1,895,643	1,895,643
Neighborhood/Housing Improvements			130,389	130,389
Low Income Housing Loans			4,213,587	4,213,587
Police and Fire Buildings and Improvements			7,454,977	7,454,977
Police and Fire Equipment and Improvements			33,993,517	33,993,517
Housing Choice Vouchers			2,173,544	2,173,544
Federal Transit Administration Programs		581,911		581,911
Affordable Housing Programs			841,721	841,721
Total Restricted	<u>3,813,568</u>	<u>581,911</u>	<u>151,971,594</u>	<u>156,367,073</u>
Committed:				
Litter Clean Up	437,644			437,644
City Court Case Processing	1,269,010			1,269,010
Business Development Loans	932,830			932,830
Land Annexation - Raytheon Buffer	5,665,212			5,665,212
Business Development Agreements	72,005			72,005
Housing Trust Fund	132,820			132,820
Zoo Expansion Projects	2,036,707			2,036,707
Parks and Recreation Projects	1,447,648			1,447,648
Campaign Finance	25,532			25,532
Stabilization Fund	22,836,507			22,836,507
National Service Warranty Program	391,896			391,896
Fire Equipment Sales	24,202			24,202
Property Management		65,746	18,609	84,355
Marketing for Civic Contributions Fund			16,583	16,583
Total Committed	<u>35,272,013</u>	<u>65,746</u>	<u>35,192</u>	<u>35,372,951</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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 (cont.):				
Assigned:				
Management Contingency	8,000,000			8,000,000
Fuel Contingency	3,121,140			3,121,140
Operating Contingency	2,600,000			2,600,000
Energy Efficiency Contracts	330,320			330,320
City Hall Elevator	650,000			650,000
TEAC Renovation	716,420			716,420
Parks & Recreation Equipment	315,800			315,800
2020 Census Contribution	200,000			200,000
PSPRS Tier 1B Rollback Refunds & Interest Payments	805,000			805,000
Zoo Operating & Maintenance	920,000			920,000
Election & Campaign Finance	1,720,000			1,720,000
Software and System Upgrades	2,535,750			2,535,750
Vehicle Replacement	2,976,610			2,976,610
Building Maintenance	1,126,150			1,126,150
Disbursement to Employees	4,000,000			4,000,000
Parking Operations			1,963,921	1,963,921
SunLink Operations			220,000	220,000
Other	982,767	2,263,210	24,500	3,270,477
Total Assigned	<u>30,999,957</u>	<u>2,263,210</u>	<u>2,208,421</u>	<u>35,471,588</u>
Unassigned:	48,053,627		\$ (401,373)	47,652,254
Total Fund Balances	<u>\$ 123,371,164</u>	<u>\$ 6,159,977</u>	<u>\$ 155,672,208</u>	<u>\$ 285,203,349</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, 2019

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 was \$11,359 and is included in the restricted net position. 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.

Proposition 117, passed by Arizona voters in 2012, changes the method used to determine values used in calculating assessed values used for tax rates and levies. Beginning with tax year 2015, a single assessed value, called the Limited Property Value (LPV), is used for both the primary and secondary tax levies. The growth in the LPV is limited to no more than 5% per year, excluding new construction.

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. Even if the City does not adopt the maximum allowable levy from year to year, the 2% allowable increase will be based on the prior year's "maximum allowable levy." The "net new property" factor is included in the calculation that takes into account all new construction and any additional property added to a community due to annexations. The 2% increase applies to all taxable property. 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.

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, 2019

Note 3 - RESTATEMENT OF BEGINNING BALANCES:

For fiscal year 2019, the City restated beginning balance of the Safer City Improvement Fund by \$4,772,525. The restatement reclassifies the capital expenditure of fire apparatus for fiscal year 2018, to other assets on the balance sheet. Since the asset is still in progress, the government-wide statement reports the asset as CIP. To account for the changes, the amount presented as ending net position for the City's governmental activities and the non-major governmental fund balance have been restated as documented in the tables below.

The following table displays the changes to the individual funds fund balance/net position based on the changes noted above:

Fund Financial Statements	
	Total Governmental Fund
Ending balance as previously reported	\$ 231,947,090
Change in Fund Balance	(4,772,527)
Ending balances restated	\$ 227,174,563

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 and Investments. 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, 2019:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 396,271,580	\$ (22,021,806)	\$ 374,249,774
Investments	898,832,965		898,832,965
Total	\$ 1,295,104,545	\$ (22,021,806)	\$ 1,273,082,739

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and Cash Equivalents	\$ 392,681,607	\$ 4,969,932	\$ 397,651,539
Noncurrent Investments	12,970,236	843,218,150	856,188,386
Cash & Investments Restricted	19,242,814		19,242,814
Total	\$ 424,894,657	\$ 848,188,082	\$ 1,273,082,739

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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 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.

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.

The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's deposits and investments for all funds at fiscal year-end are listed below at fair value net of accruals. The City categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The City has the following recurring fair value measurements as of June 30, 2019:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Investments	Fair Value	Level 1	Level 2	Level 3
U.S. Issues not on Securities Loan:				
U.S. Treasuries, Agencies, Governmental Bonds & Commingled U.S. Debt	\$ 367,160,408	\$ 223,295,649	\$ 32,161,479	\$ 111,703,280
Corporate Bonds & Other Fixed Income Instruments	125,655,130	52,306,667	73,348,463	
U.S. Equity & Commingled Equity Funds	254,270,352	159,684,324	16,044	94,569,984
International Bonds & Other Fixed Income Instruments	46,340,987	46,003,495	337,492	
International Equity & Commingled Equity Funds	208,064,217	84,895,622	62,755	123,105,840
Subtotal	1,001,491,094	566,185,757	105,926,233	329,379,104
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:				
U.S. Corporate Bonds & Other Fixed Income Instruments	420,348	420,348		
U.S. Equity	20,834,516	20,834,516		
International Bonds & Other Fixed Income Instruments	408,409	408,409		
International Equity	455,052	455,052		
Subtotal	22,118,325	22,118,325		
Securities Lending Short-Term Collateral Investment Pool	22,612,444			22,612,444
Money Market Funds/Short-Term Investments	132,197,939	113,687,163	18,152,349	358,427
Real Estate & Commingled Real Estate Funds	77,625,269			77,625,269
Infrastructure Investment Funds	39,059,474			39,059,474
Subtotal	271,495,126	113,687,163	18,152,349	139,655,614
Total Deposits and Investments	\$ 1,295,104,545	\$ 701,991,245	\$ 124,078,582	\$ 469,034,718

U.S. treasuries, agencies, money market, and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical securities.

Governmental bonds, corporate bonds, other fixed income instruments, and international bonds classified in Level 2 of the fair value hierarchy are valued based on significant other observable inputs, which may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Securities valued at Level 3 are based on significant unobservable outputs based on all information available in the circumstances to the extent observable outputs are not available. The fair value of commingled U.S. debt, commingled equity funds, and related short-term investments classified in level 3 represent the value of unit positions in funds that are not publicly traded on an exchange. Fair value of these securities can be impacted by redemption restrictions imposed by the fund

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

managers. Real estate, commingled real estate funds, and infrastructure investment funds are valued using discounted cash flow techniques.

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, 2019:

Investment Type	Holdings	Fair Value	Percent of Total
Cash & Cash Equivalents:			
Wells Fargo Large Balance Public Institutional Bank Deposit Account	1	\$ 66,586,489	18.15%
U.S. Treasury Notes	23	199,728,745	54.44%
U.S. Agency & Municipal Bonds	14	28,738,850	7.83%
Negotiable Certificates of Deposit	13	21,004,189	5.72%
U.S. Corporate Bonds	51	50,854,332	13.86%
TOTAL	102	\$ 366,912,604	100%

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, 2019

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, 2019, these funds consisted of an investment account at Wells Fargo invested in overnight repurchases with a fair market value of \$22,646,720, U.S. Agency Bond with a fair market value of \$2,750,690; and various other operational accounts totaling \$29,538,975. The City of Tucson banking policy for these cash accounts is consistent with the investment pool account policy described above.

The City participates in a 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 solicitations for offers from local institutions, the City deposited \$10,219,545 in a two-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product during 2019.

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. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2019:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash & Short Term Investment Funds:				
Cash and Cash Equivalents	46	Aa1	\$ 26,032,930	
Subtotal	<u>46</u>		<u>26,032,930</u>	10.83%
U.S. Agency & Other Governmental Obligations:				
Municipal Bonds	4	B2	920,184	
Futures	4	Aaa	671,939	
BlackRock U.S. Debt Fund	2	Aaa	111,703,280	
Subtotal	<u>10</u>		<u>113,295,403</u>	47.15%
U.S. Corporate Bonds & Other Fixed Income Instruments:				
Retail & Leisure	2	Ba2	199,979	
Collateralized Mortgage Obligations	4	Baa2	162,974	
Fixed Income Swaps & Options	58	Aaa	4,839,788	
Banking & Finance	16	Ba1	5,210,216	
Oil, Gas & Chemicals	14	Baa3	3,293,688	
Communications	6	B1	1,459,138	
Utilities	6	Baa2	1,370,359	
Other Corporate Issues	44	B2	6,868,828	
PIMCO Private Placements	20	A1	30,126,426	
Real Estate	5	Ba1	685,561	
Subtotal	<u>175</u>		<u>54,216,957</u>	22.56%
International Bonds & Other Fixed Income Instruments:				
Automobile	2	Ba1	3,740,002	
Banking & Finance	37	Baa3	14,465,850	
Fixed Income Swaps & Options	37	A1	(404,822) (2)	
Government Bonds	36	B1	11,615,449	
Health Care	5	Ba2	686,007	
Communications	4	Ba2	863,260	
Oil, Gas & Chemicals	4	Ba1	2,303,232	
Utilities	3	Baa3	419,847	
Other Corporate Issues	45	B1	13,060,570	
Subtotal	<u>173</u>		<u>46,749,395</u>	19.46%
TOTAL	<u><u>404</u></u>		<u><u>\$240,294,685</u></u>	<u><u>100.00%</u></u>

Footnotes:

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

(2) Amounts reported are the result of netting long and short positions against each other, and can result in a negative value. This strategy is utilized as a means to mitigate interest rate risk obtained from holding long positions in mortgages and/or corporate bonds.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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.

The City's investment pool account had the following maturity structure as of June 30, 2019:

<u>Investment Type/Maturity</u>	Maturity Structure	
	<u>Fair Value</u>	<u>Percent of Total</u>
<u>Cash & Cash Equivalents</u>		
Wells Fargo Large Balance Public Institutional Bank Deposit Account	\$ 66,586,489	
	66,586,489	18.15%
<u>Less Than 1 Year</u>		
U.S. Corporate Bonds	4,094,449	
Negotiable Certificates of Deposit	11,148,876	
U.S. Agencies	3,076	
	15,246,401	4.16%
<u>Between 1 to 2 Years</u>		
U.S. Treasury Notes	110,806,572	
U.S. Agencies	5,295,490	
Negotiable Certificates of Deposit	9,855,313	
U.S. Corporate Bonds	14,010,913	
	139,968,288	38.15%
U.S. Treasury Notes	88,922,173	
U.S. Agencies	17,531,340	
U.S. Corporate Bonds	30,057,173	
	136,510,686	37.21%
<u>Between 3 to 5 Years</u>		
U.S. Agencies	5,908,943	
U.S. Corporate Bonds	2,691,797	
	8,600,740	2.33%
TOTAL	\$ 366,912,604	100.00%
Effective Duration: 1.81 Years		

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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.

The TSRS fund had the following maturity structure as of June 30, 2019:

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	\$ 26,032,930	\$		\$	\$ 26,032,930
U.S. Agency & Other Governmental Obligations			515,788	1,076,336	1,592,124
BlackRock U.S. Debt Fund			111,703,281		111,703,281
U.S. Corporate & Other Fixed Income Instruments	6,487,303	16,099,640	15,617,942	8,544,510	46,749,395
International Bonds & Other Fixed Income Instruments	31,806,277	8,823,807	8,998,063	4,588,810	54,216,957
TOTAL	\$ 64,326,510	\$ 24,923,447	\$ 136,835,074	\$ 14,209,656	\$ 240,294,687

Effective Duration:

Active Account 5.10 years

Passive Account 5.79 years

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

Amounts reported are the result of netting long and short positions against each other, and can result in a negative value. This strategy is utilized as a means to mitigate interest rate risk obtained from long positions in mortgages and/or corporate bonds.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2019:

Foreign Currency Risk Exposure							
Currency Type	Cash & Cash Equivalents (1)	Fixed Income	Equity	Real Estate	Infrastructure	Fair Value	Percent of Total
Argentina Peso	\$1,649		\$	\$	\$	\$1,649	
Australian Dollar	(30,524)					(30,524)	(0.004)%
Brazil Real	26,298	1,139,530				1,165,828	0.139%
Canadian Dollar	1,234,478		3,478,720			4,713,198	0.561%
Chinese Yuan Renminbi	86					86	
Euro Currency Unit	1,741,426	14,267,277	15,656,628		12,707,974	44,373,305	5.279%
Japanese Yen	99,694		9,413,388			9,513,082	1.132%
Mexican Peso	34					34	
Polish Zloty	190					190	
Singapore Dollar	428					428	
S. African Comm Rand	8,915					8,915	0.001%
Swiss Franc	(6)		5,201,114			5,201,108	0.619%
Turkey Lirasi	21					21	
United Kingdom Pound Sterling	132,544	5,419,562	19,799,702			25,351,808	3.016%
Currency Subtotals	3,215,233	20,826,369	53,549,552		12,707,974	90,299,128	10.743%
U.S. Dollar	22,817,696	193,435,387	430,074,585	77,625,269	26,351,500	750,304,437	89.258%
TOTAL	\$26,032,929	\$214,261,756	\$483,624,137	\$77,625,269	\$39,059,474	\$840,603,565	100%
	3.097%	25.489%	57.533%	9.234%	4.647%	100%	

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, 2019, the carrying amount and fair value of securities on loan was \$22,118,325. 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.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2019, 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, 2019. 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 Pension, 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 Pension, Pension Trust column.

Derivatives

Investment Derivative Instrument	Notional Amount (1)	Changes in Fair Value	Fair Value (3)	Principal Risk
Government Futures	\$ 23,800,000	\$ 4,007,409	\$ 32,392,471	Interest Rate
Options	\$ (20,100,000)	\$ 2,882	\$ (21,622)	Credit
Currency Forwards (Net)	\$ (8,155,645,892)	\$ 283,355	\$ 18,761,376	Foreign Currency
Forward transactions (2)	\$ 400,000	\$ 307,726	\$ 407,476	Interest Rate
Interest Rate Swaps	\$ 59,250,000	\$ 466,057	\$ (37,995)	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.

(2) Not including Mortgage TBA

(3) The notional fair value of the underlying securities is reported in this schedule. Fair market value as reported in the financial statements is presented net of long and short positions.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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 counter-party 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 credit-worthy 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.

H. Restricted Other Assets

Government-wide statement of net assets reported \$1,912 million of restricted net assets, of which \$85,488,439 was restricted by enabling legislation.

<u>Restricted Other Assets</u>	<u>Other Purposes</u>
General	\$ 3,813,568
Tucson Convention Center	\$ 24,500
Civic Contributions	\$ 653,608
Reid Park Zoo Capital Improvement	\$ 10,258,035
Better Streets Improvement Fund	\$ 36,745,211
Safer City Improvement Fund	\$ 33,993,517
	<u>\$ 85,488,439</u>

Note 5 - INTERFUND BALANCES AND TRANSFERS:

Interfund receivables/payables represent cash transfers between funds as of June 30, 2019. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 31,688,083	\$
Mass Transit Fund		8,819,614
Other Non-major Governmental Funds		17,352,401
Total Governmental Funds	31,688,083	26,172,015
Fiduciary Funds		
Pension Trust Fund		5,516,068
Total Fiduciary Funds		5,516,068
Total All Funds	\$ 31,688,083	\$ 31,688,083

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

The Due from/to Other Agencies balances at June 30, 2019 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.

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 25,027,458	\$ 854,127
Mass Transit Fund	5,869,221	2,775,106
Other Non-major Governmental Funds	25,951,268	865,099
Total Governmental Funds	<u>56,847,947</u>	<u>4,494,332</u>
Enterprise Funds:		
Environmental Services	2,266	4
Water Utility		2,487,375
Public Housing	199,621	2,181
Other Non-major Enterprise Funds		39,530
Total Enterprise Funds	<u>201,887</u>	<u>2,529,090</u>
Fiduciary Funds:		
High-Intensity Drug Trafficking (HIDTA)		527,863
Sewer User Fee Fund		11,705,583
Total Fiduciary Funds		<u>12,233,446</u>
Total All Funds	<u>\$ 57,049,834</u>	<u>\$ 19,256,868</u>

Transfers are primarily: 1) To move receipts restricted to debt service from the funds collecting the receipts to the debt service funds when payment is due and 2) Operational subsidies from the General Fund to various funds. Capital asset and other transfers between the Internal Service Funds, Enterprise Funds, and Governmental Funds of \$8,763 are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2019, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 2,422,190	\$ (50,121,036)
Mass Transit Fund	42,504,038	
Other Non-major Governmental Funds	11,168,097	(3,933,940)
Total Governmental Funds	<u>56,094,325</u>	<u>(54,054,976)</u>
Internal Service Funds:		
Self Insurance Fund		(175,350)
Total Internal Service Funds		<u>(175,350)</u>
Enterprise Funds:		
Water Utility		(1,873,340)
Public Housing	2,373	
Other Non-major Enterprise Funds	6,968	
Total Enterprise Funds	<u>9,341</u>	<u>(1,873,340)</u>
Total All Funds	<u>\$ 56,103,666</u>	<u>\$ (56,103,666)</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 799,005,445	\$ 28,529,031	\$ (321,648)	\$ 827,212,828
Construction-in-Progress*	207,831,040	59,641,792	(26,209,616)	241,263,216
Capital Assets being Depreciated:				
Buildings and Improvements	892,326,821	4,071,801	(47,190)	896,351,432
Equipment	353,010,843	21,065,427	(6,659,397)	367,416,873
Infrastructure	1,054,747,314	18,610,409		1,073,357,723
Totals at Historical Cost	<u>3,306,921,463</u>	<u>131,918,460</u>	<u>(33,237,851)</u>	<u>3,405,602,072</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	369,273,218	27,479,432	(37,166)	396,715,484
Equipment	251,242,737	21,098,833	(6,288,642)	266,052,928
Infrastructure	623,070,029	32,847,336		655,917,365
Total Accumulated Depreciation	<u>1,243,585,984</u>	<u>81,425,601</u>	<u>(6,325,808)</u>	<u>1,318,685,777</u>
Governmental Activities Capital Assets, Net*	<u>\$ 2,063,335,479</u>	<u>\$ 50,492,859</u>	<u>\$ (26,912,043)</u>	<u>\$ 2,086,916,295</u>
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				\$ 290,871
Public Safety and Justice Services				7,050,166
Community Enrichment and Development				64,899,672
Support Services				7,096,593
General Government				2,088,299
Total Depreciation Expense				<u>\$ 81,425,601</u>
Business-Type Activities:				
Non-depreciated Assets				
Land	\$ 71,579,723	\$		\$ 71,579,723
Construction-in-Progress	156,175,677	101,485,121	(48,766,899)	208,893,899
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	259,467,447	5,829,413	(12,112)	265,284,748
Equipment	96,025,795	7,467,169	(5,599,412)	97,893,552
Distribution and Collection Systems	1,542,778,550	22,759,192		1,565,537,742
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>2,179,341,498</u>	<u>137,540,895</u>	<u>(54,378,423)</u>	<u>2,262,503,970</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	150,307,422	7,830,009		158,137,431
Equipment	67,209,825	8,215,626	(5,478,667)	69,946,784
Distribution and Collective Systems	519,223,150	30,283,065		549,506,215
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	<u>737,927,735</u>	<u>46,328,700</u>	<u>(5,478,667)</u>	<u>778,777,768</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,441,413,763</u>	<u>\$ 91,212,195</u>	<u>\$ (48,899,756)</u>	<u>\$ 1,483,726,202</u>

*(Beginning balance restated as described in Note 3)

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7 - CHANGES IN LONG-TERM DEBT AND LIABILITIES:

The following is a summary of changes in long-term debt as of June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 174,640,000	\$	\$ (26,495,000)	\$ 148,145,000	\$ 27,995,000
Street & Highway Revenue Bonds	42,035,000		(10,130,000)	31,905,000	10,560,000
Certificates of Participation	180,706,467		(18,718,871)	161,987,596	18,142,667
Special Assessment Bonds	36,000		(36,000)		
Clean Renewable Energy Bonds	8,577,200		(1,364,300)	7,212,900	1,379,300
Unamortized Amount:					
on Premiums	20,640,283		(3,731,868)	16,908,415	
on Discounts	(311,439)		26,330	(285,109)	
Total Bonds and Notes Payable	426,323,511		(60,449,709)	365,873,802	58,076,967
Other Liabilities:					
Capital Leases	15,268,587		(1,668,820)	13,599,767	1,537,285
Other Long-term Debt	14,095,000		(7,995,000)	6,100,000	
Other Post Employment Benefits	211,517,289	245,871	(42,142,076)	169,621,084	
Compensated Absences	37,731,721	4,679,702	(4,891,971)	37,519,452	14,677,699
Pension	1,126,189,565	47,686,815		1,173,876,380	
Remediation	2,089,660		951,108	3,040,768	1,924,800
Claims and Judgments	39,354,500	17,261,730	(9,390,112)	47,226,118	7,802,908
Total Other Liabilities	1,446,246,322	69,874,118	(65,136,871)	1,450,983,569	25,942,692
Governmental Activities Long Term Liabilities	\$1,872,569,833	\$ 69,874,118	\$ (125,586,580)	\$1,816,857,371	\$ 84,019,659
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 470,175,141	\$ 13,195,000	\$ (39,453,942)	\$ 443,916,199	\$ 34,680,012
Certificate of Participation	9,803,533		(241,128)	9,562,405	652,333
Unamortized Amount:					
Bond Premiums	52,378,619	2,059,042	(5,295,454)	49,142,207	
	532,357,293	15,254,042	(44,990,524)	502,620,811	35,332,345
Other Liabilities:					
Landfill Closure/Post Closure Costs	43,408,425	240,578	(656,771)	42,992,232	800,741
Remediation	15,087,698		(3,047,333)	12,040,365	
Capital Leases	103,865	223,407	(120,305)	206,967	57,498
Other Post Employment Benefits	35,850,920		(9,188,513)	26,662,407	
Compensation Absences	5,388,217	1,024,117	(902,096)	5,510,238	2,073,247
Pension	67,906,580	20,525,918		88,432,498	
Loans Payable	1,412,346		(65,401)	1,346,945	
Total Other Liabilities	169,158,051	22,014,020	(13,980,419)	177,191,652	2,931,486
Business-type Activities Long Term Liabilities	\$ 701,515,344	\$ 37,268,062	\$ (58,970,943)	\$ 679,812,463	\$ 38,263,831

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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 under the capital leases as of June 30, 2019.

Years ending June 30,	Governmental Activities	Business-Type Activities
2020	\$ 28,045,778	\$ 1,139,496
2021	26,132,531	1,306,888
2022	25,951,415	1,416,940
2023	25,825,168	1,392,426
2024	25,013,553	1,244,349
2025-2029	78,485,073	5,617,804
2030-2034	<u>14,164,453</u>	<u> </u>
Total Minimum Lease Payments	223,617,971	12,117,903
Less: Amount Representing Interest (interest rates range: 1.682% to 6.52%)	<u>48,030,608</u>	<u>2,348,531</u>
Present Value of Net Minimum Lease Payments	<u>\$ 175,587,363</u>	<u>\$ 9,769,372</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$157,702,152), improvements other than buildings (\$29,094,557), equipment (\$47,643,379), and streets (\$40,737,718).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$224,955. The Convention Center rental lease was paid in full for the amount of \$6,620,000. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2019, were as follows:

Years ending June 30,	
2020	227,339
2021	232,354
2022	217,972
2023	223,241
2024	228,642
2025-2029	1,229,070
2030-2034	1,385,846
2035-2039	1,527,204
2040-2044	1,727,892
2045-2049	1,954,951
2050-2054	<u>2,134,434</u>
Total Minimum Future Lease Payments	<u>\$ 11,088,945</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 9 - BOND ISSUES:

A. Governmental Funds

General Obligation Bonds provide funds for construction of police and fire facilities, street 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, 2019 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, 2019 to July 1, 2022. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2019 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2019
1998 Refunding	5.375	2021	\$ 26,470,000	\$ 12,470,000
2006 Series Refunding	5.00	2021	50,525,000	7,750,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	11,745,000
2012-B Series Refunding	3.22	2020	11,315,000	1,000,000
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)	3.00	2023	20,000,000	17,500,000
2015 Series Refunding	4.00-5.00	2023	36,535,000	15,685,000
2012-D Series (2016)	2.00-3.00	2024	20,000,000	20,000,000
2016 Series Refunding	4.00	2021	23,020,000	6,330,000
2012-E Series (2017)	2.00-5.00	2025	17,265,000	15,665,000
Total			<u>\$ 256,875,000</u>	<u>\$ 148,145,000</u>

Street and Highway Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2019
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	5.00	2022	34,500,000	10,615,000
Total			<u>\$ 55,790,000</u>	<u>\$ 31,905,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

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, 2019
Water System Revenue Obligations 2010A	5.789-5.939	2030	38,510,000	38,510,000
Water System Revenue Obligations 2011	5.00	2021	30,965,000	2,930,000
Water System Revenue Obligations 2012	3.62-4.00	2033	31,555,000	10,375,000
2013A Refunding	2.00-5.00	2025	34,280,000	22,010,000
2013B Refunding	2.16-2.75	2022	18,825,000	6,980,000
Water System Revenue Obligations Series 2013	2.25-5.00	2030	21,065,000	18,565,000
Water System Revenue Obligations Series 2014	3.00-5.00	2033	35,630,000	33,630,000
2015 Refunding	3.00-5.00	2032	46,640,000	46,640,000
2016 Refunding	2.00-5.00	2024	71,805,000	57,495,000
2017 Refunding	5.00	2035	82,410,000	73,700,000
Water System Revenue Obligation, Series 2015	2.00-5.00	2033	20,570,000	18,970,000
Water System Revenue Obligation, Series 2016	3.00-5.00	2035	17,215,000	16,640,000
Water System Revenue Obligation, Series 2017	5.00	2035	24,560,000	24,060,000
Water System Revenue Obligation, Series 2018	3.00-5.00	2036	23,935,000	23,685,000
Water System Revenue Obligation, Series 2019	2.00-5.00	2036	13,195,000	13,195,000
Jr Lien Water System Refunding Bond 2012	1.90	2021	15,245,000	2,260,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	1,689,533
2004 Water Infrastructure Finance Authority (WIF5)	3.15	2023	3,000,000	785,891
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	670,204
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	967,689
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	1,071,218
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	847,174
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	2,753,365
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	8,630,970
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	1,396,213
2009B Water Infrastructure Finance Authority (WIF12)	3.60	2028	1,000,000	537,659
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,705,715
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	10,372,593
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	2,842,975
Total			<u>\$ 598,252,000</u>	<u>\$ 443,916,199</u>

C. Clean Renewable Energy Bonds (CREBS)

The City entered into lease agreements 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 9 - BOND ISSUES (Continued):

D. Principal and Interest Requirements

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

Governmental Activities				
Years Ending June 30,	General Obligation		Street and Highway	
	Principal	Interest	Principal	Interest
2020	\$ 27,995,000	5,732,183	10,560,000	1,583,750
2021	27,520,000	4,504,725	10,730,000	1,067,250
2022	19,735,000	3,237,000	10,615,000	530,750
2023	19,980,000	2,646,000		
2024	19,150,000	2,010,750		
2025-2029	33,765,000	1,988,250		
Totals	\$ 148,145,000	\$ 20,118,908	\$ 31,905,000	\$ 3,181,750

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewable Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	1,379,300	298,910	34,680,012	20,169,561
2021	1,399,300	253,470	37,615,023	18,703,363
2022	1,409,300	207,036	38,289,105	16,993,191
2023	845,000	159,892	39,370,678	15,289,553
2024	860,000	111,612	35,880,566	13,397,150
2025-2029	1,320,000	75,260	153,207,818	43,022,652
2030-2034			93,497,997	11,709,438
2035-2039			11,375,000	508,899
Totals	\$ 7,212,900	\$ 1,106,180	\$ 443,916,199	\$ 139,793,807

Note 10 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refunding have been deposited in these trusts and invested in U.S. Governmental Securities that are designed to meet the requirements of the refunded debt. The debt associated with the refunding issues, as well as defeased debt outstanding, but removed includes Water Utility debt of \$37,785,000.

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 2019. The total closure and post-closure cost estimates are based on

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

Note 11 - LANDFILLS (Continued):

what it would cost to perform those functions in 2019. 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.

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

Landfill Site	Landfill Capacity Used as of 6/30/2019	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/2019	Estimated Remaining Life in Years
Los Reales	95.97%	\$ 36,783,054	\$ 35,300,695	30
Harrison	100%	3,079,864	3,079,864	
Irvington	100%	2,238,532	2,238,532	
Mullins	100%	2,373,141	2,373,141	
Totals		<u>\$ 44,474,591</u>	<u>\$ 42,992,232</u>	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management accumulates a portion of net position to address the closure/post-closure liability \$11,918,107 and construction of new landfill cells \$15,546,600.

The June 30, 2019, liability for closure and post-closure costs is \$42,992,232 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

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, 2019, the City reported the following aggregate amounts related to these pension plans:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 1,173,876,380	\$ 88,432,498	\$ 1,262,308,878
Deferred outflows of resources	214,873,714	21,153,802	236,027,516
Deferred inflows of resources	104,275,014	18,217,102	122,492,116
Pension expense	136,727,405	(4,798,644)	114,989,129

A. Plan Description

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

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 officand staff who may elect not to join, and commissioned police and fire personnel and elected officialwho are covered under other plans. Employees participate in the System immediately upon beginning employment with the City. Employee membership data as of June 30, 2019 is as follows:

Active Plan Participants	
Active plan members	2,508
Inactive plan members (or their beneficiaries)	
currently receiving benefits	3,101
Inactive plan members entitled to but not yet	
receiving benefits	479
Total active plan participants	6,088

B. Plan Benefits

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

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 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.

C. Contributions and Reserves

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

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, 2019, allocations were based on rates of return of 3.00% per annum. Any unallocated earnings remain in unreserved net position.

The net position at June 30, 2019, consisted of the following components:

Reserved for employee contributions	\$	135,645,102
Reserved for retirement benefits		774,206,327
Unreserved net position (deficit)		<u>(73,268,401)</u>
Net Position	\$	<u><u>836,583,028</u></u>

D. Investments

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, 2019.

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 two 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 discussed in Note 4.

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. Any cash balance in the investment pool account, as well as, current deposits

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

to the City's investment pool account would be 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.

E. Liability, Expense and Deferred Outflows/Inflows

The components of the net pension liability at June 30, 2019 are as follows:

Total Pension Liability	\$ 1,129,491,900
Plan's Fiduciary Net Position	836,583,028
Net Pension Liability	<u>\$ 292,908,872</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.07%

Pension Expense and Deferred Outflows/Inflows of Resources-For the year ended June 30, 2019, the City recognized pension expense for TSRS of \$39,412,893. At June 30, 2019, 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>
Differences between expected and actual experience	7,165,871	\$ 1,768,083
Assumption changes	42,496,420	
Net Difference between projected and actual earnings on pension plan investments	12,185,779	26,538,930
Total	<u>\$ 61,848,070</u>	<u>\$ 28,307,013</u>

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	
2020	\$ (12,441,993)
2021	(7,214,519)
2022	(12,575,585)
2023	<u>(1,308,960)</u>
Total	<u>\$ (33,541,057)</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

F. Change in Net Pension Liability

The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the same date.

Change in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at 6/30/18	\$ 1,053,987,024	\$ 823,633,518	\$ 230,353,506
Changes for the year:			
Service Cost	14,130,993		14,130,993
Interest	75,605,853		75,605,853
Differences between expected and actual	5,030,045		5,030,045
Changes of assumptions	57,324,201		57,324,201
Contributions - employer		32,589,204	(32,589,204)
Contributions - member		7,779,477	(7,779,477)
Net investment income		49,819,110	(49,819,110)
Benefits and refund payments	(76,586,216)	(76,586,216)	
Administrative expense		(652,065)	652,065
Net changes	<u>75,504,876</u>	<u>12,949,510</u>	<u>62,555,366</u>
Balances at 6/30/19	<u>\$ 1,129,491,900</u>	<u>\$ 836,583,028</u>	<u>\$ 292,908,872</u>

The TSRS is reflected as a pension trust fund of the City. Detailed information about the plan's fiduciary net position is available in the separately issued TSRS Comprehensive Annual Financial Report available online at: www.tucsonaz.gov/finance/comprehensive-annual-financial-reports-cafr

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

G. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2019 valuation covering the plan year July 1, 2018 through June 30, 2019 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	2.5%
Salary Increases	3.00% to 6.00% including inflation
Investment Rate of Return	7%
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-retirement: RP-2014 Employee Mortality Tables projected with the ultimate rates of the MP-2018 projection scale. Post-retirement: RP-2014 Healthy Annuitant Mortality Tables projected with the ultimate rates of the MP-2018 projection scale. Disabled retirement: RP-2014 Disabled Mortality Tables projected with the ultimate rates of the MP-2018 projection scale.

H. Rate of Return and Discount Sensitivity

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, 2019:

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return</u> <u>Arithmetic</u>
U.S. Equities	34%	8.50%
International Equities	25%	9.20%
Fixed Income	27%	3.80%
Real Estate	9%	7.30%
Infrastructure	5%	8.20%
Total	100%	

Weighted Average Arithmetic Returns, in proportion to asset allocation	7.3%
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CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN (Continued):

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 7.00%; the municipal bond rate is 3.13%; and the resulting single discount rate is 7.00%.

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	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	\$ 412,965,749	\$ 292,908,872	\$ 191,267,529

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, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 6.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM:

A. 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 nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

B. Benefits Provided

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Certain retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows. See the publicly available PSPRS financial report for additional benefits information.

	Retirement Initial Membership Date		
	Tier 1	Tier 2	Tier 3
Retirement and Disability			
Years of service and age required to receive benefit	20 years of service, any age. 15 years of service, age 62	25 years, or 15 years of credited service and age 52.5	15 years of service, age 55
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years	Highest 60 consecutive months of last 15 years
Normal Retirement	50% less 4.0% 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%	1.5% to 2.5% per year of credited service, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater		
Survivor benefit:			
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		

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

C. Membership and Contributions

At June 30, 2019, the following employees were covered by the agent pension plan's benefit terms:

<u>Plan Participants</u>	<u>Police Pension</u>	<u>Police Health</u>	<u>Fire Pension</u>	<u>Fire Health</u>
Active plan members	758	758	559	559
Retirees and beneficiaries	976	976	580	580
Inactive, non-retired members	185	62	68	45
Total plan participants	<u>1,919</u>	<u>1,796</u>	<u>1,207</u>	<u>1,184</u>

State statutes establish the pension contribution requirements for active PSPRS employees. 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. Contributions rates for the fiscal year ended June 30, 2019, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Active members:		
Pension	7.65% to 11.65%	7.65% to 11.65%
Health insurance	0.00% to 0.20%	0.00% to 0.22%
City:		
Pension	82.86% to 86.42%	74.78% to 79.04%
Health Insurance	0.20% to 0.95%	0.22% to 0.77%

The City's contributions to the pension and OPEB plans for the year ended June 30, 2019, were:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension	\$ 44,082,932	\$ 28,686,091
Health Insurance	451,322	268,063
Total	<u>\$ 44,534,254</u>	<u>\$ 28,954,154</u>

The City's pension and OPEB contributions are paid by the same funds as the employee's salary, with the largest component coming from the General Fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

D. Pension and OPEB assets and liabilities

At June 30, 2019, the City reported the following net pension liabilities:

	Tucson Police	Tucson Fire
Total Pension Liability	\$ 904,463,269	\$ 567,045,848
Plan's Fiduciary Net Position	317,394,116	188,136,299
Net Pension Liability	<u>\$ 587,069,153</u>	<u>\$ 378,909,549</u>
Total OPEB Liability	\$ 21,427,416	\$ 13,629,647
Fiduciary Net Position	15,705,592	10,661,541
Net OPEB Liability	<u>\$ 5,721,824</u>	<u>\$ 2,968,106</u>

The net pension and OPEB assets/liability were measured as of June 30, 2018. The total liability used to calculate the liability was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

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

	Pension	OPEB (Health Insurance)
Actuarial Valuation Date	June 30, 2018	June 30, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.40% Tier 1/2 7.00% Tier 3	7.40% Tier 1/2 7.00% Tier 3
Projected Salary Increases	3.50% to 7.50%	3.50% to 7.50%
Wage Inflation	3.50%	3.50%
Permanent benefit increase	1.75%	N/A
Mortality rates	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table). Future mortality improvements are assumed each year using 75% of scale MP-2016.	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table). Future mortality improvements are assumed each year using 75% of scale MP-2016.
Health Care Trend rates	N/A	None

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40% for tiers 1 and 2, and 7.00% for tier 3. This rate is determined 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 below:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Equity	16%	7.6%
Non-U.S. Equity	14%	8.7%
Private Equity	12%	5.83%
Fixed Income	5%	1.25%
Private Credit	16%	6.75%
GTS	12%	3.96%
Real Assets	9%	4.52%
Real Estate	10%	3.75%
Risk Parity	4%	5%
Short Term Investments	2%	0.25%
Total	100%	

Discount Rate. At June 30, 2018, the discount rate used to measure the total pension and OPEB liability was 7.4%.

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 for these plans to determine the total pension and OPEB liability.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The following table present the changes in the net pension liability for Tucson Police:

Tucson Police	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total (Assets)	Plan Fiduciary	Net (Assets)	Total (Assets)	Plan Fiduciary	Net (Assets)
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 881,567,019	\$294,497,389	\$ 587,069,630	\$ 21,531,147	\$ 16,019,760	\$ 5,511,387
Changes for the year:						
Service cost	11,100,699		11,100,699	180,290		180,290
Interest on the total pension liability	63,586,063		63,586,063	1,542,475		1,542,475
Differences between the expected and actual experience in the measurement of the pension liability	3,901,976		3,901,976	(272,424)		(272,424)
Changes of assumptions						
Contributions--employer		52,220,657	(52,220,657)		182,926	(182,926)
Contributions--employee		5,665,060	(5,665,060)		1,585	(1,585)
Net investment income		21,304,803	(21,304,803)		1,071,704	(1,071,704)
employee contributions	(55,692,488)	(55,692,488)		(1,554,072)	(1,554,072)	
Pension Plan Administrative Expense		(334,957)	334,957		(16,311)	16,311
Other changes		(266,348)	266,348			
Net changes	22,896,250	22,896,727	(477)	(103,731)	(314,168)	210,437
Balances at June 30, 2019	\$ 904,463,269	\$317,394,116	\$ 587,069,153	\$ 21,427,416	\$ 15,705,592	\$ 5,721,824

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The following table present the changes in the net pension liability for Tucson Fire:

Tucson Fire	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
	Total (Assets)	Plan Fiduciary	Net (Assets)	Total (Assets)	Plan Fiduciary	Net (Assets)
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$546,546,385	\$172,062,321	\$374,484,064	\$13,761,845	\$10,829,173	\$2,932,672
Changes for the year:						
Service cost	8,840,096		8,840,096	132,903		132,903
Interest on the total pension liability	39,511,044		39,511,044	987,402		987,402
Differences between the expected and actual experience in the measurement of the pension liability	6,215,137		6,215,137	(282,442)		(282,442)
Changes of assumptions						
Contributions--employer		34,070,743	(34,070,743)		86,491	(86,491)
Contributions--employee		3,712,765	(3,712,765)		544	(544)
Net investment income		12,483,625	(12,483,625)		726,450	(726,450)
employee contributions	(34,066,814)	(34,066,814)		(970,061)	(970,061)	
Pension Plan Administrative Expense		(200,699)	200,699		(11,057)	11,057
Other changes		74,358	(74,358)		1	(1)
Net changes	20,499,463	16,073,978	4,425,485	(132,198)	(167,632)	35,434
Balances at June 30, 2019	<u>\$567,045,848</u>	<u>\$188,136,299</u>	<u>\$378,909,549</u>	<u>\$13,629,647</u>	<u>\$10,661,541</u>	<u>\$2,968,106</u>

Sensitivity of the net liabilities (for Pension and OPEB) to changes in the discount rate. The following table presents the City's net pension and OPEB assets (liability) calculated using the discount rates noted above, as well as what the City's net assets (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 rates:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.40%/6.00%	7.40%/7.00%	8.40%/8.00%
Net Pension liability	\$ 699,638,656	\$ 587,069,153	\$ 494,344,991
Net OPEB liability	7,915,926	5,721,824	3,870,689
Tucson Fire			
Rate	6.40%/6.00%	7.40%/7.00%	8.40%/8.00%
Net Pension liability	\$ 449,273,406	\$ 378,909,549	\$ 320,873,224
Net OPEB liability	4,399,377	2,968,106	1,762,184

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

Pension Plan Fiduciary Net Position-Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial reports. The report is available on the PSPRS website at www.psprs.com.

F. Pension and OPEB expense, deferred inflows and deferred outflows of resources

For the year ended June 30, 2019, the City recognized the following as pension and OPEB expense:

	Tucson - Police	Tucson - Fire
Pension	\$ 71,828,796	\$ 45,178,168
OPEB	299,138	217,058

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

	Pension Deferred Outflows of Resources	Pension Deferred Inflows of Resources	Health Ins Deferred Outflows of Resources	Health Ins Deferred Inflows of Resources
Tucson Police				
Differences between expected and actual experience	3,035,044	\$ 9,681,661	\$	\$ 516,907
Assumption changes	38,329,184			131,134
Net Difference between projected and actual earnings				
on pension plan investments	10,850,077	7,315,707	49,980	384,361
City contributions subsequent to measurement date	44,082,932		451,322	
Total	\$96,297,237	\$ 16,997,368	\$ 501,302	\$ 1,032,402
Tucson Fire				
Differences between expected and actual experience	\$ 5,210,764	\$ 10,418,317	\$	\$ 425,897
Assumption changes	30,368,230		117,122	
Net Difference between projected and actual earnings on pension plan investments	6,468,378	4,224,042	33,461	261,326
City contributions subsequent to measurement date	28,686,091		268,063	
Total	\$70,733,463	\$ 14,642,359	\$ 418,646	\$ 687,223

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 13 - PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (Continued):

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the tables above will be recognized as an adjustment of the net pension and OPEB assets/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in pension and OPEB expense as follows:

Year ended June 30,	PSPRS - Police		PSPRS - Fire	
	Pension	OPEB Health Insurance	Pension	OPEB Health Insurance
2020	\$ 17,861,988	\$ (304,174)	\$ 12,498,189	\$ (145,483)
2021	11,195,977	(304,174)	6,431,443	(145,483)
2022	5,217,443	(304,175)	3,524,199	(145,482)
2023	941,529	(69,899)	3,248,455	(58,373)
2024			1,702,727	(41,819)
Total	<u>\$ 35,216,937</u>	<u>\$ (982,422)</u>	<u>\$ 27,405,013</u>	<u>\$ (536,640)</u>

Note 14 – ELECTED OFFICIALS RETIREMENT PLAN:

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; however, the plan is not described in detail because of its relative insignificance to the financial statements. 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.

Note 15 – OTHER POST EMPLOYMENT BENEFITS:

A. Plan Description

Under authority of the Mayor and Council, the City provides post-retirement insurance benefits, for certain retirees and their dependents, in accordance with the Retiree Health Benefit Continuation Program (Plan). The Plan is a single-employer defined benefit OPEB plan administered by the City. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan was closed to new entrants who were hired by the City of Tucson after December 31, 2016. Generally, resources from the General Fund are used to pay for post-employment benefits.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

B. Benefits Provided

The plan provides post-retirement insurance (health and life) benefits for eligible retirees up to age 65. To be eligible for City-paid benefits, a retiree must have attained eligibility for early retirement under the Tucson Supplemental Retirement System (TSRS) or the Public Safety Personnel Retirement System (PSPRS); and who have reached a certain age with a certain number of years of experience. Eligible retirees may participate in the Plan and receive a City contribution towards coverage under the Plan. If eligible for a subsidy from the PSPRS, the retiree must designate the City as the recipient of the PSPRS Retiree Premium Benefit. In addition, the City pays for the cost of \$7,500 of term life insurance for each retiree.

C. Contributions

Depending upon the date of retirement, the City contributes between 75% and 100% of the medical insurance premiums and retirees agree to pay the remaining portion of the premium. For the current fiscal year, the City contributed \$6,762,211 for these benefits, which was net of \$2,555,870 of retiree contributions. The City's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the Plan.

D. Employees covered by benefit terms

The following employees were covered as of the effective date of the OPEB valuation:

Inactive employees or beneficiaries currently receiving benefits	4,428
Active employees	3,356
Total	<u><u>7,784</u></u>

E. Total OPEB Liability

The City's total OPEB liability of \$187,593,561 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Measurement date	June 30, 2018
Actuarial valuation date	June 30, 2018
Interest rate	3.87
Inflation rate	N/A
Projected salary increases	3.00% - 7.50%
Health care cost trend rate	
Medical and Prescription Drug	7.00% graded down to an ultimate rate of 4.50% over 10 years
Retiree contribution increase	Consistent with medical/drug trends
TSRS subsidy increases	None
Cost of living adjustments	N/A

The discount rate is based on the estimate of expected long-term plan experience.

General employee mortality rates for both active and retired employees were based on the RP-2000 Combined Health Mortality Table, Projected to 2020 with Projection Scale BB.

Public safety employee mortality rates for active public safety employees were based on the RP-2014 Employee Mortality Table, extended via cubic spline, projected backwards 1 year to 2013 with mortality improvement scale MP-2014. Public safety employee mortality rates for retired public safety employees were based on the RP-2014 Healthy Annuitant Mortality Table (110% for females), extended via cubic spline, projected backwards 1 year to 2013 with mortality improvement scale MP-2014. Future mortality improvements for both active and retired are assumed each year using 75% of scale MP-2016.

G. Changes in the Total OPEB Liability

At June 30, 2019, the City had the following total liability and associated changes:

Total OPEB Liability - July 1, 2018	\$	238,924,151
Changes for the year:		
Service cost		9,475,148
Interest		8,662,021
Differences between expected and actual experience		(24,039,470)
Changes in assumptions or other inputs		(32,541,492)
Benefit payments		(12,886,797)
Net changes		<u>(51,330,590)</u>
Total OPEB Liability - June 30, 2019	<u>\$</u>	<u>187,593,561</u>

H. Sensitivity of the total OPEB liability to changes in the discount rate and health care cost trend rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB 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:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 204,758,621	\$ 187,593,561	\$ 172,523,292

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Total OPEB liability	\$ 171,386,514	\$ 187,593,561	\$ 207,843,842

I. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense of \$3,120,816. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 31,224,558
Changes of assumptions or other inputs	4,058,580	25,451,842
Contributions subsequent to the measurement date	13,440,060	2,036,108
Total	\$ 17,498,640	\$ 58,712,508

The deferred inflows and outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	(15,016,353)
2021	(15,016,353)
2022	(15,016,353)
2023	(7,568,761)
Thereafter	
	(52,617,820)

Note 16 - 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 excess liability, property insurance, public employee fidelity bonds, crime insurance, aircraft insurance, inland marine, cyber and miscellaneous insurance (i.e., surety bonds, special event insurance

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 16 - SELF INSURANCE PROGRAM (Continued):

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 Risk Management 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 four 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.

Changes in the Risk Management Fund's aggregate claims liabilities for the fiscal years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Beginning of fiscal year liability	\$ 39,354,500	\$ 35,358,500
Current year claims and changes in estimates	17,261,730	10,402,368
Claim Payments	(9,390,112)	(6,406,368)
Balance at fiscal year end	\$ 47,226,118	\$ 39,354,500

Note 17 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$443,916,199 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 2036. Annual principal and interest payments on the bonds are expected to require less than 52 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$535,028,166. Principal and interest paid for the current year and total customer net revenues were \$49,536,615 and \$115,181,902, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$31,905,000 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 2019 annual principal and interest payments on the bonds required 26% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$35,086,750. Principal and interest paid for the current year and total H.U.R.F. revenues were \$12,220,250 and \$49,135,668, respectively.

Note 18 - 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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 142,172 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 \$5,911,831. 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 \$19,748,874.

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 \$39,874,536 at June 30, 2019.

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 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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$35,845,846 at June 30, 2019.

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.

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 \$4,238,512 at June 30, 2019.

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 \$3,134,444 at June 30, 2019.

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,

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$6,965,230 at June 30, 2019.

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 ground rent to Starr Pass Resort Developments. Under the terms of the lease, Starr Pass will develop and operate 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 is \$1,085,000 at June 30, 2019.

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 is \$1,365,000 at June 30, 2019.

K. Rio Nuevo Multipurpose Facilities District

In order to resolve a variety of lawsuits between the City and the Rio Nuevo Multipurpose Facilities District (the DistrictTM), the City Mayor and Council and the District Board signed an agreement on 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 from fiscal year 2013 through fiscal year 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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

the existing debt service obligation. On October 5, 2016, The City adopted Resolution 22647 which authorized the sale of City owned land to Rio Nuevo Multipurpose Facilities District (Rio Nuevo) in return for a reduced liability of the garage settlement described above. The remaining liability was set to be paid in twenty-one annual payments of \$285,000 from fiscal year 2022 through fiscal year 2042. In fiscal year 2019, the City prepaid for the rental agreement the sum of \$6,620,000 to secure rental agreement until fiscal year 2043. As of June 30, 2019, no balance due remains.

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, 2019, the City intended to honor \$20,148,747 of outstanding encumbrances in the new year.

General Fund	\$ 1,852,476
Mass Transit	199,997
Nonmajor Governmental Funds	<u>18,096,274</u>
Total	<u>\$ 20,148,747</u>

Note 19 - 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.

Note 20 – 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 2019 the City received rebate revenues of \$1,043,651.

Note 21 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2019 the following funds had a deficit fund balance or net position:

Regional Transportation Authority	\$ (3,924,153)
2020 GO Parks/Connections Improvement	(401,373)

The deficit in the Regional Transportation Authority fund is primarily due to the unbilled expenditures at fiscal year end.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

Note 21 – RESTATEMENT OF BEGINNING BALANCES (Continued):

The deficit in the 2020 G.O. Parks/Connections Improvement Fund was authorized by Mayor and Council with the intent to reimburse expenditures related to public parks projects with the proceed of general obligations bonds to be issued in the spring of 2020.

At June 30, 2019 the following funds had a negative variance in budgeted balances:

Convention Center	\$	(1,385,607)
Highway User Revenue Fund		(265,784)

The Convention Center had an increase in activities and revenue from prior fiscal year although sales were not transferred to the operating account until July, 2019.

HURF Fund carried a negative variance from budgeted amounts of less than 0.6%. Revenues surpassed expenditures by \$2.7 million during the fiscal year.

Note 22 – SUBSEQUENT DISCLOSURE:

Since the date of these financial statements, the City along with the rest of the nation, found that it is affected by the Coronavirus Disease 2019 (COVID-19) and the daily fluctuating valuations and unprecedented volatility of the financial markets. City operations have been curtailed, supply chains have been disrupted, and travel is severely restricted. The Governor of Arizona and the Mayor of Tucson exercised emergency powers to close dine-in services and some businesses in an effort to slow the spread of COVID-19. In response to this financial crisis, the organization instituted a hiring freeze and is deferring non-essential spending.

The financial impact from this crisis is unknown at this time but we do know that local taxes including sales and use, transient occupancy and state-shared sales taxes will decline. Projections indicate that reductions in revenue will begin to be seen in the third quarter of fiscal year 2020 and will continue through the second quarter of fiscal year 2021. The City has been planning for another downturn in the economy and believes it has the necessary liquidity to weather through for the next year.

Major financial impacts will be seen in the long-term obligations to the pension plans, TSRS and PSPRS.

TSRS has significant investments which are subject to fluctuations in market value, and as of March 23, 2020, these investments declined in value. The market value of the investments changed as follows:

	As of June 30, 2019	As of March 23, 2020	Difference
Net Investments	\$ 842,295,708	\$ 746,453,763	(95,841,945)

This variation is significant, but it remains within the expected range of investment outcomes, and no change in the TSRS investment strategy has been implemented.

City anticipates market fluctuation will have an impact on the unfunded liability for both TSRS and PSPRS, but cannot estimate or provide a projection at this time.





Required Supplementary

Information

CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Taxes	\$ 283,048,240	\$ 291,105,830	\$ 293,212,683	\$ 2,106,853
Licenses and Permits	32,609,520	32,479,020	32,866,534	387,514
Fines and Forfeitures	9,638,450	9,638,450	8,904,365	(734,085)
Use of Money and Property	487,820	487,820	1,942,398	1,454,578
Other Agencies	149,564,520	148,572,820	151,816,597	3,243,777
Charges for Services	55,716,600	55,847,100	57,545,531	1,698,431
Miscellaneous	1,528,510	1,528,510	5,905,254	4,376,744
Total revenues	<u>532,593,660</u>	<u>539,659,550</u>	<u>552,193,362</u>	<u>12,533,812</u>
Expenditures:				
Current -				
Elected and Official	17,451,720	17,451,720	17,152,806	298,914
Support Services	89,924,280	87,976,310	82,656,605	5,319,705
Public Safety/Justice Services	276,472,610	277,383,160	277,303,632	79,528
Community Enrichment and Development	36,132,620	35,383,050	35,841,426	(458,376)
General Government	41,632,650	41,201,900	46,197,072	(4,995,172)
Capital Outlay	2,216,600	3,252,420	2,934,768	317,652
Capital Projects	7,217,000	6,961,700	3,893,397	3,068,303
Debt service -				
Principal	18,516,110	18,516,110	18,737,893	(221,783)
Interest	8,040,900	8,040,900	7,523,329	517,571
Fiscal Agent Fees	30,000	30,000	17,500	12,500
Total expenditures	<u>497,634,490</u>	<u>496,197,270</u>	<u>492,258,428</u>	<u>3,938,842</u>
Excess (deficiency) of revenues over expenditures	<u>34,959,170</u>	<u>43,462,280</u>	<u>59,934,934</u>	<u>16,472,654</u>
Other financing sources (uses):				
Transfers In	2,073,340	2,073,340	2,422,190	348,850
Transfers Out	(53,954,500)	(53,954,500)	(50,121,036)	3,833,464
Total other financing sources (uses)	<u>(51,881,160)</u>	<u>(51,881,160)</u>	<u>(47,698,846)</u>	<u>4,182,314</u>
Change in fund balances	<u>\$ (16,921,990)</u>	<u>\$ (8,418,880)</u>	<u>12,236,088</u>	<u>\$ 20,654,968</u>
Fund balance, beginning of year			111,135,038	
Fund balance, end of year			<u>\$ 123,371,126</u>	

The notes to the schedule are an integral part of this schedule.

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Use of Money and Property	\$ 604,560	\$ 604,560	\$ 537,266	\$ (67,294)
Federal Grants and Contributions	20,719,990	20,719,990	18,030,609	(2,689,381)
Other Agencies	13,986,620	13,986,620	13,523,758	(462,862)
Charges for Services	13,627,610	13,627,610	12,998,641	(628,969)
Miscellaneous	699,300	699,300	416,982	(282,318)
Total revenues	<u>49,638,080</u>	<u>49,638,080</u>	<u>45,507,256</u>	<u>(4,130,824)</u>
Expenditures:				
Current -				
Community Enrichment and Development	77,252,490	77,252,490	75,950,073	(1,302,417)
Capital Outlay	11,463,600	11,463,600	11,146,062	(317,538)
Capital Projects	6,151,600	6,151,600	588,969	5,562,631
Total expenditures	<u>94,867,690</u>	<u>94,867,690</u>	<u>87,685,104</u>	<u>3,942,676</u>
Excess (deficiency) of				
revenues over expenditures	<u>(45,229,610)</u>	<u>(45,229,610)</u>	<u>(42,177,848)</u>	<u>188,148</u>
Other financing sources (uses):				
Transfers In	45,265,480	45,265,480	42,504,038	2,761,442
Total other financing sources (uses)	<u>45,265,480</u>	<u>45,265,480</u>	<u>42,504,038</u>	<u>2,761,442</u>
Changes in fund balances	<u>35,870</u>	<u>35,870</u>	<u>326,190</u>	<u>\$ 2,949,590</u>
Fund balance, beginning of year	0	0	5,833,787	
Fund balance, end of year	<u>\$ 35,870</u>	<u>\$ 35,870</u>	<u>\$ 6,159,977</u>	

The notes to this schedule are an integral part of this schedule.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2019

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)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 14,130,993	\$ 13,104,720	\$ 13,130,902	\$ 14,279,065	\$ 15,753,944	\$ 14,825,019
Interest Cost	75,605,853	72,893,717	72,547,402	72,013,831	70,688,775	66,915,612
Changes of Benefit Terms						
Differences Between Expected and Actual	5,030,045	6,919,468	(6,472,776)	(6,529,764)	(7,815,270)	325,889
Changes of Assumptions	57,324,201				(31,210,057)	76,945,563
Benefits and Refund Payments	(76,586,216)	(75,618,198)	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
Net Change in Total Pension Liability	75,504,876	17,299,707	5,992,371	9,317,382	(20,194,959)	93,010,070
Total Pension Liability - Beginning	1,053,987,024	1,036,687,317	1,030,694,946	1,021,377,564	1,041,572,523	948,562,453
Total Pension Liability - Ending	\$1,129,491,900	\$1,053,987,024	\$1,036,687,317	\$1,030,694,946	\$1,021,377,564	\$1,041,572,523
Plan Fiduciary Net Position						
Contributions - Employer	\$ 32,589,204	\$ 31,795,197	\$ 31,823,694	\$ 33,175,307	\$ 33,985,523	\$ 34,189,288
Contributions - Member	7,779,477	8,561,747	7,439,065	7,083,385	7,531,845	7,338,543
Net Investment Income	49,819,110	69,478,468	97,535,598	17,820,325	30,684,188	119,729,154
Benefits and Refund Payments	(76,586,216)	(75,618,198)	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
Administrative Expense	(652,065)	(745,754)	(756,268)	(786,028)	(650,405)	(735,739)
Other		219,121	331,126	142,093	118,247	171,077
Net Change in Plan Fiduciary Net Position	12,949,510	33,690,581	63,160,058	(13,010,668)	4,057,047	94,690,310
Plan Fiduciary Net Position - Beginning	823,633,518	789,942,937	726,782,879	739,793,547	735,736,500	641,046,190
Plan Fiduciary Net Position - Ending	\$ 836,583,028	\$ 823,633,518	\$ 789,942,937	\$ 726,782,879	\$ 739,793,547	\$ 735,736,500
Net Pension Liability - Ending	\$ 292,908,872	\$ 230,353,506	\$ 246,744,380	\$ 303,912,067	\$ 281,584,017	\$ 305,836,023
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	74.07%	78.14%	76.20%	70.51%	72.43%	70.64%
Covered Payroll	\$ 123,822,602	\$ 115,618,898	\$ 117,006,431	\$ 115,183,349	\$ 123,414,560	\$ 126,639,423
Net Pension Liability as a Percentage of Covered Payroll	236.56%	199.24%	210.88%	263.85%	228.16%	241.50%

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

Fiscal Year	Total	Plan Net	Net Pension	Plan Net	Net Pension	Net Pension
Ending	Pension	Position	Liability	Position as a	Liability	Liability as a
June 30,	Liability	Position	Liability	% of	Covered	% of Covered
				Total Pension	Payroll	Payroll
				Liability		
2019	\$ 1,129,491,900	\$ 836,583,028	\$ 292,908,872	74.07%	\$ 123,822,602	236.56%
2018	1,053,987,024	823,633,518	230,353,506	78.14%	115,618,898	199.24%
2017	1,036,687,317	789,942,937	246,744,380	76.20%	115,722,524	210.88%
2016	1,030,694,946	726,782,879	303,912,067	70.51%	120,637,480	263.85%
2015	1,021,377,564	739,793,547	281,584,017	72.43%	123,583,720	228.16%
2014	1,041,572,524	735,736,500	305,836,024	70.64%	126,206,305	241.50%

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

FY Ending June 30, 2019	Actuarially Determined % of Pay	Actuarially Determined Contribution (ADC)	Actual Contribution % of Pay	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions in Relation to ADC, Expressed as % of Covered Payroll
2019	23.48%	\$ 27,825,255	27.50%	\$ 32,589,204	\$ (4,763,949)	\$ 118,506,196	104.0%
2018	25.78%	29,806,552	27.50%	31,795,197	(1,988,645)	115,618,898	101.7%
2017	25.52%	29,532,388	27.50%	31,823,694	(2,291,306)	115,722,524	102.0%
2016	27.04%	32,608,311	27.50%	33,175,307	(566,996)	120,637,480	100.5%
2015	26.95%	33,305,813	27.50%	33,985,523	(679,710)	123,583,720	100.5%
2014	27.09%	34,189,288	27.09%	34,189,288	n/a	126,206,305	n/a
2013	28.77%	34,523,315	28.77%	34,523,315	n/a	119,997,619	n/a
2012	23.38%	34,824,621	23.38%	34,824,621	n/a	148,950,475	n/a
2011	18.02%	28,756,890	18.02%	28,756,890	n/a	159,583,185	n/a
2010	16.84%	27,601,156	16.84%	27,601,156	n/a	163,902,352	n/a
2009	14.67%	24,358,460	14.67%	24,358,460	n/a	166,042,672	n/a

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

Valuation Date:	June 30, 2018
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.
Notes	There were no benefit changes during the year.

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

	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	6.06%	8.84%	14.26%	2.38%	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) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability					
Service Cost	\$ 11,100,699	\$ 14,015,744	\$ 12,024,132	\$ 11,668,152	\$ 11,720,855
Interest	63,586,063	60,046,963	58,552,864	58,577,435	49,886,649
Changes of Benefit Terms		8,792,051	21,480,741		17,350,937
Differences Between Expected and Actual Experience	3,901,976	(3,781,994)	(10,074,554)	(12,033,376)	(1,845,566)
Changes of Assumptions		33,615,459	28,166,832		82,969,636
Benefit Payments, Including Refunds of Member Contributions	(55,692,488)	(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
Net Change in Total Pension Liability	22,896,250	63,209,202	46,797,032	4,158,795	115,444,890
Total Pension Liability - Beginning	881,567,019	818,357,817	771,560,785	767,401,990	651,957,100
Total Pension Liability - Ending	\$ 904,463,269	\$ 881,567,019	\$ 818,357,817	\$ 771,560,785	\$ 767,401,990
Plan Fiduciary Net Position					
Contributions - Employer	\$ 52,220,657	\$ 34,353,830	\$ 34,353,830	\$ 26,978,551	\$ 25,050,303
Contributions - Member	5,665,060	7,711,279	8,187,736	7,096,010	6,411,220
Net Investment Income	21,304,803	32,061,276	1,658,844	10,553,615	36,646,985
Benefit Payments, Including Refunds of Member Contributions	(55,692,488)	(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
Pension Plan Administrative Expense	(334,957)	(284,088)	(239,099)	(257,865)	
Other (Net Transfer)	(266,348)	(265,766)	(438,656)	(418,057)	(14,311,889)
Net Change in Plan Fiduciary Net Position	22,896,727	27,108,668	(19,830,328)	(10,101,162)	9,158,998
Plan Fiduciary Net Position - Beginning	294,497,389	267,388,721	287,219,049	297,320,211	288,161,213
Plan Fiduciary Net Position - Ending	\$ 317,394,116	\$ 294,497,389	\$ 267,388,721	\$ 287,219,049	\$ 297,320,211
City's Net Position Liability - Ending	\$ 587,069,153	\$ 587,069,630	\$ 550,969,096	\$ 484,341,736	\$ 470,081,779
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability					
Covered Payroll	\$ 53,553,769	\$ 57,207,120	\$ 59,290,594	\$ 58,837,806	\$ 57,677,943
City's Net Position Liability as a Percentage of Covered Payroll	1,096.22%	1,026.22%	929.27%	823.18%	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) 2019 (2018)	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability					
Service Cost	\$ 8,840,096	\$ 9,848,803	\$ 8,490,888	\$ 7,103,326	\$ 7,175,895
Interest	39,511,044	37,603,512	36,150,578	36,501,680	31,594,819
Changes of Benefit Terms		5,007,792	18,630,092		9,902,338
Differences Between Expected and Actual Experience	6,215,137	(11,548,340)	229,638	(8,410,285)	99,733
Changes of Assumptions		24,947,334	17,131,550		44,213,488
Benefit Payments, Including Refunds of Member Contributions	(34,066,814)	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Net Change in Total Pension Liability	20,499,463	34,322,328	31,272,605	3,832,587	63,463,981
Total Pension Liability - Beginning	546,546,385	512,224,147	480,951,542	477,118,955	413,654,974
Total Pension Liability - Ending	\$ 567,045,848	\$ 546,546,475	\$ 512,224,147	\$ 480,951,542	\$ 477,118,955
Plan Fiduciary Net Position					
Contributions - Employer	\$ 34,070,743	\$ 27,383,515	\$ 22,701,968	\$ 17,186,603	\$ 15,972,870
Contributions - Member	3,712,765	5,103,020	5,209,851	4,092,378	3,849,878
Net Investment Income	12,483,625	18,533,184	978,548	6,307,289	22,057,153
Benefit Payments, Including Refunds of Member Contributions	(34,066,814)	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Pension Plan Administrative Expense	(200,699)	(164,387)	(141,207)	(154,261)	
Other	74,358	(210,132)	78,270	(132,475)	(9,649,798)
Net Change in Plan Fiduciary Net Position	16,073,978	19,108,427	(20,532,711)	(4,062,600)	2,707,811
Plan Fiduciary Net Position - Beginning	172,062,321	152,953,894	173,486,605	177,549,205	174,841,394
Plan Fiduciary Net Position - Ending	\$ 188,136,299	\$ 172,062,321	\$ 152,953,894	\$ 173,486,605	\$ 177,549,205
City's Net Position Liability - Ending	\$ 378,909,549	\$ 374,484,154	\$ 359,270,253	\$ 307,464,937	\$ 299,569,750
Plan Fiduciary Net Position as a Percentage					
of the Total Pension Liability	33.18%	31.48%	29.86%	36.07%	37.21%
Covered Payroll	\$ 40,628,506	\$ 40,900,346	\$ 42,306,370	\$ 35,256,316	\$ 35,105,468
City's Net Position Liability as a Percentage of Covered Payroll	932.62%	915.60%	849.21%	872.08%	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
2018	2019	\$ 52,220,657	\$ 52,220,657		\$ 53,553,769	97.51%
2017	2018	37,364,988	37,364,988		57,207,120	65.32%
2016	2017	34,353,830	34,353,830		59,290,594	57.94%
2015	2016	26,978,551	26,978,551		58,837,806	45.85%
2014	2015	25,050,303	25,050,303		57,677,943	44.30%

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
2018	2019	\$ 34,070,743	\$ 34,070,743		\$ 40,628,506	83.86%
2017	2018	27,383,515	27,383,515		40,900,346	66.95%
2016	2017	22,701,968	22,701,968		42,306,370	53.66%
2015	2016	17,186,603	17,186,603		35,256,316	48.75%
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: June 30, 2018
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 2018 Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Tier 1/2	
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	7-Year smoothed market; 20% corridor
Investment Rate of Return	7.5%, net of investment and administrative expenses
Tier 3	
Amortization Method	Level Dollar, Layered
Remaining Amortization Period	10 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Investment Rate of Return	7.00%, net of investment and administrative expenses
Wage Inflation	4.00%
Price Inflation	3.00%; No explicit price inflation assumption is used in this valuation
Salary Increases	4.00% to 8.00% including inflation
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).

Other Information:

Assumed Future Permanent Benefit Increases	The COLA adjustment will be based on the average annual percentage change in Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
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CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

	TUCSON POLICE		TUCSON FIRE	
	Reporting Fiscal Year		Reporting Fiscal Year	
	(Measurement Date)	Prior Years	(Measurement Date)	Prior Years
	2019 (2018)	2018 (2017)	2019 (2018)	2018 (2017)
Total OPEB Liability				
Service Cost	\$ 180,290	\$ 228,828	\$ 132,903	\$ 134,971
Interest	1,542,475	1,594,853	987,402	997,383
Changes of Benefit Terms		33,852		12,995
Differences Between Expected and Actual Experience	(272,424)	(484,718)	(282,442)	(277,360)
Changes of Assumptions		(210,460)		167,748
Benefit Payments	(1,554,072)	(1,563,012)	(970,061)	(1,009,698)
Net Change in Total OPEB	(103,731)	(400,657)	(132,198)	26,039
Total OPEB Liability - Beginning	21,531,147	21,931,804	13,761,845	13,735,806
Total OPEB Liability - Ending	\$ 21,427,416	\$ 21,531,147	\$ 13,629,647	\$ 13,761,845
Plan Fiduciary Net Position				
Contributions - Employer	\$ 182,926	\$ 512,380	\$ 86,491	\$ 146,333
Contributions - Member	1,585		544	
Net Investment Income	1,071,704	1,750,756	726,450	1,191,166
Benefit Payments	(1,554,072)	(1,563,012)	(970,061)	(1,009,698)
Administrative Expense	(16,311)	(15,493)	(11,057)	(10,539)
Other (Net Transfer)			1	
Net Change in Plan Fiduciary Net Position	(314,168)	684,631	(167,632)	317,262
Plan Fiduciary Net Position - Beginning	16,019,760	15,335,129	10,829,173	10,511,911
Plan Fiduciary Net Position - Ending	\$ 15,705,592	\$ 16,019,760	\$ 10,661,541	\$ 10,829,173
City's Net OPEB Liability - Ending	\$ 5,721,824	\$ 5,511,387	\$ 2,968,106	\$ 2,932,672
Plan Fiduciary Net Position as a Percentage of the Total OPEB	73.30%	74.40%	78.22%	78.69%
Covered Payroll	\$ 53,553,769	\$ 57,207,120	\$ 40,628,506	\$ 40,900,346
City's Net OPEB Liability as a Percentage of Covered Payroll	10.68%	9.63%	7.31%	7.17%

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY'S OPEB CONTRIBUTIONS
PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)
Last 10 Fiscal Years (Built Prospectively)

	TUCSON POLICE		TUCSON FIRE	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2019	2018	2019	2018
Actuarially Determined Contribution	\$ 182,926	\$ 512,380	\$ 86,491	\$ 146,333
City Contribution	182,926	512,380	86,491	146,333
Excess/ (Deficiency)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
City's Covered Payroll	\$ 53,553,769	\$ 57,207,120	\$ 40,628,506	\$ 40,900,346
Contributions as a Percentage of Covered Payroll	0.34%	0.90%	0.21%	0.36%

CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
CITY SPONSORED HEALTH INSURANCE
Last 10 Fiscal Years (Built Prospectively)

	City of Tucson OPEB	
	Reporting Fiscal Year	Reporting Fiscal Year
	(Measurement Date)	(Measurement Date)
	2019 (2018)	2018 (2017)
Total OPEB Liability		
Service Cost	\$ 9,475,148	\$ 10,746,774
Interest	8,662,021	7,193,692
Actual Experience	(24,039,470)	(20,411,157)
Changes of Assumptions	(32,541,492)	6,668,600
Benefit Payments	(12,886,797)	(13,874,433)
Net Change in Total OPEB	(51,330,590)	(9,676,524)
Total OPEB Liability - Beginning	238,924,151	248,600,675
Total OPEB Liability - Ending	<u>\$ 187,593,561</u>	<u>\$ 238,924,151</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 12,886,797	\$ 13,874,433
Benefit Payments	(12,886,797)	(13,874,433)
Net Change in Plan Fiduciary Net Position		
City's Net OPEB Liability - Ending	<u>\$ 187,593,561</u>	<u>\$ 238,924,151</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB		

Note: The City's OPEB is funded on a pay as you go basis, therefore no assets are accumulated.
The plan was closed to new entrants who were hired by the City Of Tucson after December 31, 2016.



Combining Statements and Individual Fund Statements and Schedules

CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2019

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
ASSETS AND DEFERRED OUTFLOWS				
Assets:				
Cash and Cash Equivalents	\$ 96,760,098	\$ 982,650	\$ 50,042,172	\$ 147,784,920
Cash & Investments with Fiscal Agents	582,118	41,117,534		41,699,652
Taxes Receivable, Net	7,371,143			7,371,143
Accounts Receivable, Net	992,854		71,222	1,064,076
Notes & Loans Receivable	31,769,875			31,769,875
Due from Other Agencies	5,815,495		20,135,773	25,951,268
Grants & Entitlements Receivable	6,827,430			6,827,430
Interest Receivable	521,895		225,330	747,225
Inventories	1,898,361			1,898,361
Other Assets	3,162			3,162
Total assets	\$ 152,542,431	\$ 42,100,184	\$ 70,474,497	\$ 265,117,112
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 8,865,609	\$	\$ 6,210,184	\$ 15,075,793
Accrued Payroll Liabilities	498,182		16,853	515,035
Interfund Payable	3,627,658		13,587,064	17,214,722
Due to Other Agencies	102,963		762,136	865,099
Refundable Deposits	897,366			897,366
Bonds & Interest Payable		41,117,534		41,117,534
Advances from Grantors	887,022			887,022
Total liabilities	14,878,800	41,117,534	20,576,237	76,572,571
Deferred inflows:				
Advance Federal Project Grants			34,591	34,591
Deferred Revenues	28,488,402		4,349,340	32,837,742
Total deferred inflows	28,488,402		4,383,931	32,872,333
Fund balances:				
Nonspendable	1,858,374			1,858,374
Restricted	105,073,242	982,650	45,915,702	151,971,594
Committed	35,192			35,192
Assigned	2,208,421			2,208,421
Unassigned			(401,373)	(401,373)
Total fund balances	109,175,229	982,650	45,514,329	155,672,208
Total liabilities, deferred inflows and fund balances	\$ 152,542,431	\$ 42,100,184	\$ 70,474,497	\$ 265,117,112

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019

	Park Tucson	Convention Center	HURF
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Assets:			
Cash and Cash Equivalents	\$ 2,039,194	\$ 2,237,882	\$ 12,840,197
Cash & Investments with Fiscal Agents	18,609		563,509
Taxes Receivable, Net			
Accounts Receivable, Net	188,475	153,373	350,755
Notes & Loans Receivable			
Interfund Receivable			
Due from Other Agencies			4,922,914
Grants & Entitlements Receivable			
Interest Receivable	12,622		107,992
Inventories		39,987	
Other Assets		2,500	
Total assets	\$ 2,258,900	\$ 2,433,742	\$ 18,785,367
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 253,882	\$ 1,078,611	\$ 2,106,397
Accrued Payroll Liabilities	22,438	661	435,793
Due to Other Agencies		96,714	3,237
Refundable Deposits	50		647,696
Advances from Grantors			
Total liabilities	276,370	1,175,986	3,193,123
Deferred inflows:			
Deferred Revenues		761,870	
Total deferred inflows		761,870	
Fund balances:			
Nonspendable			
Restricted		471,386	15,592,244
Committed	18,609		
Assigned	1,963,921	24,500	
Total fund balances	1,982,530	495,886	15,592,244
Total liabilities, deferred inflows and fund balances	\$ 2,258,900	\$ 2,433,742	\$ 18,785,367

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019
(Continued)

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants
\$ 665,394	\$ 146,125	\$ 10,360	\$ 2,108,865	\$ 762,877	\$
		93	300,158		
10,767	5,957,357			25,812,518	
	183,507	146,011		132,016	2,444,886
3,218			60,644		
	320	342			
<u>\$ 679,379</u>	<u>\$ 6,287,309</u>	<u>\$ 156,806</u>	<u>\$ 2,469,667</u>	<u>\$ 26,707,411</u>	<u>\$ 2,444,886</u>
\$ 9,188	\$ 3,382	\$ 342	\$ 59,852	\$ 50,500	\$ 337,298
	(143)		(24)	(1)	23,327
	33,386	124,665	(13,364)	2,673	1,933,308
	60		138		
			249,521		99
	24,433				150,854
<u>9,188</u>	<u>61,118</u>	<u>125,007</u>	<u>296,123</u>	<u>53,172</u>	<u>2,444,886</u>
	1,882,215	31,799		25,812,518	
	1,882,215	31,799		25,812,518	
653,608	4,343,976		2,173,544	841,721	
16,583					
<u>670,191</u>	<u>4,343,976</u>		<u>2,173,544</u>	<u>841,721</u>	
<u>\$ 679,379</u>	<u>\$ 6,287,309</u>	<u>\$ 156,806</u>	<u>\$ 2,469,667</u>	<u>\$ 26,707,411</u>	<u>\$ 2,444,886</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019
(Continued)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Better Streets Improvement Fund
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$	\$	\$ 452,554	\$ 35,072,662
Cash & Investments with Fiscal Agents				
Taxes Receivable, Net				2,461,167
Accounts Receivable, Net				
Notes & Loans Receivable				
Due from Other Agencies	881,814			
Grants & Entitlements Receivable		3,921,010		
Interest Receivable				165,745
Inventories			1,858,374	
Other Assets				
Total assets	\$ 881,814	\$ 3,921,010	\$ 2,310,928	\$ 37,699,574
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 4,487	\$ 2,520,667	\$ 232,554	\$ 954,363
Accrued Payroll Liabilities	5,854	10,277		
Interfund Payable	159,738	1,387,252		
Due to Other Agencies		2,814		
Refundable Deposits				
Advances from Grantors	711,735			
Total liabilities	881,814	3,921,010	232,554	954,363
Deferred inflows:				
Deferred Revenues				
Total deferred inflows				
Fund balances:				
Nonspendable			1,858,374	
Restricted				36,745,211
Committed				
Assigned			220,000	
Total fund balances			2,078,374	36,745,211
Total liabilities, deferred inflows and fund balances	\$ 881,814	\$ 3,921,010	\$ 2,310,928	\$ 37,699,574

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2019
(Concluded)

	Safer City Improvement Fund	Gene Reid Park Zoo Capital Improvement Fund	Totals
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Assets:			
Cash and Cash Equivalents	\$ 31,124,123	\$ 9,299,865	\$ 96,760,098
Cash & Investments with Fiscal Agents			582,118
Taxes Receivable, Net	3,691,751	1,218,225	7,371,143
Accounts Receivable, Net			992,854
Notes & Loans Receivable			31,769,875
Due from Other Agencies			5,815,495
Grants & Entitlements Receivable			6,827,430
Interest Receivable	133,488	38,186	521,895
Inventories			1,898,361
Other Assets			3,162
Total assets	\$ 34,949,362	\$ 10,556,276	\$ 152,542,431
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 955,845	\$ 298,241	\$ 8,865,609
Accrued Payroll Liabilities			498,182
Interfund Payable			3,627,658
Due to Other Agencies			102,963
Refundable Deposits			897,366
Advances from Grantors			887,022
Total liabilities	955,845	298,241	14,878,800
Deferred inflows:			
Deferred Revenues			28,488,402
Total deferred inflows			28,488,402
Fund balances:			
Nonspendable			1,858,374
Restricted	33,993,517	10,258,035	105,073,242
Committed			35,192
Assigned			2,208,421
Total fund balances	33,993,517	10,258,035	109,175,229
Total liabilities, deferred inflows and fund balances	\$ 34,949,362	\$ 10,556,276	\$ 152,542,431

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
June 30, 2019

	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 982,650	\$	\$ 982,650
Cash & Investments with Fiscal Agents	29,942,409	11,175,125	41,117,534
Total assets	\$ 30,925,059	\$ 11,175,125	\$ 42,100,184
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bonds & Interest Payable, including Special Assessments	\$ 29,942,409	\$ 11,175,125	\$ 41,117,534
Total liabilities	29,942,409	11,175,125	41,117,534
Restricted	982,650		982,650
Total fund balances	982,650		982,650
Total liabilities and fund balances	\$ 30,925,059	\$ 11,175,125	\$ 42,100,184



CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2019

	2012 General Obligation Streets Improvements	Capital Improvements	Development Fees
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 1,041,171	\$	\$ 49,001,001
Accounts Receivable, Net			
Due from Other Agencies		8,740,678	
Interest Receivable			225,330
Total assets	<u><u>\$ 1,041,171</u></u>	<u><u>\$ 8,740,678</u></u>	<u><u>\$ 49,226,331</u></u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$	\$ 1,293,682	\$ 427,647
Accrued Payroll Liabilities		4,075	
Interfund Payable		7,408,330	
Total liabilities		<u><u>8,706,087</u></u>	<u><u>427,647</u></u>
Deferred Inflows:			
Advance Federal Project Grants		34,591	
Deferred Revenue			
Total deferred inflows		<u><u>34,591</u></u>	
Fund balances:			
Restricted	1,041,171		48,798,684
Unassigned			
Total fund balances	<u><u>1,041,171</u></u>		<u><u>48,798,684</u></u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 1,041,171</u></u>	<u><u>\$ 8,740,678</u></u>	<u><u>\$ 49,226,331</u></u>

Regional Transportation Authority Fund	2020 General Obligation Parks/Connections Improvement Fund	Totals
\$	\$	\$ 50,042,172
71,222		71,222
11,395,095		20,135,773
		225,330
<u>\$ 11,466,317</u>		<u>\$ 70,474,497</u>
\$ 4,474,723	\$ 14,132	\$ 6,210,184
12,778		16,853
5,791,493	387,241	13,587,064
762,136		762,136
<u>11,041,130</u>	<u>401,373</u>	<u>20,576,237</u>
		34,591
<u>4,349,340</u>		<u>4,349,340</u>
<u>4,349,340</u>		<u>4,383,931</u>
		45,915,702
<u>(3,924,153)</u>	<u>(401,373)</u>	<u>(401,373)</u>
<u>(3,924,153)</u>	<u>(401,373)</u>	<u>45,514,329</u>
<u>\$ 11,466,317</u>	<u>\$</u>	<u>\$ 70,474,497</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, 2019

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 68,710,291	\$ 32,178,628	\$	\$ 100,888,919
Licenses and Permits	1,727,745			1,727,745
Fines and Forfeitures	966,755	376		967,131
Developer Fees			10,582,494	10,582,494
Use of Money and Property	2,162,317	3,143	1,023,481	3,188,941
Federal Grants and Contributions	66,638,769			66,638,769
Other Agencies	48,646,898	9,106,026	38,441,635	96,194,559
Charges for Services	15,300,752			15,300,752
Special Assessments		12,952		12,952
Contributions from Outside Sources	8,327,145			8,327,145
Miscellaneous	2,043,919	612	1,442	2,045,973
Total revenues	<u>214,524,591</u>	<u>41,301,737</u>	<u>50,049,052</u>	<u>305,875,380</u>
Expenditures:				
Current -				
Elected and Official	297,734			297,734
Public Safety and Justice Services	16,447,950			16,447,950
Community Enrichment and Development	112,085,778		2,641,706	114,727,484
Support Services				
General Government	2,774,466			2,774,466
Capital Outlay	10,337,657			10,337,657
Capital Projects	18,509,295		45,788,301	64,297,596
Debt service -				
Principal	11,009,098	36,661,000		47,670,098
Interest	1,669,666	8,986,014	425,602	11,081,282
Fiscal Agent Fees		8,800		8,800
Total expenditures	<u>173,131,644</u>	<u>45,655,814</u>	<u>48,855,609</u>	<u>267,643,067</u>
Excess (deficiency) of revenues over expenditures	<u>41,392,947</u>	<u>(4,354,077)</u>	<u>1,193,443</u>	<u>38,232,313</u>
Other financing sources (uses):				
Transfers In	7,383,460	3,116,238	668,399	11,168,097
Transfers Out	(3,734,096)	(199,844)		(3,933,940)
Total other financing sources (uses)	<u>3,649,364</u>	<u>2,916,394</u>	<u>668,399</u>	<u>7,234,157</u>
Change in fund balances	<u>45,042,311</u>	<u>(1,437,683)</u>	<u>1,861,842</u>	<u>45,466,470</u>
Fund balances, beginning of year, restated*	64,132,918	2,420,333	43,652,487	110,205,738
Fund balances, end of year	<u>\$ 109,175,229</u>	<u>\$ 982,650</u>	<u>\$ 45,514,329</u>	<u>\$ 155,672,208</u>

*Beginning balance restated as described in Note 3 for Safer City Improvement Fund

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2019

	Park Tucson	Convention Center	HURF
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			1,727,745
Fines and Forfeitures	966,755		
Use of Money and Property	153,068	52,752	942,141
Federal Grants and Contributions			
Other Agencies			45,456,120
Charges for Services	5,056,049	9,281,987	65,296
Contributions from Outside Sources			
Miscellaneous	23,047		944,366
Total revenues	<u>6,198,919</u>	<u>9,334,739</u>	<u>49,135,668</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	3,829,639	11,576,498	34,499,074
General Government		1,323,108	1,439,676
Capital Outlay	31,282	215,101	2,090,275
Capital Projects			3,530,940
Debt service -			
Principal	1,181,836		1,037,262
Interest	580,589		229,247
Total expenditures	<u>5,623,346</u>	<u>13,114,707</u>	<u>42,826,474</u>
Excess (deficiency) of revenues over expenditures	<u>575,573</u>	<u>(3,779,968)</u>	<u>6,309,194</u>
Other financing sources (uses):			
Transfers In		3,927,209	
Transfers Out	(173,670)		(3,551,122)
Total other financing sources (uses)	<u>(173,670)</u>	<u>3,927,209</u>	<u>(3,551,122)</u>
Change in fund balances	<u>401,903</u>	<u>147,241</u>	<u>2,758,072</u>
Fund balances, beginning of year	1,580,627	348,645	12,834,172
Fund balances, end of year	<u>\$ 1,982,530</u>	<u>\$ 495,886</u>	<u>\$ 15,592,244</u>

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing	Other Federal Grants
\$	\$	\$	\$	\$	\$
11,359	9,904		28,461		3,122
	3,568,359	4,112,847	35,527,753	2,684,773	8,310,154
			21,357		
442,638	7,884,507		72,521		
<u>453,997</u>	<u>11,462,770</u>	<u>4,112,847</u>	<u>35,650,092</u>	<u>2,684,773</u>	<u>8,313,276</u>
39,305					90,802
12,774					7,768,309
102,439	2,903,407	4,112,847	36,391,332	2,176,728	398,208
11,682					
69,250	66,212				55,957
422,660	438,674				
	7,995,000				
	141,772				
<u>658,110</u>	<u>11,545,065</u>	<u>4,112,847</u>	<u>36,391,332</u>	<u>2,176,728</u>	<u>8,313,276</u>
<u>(204,113)</u>	<u>(82,295)</u>		<u>(741,240)</u>	<u>508,045</u>	
			(9,304)		
			(9,304)		
<u>(204,113)</u>	<u>(82,295)</u>		<u>(750,544)</u>	<u>508,045</u>	
874,304	4,426,271		2,924,088	333,676	
<u>\$ 670,191</u>	<u>\$ 4,343,976</u>	<u>\$</u>	<u>\$ 2,173,544</u>	<u>\$ 841,721</u>	<u>\$</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, 2019
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property			677
Federal Grants and Contributions		12,434,883	
Other Agencies	1,990,778		1,200,000
Charges for Services			876,063
Contributions from Outside Sources			
Miscellaneous			1,003,985
Total revenues	<u>1,990,778</u>	<u>12,434,883</u>	<u>3,080,725</u>
Expenditures:			
Current -			
Elected and Official	167,627		
Public Safety and Justice Services	1,685,124		
Community Enrichment and Development	51,747	423,329	4,055,585
General Government			
Capital Outlay	86,280		
Capital Projects		12,011,554	
Debt service -			
Principal			795,000
Interest			718,058
Total expenditures	<u>1,990,778</u>	<u>12,434,883</u>	<u>5,568,643</u>
Excess (deficiency) of revenues over expenditures			<u>(2,487,918)</u>
Other financing sources (uses):			
Transfers In			3,456,251
Transfers Out			
Total other financing sources (uses)			<u>3,456,251</u>
Change in fund balances			<u>968,333</u>
Fund balances (deficits), beginning of year, restated*			1,110,041
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$ 2,078,374</u>

*Beginning balance restated as described in Note 3 for Safer City Improvement Fund

Better Streets Improvement Fund	Safer City Improvement Fund	Gene Reid Park Zoo Capital Improvement Fund	Totals
\$ 22,957,132	\$ 34,394,134	\$ 11,359,025	\$ 68,710,291
			1,727,745
			966,755
478,379	378,675	103,779	2,162,317
			66,638,769
			48,646,898
			15,300,752
			8,327,145
			2,043,919
<u>23,435,511</u>	<u>34,772,809</u>	<u>11,462,804</u>	<u>214,524,591</u>
			297,734
	6,981,743		16,447,950
7,513,945		4,051,000	112,085,778
			2,774,466
	7,723,300		10,337,657
	1,278,704	826,763	18,509,295
			11,009,098
			1,669,666
<u>7,513,945</u>	<u>15,983,747</u>	<u>4,877,763</u>	<u>173,131,644</u>
<u>15,921,566</u>	<u>18,789,062</u>	<u>6,585,041</u>	<u>41,392,947</u>
			7,383,460
			(3,734,096)
			3,649,364
<u>15,921,566</u>	<u>18,789,062</u>	<u>6,585,041</u>	<u>45,042,311</u>
20,823,645	15,204,455	3,672,994	64,132,918
<u>\$ 36,745,211</u>	<u>\$ 33,993,517</u>	<u>\$ 10,258,035</u>	<u>\$109,175,229</u>

*Beginning balance restated as described in Note 3 for Safer City Improvement Fund

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2019

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
Revenues:				
Taxes	\$	\$ 32,178,628	\$	\$ 32,178,628
Fines and Forfeitures	376			376
Use of Money and Property	3,143			3,143
Other Agencies			9,106,026	9,106,026
Special Assessments	12,952			12,952
Miscellaneous	612			612
Total revenues	<u>17,083</u>	<u>32,178,628</u>	<u>9,106,026</u>	<u>41,301,737</u>
Expenditures:				
Debt service -				
Principal	36,000	26,495,000	10,130,000	36,661,000
Interest	946	6,894,818	2,090,250	8,986,014
Fiscal Agent Fees	1,600	5,200	2,000	8,800
Total expenditures	<u>38,546</u>	<u>33,395,018</u>	<u>12,222,250</u>	<u>45,655,814</u>
Excess (deficiency) of revenues over expenditures	<u>(21,463)</u>	<u>(1,216,390)</u>	<u>(3,116,224)</u>	<u>(4,354,077)</u>
Other financing sources (uses):				
Transfers In	14		3,116,224	3,116,238
Transfers Out	(199,844)			(199,844)
Total other financing sources (uses)	<u>(199,830)</u>		<u>3,116,224</u>	<u>2,916,394</u>
Change in fund balances	<u>(221,293)</u>	<u>(1,216,390)</u>		<u>(1,437,683)</u>
Fund balances, beginning of year	221,293	2,199,040		2,420,333
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 982,650</u>	<u>\$</u>	<u>\$ 982,650</u>



CITY OF TUCSON, ARIZONA
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2019**

	Capital Improvements	2012 General Obligation Streets Improvements
Revenues:		
Developer Fees	\$	\$
Use of Money and Property	51,318	27,180
Grants and Contributions		
Other Agencies	12,657,440	
Miscellaneous	1,442	
Total revenues	12,710,200	27,180
Expenditures:		
Current -		
Community Enrichment and Development	452,765	1,418,580
Capital Projects	12,204,675	
Debt service -		
Interest	425,602	
Total expenditures	13,083,042	1,418,580
 Excess (deficiency) of revenues over expenditures	 (372,842)	 (1,391,400)
Other financing sources (uses):		
Transfers In		
Total other financing sources (uses)		
 Change in fund balances	 (372,842)	 (1,391,400)
 Fund balances, beginning of year	 372,842	 2,432,571
 Fund balances, end of year	 \$	 \$ 1,041,171

Development Fee	Regional Transportation Authority	2020 General Obligation Parks/Connections Improvement Fund
\$ 10,582,494	\$	\$
686,322	258,661	
	25,784,195	
<u>11,268,816</u>	<u>26,042,856</u>	
1,448	368,957	399,956
2,532,668	31,049,541	1,417
<u>2,534,116</u>	<u>31,418,498</u>	<u>401,373</u>
8,734,700	(5,375,642)	(401,373)
668,399		
<u>668,399</u>		
9,403,099	(5,375,642)	(401,373)
39,395,585	1,451,489	
<u>\$ 48,798,684</u>	<u>\$ (3,924,153)</u>	<u>\$ (401,373)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS
June 30, 2019

	Tucson Golf	Non-PHA Asset Management	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 8,400	\$ 1,855,772	\$ 1,864,172
Accounts Receivable, Net	2,381	507,307	509,688
Due from Other Agencies			
Interest Receivable		1,937	1,937
Inventories	243,621		243,621
Other Assets	22,641		22,641
Total current assets	<u>277,043</u>	<u>2,365,016</u>	<u>2,642,059</u>
Noncurrent assets:			
Long Term Notes Receivable	417,762		417,762
Land & Construction in Progress	2,701,865	3,447,359	6,149,224
Other Capital Assets, Net	10,406,450	8,044,239	18,450,689
Total noncurrent assets	<u>13,526,077</u>	<u>11,491,598</u>	<u>25,017,675</u>
Total assets	<u>13,803,120</u>	<u>13,856,614</u>	<u>27,659,734</u>
DEFERRED OUTFLOWS			
Pension Plans		175,068	175,068
Total deferred outflows		<u>175,068</u>	<u>175,068</u>
LIABILITIES			
Current liabilities:			
Accounts Payable	146,647	265,927	412,574
Accrued Payroll Liabilities			
Accrued Interest Payable	9,408	484	9,892
Due to Other Agencies	39,530		39,530
Refundable Deposits		196,257	196,257
Current Portion of Contracts Payable	57,498		57,498
Current Portion of Compensated Absences		18,931	18,931
Customer Advances	56,132		56,132
Total current liabilities	<u>309,215</u>	<u>481,599</u>	<u>790,814</u>
Noncurrent liabilities:			
Long Term Contracts Payable	149,469		149,469
Interfund Loans Payable	1,346,945		1,346,945
Compensated Absences		9,067	9,067
Pension Liability		829,111	829,111
Total non-current liabilities	<u>1,496,414</u>	<u>838,178</u>	<u>2,334,592</u>
Total liabilities	<u>1,805,629</u>	<u>1,319,777</u>	<u>3,125,406</u>
DEFERRED INFLOWS			
Deferred Revenue		143,141	143,141
Pension Plans		80,126	80,126
Total deferred inflows		<u>223,267</u>	<u>223,267</u>
NET POSITION			
Net Investment in Capital Assets	12,901,349	11,491,598	24,392,947
Restricted for Grants and Entitlements		997,040	997,040
Unrestricted	(903,857)		(903,857)
Total net position	<u>\$ 11,997,492</u>	<u>\$ 12,488,638</u>	<u>\$ 24,486,130</u>

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, 2019

	Tucson Golf	Non-PHA Asset Management	Totals
Operating revenues:			
Charges for Services	\$ 7,818,727	\$ 1,943,110	\$ 9,761,837
Federal Grants and Contributions		221,438	221,438
Miscellaneous		92,564	92,564
Total operating revenues	<u>7,818,727</u>	<u>2,257,112</u>	<u>10,075,839</u>
Operating expenses:			
Salaries, Wages and Benefits	18,898	595,897	614,795
Contractual Services	5,429,796	1,582,919	7,012,715
Commodities	1,286,514	240,336	1,526,850
Cost of Goods Sold	599,434		599,434
Depreciation	733,834	403,413	1,137,247
Total operating expenses	<u>8,068,476</u>	<u>2,822,565</u>	<u>10,891,041</u>
Operating loss	<u>(249,749)</u>	<u>(565,453)</u>	<u>(815,202)</u>
Nonoperating revenues (expenses):			
Investment Income		90,378	90,378
Interest Expense	(30,982)		(30,982)
Total nonoperating revenues (expense)	<u>(30,982)</u>	<u>90,378</u>	<u>59,396</u>
Income (loss) before capital contributions, transfers and special items	<u>(280,731)</u>	<u>(475,075)</u>	<u>(755,806)</u>
Transfers In		6,968	6,968
Transfers Out			
Change in net position	<u>(280,731)</u>	<u>(468,107)</u>	<u>(748,838)</u>
Net position, beginning of year	12,278,223	12,956,745	25,234,968
Total net position, end of year	<u>\$ 11,997,492</u>	<u>\$ 12,488,638</u>	<u>\$ 24,486,130</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Tucson	Non-PHA Asset	
	Golf	Management	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,771,282	\$ 2,115,517	\$ 9,886,799
Cash Payments to Suppliers for Goods and Services	(7,279,654)	(1,799,128)	(9,078,782)
Cash Payments to Employees for Services	(82,729)	(655,256)	(737,985)
Subsidy from Federal Grant		221,438	221,438
Net Cash Provided (Used) by Operating Activities	408,899	(117,429)	291,470
Cash Flows from Noncapital Financing Activities			
Interfund Transfers	(65,400)	6,968	(58,432)
Interest Paid on Advances	(19,330)		(19,330)
Net Cash Provided (Used) by Noncapital Financing Activities	(84,730)	6,968	(77,762)
Cash Flows from Capital and Related Financing Activities:			
Capital Leasing Activities	103,100		103,100
Acquisition and Construction of Capital Assets	(420,460)		(420,460)
Interest Paid on Capital Debt	(6,809)		(6,809)
Net Cash Provided (Used) by Capital and Related Financing Activities	(324,169)		(324,169)
Cash Flows from Investing Activities:			
Interest on Investments		93,783	93,783
Net Cash Provided (Used) by Investing Activities		93,783	93,783
Net Increase (Decrease) in Cash and Cash Equivalents		(16,678)	(16,678)
Cash and Cash Equivalents - July 1	8,400	1,872,449	1,880,849
Cash and Cash Equivalents - June 30	\$ 8,400	\$ 1,855,771	\$ 1,864,171
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (249,749)	\$ (565,453)	\$ (815,202)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	733,834	403,413	1,137,247
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable	(2,381)	(208,839)	(211,220)
Deferred Outflow of Resources - Pension Plan		(103,174)	(103,174)
Inventory and Prepaids	55,875		55,875
Increase (Decrease) in Liabilities:			
Accounts Payable	(26,825)	174,090	147,265
Accrued Payroll Liabilities	(63,831)	(13,906)	(77,737)
Accrued Compensated Absences		(3,418)	(3,418)
Pension Liability		121,107	121,107
Deferred Revenue		95,359	95,359
Customer/Refundable Deposits	800	43,531	44,331
Due to Other Agencies	6,241	(170)	6,071
Other Operating Liabilities	(45,065)	(59,969)	(105,034)
Net Cash Provided (Used) by Operating Activities	\$ 408,899	\$ (117,429)	\$ 291,470

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For Fiscal Year ended June 30, 2019

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Sewer User Fee				
Assets				
Cash and Cash Equivalents	\$ 188,470	\$ 278,058,804	\$ 274,878,177	\$ 3,369,097
Accounts Receivable, Net	13,934,524	138,827,723	141,445,256	11,316,991
Total assets	\$ 14,122,994	\$ 416,886,527	\$ 416,323,433	\$ 14,686,088
Liabilities				
Accounts Payable	\$ 2,894,673	\$ 137,404,877	\$ 137,319,046	\$ 2,980,504
Due to Other Agencies	11,228,321	279,375,015	278,897,753	11,705,583
Total liabilities	\$ 14,122,994	\$ 416,779,892	\$ 416,216,799	\$ 14,686,087
Employee Prepaid Insurance				
Assets				
Cash and Cash Equivalents	\$ 280,401	\$ 134,384,931	\$ 133,592,360	\$ 1,072,972
Accounts Receivable, Net				
Total assets	\$ 280,401	\$ 134,384,931	\$ 133,592,360	\$ 1,072,972
Liabilities				
Accounts Payable	\$ 280,401	\$ 96,608,399	\$ 95,815,828	\$ 1,072,972
Due to Other Funds				
Total liabilities	\$ 280,401	\$ 96,608,399	\$ 95,815,828	\$ 1,072,972
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Cash and Cash Equivalents	\$ 69,392	\$ 6,586,648	\$ 6,128,177	\$ 527,863
Total assets	\$ 69,392	\$ 6,586,648	\$ 6,128,177	\$ 527,863
Liabilities				
Due to Other Agencies	\$ 69,392	\$ 6,586,648	\$ 6,128,177	\$ 527,863
Total liabilities	\$ 69,392	\$ 6,586,648	\$ 6,128,177	\$ 527,863
Totals				
Assets				
Cash and Cash Equivalents	\$ 538,263	\$ 419,030,383	\$ 414,598,714	\$ 4,969,932
Accounts Receivable, Net	13,934,524	138,827,723	141,445,256	11,316,991
Total assets	\$ 14,472,787	\$ 557,858,106	\$ 556,043,970	\$ 16,286,923
Liabilities				
Accounts Payable	\$ 3,175,074	\$ 234,013,276	\$ 233,134,874	\$ 4,053,476
Due to Other Agencies	11,297,713	285,961,663	285,025,930	12,233,446
Due to Other Funds				
Total liabilities	\$ 14,472,787	\$ 519,974,939	\$ 518,160,804	\$ 16,286,922



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, 2019

	Park Tucson		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures	875,300	966,755	91,455
Use of Money and Property	130,000	153,068	23,068
Federal Grants and Contributions			
Other Agencies			
Charges for Services	5,189,920	5,056,049	(133,871)
Contributions from Outside Sources			
Miscellaneous		23,047	23,047
Total revenues	<u>6,195,220</u>	<u>6,198,919</u>	<u>3,699</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	4,243,520	3,829,639	413,881
General Government			
Capital Outlay	31,340	31,282	58
Capital Projects			
Debt service -			
Principal	1,185,140	1,181,836	3,304
Interest	579,680	580,589	(909)
Debt Issuance Costs			
Total expenditures	<u>6,039,680</u>	<u>5,623,346</u>	<u>416,334</u>
Excess (deficiency) of revenues over expenditures	<u>155,540</u>	<u>575,573</u>	<u>420,033</u>
Other financing sources (uses):			
Transfers In			
Transfers Out	(180,000)	(173,670)	6,330
Total other financing sources (uses)	<u>(180,000)</u>	<u>(173,670)</u>	<u>6,330</u>
Change in fund balances	<u>\$ (24,460)</u>	<u>401,903</u>	<u>\$ 426,363</u>
Fund balances, beginning of year		1,580,627	
Fund balances, end of year		<u>\$ 1,982,530</u>	

Convention Center		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	52,752	52,752
7,278,050	9,281,987	2,003,937
<u>7,278,050</u>	<u>9,334,739</u>	<u>2,056,689</u>

HURF		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
1,008,000	1,727,745	719,745
542,560	942,141	399,581
44,029,710	45,456,120	1,426,410
205,000	65,296	(139,704)
359,000	944,366	585,366
<u>46,144,270</u>	<u>49,135,668</u>	<u>2,991,398</u>

9,986,060	11,576,498	(1,590,438)
1,315,410	1,323,108	(7,698)
427,630	215,101	212,529
<u>11,729,100</u>	<u>13,114,707</u>	<u>(1,385,607)</u>

37,167,650	34,499,074	2,668,576
1,419,800	1,439,676	(19,876)
1,671,500	2,090,275	(418,775)
1,005,100	3,530,940	(2,525,840)
1,077,180	1,037,262	39,918
219,460	229,247	(9,787)
<u>42,560,690</u>	<u>42,826,474</u>	<u>(265,784)</u>

<u>(4,451,050)</u>	<u>(3,779,968)</u>	<u>671,082</u>
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<u>3,583,580</u>	<u>6,309,194</u>	<u>2,725,614</u>
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4,481,050	3,927,209	(553,841)
<u>4,481,050</u>	<u>3,927,209</u>	<u>(553,841)</u>

(3,583,580)	(3,551,122)	32,458
<u>(3,583,580)</u>	<u>(3,551,122)</u>	<u>32,458</u>

<u>\$ 30,000</u>	<u>147,241</u>	<u>\$ 117,241</u>
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<u>\$</u>	<u>2,758,072</u>	<u>\$ 2,758,072</u>
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348,645
<u>\$ 495,886</u>

12,834,172
<u>\$ 15,592,244</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, 2019
(Continued)

	Civic Contributions		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property		11,359	11,359
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	228,850	442,638	213,788
Miscellaneous			
Total revenues	<u>228,850</u>	<u>453,997</u>	<u>225,147</u>
Expenditures:			
Current -			
Elected and Official	78,700	39,305	39,395
Public Safety and Justice Services	53,470	12,774	40,696
Community Enrichment and Development	581,820	102,439	479,381
General Government		11,682	11,682
Capital Outlay	10,000	69,250	(59,250)
Capital Projects	391,000	422,660	(31,660)
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>1,114,990</u>	<u>658,110</u>	<u>480,244</u>
Excess (deficiency) of revenues over expenditures	<u>(886,140)</u>	<u>(204,113)</u>	<u>705,391</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (886,140)</u>	<u>(204,113)</u>	<u>\$ 705,391</u>
Fund balances, beginning of year		874,304	
Fund balances, end of year		<u>\$ 670,191</u>	

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2019
(Continued)**

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property	20,000	28,461	8,461
Federal Grants and Contributions	41,228,370	35,527,753	(5,700,617)
Other Agencies			
Charges for Services	12,000	21,357	9,357
Contributions from Outside Sources			
Miscellaneous		72,521	72,521
Total revenues	<u>41,260,370</u>	<u>35,650,092</u>	<u>(5,610,278)</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	41,280,340	36,391,332	4,889,008
General Government			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>41,280,340</u>	<u>36,391,332</u>	<u>4,889,008</u>
Excess (deficiency) of revenues over expenditures	<u>(19,970)</u>	<u>(741,240)</u>	<u>(721,270)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out		(9,304)	(9,304)
Total other financing sources (uses)		<u>(9,304)</u>	<u>(9,304)</u>
Change in fund balances	<u>\$ (19,970)</u>	<u>(750,544)</u>	<u>\$ (730,574)</u>
Fund balances, beginning of year		2,924,088	
Fund balances (deficits), end of year		<u>\$ 2,173,544</u>	

HOME Affordable Housing		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
8,692,000	2,684,773	(6,007,227)
<u>8,692,000</u>	<u>2,684,773</u>	<u>(6,007,227)</u>
8,008,200	2,176,728	5,831,472
800,000		800,000
<u>8,808,200</u>	<u>2,176,728</u>	<u>6,631,472</u>
<u>(116,200)</u>	<u>508,045</u>	<u>624,245</u>
16,000		(16,000)
<u>16,000</u>		<u>(16,000)</u>
<u>\$ (100,200)</u>	<u>508,045</u>	<u>\$ 608,245</u>
	333,676	
	<u>\$ 841,721</u>	

Other Federal Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
13,399,740	8,310,154	3,122 (5,089,586)
<u>13,399,740</u>	<u>8,313,276</u>	<u>(5,086,464)</u>
	90,802	252,388
13,421,900	7,768,309	5,653,591
443,310	398,208	45,102
492,270	55,957	436,313
<u>14,700,670</u>	<u>8,313,276</u>	<u>6,387,394</u>
<u>(1,300,930)</u>		<u>1,300,930</u>
<u>\$ (1,300,930)</u>		<u>\$ 1,300,930</u>
	<u>\$</u>	<u>\$</u>

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, 2019
(Continued)

	Non-Federal Grants		Variance - Positive - (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$	\$	\$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	3,241,600	1,990,778	(1,250,822)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>3,241,600</u>	<u>1,990,778</u>	<u>(1,250,822)</u>
Expenditures:			
Current -			
Elected and Official	146,700	167,627	(20,927)
Public Safety and Justice Services	3,315,110	1,685,124	1,629,986
Community Enrichment and Development	134,500	51,747	82,753
General Government			
Capital Outlay	161,530	86,280	75,250
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	<u>3,757,840</u>	<u>1,990,778</u>	<u>1,767,062</u>
Excess (deficiency) of revenues over expenditures	<u>(516,240)</u>		<u>516,240</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (516,240)</u>		<u>\$ 516,240</u>
Fund balances, beginning of year			
Fund balances, end of year		<u>\$</u>	

Federal Highway Grant		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
13,070,300	12,434,883	(635,417)
<u>13,070,300</u>	<u>12,434,883</u>	<u>(635,417)</u>
803,990	423,329	380,661
25,000		25,000
14,329,380	12,011,554	2,317,826
<u>15,158,370</u>	<u>12,434,883</u>	<u>2,723,487</u>
<u>(2,088,070)</u>		<u>2,088,070</u>
<u>\$ (2,088,070)</u>		<u>\$ 2,088,070</u>
	<u>\$</u>	

Sun Link		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	677	677
1,200,000	1,200,000	
968,180	876,063	(92,117)
40,000	1,003,985	963,985
<u>2,208,180</u>	<u>3,080,725</u>	<u>872,545</u>
4,424,590	4,055,585	369,005
795,000	795,000	
718,060	718,058	2
<u>5,937,650</u>	<u>5,568,643</u>	<u>369,007</u>
<u>(3,729,470)</u>	<u>(2,487,918)</u>	<u>1,241,552</u>
3,729,970	3,456,251	(273,719)
<u>3,729,970</u>	<u>3,456,251</u>	<u>(273,719)</u>
<u>\$ 500</u>	<u>968,333</u>	<u>\$ 967,833</u>
	1,110,041	
	<u>\$ 2,078,374</u>	

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, 2019
(Continued)

	Better Streets Improvement Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 22,246,700	\$ 22,957,132	\$ 710,432
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property		478,379	478,379
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	22,246,700	23,435,511	1,188,811
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	30,000,000	7,513,945	22,486,055
General Government			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	30,000,000	7,513,945	22,486,055
Excess (deficiency) of revenues over expenditures	(7,753,300)	15,921,566	23,674,866
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	\$ (7,753,300)	15,921,566	\$ 23,674,866
Fund balances, beginning of year, restated*		20,823,645	
Fund balances, end of year		\$ 36,745,211	

*Beginning balance restated as described in Note 3 for Safer City Improvement Fund

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, 2019
(Continued)

Safer City Improvement Fund			Gene Reid Park Zoo Capital Improvement Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 33,370,000	\$ 34,394,134	\$ 1,024,134	\$ 10,000,000	\$ 11,359,025	\$ 1,359,025
	378,675	378,675		103,779	103,779
			2,044,760		(2,044,760)
<u>33,370,000</u>	<u>34,772,809</u>	<u>1,402,809</u>	<u>12,044,760</u>	<u>11,462,804</u>	<u>(581,956)</u>
9,004,420	6,981,743	2,022,677	4,660,900	4,051,000	609,900
15,274,300	7,723,300	7,551,000	6,754,100	826,763	5,927,337
10,368,780	1,278,704	9,090,076			
<u>34,647,500</u>	<u>15,983,747</u>	<u>18,663,753</u>	<u>11,415,000</u>	<u>4,877,763</u>	<u>6,537,237</u>
<u>(1,277,500)</u>	<u>18,789,062</u>	<u>20,066,562</u>	<u>629,760</u>	<u>6,585,041</u>	<u>5,955,281</u>
<u>\$ (1,277,500)</u>	<u>18,789,062</u>	<u>\$ 20,066,562</u>	<u>\$ 629,760</u>	<u>6,585,041</u>	<u>\$ 5,955,281</u>
	15,204,455			3,672,994	
	<u>\$ 33,993,517</u>		<u>\$ 10,258,035</u>		

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, 2019
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 55,616,700	\$ 68,710,291	\$ 13,093,591
Licenses and Permits	1,008,000	1,727,745	719,745
Fines and Forfeitures	875,300	966,755	91,455
Use of Money and Property	692,560	2,162,317	1,469,757
Federal Grants and Contributions	93,878,410	66,638,769	(27,239,641)
Other Agencies	48,471,310	48,646,898	175,588
Charges for Services	15,697,910	15,300,752	(397,158)
Contributions from Outside Sources	228,850	8,327,145	8,098,295
Miscellaneous	399,000	2,043,919	1,644,919
Total revenues	216,868,040	214,524,591	(2,343,449)
Expenditures:			
Current -			
Elected and Official	568,590	297,734	270,856
Public Safety and Justice Services	25,794,900	16,447,950	9,346,950
Community Enrichment and Development	159,272,540	112,085,778	47,186,762
General Government	2,740,840	2,774,466	(33,626)
Capital Outlay	20,398,440	10,337,657	10,060,783
Capital Projects	36,221,960	18,509,295	17,712,665
Debt service -			
Principal	3,057,320	11,009,098	(7,951,778)
Interest	1,532,480	1,669,666	(137,186)
Total expenditures	249,587,070	173,131,644	76,455,426
Excess (deficiency) of revenues over expenditures	(32,719,030)	41,392,947	74,111,977
Other financing sources (uses):			
Transfers In	8,227,020	7,383,460	(843,560)
Transfers Out	(3,711,580)	(3,734,096)	(22,516)
Total other financing sources (uses)	4,515,440	3,649,364	(866,076)
Change in fund balances	\$ (28,203,590)	45,042,311	\$ 73,245,901
Fund balances, beginning of year, restated*		64,132,918	
Fund balances, end of year		\$ 109,175,229	

*Beginning balance restated as described in Note 3 for Safer City Improvement Fund



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, 2019

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures		376	376
Use of Money and Property	4,000	3,143	(857)
Other Agencies			
Special Assessments	12,510	12,952	442
Miscellaneous	100	612	512
Total revenues	<u>16,610</u>	<u>17,083</u>	<u>473</u>
Expenditures:			
Debt service -			
Principal	36,000	36,000	
Interest	950	946	4
Fiscal Agent Fees	750	1,600	(850)
Total expenditures	<u>37,700</u>	<u>38,546</u>	<u>(846)</u>
Excess (deficiency) of revenues over expenditures	<u>(21,090)</u>	<u>(21,463)</u>	<u>(373)</u>
Other financing sources (uses):			
Transfers In		14	14
Transfers Out		(199,844)	(199,844)
Total other financing sources (uses)		<u>(199,830)</u>	<u>(199,830)</u>
Change in fund balances	<u>\$ (21,090)</u>	<u>(221,293)</u>	<u>\$ (200,203)</u>
Fund balances, beginning of year		221,293	
Fund balances, end of year		<u>\$</u>	

General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 32,478,380	\$ 32,178,628	\$ (299,752)
<u>32,478,380</u>	<u>32,178,628</u>	<u>(299,752)</u>
26,495,000	26,495,000	
6,894,820	6,894,818	2
6,250	5,200	1,050
<u>33,396,070</u>	<u>33,395,018</u>	<u>1,052</u>
<u>(917,690)</u>	<u>(1,216,390)</u>	<u>(298,700)</u>
<u>\$ (917,690)</u>	<u>(1,216,390)</u>	<u>\$ (298,700)</u>
	2,199,040	
	<u>\$ 982,650</u>	

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
9,261,080	9,106,026	(155,054)
<u>9,261,080</u>	<u>9,106,026</u>	<u>(155,054)</u>
10,130,000	10,130,000	
2,090,250	2,090,250	
	2,000	(2,000)
<u>12,220,250</u>	<u>12,222,250</u>	<u>(2,000)</u>
<u>(2,959,170)</u>	<u>(3,116,224)</u>	<u>(157,054)</u>
2,959,170	3,116,224	157,054
<u>2,959,170</u>	<u>3,116,224</u>	<u>157,054</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, 2019
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 32,478,380	\$ 32,178,628	\$ (299,752)
Fines and Forfeitures		376	376
Use of Money and Property		3,143	3,143
Other Agencies	9,261,080	9,106,026	(155,054)
Special Assessments	12,510	12,952	442
Miscellaneous		612	612
Total revenues	<u>41,751,970</u>	<u>41,301,737</u>	<u>(450,233)</u>
Expenditures:			
Debt service -			
Principal	36,661,000	36,661,000	
Interest	8,986,020	8,986,014	6
Fiscal Agent Fees	7,000	8,800	(1,800)
Total expenditures	<u>45,654,020</u>	<u>45,655,814</u>	<u>(1,794)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,902,050)</u>	<u>(4,354,077)</u>	<u>(452,027)</u>
Other financing sources (uses):			
Transfers In	2,959,170	3,116,238	157,068
Transfers Out		(199,844)	(199,844)
Total other financing sources (uses)	<u>2,959,170</u>	<u>2,916,394</u>	<u>(42,776)</u>
Change in fund balances	<u>\$ (942,880)</u>	<u>(1,437,683)</u>	<u>\$ 494,803</u>
Fund balances, beginning of year		2,420,333	
Fund balances, end of year		<u>\$ 982,650</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, 2019

	Capital Improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		51,318	51,318
Other Agencies	53,410,800	12,657,440	(40,753,360)
Miscellaneous		1,442	1,442
Total revenues	<u>53,410,800</u>	<u>12,710,200</u>	<u>(40,700,600)</u>
Expenditures:			
Current -			
Community Enrichment and Development	204,100	452,765	(248,665)
Capital Outlay			
Capital Projects	49,246,500	12,204,675	37,041,825
Debt Service -			
Principal			
Interest		425,602	(425,602)
Total expenditures	<u>49,450,600</u>	<u>13,083,042</u>	<u>36,367,558</u>
Excess (deficiency) of revenues over expenditures	<u>3,960,200</u>	<u>(372,842)</u>	<u>(4,333,042)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 3,960,200</u>	<u>(372,842)</u>	<u>\$ (4,333,042)</u>
Fund balances, beginning of year		372,842	
Fund balances (deficits), end of year		<u>\$</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, 2019
(Continued)

Regional Transportation Authority			2012 General Obligation Streets Improvements		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
48,000	258,661	210,661		27,180	27,180
67,924,470	25,784,195	(42,140,275)			
500,000		(500,000)			
<u>68,472,470</u>	<u>26,042,856</u>	<u>(42,429,614)</u>		<u>27,180</u>	<u>27,180</u>
510,000	368,957	141,043	4,000,000	1,418,580	2,581,420
225,000		225,000			
67,152,070	31,049,541	36,102,529			
<u>67,887,070</u>	<u>31,418,498</u>	<u>36,468,572</u>	<u>4,000,000</u>	<u>1,418,580</u>	<u>2,581,420</u>
<u>585,400</u>	<u>(5,375,642)</u>	<u>(5,961,042)</u>	<u>(4,000,000)</u>	<u>(1,391,400)</u>	<u>2,608,600</u>
<u>\$ 585,400</u>	<u>(5,375,642)</u>	<u>\$ (5,961,042)</u>	<u>\$ (4,000,000)</u>	<u>(1,391,400)</u>	<u>\$ 2,608,600</u>
	1,451,489			2,432,571	
	<u>\$ (3,924,153)</u>			<u>\$ 1,041,171</u>	

(Continued)

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, 2019
(Continued)

	Development Fee		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$ 17,935,870	\$ 10,582,494	\$ (7,353,376)
Use of Money and Property	35,000	686,322	651,322
Other Agencies			
Miscellaneous			
Total revenues	17,970,870	11,268,816	(6,702,054)
Expenditures:			
Current -			
Community Enrichment and Development	95,190	1,448	93,742
Capital Projects	17,756,920	2,532,668	15,224,252
Debt Service -			
Principal			
Interest			
Total expenditures	17,852,110	2,534,116	15,317,994
Excess (deficiency) of revenues over expenditures	118,760	8,734,700	8,615,940
Other financing sources (uses):			
Transfers In	1,102,410	668,399	(434,011)
Total other financing sources (uses)	1,102,410	668,399	(434,011)
Change in fund balances	\$ 1,221,170	9,403,099	\$ 8,181,929
Fund balances, beginning of year		39,395,585	
Fund balances (deficits), end of year		\$ 48,798,684	

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, 2019
(Concluded)

2020 General Obligation Parks/Connections Improvement Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 17,935,870	\$ 10,582,494	\$ (7,353,376)
			83,000	1,023,481	940,481
			121,335,270	38,441,635	(82,893,635)
				1,442	(498,558)
			139,354,140	50,049,052	(89,805,088)
	399,956	(399,956)	4,809,290	2,641,706	2,167,584
					225,000
	1,417	(1,417)	134,155,490	45,788,301	88,367,189
				425,602	(425,602)
	401,373	(401,373)	138,964,780	48,855,609	90,334,171
	(401,373)	(401,373)	389,360	1,193,443	529,083
			1,102,410	668,399	(434,011)
			1,102,410	668,399	(434,011)
\$	(401,373)	\$ (401,373)	\$ 1,491,770	1,861,842	\$ 95,072
				43,652,487	
	\$ (401,373)			\$ 45,514,329	

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, 2019

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 50,118,310	\$ 51,216,757	\$ 1,098,447
Miscellaneous	754,000	934,486	180,486
Total operating revenues	<u>50,872,310</u>	<u>52,151,243</u>	<u>1,278,933</u>
Operating expenses:			
Salaries, Wages and Benefits	17,478,310	14,850,317	2,627,993
Contractual Services	21,108,103	16,802,840	4,305,263
Commodities	3,722,740	3,038,891	683,849
Depreciation		6,426,360	(6,426,360)
Total operating expenses	<u>42,309,153</u>	<u>41,118,408</u>	<u>1,190,745</u>
Operating Income (Loss)	<u>8,563,157</u>	<u>11,032,835</u>	<u>2,469,678</u>
Nonoperating revenues (expenses):			
Investment Income	250,000	680,280	430,280
Gain (Loss) on Sale of Property/Equipment	70,000	298,994	228,994
Federal Grants and Contributions	104,000	48,592	(55,408)
Interest Expense	(432,870)	(411,853)	21,017
Other Nonoperating Income (Expenses)	(241,130)		241,130
Total nonoperating revenues (expenses)	<u>(250,000)</u>	<u>616,013</u>	<u>866,013</u>
Income (Loss) before transfers	<u>8,313,157</u>	<u>11,648,848</u>	<u>3,335,691</u>
Capital Contributions		25,704	
Transfers Out			
Transfer In			
Changes in net Position	<u>\$ 8,313,157</u>	<u>11,674,552</u>	<u>\$ 3,335,691</u>
Net position, beginning of year		(8,131,687)	
Total net position, end of year		<u>\$ 3,542,865</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, 2019

	Tucson Golf Enterprise Fund		
	Budget	Actual	Variance - Positive/ (Negative)
Operating revenues:			
Charges for Services	\$ 8,016,380	\$ 7,818,727	\$ (197,653)
Miscellaneous Revenue			
Total operating revenues	8,016,380	7,818,727	(197,653)
Operating expenses:			
Salaries, Wages and Benefits	52,390	18,898	33,492
Contractual Services	5,742,520	5,429,796	312,724
Commodities	1,095,806	1,286,514	(190,708)
Cost of Goods Sold	599,434	599,434	
Depreciation		733,834	(733,834)
Total operating expenses	7,490,150	8,068,476	(578,326)
Operating income (loss)	526,230	(249,749)	(775,979)
Nonoperating revenues (expenses):			
Interest Expense	(29,920)	(30,982)	(1,062)
Total nonoperating revenues (expenses)	(29,920)	(30,982)	(1,062)
Income (loss) before capital contributions and transfers	496,310	(280,731)	(777,041)
Capital Contributions			
Transfers In			
Transfers Out			
Changes in net position	\$ 496,310	(280,731)	\$ (777,041)
Net position, beginning of year		12,278,223	
Total net position, end of year		\$ 11,997,492	

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, 2019

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 6,575,400	\$ 6,787,695	\$ 212,295
Federal Grants and Contributions	7,256,420	6,122,690	(1,133,730)
Miscellaneous	5,900	28,597	22,697
Total operating revenues	<u>13,837,720</u>	<u>12,938,982</u>	<u>(898,738)</u>
Operating expenses:			
Salaries, Wages and Benefits	5,122,110	4,956,889	165,221
Contractual Services	7,337,210	6,188,783	1,148,427
Commodities	1,245,150	873,410	371,740
Depreciation		719,196	(719,196)
Total operating expenses	<u>13,704,470</u>	<u>12,738,278</u>	<u>966,192</u>
Operating Income (Loss)	<u>133,250</u>	<u>200,704</u>	<u>67,454</u>
Nonoperating revenues (expenses):			
Investment Income	30,690	52,957	22,267
Gain (Loss) on Sale of Property/Equipment			
Other Nonoperating Income (Expenses)	(68,590)	(38,200)	30,390
Total nonoperating revenues (expenses)	<u>(37,900)</u>	<u>14,757</u>	<u>52,657</u>
Income (Loss) before capital contributions and transfers	<u>95,350</u>	<u>215,461</u>	<u>120,111</u>
Capital Contributions			
Transfers In	2,710	2,373	(337)
Transfers Out	(4,430)		4,430
Changes in net position	<u>\$ 93,630</u>	<u>217,834</u>	<u>\$ 124,204</u>
Net position, beginning of year		23,518,068	
Total net position, end of year		<u>\$ 23,735,902</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, 2019

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 2,114,700	\$ 1,943,110	\$ (171,590)
Federal Grants and Contributions	220,000	221,438	1,438
Miscellaneous		92,564	92,564
Total operating revenues	<u>2,334,700</u>	<u>2,257,112</u>	<u>(77,588)</u>
Operating expenses:			
Salaries, Wages and Benefits	697,390	595,897	101,493
Contractual Services	1,428,610	1,582,919	(154,309)
Commodities	344,500	240,336	104,164
Depreciation		403,413	(403,413)
Total operating expenses	<u>2,470,500</u>	<u>2,822,565</u>	<u>(352,065)</u>
Operating Income (Loss)	<u>(135,800)</u>	<u>(565,453)</u>	<u>(429,653)</u>
Nonoperating revenues (expenses):			
Investment Income	159,380	90,378	(69,002)
Total nonoperating revenues (expenses)	<u>159,380</u>	<u>90,378</u>	<u>(69,002)</u>
Income (Loss) before capital contributions and transfers	<u>23,580</u>	<u>(475,075)</u>	<u>(498,655)</u>
Capital Contributions			
Transfers In	68,000	6,968	(61,032)
Changes in net position	<u>\$ (44,420)</u>	<u>(468,107)</u>	<u>\$ (423,687)</u>
Net position, beginning of year		12,956,745	
Total net position, end of year		<u>\$ 12,488,638</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, 2019

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 229,175,000	\$ 220,808,496	\$ (8,366,504)
Miscellaneous	4,015,000	2,871,219	(1,143,781)
Total operating revenues	<u>233,190,000</u>	<u>223,679,715</u>	<u>(9,510,285)</u>
Operating expenses:			
Salaries, Wages and Benefits	42,759,800	40,583,011	2,176,789
Contractual Services	81,639,130	74,932,008	6,707,122
Commodities	14,382,260	8,242,534	6,139,726
Depreciation		38,007,615	(38,007,615)
Total operating expenses	<u>138,781,190</u>	<u>161,765,168</u>	<u>(22,983,978)</u>
Operating Income (Loss)	<u>94,408,810</u>	<u>61,914,547</u>	<u>(32,494,263)</u>
Non-operating revenues (expenses):			
Investment Income	500,000	2,701,424	2,201,424
Gain (Loss) on Sale of Property/Equipment		486,822	486,822
Federal Grants and Contributions			
Interest Expense	(20,228,780)	(16,845,151)	3,383,629
Debt Issuance Costs	(1,525,000)	(842,443)	682,557
Other Nonoperating Income (Expenses)		(883,587)	(883,587)
Total non-operating revenues (expenses)	<u>(21,253,780)</u>	<u>(14,639,599)</u>	<u>5,870,845</u>
Income (Loss) before capital contributions and transfers	<u>73,155,030</u>	<u>47,274,948</u>	<u>(26,623,418)</u>
Capital Contributions	2,875,000	8,792,504	5,917,504
Bond Proceeds			
Transfers Out	<u>(2,000,000)</u>	<u>(1,873,340)</u>	<u>126,660</u>
Changes in net position	<u>\$ 74,030,030</u>	<u>54,194,112</u>	<u>\$ (20,579,254)</u>
Net position, beginning of year		912,237,734	
Total net position, end of year		<u>\$ 966,431,846</u>	



CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2019

Revenues:

Sale of Water:		
Potable Water Sales		\$ 171,412,745
Reclaimed Water Sales		8,277,772
Central Arizona Project Charge		24,971,194
Connection Fees		2,214,436
Environmental and Sewer Billing Services		5,317,007
TCE Clean Up Reimbursement		2,256,885
Plan Review and Inspection Fees		396,056
Other		8,833,620

Non-Operating Income:

Impact Fees	3,483,498	
Investment Earnings - Operating Fund	1,761,996	
Investment Earnings - Debt Service	555,452	
Federal Non-Grant Contributions (BABS)	743,336	
Proceeds from Sale of Property/Equipment	500,885	
Proceeds from Property Equipment Rental	383,977	
Total Non-Operating Income	7,429,144	
Total Revenues		231,108,859

Operation and Maintenance Expenses:

Director's Office		9,534,880
Business Services		6,187,309
Customer Services		9,421,024
Water Operations		29,285,420
Planning and Engineering		8,706,166
Quality Management		12,276,334
Power - Potable System		12,935,511
Power - Reclaimed System		1,756,421

CAP Water Purchases:

Commodity	19,748,874	
Capital Charges	5,911,831	
Total CAP Water Purchases	25,660,705	
General Expenses		7,030,299
Capitalized Operation and Maintenance Expense		(6,867,112)
Total Operation and Maintenance Expense		115,926,957

Net Revenue Available After Operations (2)	\$ 115,181,902
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CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2019

Bond Debt Service:

Senior Liens

Principal	\$	35,705,000
Interest		19,961,759
Total Debt Service for Water Revenue Bonds		55,666,759

Junior Liens (Water Infrastructure Finance Authority)

Principal	3,748,943
Interest	629,992
Total Debt Service for Water Infrastructure Finance Authority	4,378,935

Combined Senior and Junior Liens

Principal	39,453,943
Interest	20,591,751
Total Debt Service	60,045,694

Net Revenue Available After Operations

Bond Debt Service for Senior Liens	\$	59,515,143
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Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	\$	55,136,208
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- (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). Financial 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 \$50,576,680. 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, 2019, maximum future annual debt service coverage of senior lien debt is 233%.
- (3) 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, 2019, the debt coverage on Senior Lien Annual Debt Service Requirement was 212%.
- (4) 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, 2019, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 1421%.
- (5) 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, 2019, is 196%. The maximum future debt service coverage is 218%.
- (6) In FY19, Tucson Water funded an additional \$3,700,000 for the purpose of paying off all remaining consolidated outstanding principle debt related to 2009 Bond Series Issuances (Senior Lien) and prior.





Statistical Section

CITY OF TUCSON

ARIZONA

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	159
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	166
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	169
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	174
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	176
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
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

TABLE I

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$ 1,231,660,136	\$ 1,244,170,566	\$ 1,350,013,946	\$ 1,450,248,757	\$ 1,499,029,239	\$ 1,539,250,781	\$ 1,570,553,310	\$ 1,609,405,372	\$ 1,626,663,395	\$ 1,721,002,644
Restricted	129,992,175	159,017,958	118,633,469	141,695,269	154,849,334	147,289,613	156,102,271	143,610,042	172,997,495	191,076,782
Unrestricted	(13,022,236)	24,382,059	33,108,497	(409,624)	(780,353,582)	(833,065,927)	(832,271,564)	(860,819,707)	(1,114,575,394)	(1,126,613,499)
Total Net position	\$ 1,348,630,075	\$ 1,427,570,583	\$ 1,501,755,912	\$ 1,591,534,402	\$ 873,524,991	\$ 853,474,467	\$ 894,384,017	\$ 892,195,707	\$ 685,085,496	\$ 785,465,927
Business-type Activities										
Net Investment in Capital Assets	\$ 737,714,049	\$ 752,837,699	\$ 769,213,845	\$ 788,088,044	\$ 811,642,121	\$ 825,087,980	\$ 850,193,564	\$ 877,797,240	\$ 928,965,511	\$ 973,188,944
Restricted	35,566,434	35,160,494	36,339,552	37,933,738	38,724,476	39,601,012	29,097,188	40,362,311	47,813,477	52,571,867
Unrestricted	(36,777,570)	(26,949,353)	(10,391,767)	(1,669,897)	(89,809,383)	(76,994,286)	(57,984,680)	(26,833,894)	(21,707,273)	(7,865,395)
Total Net position	\$ 736,502,913	\$ 761,048,840	\$ 795,161,630	\$ 824,351,885	\$ 760,557,214	\$ 787,694,706	\$ 821,306,072	\$ 891,325,657	\$ 955,071,715	\$ 1,017,895,416
Primary Government										
Net Investment in Capital Assets	\$ 1,969,374,185	\$ 1,997,008,265	\$ 2,119,227,791	\$ 2,238,336,801	\$ 2,310,671,360	\$ 2,364,338,761	\$ 2,420,746,874	\$ 2,487,202,612	\$ 2,555,628,906	\$ 2,694,191,588
Restricted	165,558,609	194,178,452	154,973,021	179,629,007	193,573,810	186,890,625	185,199,459	183,972,353	220,810,972	243,648,649
Unrestricted	(49,799,806)	(2,567,294)	22,716,730	(2,079,521)	(870,162,965)	(910,060,213)	(890,256,244)	(887,653,601)	(1,136,282,667)	(1,134,478,894)
Total Net position	\$ 2,085,132,988	\$ 2,188,619,423	\$ 2,296,917,542	\$ 2,415,886,287	\$ 1,634,082,205	\$ 1,641,169,173	\$ 1,715,690,089	\$ 1,783,521,364	\$ 1,640,157,211	\$ 1,803,361,343

Notes:

(1) For fiscal year 2018, the City implemented GASB Statement Number 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. To establish beginning balances for the net OPEB liability, the fiscal year 2017 ending net positions for the City's governmental activities and certain proprietary funds have been restated, as documented in Note 22.

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

TABLE II

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
Elected and Official	\$ 18,771,020	\$ 22,071,179	\$ 22,496,102	\$ 22,380,772	\$ 22,266,302	\$ 20,624,381	\$ 17,193,925	\$ 16,318,010	\$ 16,070,630	\$ 19,700,906
Support Services	44,550,729	42,164,837	35,118,839	39,001,414	48,948,932	50,308,291	44,993,104	62,550,523	82,468,649	91,648,728
Neighborhood Services	354,449,593	340,720,803	497,892,563							
Public Safety and Justice Services					260,591,927	323,811,440	310,658,969	363,576,231	343,844,545	362,537,783
Public Safety/ Neighborhood Services (4)				373,619,042						
Operations and Development (4)	137,548,043	146,488,882	12,266,031	170,562,802						
Community Enrichment and Development					271,590,886	297,437,927	299,659,039	280,647,041	301,619,258	295,139,603
Strategic Initiatives	5,538,870									
General Government	29,756,362	27,175,033	27,092,579	45,134,817	28,356,640	25,615,851	28,753,654	33,653,089	32,782,433	31,633,687
Interest on Long-term Debt	27,605,603	27,880,687	32,242,741	30,428,436	24,236,525	25,387,637	23,075,684	22,190,906	21,155,574	18,415,499
Fiscal Agent Fees and Other	801,342	1,803,136	58,676	2,419,872	1,868,185	1,880,263	1,059,217	459,539	27,100	26,300
Total Governmental Activities	\$ 619,021,562	\$ 608,304,557	\$ 627,167,531	\$ 683,547,155	\$ 657,859,397	\$ 745,065,790	\$ 725,393,592	\$ 779,395,339	\$ 797,968,189	\$ 819,102,506
Business-type Activities										
Public Housing (1)	\$ 12,370,229	\$ 12,138,321	\$ 11,062,401	\$ 11,866,322	\$ 10,257,513	\$ 9,974,288	\$ 10,112,850	\$ 9,681,933	\$ 9,342,251	\$ 12,776,478
Non-PHA Asset Management (2)			1,120,698	1,409,258	1,383,356	2,267,351	2,765,473	3,009,448	2,620,748	2,822,565
Environmental Services	48,824,879	45,752,439	48,122,885	44,760,999	57,226,295	41,611,732	44,959,464	43,580,825	43,164,262	42,479,357
Tucson Golf Enterprise Fund	9,184,549	8,452,760	7,371,311	6,650,603	6,753,158	8,276,232	8,268,410	7,977,207	7,927,430	8,099,458
Water Utility	127,688,652	130,382,350	140,597,834	138,822,228	151,980,908	167,441,460	170,321,706	156,390,405	170,958,445	181,901,212
Total Business-type Activities	198,068,309	196,725,870	208,275,129	203,509,410	227,601,230	229,571,063	236,427,903	220,639,818	234,013,136	248,079,070
Total Primary Government Expenses	\$ 817,089,871	\$ 805,030,427	\$ 835,442,660	\$ 887,056,565	\$ 885,460,627	\$ 974,636,853	\$ 961,821,495	\$ 1,000,035,157	\$ 1,031,981,325	\$ 1,067,181,576
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 6,472,160	\$ 7,969,980	\$ 8,179,531	\$ 8,909,982	\$ 6,681,559	\$ 7,829,176	\$ 9,430,958	\$ 12,047,270	\$ 11,535,549	\$ 12,801,745
Recreation Fees	4,558,748	5,024,093	5,108,831	5,631,054	5,569,954	5,634,416	5,196,732	4,825,423	5,109,593	5,201,224
Paramedic Services Fees	10,921,989	12,111,479	7,856,194	12,098,585	10,616,793	11,155,836	14,267,196	12,926,927	11,296,826	12,458,106
Transit Fees	11,896,786	11,273,379	14,315,113	13,940,587	13,689,563	14,650,911	11,807,294	13,275,079	13,572,281	12,998,641
Other Charges for Service	68,746,501	70,395,491	65,894,543	64,077,153	67,855,088	75,410,073	73,630,570	73,801,269	92,562,458	93,302,099
Operating Grants & Contributions	124,171,155	119,655,515	118,671,770	131,713,221	108,429,579	118,631,887	117,355,150	124,837,969	128,237,145	131,696,352
Capital Grants and Contributions	116,859,034	95,761,089	122,030,260	153,546,244	123,245,664	81,649,759	93,814,694	70,476,919	62,699,881	85,116,519
Total Governmental Activities Program Revenues	\$ 343,626,373	\$ 322,191,026	\$ 342,056,242	\$ 389,916,826	\$ 336,088,200	\$ 314,962,058	\$ 325,502,594	\$ 312,190,856	\$ 325,013,733	\$ 353,574,686
Business-type Activities:										
Charges for Services:										
Public Housing (1)	\$ 3,575,243	\$ 3,894,804	\$ 4,337,148	\$ 4,006,300	\$ 3,881,856	\$ 4,382,173	\$ 3,720,409	\$ 3,802,862	\$ 4,026,225	\$ 6,816,292
Non-PHA Asset Management (2)			728,920	1,093,525	1,008,228	1,084,595	1,627,855	1,789,259	1,841,195	2,035,674
Environmental Services	40,998,260	48,442,224	50,327,999	48,646,855	48,788,808	48,731,484	49,654,020	51,374,445	51,751,334	52,151,243
Tucson Golf Enterprise Fund	7,341,967	7,015,322	6,126,611	6,011,381	6,125,375	7,139,282	7,508,666	7,450,029	7,408,870	7,818,726
Water Utility	135,055,480	143,991,812	151,809,779	158,996,999	171,755,468	181,654,170	187,201,847	205,732,514	228,822,111	223,679,715
Operating Grants and Contributions	7,762,635	6,769,831	6,876,004	6,511,555	6,077,057	6,110,015	6,295,102	5,882,512	6,629,928	6,344,128
Capital Grants and Contributions	10,190,038	10,963,141	11,214,120	9,214,121	8,463,198	7,631,102	9,573,927	14,373,302	8,371,840	9,584,432
Total Business-type Activities Program Rev	204,923,623	221,077,134	231,420,581	234,480,736	246,099,990	256,732,821	265,581,826	290,404,923	308,851,503	308,430,210
Total Primary Government Program Revenues	\$ 548,549,996	\$ 543,268,160	\$ 573,476,823	\$ 624,397,562	\$ 582,188,190	\$ 571,694,879	\$ 591,084,420	\$ 602,595,779	\$ 633,865,236	\$ 662,004,896

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expenses) Revenue										
Governmental Activities	\$ (275,395,189)	\$ (286,113,531)	\$ (285,111,289)	\$ (293,630,329)	\$ (321,771,197)	\$ (430,103,732)	\$ (399,890,998)	\$ (467,204,483)	\$ (472,954,456)	\$ (465,527,820)
Business-type Activities	6,855,314	24,351,264	23,145,452	30,971,326	18,498,760	27,161,758	29,153,923	69,765,105	74,838,367	60,351,140
Total Primary Government Net Expense	\$ (268,539,875)	\$ (261,762,267)	\$ (261,965,837)	\$ (262,659,003)	\$ (303,272,437)	\$ (402,941,974)	\$ (370,737,075)	\$ (397,439,378)	\$ (398,116,089)	\$ (405,176,680)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 33,033,945	\$ 36,313,914	\$ 39,869,881	\$ 41,787,498	\$ 43,912,695	\$ 44,992,133	\$ 48,798,741	\$ 50,726,533	\$ 46,886,789	\$ 50,075,217
Business Privilege Taxes	172,738,382	175,207,546	182,474,594	189,238,160	193,235,470	194,523,190	200,472,119	208,573,221	280,883,697	301,888,742
Public Utility Taxes	18,216,381	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368	23,031,922	23,786,210	26,220,025	24,929,107
Hotel/Motel Surcharge (6)	11,692,050	12,524,705	12,411,247	12,217,409	12,290,994	13,397,772	14,016,293	18,626,692	19,961,452	20,570,989
Occupational Taxes (5)	127,851	86,091	84,690	102,558	87,846					
Liquor Taxes (5)	732,622	760,615	743,322	749,028	750,481					
Unrestricted Grants and Contributions	125,011,993	110,567,181	105,988,454	115,792,652	124,171,684	131,349,102	133,663,259	135,764,176	142,795,992	146,210,462
Investment Income (Loss)	1,086,559	718,308	916,820	227,689	1,127,524	988,190	2,088,982	676,098	2,486,914	4,681,992
Miscellaneous	7,500,061	1,966,010	3,860,699	5,756,461	14,843,790	1,225,842	21,545,539	25,482,001	7,286,229	15,713,447
Transfers	(5,094,077)	1,618,501	(9,228,249)	(1,410,120)	957,697	1,785,611	(2,816,307)	1,381,242	1,891,737	1,838,295
Total Governmental Activities	\$ 365,045,767	\$ 365,054,039	\$ 359,296,620	\$ 391,178,911	\$ 412,264,407	\$ 410,053,208	\$ 440,800,548	\$ 465,016,173	\$ 528,412,835	\$ 565,908,251
Business-type Activities:										
Investment Income (Loss)	\$ 866,019	\$ 1,813,164	\$ 1,739,089	\$ 1,226,119	\$ 2,079,879	\$ 1,761,345	\$ 1,641,136	\$ 1,635,722	\$ 2,402,465	\$ 3,525,040
Miscellaneous									631,258	785,816
Transfers	5,094,077	(1,618,501)	9,228,249	1,410,120	(957,697)	(1,785,611)	2,816,307	(1,381,242)	(1,891,737)	(1,838,295)
Total Business-type Activities	\$ 5,960,096	\$ 194,663	\$ 10,967,338	\$ 2,636,239	\$ 1,122,182	\$ (24,266)	\$ 4,457,443	\$ 254,480	\$ 1,141,986	\$ 2,472,561
Total Primary Government	\$ 371,005,863	\$ 365,248,702	\$ 370,263,958	\$ 393,815,150	\$ 413,386,589	\$ 410,028,942	\$ 445,257,991	\$ 465,270,653	\$ 529,554,821	\$ 568,380,812
Change in Net Position (3)										
Governmental Activities	\$ 89,650,578	\$ 78,940,508	\$ 74,185,331	\$ 97,548,582	\$ 90,493,210	\$ (20,050,524)	\$ 40,909,550	\$ (2,188,310)	\$ 55,458,379	\$ 100,380,431
Business-type Activities	12,815,410	24,545,927	34,112,790	33,607,565	19,620,942	27,137,492	33,611,366	70,019,585	75,980,353	62,823,701
Total Primary Government	\$ 102,465,988	\$ 103,486,435	\$ 108,298,121	\$ 131,156,147	\$ 110,114,152	\$ 7,086,968	\$ 74,520,916	\$ 67,831,275	\$ 131,438,732	\$ 163,204,132

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.
- (6) Beginning in fiscal year 2016, former Hotel/Transient Occupancy Taxes are "Hotel/Motel Surcharge".

CITY OF TUCSON

TABLE III

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Nonspendable	\$ 3,091,091	\$ 2,725,063	\$ 2,736,679	\$ 7,885,432	\$ 10,539,014	\$ 11,175,121	\$ 4,535,987	\$ 4,546,261	\$ 5,149,702	\$ 5,231,999
Restricted	4,288,438	5,477,328	4,875,762	4,337,530	5,401,397	4,876,013	3,379,729	3,581,948	3,720,621	3,813,568
Committed	5,412,146	28,162,175	28,074,273	27,692,762	28,356,051	29,635,059	31,306,965	33,312,757	33,551,248	35,272,013
Assigned	11,523,823	13,264,761	18,056,275	1,680,900	6,464,860	4,285,870	8,458,874	43,196,713	30,743,763	30,999,957
Unassigned	22,836,507	11,107,980	8,668,230	12,765,747	15,991,136	15,736,784	28,269,669	18,022,572	37,969,704	48,053,627
Total General Fund	<u>\$ 47,152,005</u>	<u>\$ 60,737,307</u>	<u>\$ 62,411,219</u>	<u>\$ 54,362,371</u>	<u>\$ 66,752,458</u>	<u>\$ 65,708,847</u>	<u>\$ 75,951,224</u>	<u>\$ 102,660,251</u>	<u>\$ 111,135,038</u>	<u>\$ 123,371,164</u>
All Other Governmental Funds										
Nonspendable	\$ 5,014,035	\$ 4,186,004		\$ 4,115,915	\$ 4,505,250	\$ 5,831,208	\$ 3,111,753	\$ 5,382,988	\$ 3,678,236	\$ 5,107,484
Restricted	68,556,717	85,453,622	59,880,453	76,975,091	93,614,555	89,416,493	96,748,168	89,075,997	112,817,768	152,553,505
Committed	3,284,544	3,360,321	3,142,812	5,187,925	1,611,378	104,954	1,628,147	402,142	151,860	100,938
Assigned	13,779,239	18,901,488	9,861,655	9,559,070	15,359,731	4,498,593	7,496,550	2,580,576	4,164,188	4,471,631
Unassigned	(1,540,527)	(177,479)	(421,037)	(96,591)						(401,373)
Total All Other Governmental Funds	<u>\$ 89,094,008</u>	<u>\$ 111,723,956</u>	<u>\$ 72,463,883</u>	<u>\$ 95,741,410</u>	<u>\$ 115,090,914</u>	<u>\$ 99,851,248</u>	<u>\$ 108,984,618</u>	<u>\$ 97,441,703</u>	<u>\$ 120,812,052</u>	<u>\$ 161,832,185</u>

Notes: (1) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows.

CITY OF TUCSON

TABLE IV

Tax and Other Agency Revenues, General Fund

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tax Revenues										
Property Taxes (2)	\$ 11,633,043	\$ 12,034,959	\$ 12,048,032	\$ 12,467,667	\$ 12,993,033	\$ 13,413,323	\$ 13,985,797	\$ 14,215,063	\$ 14,710,170	\$ 15,430,330
Public Utility Taxes (1)	18,216,381	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368	23,031,922	23,786,210	26,220,025	24,929,107
Local Use Taxes	6,688,928	6,361,392	5,229,898	4,332,206	3,275,783	5,336,256	6,193,640	7,769,947	10,838,598	12,661,617
Business Privilege Taxes	166,573,329	168,139,915	176,758,407	182,861,378	187,178,747	188,784,244	194,093,020	198,629,422	213,375,580	219,326,265
Transient Occupancy Taxes	8,578,730	8,865,662	8,881,638	9,018,728	8,853,403	9,743,022	10,345,642	11,079,644	12,355,878	13,045,172
Other Taxes	3,977,799	4,793,061	4,704,477	4,280,298	4,788,139	3,990,156	4,280,368	7,976,651	7,947,324	7,820,193
Total Tax Revenues	\$ 215,668,210	\$ 225,486,157	\$ 229,797,614	\$ 239,677,853	\$ 237,975,331	\$ 243,058,369	\$ 251,930,389	\$ 263,456,937	\$ 285,447,575	\$ 293,212,684
Other Agency Revenues										
State Auto Lieu Taxes	\$ 20,318,278	\$ 19,718,347	\$ 19,743,016	\$ 19,090,499	\$ 20,030,860	\$ 20,709,722	\$ 21,801,786	\$ 21,754,173	\$ 23,677,715	\$ 25,925,868
State Sales Tax	38,800,312	40,564,009	40,807,325	42,757,073	45,344,556	47,733,015	48,829,221	48,859,397	53,529,411	54,458,475
State Urban Revenue Sharing	65,593,404	50,284,825	45,438,112	53,945,081	58,796,268	62,906,365	63,032,252	65,150,605	65,588,866	65,826,118
Contributions and Agency Billings (2)	1,570,211	3,862,945	4,855,284	4,486,826	4,563,843	5,606,984	6,563,219	8,030,774	6,617,690	5,606,136
Total Other Agency Revenue	\$ 126,282,205	\$ 114,430,126	\$ 110,843,737	\$ 120,279,479	\$ 128,735,527	\$ 136,956,086	\$ 140,226,478	\$ 143,794,949	\$ 149,413,682	\$ 151,816,597

Notes:

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

(2) Property tax is also included in the Risk Management Internal Service Fund

CITY OF TUCSON

TABLE V

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 237,065,108	\$ 249,762,745	\$ 255,269,345	\$ 267,885,494	\$ 265,975,961	\$ 273,206,471	\$ 284,287,630	\$ 297,449,821	\$ 373,467,494	\$ 394,101,602
Licenses and Permits	21,851,480	22,480,422	22,566,668	20,660,558	20,271,165	28,604,577	29,907,393	33,006,093	32,362,623	34,594,279
Fines and Forfeitures	14,591,212	14,656,099	13,845,465	12,852,016	15,761,622	16,831,650	13,051,724	9,983,776	9,655,907	9,871,496
Developer Fees	3,617,096	4,923,737	6,435,351	7,865,777	5,198,521	1,522,640	4,352,737	11,442,519	9,291,985	10,582,494
Use of Money and Property	3,069,974	2,812,446	2,822,212	2,475,035	3,185,971	2,248,794	3,420,636	2,020,203	3,761,093	5,668,605
Federal Grants and Contributions	108,297,296	98,431,053	130,698,957	147,167,365	81,133,301	89,328,863	82,643,881	75,485,901	78,409,187	84,669,378
Other Agencies	242,284,368	228,230,267	205,536,890	232,434,327	259,994,992	240,999,776	259,636,618	242,806,078	243,265,570	261,534,914
Charges for Services	59,108,565	60,487,549	59,580,884	63,383,040	61,868,702	62,646,317	64,921,055	67,542,851	84,596,382	85,844,924
Special Assessments	652,683	598,613	523,362	390,049	355,263	323,164	270,738	227,596	68,779	12,952
Contributions from Outside Services								1,392,085	11,223,594	8,327,145
Miscellaneous	3,912,511	3,798,046	3,162,594	6,856,402	14,916,576	8,083,996	21,002,312	13,389,263	8,476,065	8,368,209
Total Revenues	694,450,293	686,180,977	700,441,728	761,970,063	728,662,074	723,796,248	763,494,724	754,746,186	854,578,679	903,575,998
Expenditures										
Current										
Elected and Official	18,435,544	21,539,110	22,745,526	22,220,220	22,491,683	21,123,774	18,137,378	17,079,371	17,063,660	17,450,540
Support Services	38,293,888	37,282,485	32,198,197	33,533,949	44,022,242	45,244,122	43,888,000	61,374,216	78,960,906	82,656,605
Neighborhood Services	334,874,173	328,579,562	446,212,801							
Environment and Development	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	276,028,768	271,728,976	305,271,081	293,751,582
Operations and Development				133,123,134						
Community Enrichment and Development					223,217,451	247,138,055	240,994,849	226,207,082	239,509,517	226,518,983
Strategic Initiatives	5,378,320									
General Government	30,409,258	22,190,452	26,530,390	25,093,204	26,787,570	24,012,380	29,828,832	32,484,571	32,739,324	48,971,538
Capital Outlay	22,206,864	15,074,167	16,464,806	31,567,755	25,149,554	27,411,744	15,831,246	7,914,051	16,506,078	24,418,487
Capital Projects	95,859,440	120,926,947	105,148,263	114,500,756	81,701,341	63,066,809	73,713,543	67,664,011	54,839,687	68,779,962
Debt Service										
Principal	26,767,636	20,722,468	38,542,247	27,754,913	33,961,609	49,743,385	54,255,966	54,949,228	62,889,544	66,407,991
Interest	27,614,317	27,928,190	31,471,681	29,846,761	24,241,560	25,539,124	22,609,407	21,704,785	21,172,727	18,604,611
Fiscal Agent Fees	209,780	31,250	40,800	6,138	37,850	23,625	91,914	45,150	27,100	26,300
Issuance Cost of Debt	422,079	1,774,291	1,093,410	643,784	1,276,819	1,197,267	967,303	414,389		
Total Expenditures	702,229,165	706,687,865	732,714,152	777,337,914	738,244,154	766,150,387	776,347,206	761,565,830	828,979,624	847,586,599
Excess of Revenues										
Over (Under) Expenditures	\$ (7,778,872)	\$ (20,506,888)	\$ (32,272,424)	\$ (15,367,851)	\$ (9,582,080)	\$ (42,354,139)	\$ (12,852,482)	\$ (6,819,644)	\$ 25,599,055	\$ 55,989,399

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other Financing Sources (Uses)										
Bond Issuance	\$ 10,560,000	\$ 10,730,000	\$ 23,060,000	\$ 54,500,000	\$ 40,000,000	\$ 83,950,000	\$ 43,020,000	\$ 25,875,000		
Capital Leases	15,080,000	66,565,000	24,280,000	1,150,000	29,505,017	20,659,864	42,095,984			
Premium on Issuance of Debt	1,686,456	1,575,158	3,624,218	4,008,299	4,123,622	8,287,282	7,143,323	3,292,450		
Refunded Bond Escrow Agent Discount on Issuance of Debt	(24,964,377)	(21,992,814)	(50,175,809)	(37,576,983)	(32,257,750)	(88,426,284)	(54,144,197)	(8,830,000)		
Transfers In	36,952,322	49,484,780	55,836,769	45,444,401	58,034,047	71,625,419	60,221,549	61,245,301	\$ 63,265,262	\$ 56,094,325
Transfers Out	(39,699,161)	(49,387,896)	(54,626,769)	(44,241,334)	(58,083,265)	(70,025,419)	(66,108,430)	(59,326,995)	(61,364,762)	(54,054,976)
Total Other Financing Sources (Uses)	(384,760)	56,722,138	1,998,409	23,284,383	41,321,671	26,070,862	32,228,229	22,255,756	1,900,500	2,039,349
Net Change in Fund Balances	\$ (8,163,632)	\$ 36,215,250	\$ (30,274,015)	\$ 7,916,532	\$ 31,739,591	\$ (16,283,277)	\$ 19,375,747	\$ 15,436,112	\$ 27,499,555	\$ 58,028,748
Debt Service as a % of Noncapital Expenditures (1)	9.3%	8.5%	11.5%	9.1%	9.2%	11.1%	11.2%	11.2%	11.1%	11.3%

- 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.

**Taxable Sales by Category
Last Ten Fiscal Years**

Activity (1)	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Utilities (2)	\$ 790,046,950	\$ 718,552,700	\$ 750,007,650	\$ 753,704,450	\$ 761,478,800	\$ 782,177,122	\$ 827,836,228	\$ 761,882,646	\$ 848,786,259	\$ 840,996,751
Communications	240,025,429	267,402,622	227,677,700	232,882,104	201,169,667	184,659,928	167,040,690	153,860,278	169,803,092	138,859,321
Publishing & Printing	54,591,885	46,369,408	50,777,500	47,314,952	46,030,420	46,225,728	44,861,010	42,694,048	40,173,943	38,752,063
Restaurants	912,271,846	913,184,999	996,147,700	1,031,086,030	1,053,054,171	1,116,095,399	1,174,744,611	1,169,221,596	1,254,106,028	1,327,070,724
Amusements	80,315,638	81,730,112	84,884,600	88,969,460	85,607,140	85,427,724	90,656,814	94,681,152	107,192,937	100,613,398
Rentals	969,092,254	971,487,214	985,211,000	1,015,055,763	998,954,427	972,479,203	1,002,169,113	992,517,487	1,038,329,369	1,119,817,010
Contracting	674,230,827	707,955,711	745,759,900	835,481,024	862,574,090	654,854,410	499,557,358	594,318,178	708,684,759	832,753,858
Retail	4,668,578,836	4,793,591,280	5,062,139,300	5,336,970,626	5,455,905,198	5,804,257,368	6,133,012,334	5,947,723,431	6,351,368,840	6,402,322,534
Use Tax	335,281,026	325,202,306	256,853,800	219,717,771	208,957,129	274,254,592	308,009,316	347,898,340	495,634,302	603,855,245
Other	2,332,375	2,324,982	2,051,050	2,812,713	1,388,506	1,711,651	2,465,771	684,208	3,071,768	215,620
Total Business Privilege Activity	\$ 8,726,767,066	\$ 8,827,801,334	\$ 9,161,510,200	\$ 9,563,994,893	\$ 9,675,119,548	\$ 9,922,143,125	\$10,250,353,245	\$10,105,481,364	\$11,017,151,297	\$11,405,256,524
City's Tax Rate (3)	2%	2%	2%	2%	2%	2%	2%	2%	2.6%	2.6%

Notes: (1) Tax activity reporting were re-calculated for fiscal years 2009-2014 due to changes in tax software collection systems.

(2) Utility is only based on 2%/2.5%/2.6% utility tax. It does not include either of the public utility taxes. 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.

(3) The City's Tax rate increased to 2.5% on July 1, 2017 and it increased again to 2.6 % on February 1, 2018.

(4) Prior to FY17, Peddler activity was reported under "Other" taxes. The peddler food activity is now reported under the restaurant activity and the peddler variety activity is now reported under the retail activity.

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

TABLE VII

<u>Fiscal Year</u>	<u>City's Rate (1)</u>	<u>State's Rate (2)</u>	<u>County's Rate - RTA (3)</u>
2010	2.0%	5.6%	0.5%
2011	2.0%	5.6%	0.5%
2012	2.0%	6.6%	0.5%
2013	2.0%	6.6%	0.5%
2014	2.0%	6.6%	0.5%
2015	2.0%	5.6%	0.5%
2016	2.0%	5.6%	0.5%
2017	2.0%	5.6%	0.5%
2018	2.6%	5.6%	0.5%
2019	2.6%	5.6%	0.5%

- Notes:** (1) In May 2017, City voters approved a 0.5% increase for five years, effective July 1, 2017. These revenues are restricted for Public Safety and road improvements. In November 2017, voters approved a 0.1% increase for ten years, effective February 1, 2018. These revenues are restricted for zoo operations and improvements.
- (2) 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.
- (3) 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

TABLE VIII

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

Business Sector	Fiscal Year 2010		Fiscal Year 2019	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility	\$ 15,800,939	8.2%	\$ 21,866,411	6.8%
Public Utility	17,380,134	9.0%	24,343,743	7.6%
Public Utility (Right of Way)	644,541	0.3%	654,491	0.2%
Communications	4,800,508	2.5%	3,518,884	1.1%
Publishing & Printing	1,091,838	0.6%	1,006,646	0.3%
Restaurants	18,245,437	9.5%	34,468,846	10.7%
Amusements	1,606,313	0.8%	2,611,649	0.8%
Rentals	19,381,845	10.1%	29,063,970	9.1%
Contracting	13,484,617	7.0%	21,185,143	6.6%
Retail	93,371,576	48.5%	166,374,967	51.9%
Use Tax	6,705,621	3.5%	15,696,257	4.9%
Other Activities	46,648	0.0%	5,602	0.0%
Total (1)	\$ 192,560,017	100%	\$ 320,796,609	100%

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

(2) Utility is split into three categories. The tax rate for Utility is 2%, for Public Utility is 4%, and for Public Utility Right of Way is 1.5%.

CITY OF TUCSON

TABLE IX

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities									
Fiscal Year	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	Total Governmental Activities	
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	
2016	218,709,143	74,955,413		226,053,035	692,000	19,272,245	11,260,800	550,942,636	
2017	211,247,606	59,868,118		210,351,828	293,000	18,789,417	9,926,500	510,476,469	
2018	183,531,175	44,211,118		189,968,018	36,000	15,268,587	8,577,200	441,592,098	
2019	150,626,539	31,905,000		161,987,595		13,599,767	7,212,900	365,331,801	

Business-type Activities									
Fiscal Year	Water System Revenue Bonds	Capital Leases	Certificates of Participation	Total Business- type Activities	Total Primary Government	Percentage of Personnel Income (1)	Per Capita (1)		
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	3.1%	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	3.16%	1,125.74		
2016	537,088,662	273,463	11,753,754	549,115,879	1,100,058,515	2.87%	1,092.19		
2017	535,541,471	189,437	11,444,063	547,174,971	1,057,651,440	2.74%	1,047.80		
2018	521,267,908	103,865	11,089,386	532,461,159	974,053,256	2.29%	949.28		
2019	443,916,199	206,967	9,562,405	502,827,777	882,301,345	1.93%	849.12		

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

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

CITY OF TUCSON

TABLE X

Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

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
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%	233.80
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
2016	218,709,143	2,205,248	216,503,895	24,914,786,731	0.87%	214.96
2017	211,585,375	2,554,745	209,060,630	26,918,515,852	0.79%	212.66
2018	183,531,175	2,199,040	181,332,135	28,316,305,308	0.79%	224.55
2019	150,626,539	982,650	149,643,889	30,525,729,250	0.80%	244.21

Source: Estimated net full cash value is from the Water Revenue Obligations, Series 2018 Official Statement.

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

CITY OF TUCSON

Direct and Overlapping Governmental Activities Debt

As of June 30, 2019

TABLE XI

Overlapping Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 871,804,892	40.97%	\$ 357,178,464
Tucson Unified School District No. 1	123,285,000	78.39%	96,643,112
Flowing Wells Unified School District No. 8	24,690,000	33.28%	8,216,832
Amphitheater Unified School District No. 10	86,735,000	18.48%	16,028,628
Sunnyside Unified School District No. 12	63,870,000	75.39%	48,151,593
Tanque Verde Unified School District No. 13	9,910,000	2.21%	219,011
Vail Unified School District No. 20	77,842,480	48.47%	37,730,250
Sahuarita Unified School District No. 30	46,835,000	0.10%	46,835
Other Debt (1)			
Pima County Capital Leases	118,048,415	41.19%	48,624,142
Flowing Wells Unified School District No. 8 Capital Leases	7,993,194	31.84%	2,545,033
Sunnyside Unified School District No. 12 Capital Leases	9,757,773	73.23%	7,145,617
Vail Unified School District No. 20	2,806,660	44.98%	1,262,436
Sahuarita Unified School District No. 30	627,346	0.02%	125
Subtotal, Overlapping Debt			623,792,078
City of Tucson, Arizona Direct Debt			365,331,801
Total Direct and Overlapping Debt			\$ 989,123,879

Source: State Report of Indebtedness and Water Revenue Obligations, Series 2019 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 XII

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Primary Tax Rate (1)	0.3144	0.3289	0.4297	0.4125	0.5245	0.4829	0.5326	0.5348	0.4581	0.5311
Secondary Tax Rate	0.6200	0.6261	0.7324	0.8514	0.9059	0.9777	1.0634	1.0634	0.9761	0.9508
Total Property Tax Rate (2)	0.9344	0.9550	1.1621	1.2639	1.4304	1.4606	1.5960	1.5982	1.4342	1.4819
Secondary Assessed Value	\$ 3,862,655,420	\$ 3,914,105,239	\$ 3,487,959,628	\$ 3,377,401,416	\$ 3,151,042,287	\$ 3,151,042,287	\$ 3,248,105,418	\$ 3,403,761,338	\$ 3,824,846,552	\$ 4,104,342,952
6% Limitation (3)	231,759,325	210,076,018	209,277,578	202,644,085	189,062,537	189,062,537	194,886,325	201,270,680	229,490,793	246,260,577
Less: Direct G.O. Bonds Outstanding										
Legal Debt Margin	\$ 231,759,325	\$ 210,076,018	\$ 209,277,578	\$ 202,644,085	\$ 189,062,537	\$ 189,062,537	\$ 194,886,325	\$ 201,270,680	\$ 229,490,793	\$ 246,260,577
Legal Debt Margin as a Percentage of the Debt Limit	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	772,531,084	782,821,048	697,591,926	675,480,283	630,208,457	624,735,746	649,621,083	680,752,267	764,969,310	820,868,590
Less: Direct G.O. Bonds Outstanding	238,315,610	222,360,610	209,071,010	213,450,000	214,760,000	213,495,000	208,860,000	200,270,000	174,640,000	148,145,000
Legal Debt Margin	\$ 534,215,474	\$ 560,460,438	\$ 488,520,916	\$ 462,030,283	\$ 415,448,457	\$ 411,240,746	\$ 440,761,083	\$ 480,482,267	\$ 590,329,310	\$ 672,723,590
Legal Debt Margin as a Percentage of the Debt Limit	69.15%	71.59%	70.03%	68.40%	65.92%	65.83%	67.85%	70.58%	77.17%	81.95%

Notes: (1) Starting in FY 2011, the primary rate includes a rate for Involuntary Tort Judgments 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 its secondary assessed valuation. For any other general purpose improvements, the City may issue bonds up to 6% of its secondary assessed valuation.

CITY OF TUCSON

TABLE XIII

Pledged Revenue Coverage
For the Last Ten Fiscal Years

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		
				2010	\$ 138,999,806	\$ 71,990,433	\$ 67,009,373		
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
2016	192,222,574	112,336,250	79,886,324	30,538,155	20,378,867	27,130,000	19,395,157	1.57	1.82
2017	210,873,823	100,943,373	109,930,450	28,615,133	21,207,005	25,100,000	20,316,300	2.21	2.42
2018	234,878,094	107,676,138	127,201,956	33,526,690	21,098,202	28,360,000	20,303,593	2.33	2.61
2019	231,108,859	115,926,957	115,181,902	39,453,943	20,591,751	35,705,000	19,961,759	1.92	2.07

Special Assessments

Highway User Fees (HURF)

Fiscal Year	Special Assessments				Highway User Fees (HURF)			
	Special Assessments Collections	Debt Service		Coverage	HURF Revenues	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
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	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	5,042,561	2.47	
2015	335,927	438,000	70,064	0.66	44,846,287	4,544,350	2.56	
2016	286,141	447,000	47,072	0.58	46,779,437	3,855,618	2.75	
2017	231,781	399,000	25,125	0.55	48,218,829	3,408,559	2.83	
2018	68,779	257,000	8,340	0.26	49,000,113	2,757,450	2.90	
2019		36,000	946		43,021,120	2,090,250	3.52	

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
Last Ten Fiscal Years

TABLE XIV

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2010	1,035,700	\$ 34,958,100,000	33,753	8.6%
2011	974,000	35,187,500,000	36,127	9.1%
2012	991,000	36,864,000,000	37,199	7.2%
2013	996,800	37,031,000,000	37,150	7.0%
2014	996,046	37,587,700,000	37,737	6.6%
2015	1,007,200	38,272,000,000	37,998	5.7%
2016	1,009,400	38,606,000,000	38,246	5.7%
2017	1,013,100	40,182,115,000	39,663	4.9%
2018	1,026,100	42,585,356,000	41,637	4.6%
2019	1,039,073	45,748,033,000	44,028	4.7%

Sources: U. S. Census/U.S. Bureau of Economic Analysis/U.S. Bureau of Labor Statistics

Notes: (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 2018 contains data for the calendar year ending December 31,2017.

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XV

Employer	2010		Employer	2019	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
Raytheon Missile Systems	12,515	3.59%	University of Arizona	11,251	2.47%
University of Arizona	11,842	3.39%	Raytheon Missile Systems	9,600	2.10%
State of Arizona	8,710	2.50%	State of Arizona	8,580	1.88%
Wal-Mart Stores, Inc.	6,575	1.88%	Davis-Monthan Air Force Base	8,406	1.84%
U.S. Army Intelligence Center & Fort Huachuca	6,463	1.85%	Pima County	7,060	1.55%
City of Tucson	6,028	1.73%	Tucson Unified School District No. 1	6,770	1.48%
Tucson Unified School District No. 1	6,012	1.72%	U.S. Customs and Border Patrol	6,500	1.37%
Freeport-McMoRan Copper & Gold Mine	5,956	1.71%	Banner University Health Care	6,272	1.26%
Tohono O'Odham Nation	4,553	1.30%	Freeport-McMoRan Copper & Gold Mine	5,530	1.21%
Carondelet Health Network	4,455	1.28%	Wal-Mart Stores, Inc.	5,500	1.21%
Total	73,109	20.95%		75,469	16.37%

Source: Piper/Jaffray & Co. Preliminary Official Statement 2019 Pgs B4-5, Arizona Daily Star-200 March 2019, The Book of Lists 2019, Inside Tucson Business

City of Tucson

TABLE XVI

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

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Elected and Official	247.50	214.50	207.50	209.50	223.00	206.50	212.50	183.50	184.50	190.50
Neighborhood Services (1)	3,277.55	3,167.80	2,413.75							
Public Safety/Neighborhood Services (2)				2,974.75						
Public Safety and Justice Services					2,239.30	2,237.80	2,254.80	2,126.80	2,116.80	2,102.30
Operations and Development (2)	456.00	450.00	1159.25	594.00						
Community Enrichment and Development					1,090.25	1,052.5	1,027.00	931.00	929.00	884.75
Support Services	676.66	644.50	303.00	301.50	524.00	518.00	522.50	489.50	480.00	520.50
General Government										
Pension Services (3)				4.00	4.00	4.00	4.00	4.00	4.00	4.50
Utility Services-Environmental Services	248.00	241.00	241.00	237.00	222.00	216.00	214.00	241.00	236.00	224.00
Utility Services-Water	568.00	556.00	556.00	549.00	547.00	547.50	547.50	550.50	554.50	564.50
Golf Courses (4)	154.75	145.25	63.75	68.00	68.00					
Total	5,628.46	5,419.05	4,944.25	4,937.75	4,917.55	4,782.30	4,782.30	4,526.30	4,504.80	4,491.05

Source: Adopted Budget - Volume I

Note: (1) The Neighborhood Services function was 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 2013, the City began to report Pension Services separately. Prior to FY13 it was reported in Support Services.

(4) Beginning in fiscal year 2015, Tucson City Golf Enterprise is managed by an independent contractor.

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

TABLE XVII

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police Facilities	9	13	13	13	13	9	9	9	9	9
Fire Stations	21	21	21	21	21	22	22	22	22	22
Parks & Recreation										
Recreation/Regional Centers	18	18	18	18	18	20	20	20	20	20
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	142	142	142	142	142	127	127	127	127	164
Play Fields	231	231	231	231	231	225	225	231	225	225
Swimming Pools (2)	27	27	27	27	27	45	45	41	25	25
Transportation (1)										
Residential (Miles)	1,384	1,384	1,604	1,604	1,629	1,645	1,328	1,328	1,347	1,353
Collectors (Miles)	101	101	101	101	101	101	85	85	85	85
Arterials (Miles)	287	287	316	316	371	381	310	310	310	317
Interstate (Miles)	80	80	80	80	80	80				
Transit										
Buses (Active Fleet)	241	240	237	252	240	252	252	246	246	237
Water										
Operable Wells	214	221	226	206	230	225	221	202	216	201
Miles of Water Mains	4,454	4,620	4,687	4,793	4,606	4,623	4,579	4,596	4,650	4,611

Source: Various City Departments

Notes: (1) Previous reporting numbers were figures for all mileage within Tucson limits regardless of ownership. In fiscal year 2016 a new application was adopted that can identify only the City of Tucson owned roads and streets.

(2) Prior to 2017, stand-alone splash pads inside pool grounds were included. For 2017, these splash pads have been excluded.

CITY OF TUCSON
Operating Indicators by Function
Last Ten Fiscal Years

TABLE XVIII

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Number of Construction Permits (Residential and Commercial)	2,921	2,984	2,430	2,295	1,932	2,094	2,164	2,532	2,558	2,492
Permit Revenue	\$6,769,166	\$8,278,724	\$8,179,531	\$8,909,982	\$6,870,350	\$8,644,604	\$12,784,997	\$24,091,020	\$17,959,189	\$19,384,909
Police										
Calls for Service	296,316	299,191	305,662	328,015	346,817	326,900	286,811	288,755	310,396	328,336
Calls for Service per Capita	0.54	0.57	0.56	0.62	0.66	0.62	0.54	0.54	0.58	0.60
Part I Crimes (% Cleared) (1)	20.43%	17.04%	17.13%	11.52%	14.73%	14.80%	12.34%	12.88%	15.21%	16.30%
Part II Crimes (% Cleared) (1)	97.90%	100.00%	93.02%	83.61%	79.22%	37.94%	65.51%	64.12%	76.65%	89.10%
Fire										
Emergency Responses	77,800	79,721	80,236	81,941	79,704	85,594	91,272	92,009	90,966	87,801
Inspections	8,712	8,301	8,319	6,293	7,199	5,471	5,140	5,810	6,368	9,246
Parks & Recreation										
KIDCO Registration	2,947	3,710	4,161	3,407	3,209	3,195	3,285	2,978	2,785	2,826
Class Enrollment-Other than KIDCO	7,412	18,304	19,418	17,607	16,949	16,724	16,248	15,615	15,427	15,302
Facility Rental	13,032	11,509	11,734	9,325	9,231	10,688	10,810	8,882	10,544	10,066
Zoo Visitors	514,269	524,701	585,583	549,929	568,028	618,357	519,829	485,074	505,238	512,396
Environmental Services										
Landfill Tons of Waste Collected (3)	412,950	435,864	453,400	471,400	517,564	560,938	575,469	582,181	948,481	717,062
Tons of Material Recycled (3)	44,622	43,534	39,000	38,000	38,623	39,506	39,792	39,344	29,247	26,187
Water										
Average Total Monthly Connections										
Potable	224,562	222,736	223,139	224,284	225,791	227,052	228,450	230,030	231,927	233,031
Reclaimed	1061	1,087	1,087	1,082	1,086	1,076	1,056	1,047	1,043	1,042
New Connections										
Potable	1,064	1,127	1,018	1,459	1,186	1,258	1,398	1,580	1,897	1,474
Reclaimed	17	0	0	9	0	(10)	(20)	(9)	(4)	(8)
Water Sales (1000 ccf)										
Potable	43,668	42,885	41,433	41,109	41,266	39,876	39,500	39,546	39,700	38,160
Reclaimed	6,913	6,872	6,285	6,483	7,154	6,188	5,981	6,269	6,694	5,347
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	4 to 6 weeks	4 to 6 weeks	42	16	2 to 3 weeks	18	14	4	9	18
The % of Lane Miles Assessed as Satisfactory or Better (2)	81%	67%	43%	46%	23%	28%	26%	27%	30%	32%
Traffic Signal Expenditure per Repair	\$516.00	\$567.00	\$700.00	\$746.00	\$831.00	\$593.00	\$510.00	\$503.00	\$649.00	\$665.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$6.23	\$5.78	\$6.89	\$6.20	\$7.11	\$7.08	\$7.47	\$7.36	\$7.07	\$7.01
Sun Tran's Operating Expenses per Passenger Mile	\$0.69	\$0.74	\$0.70	\$0.64	\$0.73	\$0.68	\$0.94	\$0.73	\$0.80	\$0.75

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 strict. Other factors for the decrease include deferred maintenance from prior years.

(3) The increase in waste collected in FY18 is due to the Congress Landfill excavation. For 2017, 20% of the 39,344 was determined "contaminated/waste materials", this is also included in the waste collected for FY17.



Glossary

CITY OF TUCSON

ARIZONA

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, which is the Chief Financial Officer or Business Services Director.

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

Deferred outflows. A consumption of net assets by the government that is applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets.

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 assets: 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.

Encumbrance. 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.

HURF. Highway User Revenue Fund.

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 lowest level of budgetary detail at which a government's management may not reassign resources without approval from the governing authority. The legal level of control shall be, at a minimum, expenditures for each department for each fund for which a budget is required.

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 assets. 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 assets (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]

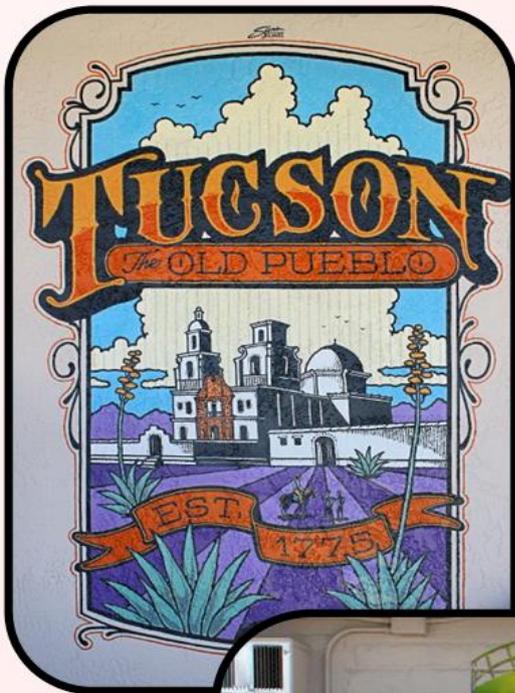
Restricted assets. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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.



CITY OF TUCSON, ARIZONA
www.tucsonaz.gov/finance