

City of Tucson, Arizona



CAFR

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Fiscal Year July 1, 2015 - June 30, 2016



MENLO PARK POOL - WARD 1



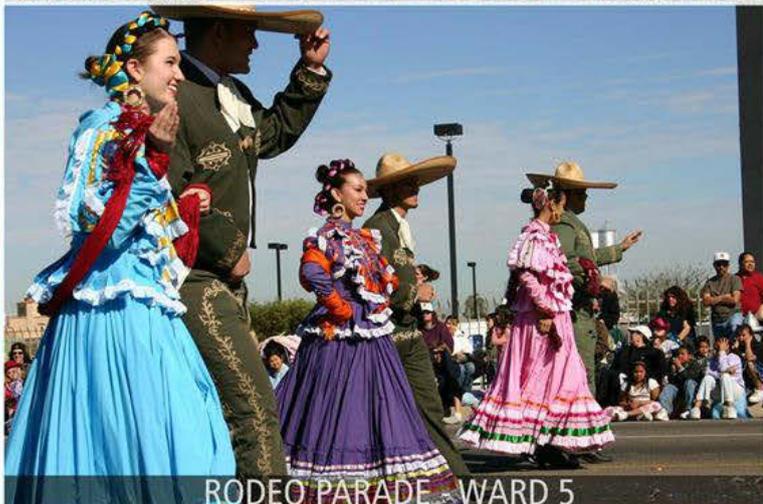
SAN PEDRO CHAPEL - WARD 2



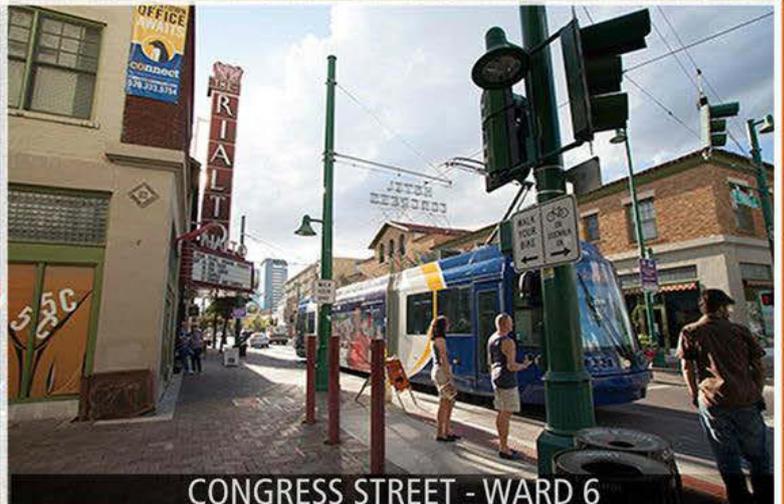
TOHONO TADAÍ TRANSIT CENTER - WARD 3



LAKESIDE PARK - WARD 4



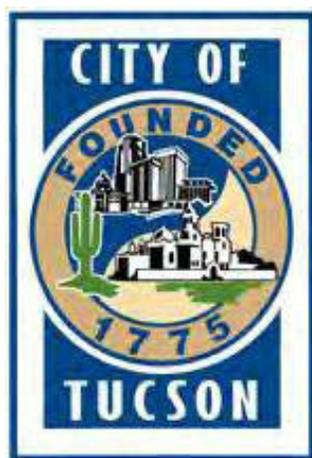
RODEO PARADE - WARD 5



CONGRESS STREET - WARD 6

ONE CITY - ONE TEAM!

City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2016



Prepared by: The Department of Finance,
Accounting Division



CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
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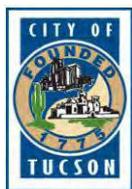
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CITY OF TUCSON, ARIZONA



Introduction



CITY OF
TUCSON

OFFICE OF THE
CITY MANAGER

January 27, 2017

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

Formal Transmittal

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2016, as required by Chapter XXIX of the City Charter. The CAFR was prepared in accordance with accounting principles generally accepted in the United States of America.

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

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.

Independent Audits

To comply with the City Charter requirement of obtaining an annual independent audit, we engaged CliftonLarsonAllen LLP to express an opinion on the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report, and the City received an unmodified opinion upon completion of the audit. CliftonLarsonAllen LLP also audits the City's Federal financial assistance program, complying with the provisions of the Single Audit Act and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards. The Single Audit report is published separately from this report and is available upon request.

City Profile

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

The City was incorporated on February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. All funds and entities related to the City are controlled by the Mayor and Council and are included in the basic financial statements. These funds and entities provide a full range of services to a population of approximately 520,000 including Fire, Police, Transportation, Parks and Recreation, Water, Environmental Services and General Government.

Budget System and Controls

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

Legal control over the budget derives from state statutes that prohibit the City from exceeding the budget by purpose. The City of Tucson defines "purpose" as a series of departments and offices organized into the following seven program categories: Elected and Official, Public Safety and Justice Services, Community Enrichment and Development, Public Utilities, Support Services, General Government, and Pension Fund. The Council or City Manager may transfer appropriations as necessary through the budget amendment process. ARS §42-17106 permits the Mayor and Council, on the affirmation of a majority of the members at a duly noticed public meeting, to authorize the transfer of funds between program categories if the funds are available so long as the transfer does not violate the state set spending limitations. Additional information is provided in the notes to the basic financial statements.

Financial Policies

The City adopted a comprehensive set of financial policies that incorporate a wide range of topics including fiscal and financial planning, budgetary planning, capital management, expenditure control, fund balance, revenues and collections, cash management and investments, financial reporting and debt management. The financial goals are broad and will help the City 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 5.7% of General Fund revenues and the committed fund balance for the stabilization fund is 4.6%.

Assessing Economic Condition

Tucson's economy is positive and well positioned to outpace the nation in the future with projected growth across most major macroeconomic aggregates. The growth rate is expected to improve in the near term but the pace will not be as rapid as pre-recession growth rates.

Tucson has a broad based economy that is anchored in tourism, higher education, retail, military, government and various high-tech and health care employers. In August 2016, Bloomberg reported that Tucson has the 3rd fastest job growth of any metro area in the country. In October 2016, the City's unemployment rate was 4.8%, lower than both the state and national rates. Greater Tucson jobs are up 1.1% on a year-to-date basis and 1.8% year over year with a gain of 6,900 jobs.

Recently Tucson was recognized as a Megatrend City for the 21st century with its emerging presence as a center for biotechnology, solar, optics and logistics. Tucson has a strong and longstanding position as a center for defense, aerospace, astronomy and medical-health services. More than 1,200 high-tech businesses including companies like Raytheon, BE Aerospace, Solon, and Universal Avionics employ over 50,000 citizens from our community and the region. Tucson is home to Davis Monthan Air Force Base that has \$1.6 billion economic impact in our community. The Tucson International Airport is a cornerstone of our logistics and tourism industries and creates a \$3.2 billion economic impact while supporting 35,000 jobs. In 2016, two airlines added non-stop flights to Tucson; American Airlines from New York JFK airport and Aeromar from Hermosillo, Mexico.

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 \$140 million dollars.

Long-Term Planning

State law requires that every ten years, a jurisdiction revisit its existing general plan and either readopt that plan or adopt a new plan. The City of Tucson chose to prepare a new plan because it provided an opportunity to take a look at how Tucson has been developing socially, economically, environmentally, and physically since 2001 and to determine if that development has been consistent with community values, demographic trends, and best practices. In 2013, Tucson voters approved Plan Tucson, the City's General and Sustainability Plan. Plan Tucson is a long-term policy document intended to guide decisions affecting elements that shape the city, such as housing, jobs, land use, transportation, water, and energy resources. Key to the Plan are goals and policies that provide a framework to guide future actions with the understanding that how the City has grown in the past will not necessarily work in the future. Used to best advantage, the Plan provides both a place to start and a place to end for the public, staff, and decision makers involved in developing or approving actions. That is, those proposing actions should do so with the Plan Tucson goals and policies in mind, and those reviewing proposed actions should assess whether the actions do in fact advance the Plan's goals and policies.

While the City's financial planning process is primarily driven by the budget process, the City does utilize long-term financial models for its General Fund, Tucson Water Utility and Environmental Services funds and its Mass Transit fund. The General Fund forecast anticipates a continued challenge in balancing future revenues against projected expenses. Although General Fund revenues have stabilized, the City struggles to provide optimal service delivery to its citizens with its available funding sources. The major fiscal challenge the City continues to face is the increase in personnel benefits, primarily for public safety pension contributions. The fiscal year 2016 General Fund Adopted Budget is structurally balanced through a combination of revenue increases and cost cutting measures which included a hiring freeze, department reorganizations, merging of functions, and eliminating positions vacated by retirement incentives. Since the Great Recession, this is the first year the City adopted a structurally balanced General Fund operational budget.

Tucson Water provides at a more detailed level a five-year financial forecast to Mayor and Council as part of their annual rate review process. The Mayor and Council review the financial plans and the associated rates necessary to support the enterprise fund and their capital program for the upcoming year. For fiscal year 2017, Mayor and Council approved a 7% increase to water rates which are projected to generate an additional \$11.7 million in revenues.

Major Initiatives

City Charter Review - A Charter Review Committee (CRC) was formed in 2014 to address five major working topics: Form of Government, Elections, Civil Service, Access to Government and Taxation Authority. Their report recommended five separate ballot measures to be placed before the voters at the November 2015 election. After considering the CRC's report, the Mayor and Council chose to refer certain proposed Charter amendments to the November 2015 ballot, but chose not to refer the financial amendments, in part because of the number and nature of the ballot questions voters already were considering at that time.

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

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

On April 5, 2016, the CRC recommended to Mayor and Council ballot measures to amend the City charter for a future, yet-to-be-determined election including the three charter amendments listed above to grant the City greater financial flexibility.

Street Improvements - In accordance with Proposition 409, the City continues to restore, repair and resurface streets inside the Tucson city limits with the \$100 million bond program approved by the voters in November 2012. The arterial road mileage repairs authorized by the bond package are now roughly estimated to cost only \$60 million because of conservative road repair estimates and a favorable bidding environment resulting from lower material costs and falling gas prices. As a result, the Mayor and Council unanimously adopted an allocation of an extra \$40 million in bonded revenue to be spent on an expanded list of arterial and residential road repairs. With the additional capacity, 550 lane miles were added to the program resulting in roadway improvements to about 45 more roadway segments.

The Transportation Department's \$581 million five-year Capital Improvement Plan (CIP) also includes building of major road corridor projects funded primarily from the Regional Transportation Authority and the Federal Highway Administration.

Water Reliability & Conservation - Tucson Water's \$231 million five-year CIP is the cornerstone in a long-term water supply plan, allowing the department to purchase, store, recover and deliver the City's allocation of Colorado River Water. The plan focuses on main replacements, advanced metering, reservoir rehabilitation, well drilling/equipment, recycled water planning, control system upgrades and acoustic fiber upgrades. The program is funded by a combination of water revenues and debt financing. The CIP includes the \$9.3 million Aerospace-Sonoran Corridor Transmission Main Extension project that will support future expansion needs along the Sonoran Corridor by installing a reservoir and booster facility to provide fire service flows.

In 2015, Tucson Water launched its new Business Water Savings Audit and Efficiency Rebates Program. The program helps businesses identify money-saving opportunities to reduce water, sewer, and often energy bills, and it helps create a more resilient community. The program conducts water savings audits and provides water efficiency rebates to business customers. To help prepare for the future, in advance of these requirements, Tucson Water is offering water savings audits free of charge to business customers. The program targets the top 10% of commercial, industrial, and institutional customers. The overall goal of the program is to save water and to help Tucson businesses, industries, and institutions practice responsible water stewardship and sustainability. In fiscal year 2016, program audits identified 115 million gallons in total annual water savings and \$930,000 in total annual water cost savings.

Sustainability - The City completed a \$13.4 million project to replace the aged Compressed Natural Gas Plant to meet industry vehicle fueling standards, promote the reduction of the City's carbon footprint, and provide for backup emergency generator power. This is Tucson's third compressed natural gas facility primarily serving the Environmental Services Department and the SunTran bus fleet.

Mayor and Council approved the installation of LED retrofit on city streetlights that are expected to reduce energy consumption by 70%; reduce streetlight contribution to sky glow by 20%; and address life cycle concerns of the existing systems. The total savings from implementing these energy conservation measures is anticipated to be over \$2 million annually.

Public Safety - The Tucson Police Department (TPD) began implementing new strategies consistent with the President's "21st Century Policing" Task Force recommendations and other recognized best practices. This undertaking meant a complete restructuring of the department. A few of the initiatives included placing more officers on patrol from special duty assignments; engaging more in the community; establishing the Tucson Real Time Analytical Crime Center to put better information in the hands of the police officers and detectives; and developing the Fast Firearms Forensics program to help solve firearm cases quicker and make better use of investigative resources.

Economic Development - Tucson has made great strides on economic development efforts. Working with the State of Arizona, Rio Nuevo and Pima County, Caterpillar Inc. announced that Tucson is the new location for its surface mining and technology office bringing 600 jobs over five years. World View, the commercial balloon spaceflight

company, will significantly expand in Southern Arizona and add more than 400 new employees and will benefit the community with a capital investment of \$47.3 million and a total economic impact of \$3.5 billion over 20 years. Comcast opened a newly renovated 100,000 square foot state-of-the-art facility in Tucson that will house more than 1,100 employees.

Annexations - With a large unincorporated area surrounding Tucson, annexation continues to be a high priority to bring new development into City limits which will increase the City's revenue base. Several annexations completed in fiscal year 2016 incorporated over 500 acres and 700 homes with a projected 10 year revenue stream of over \$5 million.

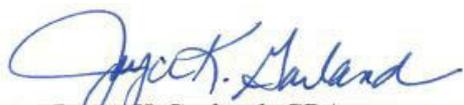
Financial Awards

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, 2015 CAFR for the 34th consecutive year (fiscal years ended 1982 through 2015). 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 Accounting Operations Division. 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.

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



KARIN UHLICH
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

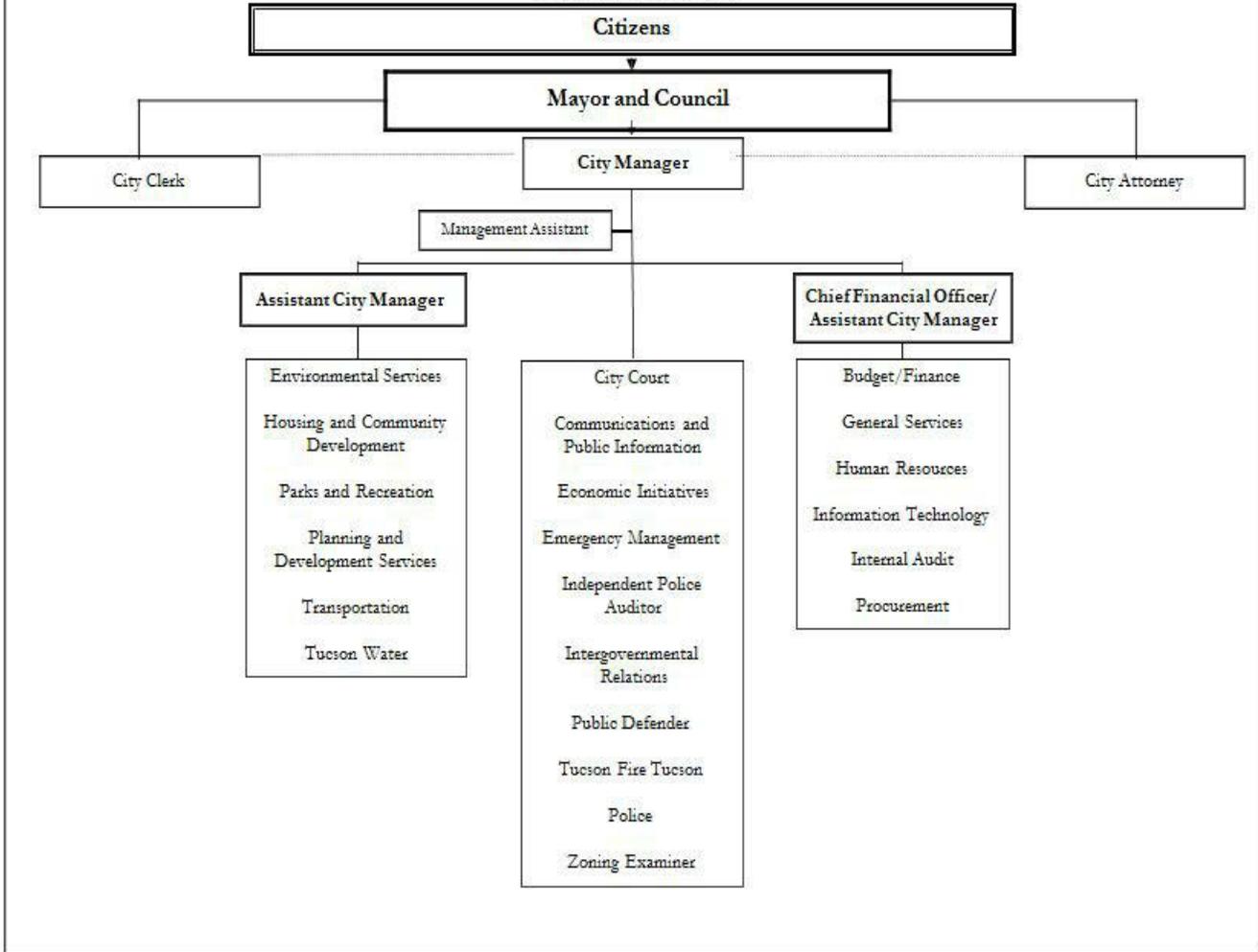
SILVIA AMPARANO, CPA
Finance Director

KAREN TENACE, CPA
Deputy Finance Director

SHANE OMAN
Finance Administrator



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2016**





Government Finance Officers Association

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

Presented to

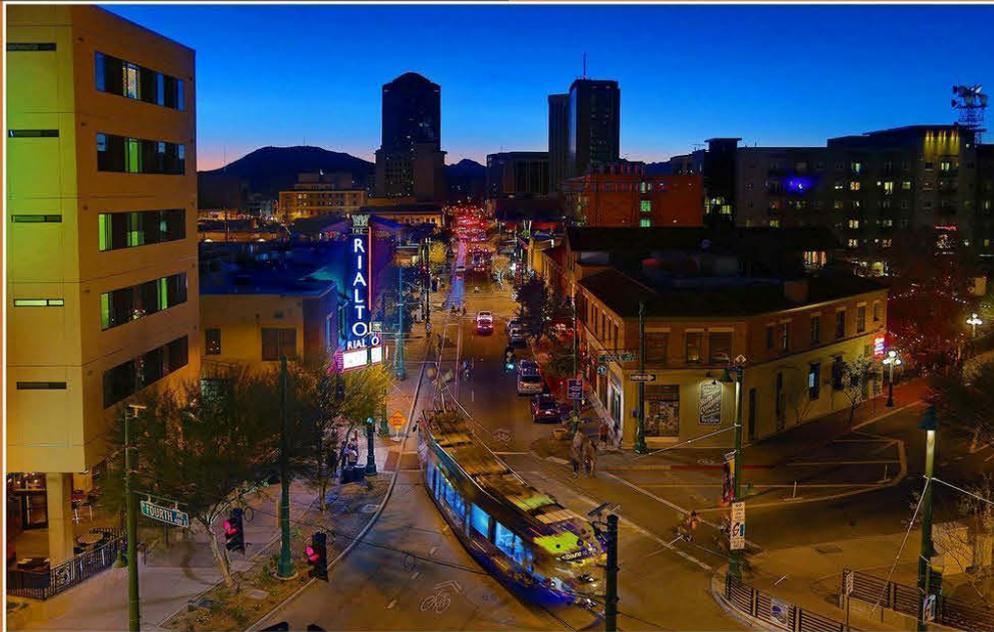
**City of Tucson
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF TUCSON, ARIZONA



Financial Section

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona (the "City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona as of June 30, 2016, 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 on pages 3 through 15 and budgetary comparison information on pages 91 through 93 and the pension plan and Other Post Employment Benefit Plan (OPEB) disclosures on pages 96 through 105 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tucson, Arizona's basic financial statements. The combining and individual fund financial statements and schedules on pages 109 through 154 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents and supplemental schedules on pages 156 and 157 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 January 27, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tucson, Arizona
January 27, 2017

CITY OF TUCSON, ARIZONA



Management's Discussion and Analysis

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

INTRODUCTION

The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the beginning of the CAFR and the City's financial statements which immediately follow this section. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

FINANCIAL HIGHLIGHTS

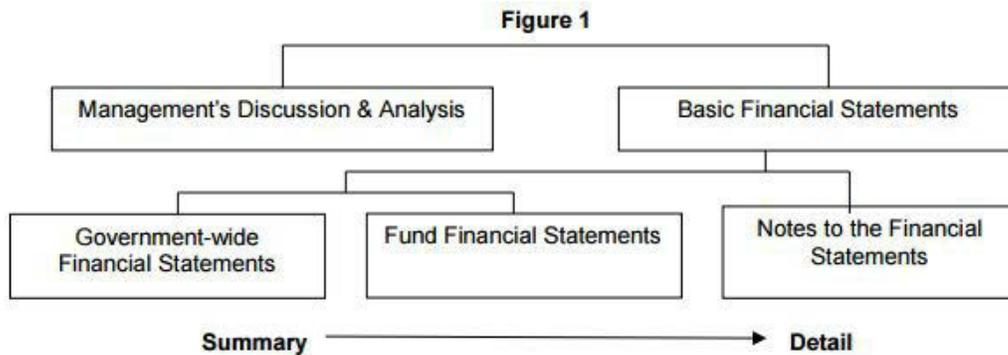
The City's financial position improved over last fiscal year with an increase in total net position. The highlights are explained below:

- At fiscal year end, the City's assets and deferred outflows exceeds its liabilities and deferred inflows by \$1.7 billion - reported as net position. Assets and deferred outflows totaled \$4.35 billion while liabilities and deferred inflows were \$2.64 billion.
- In comparing fiscal year 2016 to fiscal year 2015, total net position increased by \$74.5 million. Governmental activities increased \$40.9 million, while business-type activities increased \$33.6 million. Within the governmental activities, restricted net position increased by \$8.8 million and net investment in capital assets increased \$31.3 million. Within the business-type activities, unrestricted net position increased by \$19.0 million and net investment in capital assets increased \$25.1 million.
- The cash and cash equivalents for the governmental and business-type activities increased a combined total of \$28.8 million over last year.
- The City's governmental funds reported a combined fund balance of \$184.9 million, an increase of \$19.4 million from last fiscal year.
- The General Fund reported a fund balance of \$76.0 million. This is an increase of \$10.2 million (15.6%) over the last fiscal year.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

OVERVIEW OF FINANCIAL STATEMENTS

Required Components of Annual Financial Report



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

Basic Financial Statements

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

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

Government-wide Financial Statements

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

CITY OF TUCSON, ARIZONA
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For the Year Ended June 30, 2016

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

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

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

Fund Financial Statements

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

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

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

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net position for the City increased 4.5% over the course of the year to \$1.7 billion; an increase of \$74.5 million. Governmental activities increased \$40.9 million and business-type net position increased \$33.6 million. As shown in Figure 2, the largest component of net position represents the City's investment in capital assets, i.e., land, buildings, equipment and infrastructure, net of accumulated depreciation and related debt. The second largest component of net position represents restricted net position, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net position is unrestricted.

The change in net position for Governmental Activities was largely due to an increase of \$31.3 million in net investment in capital assets, and \$8.8 million increase in restricted net position. The increase in net investment in capital assets is primarily due to continued corridor widening projects and street improvements. The change in restricted net position is primarily due to an increase of \$13.7 million in the Highway User Fund (H.U.R.F), restricted for an LED lighting project, and a decrease of \$5.9 million in the Capital Projects Funds.

The change in net position for Business-type Activities is due to a decrease of \$19.0 million in unrestricted deficit, and \$25.1 million increase in net investment in capital assets. The \$25.1 million increase is due to capital asset activity exceeding debt activity mostly in the Water Utility fund and a renovation of the Compressed Natural Gas Fueling Station recorded in the Fleet Services Fund. The \$19.0 million net decrease in the unrestricted deficit is primarily due to the improvement in net position of the Water Utility Fund, unrestricted increase of \$11.8 million, and a deficit reduction for Tucson Golf Enterprise Fund of \$7.2 million.

Figure 2 is a comparative summary of the City's net position for fiscal years 2016 and 2015:

Net Position	Figure 2					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 393,908,441	\$ 382,936,566	\$ 239,593,673	\$ 252,820,116	\$ 633,502,114	\$ 635,756,682
Capital Assets	2,106,905,140	2,095,350,226	1,384,797,992	1,361,273,746	3,491,703,132	3,456,623,972
Deferred Outflows	197,378,662	174,152,064	29,744,629	21,853,333	227,123,291	196,005,397
Total Assets and Deferred Outflows	2,698,192,243	2,652,438,856	1,654,136,294	1,635,947,195	4,352,328,537	4,288,386,051
Current and Other Liabilities	169,762,091	186,576,406	79,283,429	89,518,956	249,045,520	276,095,362
Long-term Liabilities	1,581,385,250	1,568,142,993	670,419,503	678,818,996	2,251,804,753	2,246,961,989
Deferred Inflows	52,660,885	44,244,990	83,127,290	79,914,537	135,788,175	124,159,527
Total Liabilities and Deferred Inflow	1,803,808,226	1,798,964,389	832,830,222	848,252,489	2,636,638,448	2,647,216,878
Net Position:						
Net Investment in Capital Assets	1,570,553,310	1,539,250,781	850,193,564	825,087,980	2,420,746,874	2,364,338,761
Restricted	156,102,271	147,289,613	29,097,188	39,601,012	185,199,459	186,890,625
Unrestricted (Deficit)	(832,271,564)	(833,065,927)	(57,984,680)	(76,994,286)	(890,256,244)	(910,060,213)
Total net position	\$ 894,384,017	\$ 853,474,467	\$ 821,306,072	\$ 787,694,706	\$1,715,690,089	\$1,641,169,173

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

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		
	2016	2015	2016	2015	2016	2015	
Revenues:							
Program Revenues:							
Charges for Services	\$ 114,332,750	\$ 114,680,412	\$ 249,712,797	\$ 242,991,704	\$ 364,045,547	\$ 357,672,116	
Operating Grants and Contributions	117,355,150	118,631,887	6,295,102	6,110,015	123,650,252	124,741,902	
Capital Grants and Contributions	93,814,694	81,649,759	9,573,927	7,631,102	103,388,621	89,280,861	
Total Program Revenues	325,502,594	314,962,058	265,581,826	256,732,821	591,084,420	571,694,879	
General Revenues:							
Taxes:							
Property	48,798,741	44,992,133			48,798,741	44,992,133	
Business Privilege	200,472,119	194,523,190			200,472,119	194,523,190	
Public Utility	23,031,922	21,791,368			23,031,922	21,791,368	
Hotel/Motel Surcharge	14,016,293	13,397,772			14,016,293	13,397,772	
Unrestricted Grants and Contributions	133,663,259	131,349,102			133,663,259	131,349,102	
Investment Income (Loss)	2,088,982	988,190	1,641,136	1,761,345	3,730,118	2,749,535	
Miscellaneous	21,545,539	1,225,842			21,545,539	1,225,842	
Total General Revenues	443,616,855	408,267,597	1,641,136	1,761,345	445,257,991	410,028,942	
Total Revenues	769,119,449	723,229,655	267,222,962	258,494,166	1,036,342,411	981,723,821	
Expenses:							
Elected and Official	17,193,925	20,624,381			17,193,925	20,624,381	
Support Services	44,993,104	50,308,291			44,993,104	50,308,291	
Public Safety and Justice Services	310,658,969	323,811,440			310,658,969	323,811,440	
Community Enrichment and Development	299,659,039	297,437,927			299,659,039	297,437,927	
General Government	28,753,654	25,615,851			28,753,654	25,615,851	
Interest on Long-term Debt	23,075,684	25,387,637			23,075,684	25,387,637	
Fiscal Agent and Other Fees	1,059,217	1,880,263			1,059,217	1,880,263	
Public Housing			10,112,850	9,974,288	10,112,850	9,974,288	
Non-PHA Asset Management			2,765,473	2,267,351	2,765,473	2,267,351	
Environmental Services			44,959,464	41,611,732	44,959,464	41,611,732	
Tucson Golf Enterprise Fund			8,268,410	8,276,232	8,268,410	8,276,232	
Water Utility			170,321,706	167,441,460	170,321,706	167,441,460	
Total Expenses	725,393,592	745,065,790	236,427,903	229,571,063	961,821,495	974,636,853	
Changes in Net Position before Transfers	43,725,857	(21,836,135)	30,795,059	28,923,103	74,520,916	7,086,968	
Transfers	(2,816,307)	1,785,611	2,816,307	(1,785,611)			
Changes in Net Position	40,909,550	(20,050,524)	33,611,366	27,137,492	74,520,916	7,086,968	
Net Position, Beginning of Year	853,474,467	873,524,991	787,694,706	760,557,214	1,641,169,173	1,634,082,205	
Net Position, End of Year	\$ 894,384,017	\$ 853,474,467	\$ 821,306,072	\$ 787,694,706	\$1,715,690,089	\$ 1,641,169,173	

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

Governmental Activities

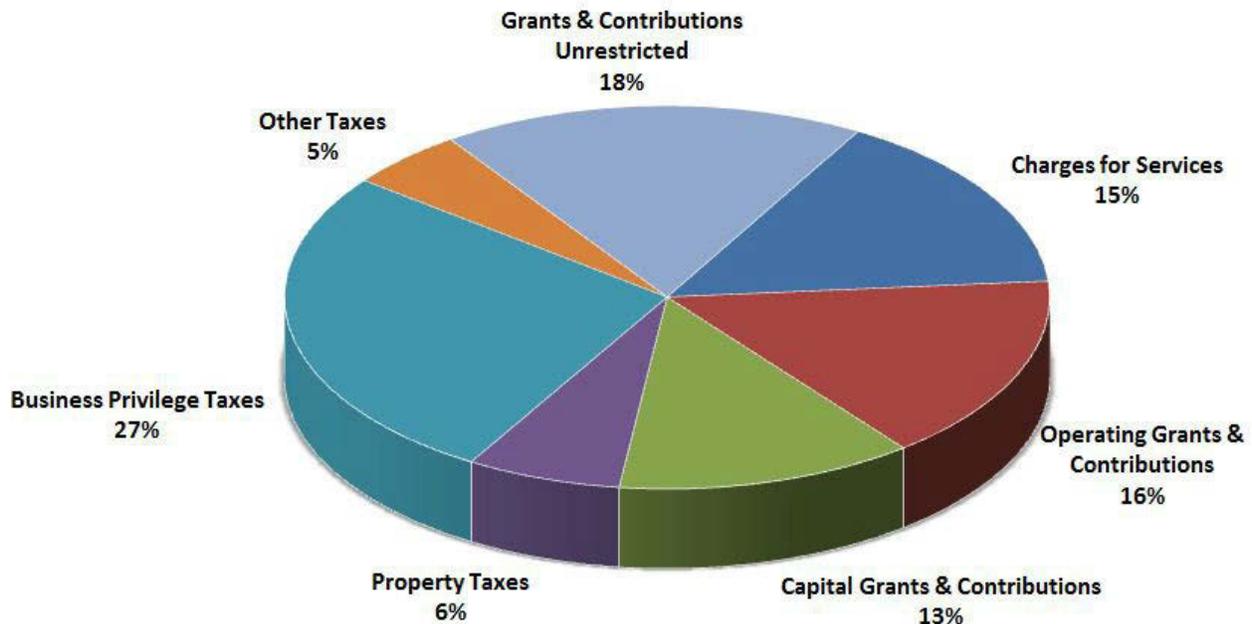
For fiscal year 2016, revenues increased \$45.9 million and expenses decreased \$19.7 million from fiscal year 2015. General revenues increased \$20.3 million in the miscellaneous area primarily related to the sale of two parcels of surplus land for \$13.2 million and the receipt of a settlement of \$1.7 million related to construction of the SunLink streetcar. Program revenues increased \$12.2 million in the Capital Grants and Contributions area due to an increase in various active capital road projects including Aviation Road, Grant Avenue, Houghton Road, 22nd Street and Broadway Boulevard. The decrease to expenses is due to a \$26.0 million decrease to pension liability expense related to an annual calculation required by GASB 68 which was implemented in fiscal year 2015. Although pension liability expense decreased, employer pension expenses increased \$7.1 million for Police, and \$4.1 million for Fire.

Program revenues, including charges for services and operating/capital grants or contributions, covered 44.9% of costs. General revenues covered the remaining 55.1% of governmental costs. Components of general revenues include taxes, unrestricted grants and contributions and miscellaneous revenues.

Total General Revenues increased \$35.4 million. Within General Revenues, Taxes increased \$11.6 million (4.2%) and Unrestricted Grants and Contributions (primarily State shared revenues) increased \$2.3 million (1.8%) over fiscal year 2015. Miscellaneous Revenues increased \$20.3 million. The increase in Miscellaneous Revenues is non-recurring in nature; related to land sales and a one-time settlement.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2016:

**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2016**



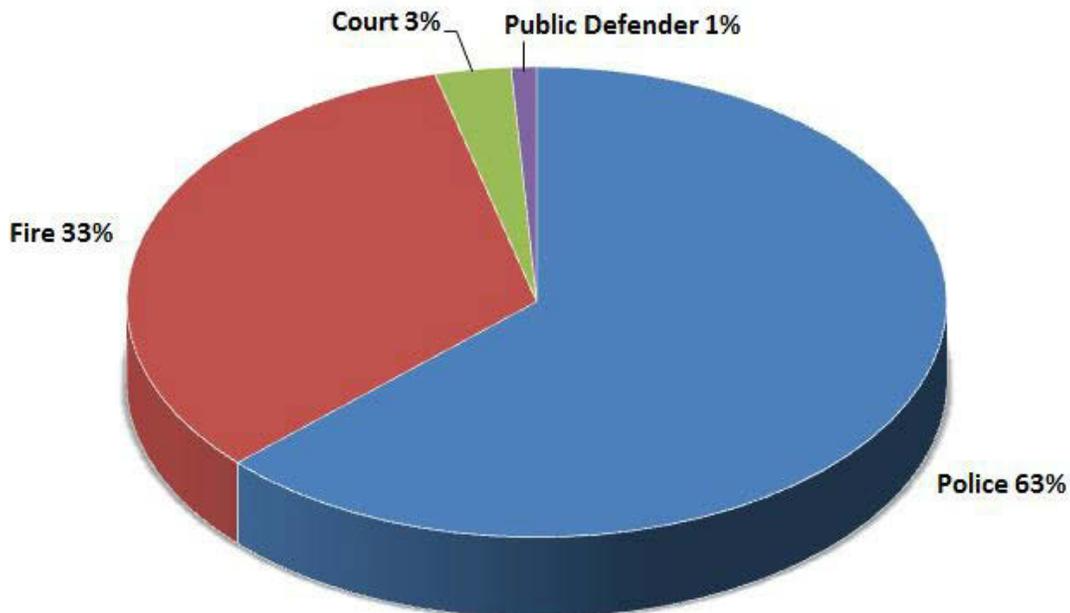
CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

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	2016		2015	
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage
Elected and Official	\$ (16,067,963)	4%	\$ (19,490,475)	5%
Support Services	(40,396,151)	10%	(48,798,517)	11%
Public Safety and Justice Services	(260,901,109)	65%	(274,360,043)	64%
Community Enrichment and Development	(65,572,584)	16%	(69,132,758)	16%
General Government	7,181,710	-2%	8,945,961	-2%
Interest	(23,075,684)	6%	(25,387,637)	5%
Fiscal Agent Fees and Other Fees	(1,059,217)	1%	(1,880,263)	1%
Total Net Expense	\$ (399,890,998)	100%	\$ (430,103,732)	100%

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

Public Safety and Justice Services Expenses by Department
For the Fiscal Year Ended June 30, 2016



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

Business-type Activities

The following funds comprise the Business-type Activities: Water Utility, Environmental Services, Tucson Golf Enterprise, Public Housing Asset Management Properties (AMP) and Non-PHA Asset Management. The Environmental Services Fund, the Water Utility Fund and the Public Housing Asset Management Properties (AMP) are major funds for the City's business-type (or enterprise) activity. In fiscal year 2016 the business-type net position increased \$33.6 million or 4.3%. Net investment in capital assets increased \$25.1 million and the unrestricted net position deficit decreased \$19.0 million. The largest change was an increase to the net investment in capital assets in the Water Utility fund, \$24.2 million.

Water Utility Revenues

Total operating revenues increased by \$5.6 million or 3.1%. A Central Arizona Project (CAP) water surcharge rate increase resulted in an increase in CAP revenue of \$1.2 million. Water rates also increased, resulting in a revenue increase of \$7.1 million. Additionally, fiscal year 2015 included one-time items that do not repeat in fiscal year 2016, resulting in a revenue decrease of \$4.1 million in the recovered expenses category.

Water Utility Expenses

Total operating expenses increased by \$9.2 million in fiscal year 2016 compared to fiscal year 2015. Personnel expenses related to pension, retirement incentives and group insurance increased \$3.0 million. Professional services and consultants/surveys increased \$3.8 million. Other increases include bad debt and damages of \$1.0 million and building maintenance of \$0.7 million.

Environmental Services Revenues

Total operating revenues increased slightly, \$0.9 million and continue to support operating expenses. Mayor and Council approved a compensable rate of \$10 per automated plastic container and a commercial collection rate increase.

Environmental Services Expenses

Total expenses increased \$9.0 million, primarily due to the renovation of the Compressed Natural Gas Fueling Station of \$5.3 million and a \$3.5 million increase for a landfill compactor rebuild and vehicle maintenance costs.

Public Housing Asset Management Properties Revenues

Total operating revenues decreased slightly, \$0.5 million. The prior fiscal year included in miscellaneous revenue a one time receipt of settlement proceeds of \$0.5 million.

Public Housing Asset Management Properties Expenses

Total operating expenses increased slightly, \$0.1 million. There were no significant changes compared to prior fiscal year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City has two major governmental funds: the General Fund and the Mass Transit Fund. The General Fund fund balance increased by \$10.2 million during fiscal year 2016 and the Mass Transit Fund fund balance decreased \$1.4 million. The General Fund \$12.5 million increase to the unassigned fund balance is the majority of the change, due in part to a reduction of \$6.6 million in the non-spendable classification related

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

to advances to the Tucson Golf Enterprise Fund. The reduction to non-spendable allows the funds to remain in the unassigned fund balance. Mayor and Council approved \$1.7 million from the sale of surplus property to be set aside for the Tucson Origins project, thereby increasing the committed fund balance. The decreased fund balance in the Mass Transit Fund is due to an decrease in non-spendable prepayments.

General Fund Revenues

- Total General Fund revenues increased \$25 million, or 5.4%. Tax revenues, which represent 51.1% of total revenues, increased \$8.9 million. The City's business privilege tax (sales tax) increased \$5.3 million and public utility tax increased \$1.2 million.
- Other agency revenues, which include state shared and other intergovernmental agreement revenues, increased \$2.1 million. The state revenue-sharing revenues, which represent 28.4% of general fund revenues, increased \$2.4 million. This increase is due to higher state income tax revenue and additional sales tax collected by Arizona, which is shared with local governments.
- Charges for Service revenues represent 9% of total revenues and increased \$4.0 million from last fiscal year. The majority of this increase is in paramedic ambulance revenues of \$3.1 million.

General Fund Expenditures

- General Fund expenditures increased by \$8.1 million from fiscal year 2015, or 1.9%.
- Police expenditures increased \$7.5 million due to an increase in the employer pension contribution of \$7.3 million and \$1.4 million for group insurance offset by a \$0.9 million reduction to uniform and equipment allowance from fiscal year 2015. Fiscal year 2016 employer pension contributions for Police total \$34.9 million. The City carried out a Meet and Confer process in connection with the negotiation of written labor agreements. The new agreements rolled the uniform and equipment allowance into base salary for commissioned officers.
- Fire expenditures increased \$6.8 million due to a \$4.1 million increase in employer pension contributions and a \$1.4 million increase in overtime. Fiscal year 2016 employer pension contributions for Fire total \$21.8 million. Contributing to the personnel increases is a new agreement to provide fire and emergency medical services to a new site resulting in 14 new full time employees.
- Debt service expenditures increased \$8.2 million related to refunding/restructuring of Certificates of Participation (COPS) series.
- Capital expenditures decreased \$3.1 million due to decreases of \$2.8 million in replacement vehicles and \$0.8 million in equipment.

Mass Transit Fund Revenues

- Total revenues decreased by \$5.5 million. This is attributed to a decrease in federal grant and contributions revenue of \$2.6 million and a decrease of \$3.0 million in charges for services. An economic strike of unionized bus drivers and mechanics led to a six week halt in services which impacts charges for services revenue. Federal grants were used in fiscal year 2015 to purchase replacement buses and complete transit center improvements; the completion of these projects led to less federal grants in the current fiscal year.

CITY OF TUCSON, ARIZONA
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For the Year Ended June 30, 2016

Mass Transit Fund Expenditures

- Total expenditures decreased \$4.8 million. Drops to gas and diesel market prices resulted in an expenditure decrease of \$3 million. Capital outlay and capital projects, which are primarily federally funded, accounted for \$1.7 million of the decrease. The majority of this decrease is due to the purchase of replacement buses in the previous fiscal year that did not re-occur in the current fiscal year.

General Fund Budgetary Highlights

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

- Tax revenue is \$13.1 million above the final budget. This is primarily due to the receipt of additional sales tax revenue related to the annexation.
- Fines and Forfeitures had a deficit of \$2.1 million generated from decreases of charges filed; the voter approved ban of the Photo Enforcement Program; and the collection of parking fines by Park Tucson which reduces the processing fee previously included in the General Fund.
- Charges for Service increased \$3.5 million primarily due to costs recovery efforts for paramedic services.
- Overall Miscellaneous revenues realized a surplus of \$6.5 million due to land sales settled over the budgeted amounts.
- Overall surplus of \$5.6 million is due to vacancy savings from an instituted hiring freeze and elimination of positions from a retirement incentive.
- Transfers Out is \$2.7 million above the final budget, primarily due to transfer of land sale proceeds to Tucson Golf to pay down a loan due to the General Fund. This was partially offset with a transfer to Mass Transit that was less than budget.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2016 and 2015:

Capital Assets (Net of Depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 760,764,491	\$ 745,031,654	\$ 71,579,723	\$ 70,633,929	\$ 832,344,214	\$ 815,665,583
Buildings and Improvements	543,923,349	397,913,109	113,928,640	106,868,359	657,851,989	504,781,468
Equipment	121,916,786	85,694,271	25,758,963	26,510,525	147,675,749	112,204,796
Infrastructure/Distribution and Collections Systems	329,328,519	354,191,644	986,854,779	972,952,655	1,316,183,298	1,327,144,299
Construction in Progress	350,971,995	512,519,548	134,548,919	132,181,310	485,520,914	644,700,858
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 2,106,905,140	\$ 2,095,350,226	\$ 1,384,797,992	\$ 1,361,273,746	\$ 3,491,703,132	\$ 3,456,623,972

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

Governmental Activities

Capital assets in the Governmental Activities represent 60.3% of the City's capital assets. Total capital assets increased by \$11.6 million.

- Land represents 36.1% of capital assets and had a net increase of \$15.7 million from fiscal year 2015. This increase is due to routine acquisition of easements for \$19.5 million reduced by land sales of \$3.8 million.
- Building and improvements represent 25.8% of capital assets and had a net increase of \$146.0 million from fiscal year 2015. The increase includes \$145 million for the modern street car project and \$28.0 million for the Police substation and evidence facility.
- Construction in Progress represents 16.7% of capital assets, which decreased by a net of \$161.5 million. This decrease represents the difference of capital assets that are not fully completed and completed assets that have been added to other asset groups such as Building and Improvements.

Business-type Activities

Business-type activities assets represent 39.7% of the City's capital assets. Business-type activities had a net increase of \$23.5 million in capital assets during the fiscal year.

- Infrastructure represents 71.3% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by \$13.9 million.
- Buildings and Improvements represent 8.2% of capital assets, which increased by a net of \$7.1 million. This increase is for the Compressed Natural Gas Fueling Station renovation, which is included in these assets and recorded primarily in the Fleet Services Fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

Long-term Debt and Liabilities

Figure 6 illustrates the City's debt as of June 30, 2016 and 2015. Additional information regarding long-term debt can be found in Note 7.

	Figure 6					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Debt	\$ 208,860,000	\$ 213,495,000	\$	\$	\$ 208,860,000	\$ 213,450,000
Street & Highway Revenue Bonds	69,790,000	82,975,000			69,790,000	82,975,000
Certificates of Participation	213,516,281	231,775,881	10,233,719	10,589,119	223,750,000	242,365,000
Special Assessment Bonds	692,000	1,139,000			692,000	1,139,000
Clean Renewable Energy Bonds	11,260,800	12,580,100			11,260,800	12,580,100
Water Revenue Bonds			494,071,965	518,990,120	494,071,965	518,990,120
Unamortized Amount on Premiums and Discounts	27,551,310	24,718,710	44,536,732	34,508,857	72,088,042	59,227,567
Landfill Closure/Post Closure			42,418,841	41,784,021	42,418,841	41,784,021
Remediation	811,376	1,290,770	15,689,818	15,321,916	16,501,194	16,612,686
Capital Leases Payable	19,272,245	3,073,227	273,463	355,417	19,545,708	3,428,644
Other Long-term Debt	20,848,384	21,082,384	1,626,413	8,554,615	22,474,797	29,636,999
Other Post-employment Benefits	9,626,564	9,749,568	2,070,355	2,045,786	11,696,919	11,795,354
Pension	1,007,347,842	975,223,314	88,543,092	77,689,648	1,095,890,934	1,052,912,962
Compensated Absences	32,961,305	33,922,674	4,967,110	4,986,414	37,928,415	38,909,088
Claims and Judgments	39,941,000	39,936,500			39,941,000	39,936,500
Total	\$1,662,479,107	\$1,650,962,128	\$704,431,508	\$714,825,913	\$2,366,910,615	\$2,365,743,041

Outstanding debt for the City totaled \$2.4 billion with 70.2% attributed to governmental activities and the remaining 29.8% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year.

Governmental Activities

- The City issued General Obligation Bonds, Series 2012-D with a par amount of \$20.0 million on June 30, 2016. These bonds are the fourth in the series of five that will be issued each year until 2017 as a result of the passage of Proposition 409. The proposition was passed in a City general election November 6, 2012, which allows the City to issue up to \$100.0 million of general obligation bonds to be used for the repair and resurfacing of 130 miles of major roadways and 114 miles of neighborhood streets within the City.
- The City issued \$23.0 million of General Obligation Refunding Bonds, Series 2016, to refund certain maturities of multiple series, saving \$1.8 million, at net present value, over the life of the issuance.
- The City issued Certificates of Participation (COPS), Refunding Tax-Exempt Series 2016, with a par amount of \$34.2 million, \$25.7 recorded in governmental activities and \$8.5 million under business-type activities through Environmental Services. The refunding was done to reduce debt service costs over the life of the issue by \$2.3 million, at net present value, for governmental activities.

Business-type Activities

- The City issued Water System Revenue Obligation Bonds, Series 2016, with a par amount of \$17.2 million for acquisition and construction of water system improvements and to pay costs related to the issuance of the bonds.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016

- The City issued \$71.8 million of Water System Revenue Refunding Bonds, Series 2016, to refund multiple previous issuances in order to reduce debt service costs.
- The City issued Certificates of Participation (COPS), Refunding Tax-Exempt Series 2016, with a par amount of \$34.2 million, \$25.7 recorded in governmental activities and \$8.5 million under business-type activities through Environmental Services. The refunding was done to reduce debt service costs over the life of the issue by \$0.8 million, at net present value, for business-type activities.

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	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	Aa3	Aa3	AA-	AA-	AA-	AA-
Street & Highway User Revenue Bonds						
Senior Lien	A1	A1	AA+	AA+	AA	AA
Junior Lien	A2	A2	AA	AA	AA-	AA-
Water System Revenue Bonds						
Senior Lien	Aa2	Aa2	AA	AA	AA	AA
Certificates of Participation	A1	A1	A+	A+	A+	A+

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Division, 255 W. Alameda, 8th floor, Tucson, Arizona 85701, (520) 791-4561, www.tucsonaz.gov/finance.



CITY OF TUCSON, ARIZONA



Basic Financial Statements

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 114,175,214	\$ 89,231,096	\$ 203,406,310
Cash & Investments - Restricted		24,302,033	24,302,033
Cash & Investments with Fiscal Agent - Restricted	64,167,998	24,806,878	88,974,876
Taxes Receivable, Net	18,478,924		18,478,924
Accounts Receivable, Net	20,260,876	28,422,501	48,683,377
Special Assessments Receivable	331,882		331,882
Internal Balances	17,667,311	(17,667,311)	
Due from Other Agencies	63,418,088	680,339	64,098,427
Interest Receivable	302,559	189,674	492,233
Inventories	3,735,750	5,743,479	9,479,229
Other Assets	898,813	7,894,784	8,793,597
Total current assets	<u>303,437,415</u>	<u>163,603,473</u>	<u>467,040,888</u>
Noncurrent assets:			
Long Term Accounts Receivable	23,948,001	176,022	24,124,023
Long Term Notes Receivable	31,638,645	75,511,372	107,150,017
Long Term Investments	7,677,804		7,677,804
Restricted Receivable		302,806	302,806
Other Assets - Restricted	27,206,576		27,206,576
Land & Construction in Progress	1,111,736,486	206,128,643	1,317,865,129
Other Capital Assets, Net	995,168,654	1,126,542,381	2,121,711,035
Water Rights		52,126,968	52,126,968
Total noncurrent assets	<u>2,197,376,166</u>	<u>1,460,788,192</u>	<u>3,658,164,358</u>
Total assets	<u>2,500,813,581</u>	<u>1,624,391,665</u>	<u>4,125,205,246</u>
<u>DEFERRED OUTFLOWS</u>			
Loss on Refunding of Debt	14,590,808	17,817,973	32,408,781
Deferred Maintenance Rights	1,480,018		1,480,018
Pension Plans	181,307,836	11,926,656	193,234,492
Total deferred outflows	<u>197,378,662</u>	<u>29,744,629</u>	<u>227,123,291</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	31,739,916	9,134,798	40,874,714
Accrued Payroll Liabilities	4,381,661	812,117	5,193,778
Accrued Interest Payable	18,629	5,849	24,478
Due to Other Agencies	1,487,000	2,161,017	3,648,017
Refundable Deposits	6,206,825	1,795,986	8,002,811
Customer Advances		91,222	91,222
Liabilities Payable from Restricted Assets	44,834,203	31,270,435	76,104,638
Current Portion of Long Term Liabilities	81,093,857	34,012,005	115,105,862
Total current liabilities	<u>169,762,091</u>	<u>79,283,429</u>	<u>249,045,520</u>
Noncurrent liabilities:			
Long Term Liabilities	1,581,385,250	670,419,503	2,251,804,753
Total non-current liabilities	<u>1,581,385,250</u>	<u>670,419,503</u>	<u>2,251,804,753</u>
Total liabilities	<u>1,751,147,341</u>	<u>749,702,932</u>	<u>2,500,850,273</u>
<u>DEFERRED INFLOWS</u>			
Advance Federal Project Grants	34,565		34,565
Deferred Revenue	1,381,381	75,651,960	77,033,341
Pension Plans	51,244,939	7,475,330	58,720,269
Total deferred inflows	<u>52,660,885</u>	<u>83,127,290</u>	<u>135,788,175</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,570,553,310	850,193,564	2,420,746,874
Restricted for:			
Debt Service	6,871,309	24,806,878	31,678,187
Capital Projects	61,521,895		61,521,895
Self-Insurance Mandates	27,206,576		27,206,576
Transportation	25,177,960		25,177,960
Grants and Entitlements	31,319,874	4,290,310	35,610,184
Other Purposes	4,004,657		4,004,657
Unrestricted	(832,271,564)	(57,984,680)	(890,256,244)
Total net position	<u>\$ 894,384,017</u>	<u>\$ 821,306,072</u>	<u>\$ 1,715,690,089</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 17,193,925	\$ 595,232	\$ 480,730	\$ 50,000
Support Services	44,993,104	722,905	627,085	3,246,963
Public Safety and Justice Services	310,658,969	33,462,604	15,839,986	455,270
Community Enrichment and Development	299,659,039	44,153,277	99,870,717	90,062,461
General Government	28,753,654	35,398,732	536,632	
Interest	23,075,684			
Fiscal Agent Fees and Other	1,059,217			
Total governmental activities	725,393,592	114,332,750	117,355,150	93,814,694
Business-type activities:				
Public Housing	10,112,850	3,720,409	6,067,135	
Non-PHA Asset Management	2,765,473	1,627,855	227,967	
Environmental Services	44,959,464	49,654,020		113,053
Tucson Golf Enterprise Fund	8,268,410	7,508,666		
Water Utility	170,321,706	187,201,847		9,460,874
Total business-type activities	236,427,903	249,712,797	6,295,102	9,573,927
Total primary government	\$ 961,821,495	\$ 364,045,547	\$ 123,650,252	\$ 103,388,621

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
\$ (16,067,963)	\$	\$ (16,067,963)
(40,396,151)		(40,396,151)
(260,901,109)		(260,901,109)
(65,572,584)		(65,572,584)
7,181,710		7,181,710
(23,075,684)		(23,075,684)
(1,059,217)		(1,059,217)
<u>(399,890,998)</u>		<u>(399,890,998)</u>
	(325,306)	(325,306)
	(909,651)	(909,651)
	4,807,609	4,807,609
	(759,744)	(759,744)
	<u>26,341,015</u>	<u>26,341,015</u>
	<u>29,153,923</u>	<u>29,153,923</u>
<u>(399,890,998)</u>	<u>29,153,923</u>	<u>(370,737,075)</u>
48,798,741		48,798,741
200,472,119		200,472,119
23,031,922		23,031,922
14,016,293		14,016,293
133,663,259		133,663,259
2,088,982	1,641,136	3,730,118
21,545,539		21,545,539
(2,816,307)	2,816,307	
<u>440,800,548</u>	<u>4,457,443</u>	<u>445,257,991</u>
40,909,550	33,611,366	74,520,916
853,474,467	787,694,706	1,641,169,173
<u>\$ 894,384,017</u>	<u>\$ 821,306,072</u>	<u>\$ 1,715,690,089</u>

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

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash and Cash Equivalents	\$ 5,982,198	\$	\$ 81,424,686	\$ 87,406,884
Cash & Investments with Fiscal Agents	700,553	94,332	59,703,696	60,498,581
Cash & Investments with Fiscal Agents - Restricted			3,669,417	3,669,417
Taxes Receivable, Net	18,478,924			18,478,924
Accounts Receivable, Net	31,288,590	848,515	634,185	32,771,290
Special Assessments Receivable			331,882	331,882
Notes & Loans Receivable	1,485,237		28,526,995	30,012,232
Interfund Receivable	30,676,410		9,003	30,685,413
Due from Other Agencies	22,257,207	3,524,513	37,598,644	63,380,364
Grants & Entitlements Receivable		2,643,348	8,684,844	11,328,192
Interest Receivable	35,155		129,327	164,482
Inventories	294,126	2,590,595	92,231	2,976,952
Interfund Loans Receivable	1,626,413			1,626,413
Long Term Investments	7,677,804			7,677,804
Other Assets		470,886	26,678	497,564
Total assets	120,502,617	10,172,189	220,831,588	351,506,394
Deferred outflows:				
Deferred Settlement Proceeds			1,480,018	1,480,018
Total deferred outflows			1,480,018	1,480,018
Total assets and deferred outflows	\$ 120,502,617	\$ 10,172,189	\$ 222,311,606	\$ 352,986,412
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 10,181,697	\$ 1,939,830	\$ 17,420,364	\$ 29,541,891
Accrued Payroll Liabilities	3,724,357	63,104	402,486	4,189,947
Interfund Payable		2,790,865	27,894,548	30,685,413
Due to Other Agencies	1,115,239	313,759	56,296	1,485,294
Refundable Deposits	4,988,307	247	1,218,271	6,206,825
Bonds & Interest Payable, including Special Assessments			42,789,183	42,789,183
Advances from Grantors			2,045,020	2,045,020
Total liabilities	20,009,600	5,107,805	91,826,168	116,943,573
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	24,541,793	254,995	26,275,644	51,072,432
Total deferred inflows	24,541,793	254,995	26,310,209	51,106,997
Fund balances:				
Nonspendable	4,535,987	3,061,481	50,272	7,647,740
Restricted	3,379,729		96,748,168	100,127,897
Committed	31,306,965	94,332	1,533,815	32,935,112
Assigned	8,458,874	1,653,576	5,842,974	15,955,424
Unassigned	28,269,669			28,269,669
Total fund balances	75,951,224	4,809,389	104,175,229	184,935,842
Total liabilities, deferred inflows and fund balances	\$ 120,502,617	\$ 10,172,189	\$ 222,311,606	\$ 352,986,412

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, 2016

Total Governmental Fund Balances (pg.20)		\$ 184,935,842
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:</p>		
Capital Assets Net of Accumulated Depreciation		2,088,122,049
<p>Deferred Inflows not recognized in the current period and, therefore, are not reported in the governmental funds</p>		
Loss on Refunding of Debt		14,590,808
<p>Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities consist of:</p>		
Bonds and Notes Payable	(306,893,311)	
Capital Leases	(232,788,526)	
Compensated Absences	(32,961,305)	
OPEB Liabilities	(9,626,564)	
Other Long-term Debt	(20,848,384)	
Total Long-term Liabilities		(603,118,090)
<p>Interest payable on long-term debt is not reported in governmental funds.</p>		
		(18,629)
<p>Unavailable revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.</p>		
		49,691,052
<p>Internal service funds are used by management to charge the costs of fleet maintenance, self-insurance, and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.</p>		
		37,465,930
<p>Pension related items are not reported in the governmental fund financial statements since they are not related to current financial resources. The pension related items included in governmental activities (excluding internal service funds) consist of:</p>		
Net Pension Liability	(1,007,347,842)	
Deferred Inflow of Resources	(51,244,939)	
Deferred Outflow of Resources	181,307,836	
		(877,284,945)
Net Position of Governmental Activities		<u>\$ 894,384,017</u>

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, 2016

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 251,930,389	\$	\$ 32,357,241	\$ 284,287,630
Licenses and Permits	29,661,134		246,259	29,907,393
Fines and Forfeitures	12,217,670		834,054	13,051,724
Developer Fees			4,352,737	4,352,737
Use of Money and Property	1,171,359	667,627	1,581,650	3,420,636
Federal Grants and Contributions	10,285	19,838,627	62,794,969	82,643,881
Other Agencies	139,127,178	12,990,187	107,519,253	259,636,618
Charges for Services	42,505,262	10,721,818	11,693,975	64,921,055
Special Assessments			270,738	270,738
Contributions from Outside Sources			333,952	333,952
Miscellaneous	16,837,028	796,273	3,035,059	20,668,360
Total revenues	<u>493,460,305</u>	<u>45,014,532</u>	<u>225,019,887</u>	<u>763,494,724</u>
Expenditures:				
Current -				
Elected and Official	17,622,992		514,386	18,137,378
Support Services	43,888,000			43,888,000
Public Safety and Justice Services	263,666,872		12,361,896	276,028,768
Community Enrichment and Development	48,450,396	72,303,024	120,241,429	240,994,849
General Government	28,313,991		1,514,841	29,828,832
Capital Outlay	2,596,125	11,016,880	2,218,241	15,831,246
Capital Projects	844,836	4,842,087	68,026,620	73,713,543
Debt service -				
Principal	15,408,866		38,847,100	54,255,966
Interest	8,898,570		13,710,837	22,609,407
Fiscal Agent Fees	67,639		24,275	91,914
Debt Issuance Costs	471,715		495,588	967,303
Total expenditures	<u>430,230,002</u>	<u>88,161,991</u>	<u>257,955,213</u>	<u>776,347,206</u>
Excess (deficiency) of revenues over expenditures	<u>63,230,303</u>	<u>(43,147,459)</u>	<u>(32,935,326)</u>	<u>(12,852,482)</u>
Other financing sources (uses):				
Bond Issuance			43,020,000	43,020,000
Capital Leases/Certificates of Participation	25,650,000		16,445,984	42,095,984
Premium on Debt Issuance	4,482,570		2,660,753	7,143,323
Refunded Bond Escrow Agent	(29,660,855)		(24,483,342)	(54,144,197)
Transfers In	1,829,510	41,784,125	16,607,914	60,221,549
Transfers Out	(55,289,151)		(10,819,279)	(66,108,430)
Total other financing sources (uses)	<u>(52,987,926)</u>	<u>41,784,125</u>	<u>43,432,030</u>	<u>32,228,229</u>
Changes in fund balances	10,242,377	(1,363,334)	10,496,704	19,375,747
Fund balances, beginning of year	<u>65,708,847</u>	<u>6,172,723</u>	<u>93,678,525</u>	<u>165,560,095</u>
Fund balances, end of year	<u>\$ 75,951,224</u>	<u>\$ 4,809,389</u>	<u>\$ 104,175,229</u>	<u>\$ 184,935,842</u>

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

CITY OF TUCSON, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds (pg. 22)		\$ 19,375,747
<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	89,544,787	
Depreciation Expense	(80,526,936)	
<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>		
		9,017,851
Proceeds on the sale of an asset	(14,301,435)	
Gain on the sale of an asset	11,283,139	
Loss on the sale of an asset	(425,965)	
		(3,444,261)
<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>		
		5,303,885
<p>Transfer of Assets to Enterprise Funds</p>		
		(7,687,091)
<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>		
Debt Proceeds	(85,115,984)	
Repayment of Debt Principal	54,255,967	
		(30,860,017)
<p>Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Position.</p>		
Extinguishment of Debt		54,144,197
<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>		
Premium on Issuance of Debt	(7,143,323)	
Accrued Interest Expense	5,589	
Amortization of Premium/Discount on Debt	2,287,457	
		(4,850,277)
<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 Other Long-term Debt		234,000
Change in Compensated Absences Liability		961,369
Change in OPEB Liability		123,004
Change in Pension Liability		(19,701,185)
<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>		
		18,292,328
Change in Net Position of Governmental Activities		\$ 40,909,550

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, 2016

	Business-type Activities					Governmental
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets:						
Cash and Cash Equivalents	\$ 30,071,468	\$ 46,793,916	\$ 9,857,016	\$ 2,508,696	\$ 89,231,096	\$ 26,768,330
Cash & Investments - Restricted		24,302,033			24,302,033	
Cash & Investments with Fiscal Agent - Restricted		24,806,878			24,806,878	
Accounts Receivable, Net	3,175,276	25,113,612	9,325	124,288	28,422,501	109,394
Due from Other Agencies	79,584		182,993	417,762	680,339	37,724
Interest Receivable	57,299	110,191	18,105	4,079	189,674	138,077
Inventories		5,537,322		206,157	5,743,479	758,798
Other Assets		7,817,881		76,903	7,894,784	401,249
Total current assets	<u>33,383,627</u>	<u>134,481,833</u>	<u>10,067,439</u>	<u>3,337,885</u>	<u>181,270,784</u>	<u>28,213,572</u>
Noncurrent assets:						
Long Term Accounts Receivable		176,022			176,022	
Long Term Notes Receivable			75,511,372		75,511,372	
Restricted Receivable		302,806			302,806	
Other Assets - Restricted						27,206,576
Land & Construction in Progress	14,532,435	177,051,978	8,395,006	6,149,224	206,128,643	30,242
Other Capital Assets, Net	27,164,541	1,067,304,294	11,463,566	20,609,980	1,126,542,381	18,752,849
Water Rights		52,126,968			52,126,968	
Total noncurrent assets	<u>41,696,976</u>	<u>1,296,962,068</u>	<u>95,369,944</u>	<u>26,759,204</u>	<u>1,460,788,192</u>	<u>45,989,667</u>
Total assets	<u>75,080,603</u>	<u>1,431,443,901</u>	<u>105,437,383</u>	<u>30,097,089</u>	<u>1,642,058,976</u>	<u>74,203,239</u>
DEFERRED OUTFLOWS						
Loss on Refunding of Debt	1,249,552	16,568,421			17,817,973	
Pension Plans	2,873,383	8,065,463	882,243	105,567	11,926,656	
Total deferred outflows	<u>4,122,935</u>	<u>24,633,884</u>	<u>882,243</u>	<u>105,567</u>	<u>29,744,629</u>	
LIABILITIES						
Current liabilities:						
Accounts Payable	1,193,043	7,399,982	424,044	117,729	9,134,798	2,198,024
Accrued Payroll Liabilities	179,634	509,332	60,264	62,887	812,117	191,714
Accrued Interest Payable			1,682	4,167	5,849	
Due to Other Agencies	1,227	2,124,447	19	35,324	2,161,017	1,706
Refundable Deposits	90,628	1,098,553	486,531	120,274	1,795,986	
Current Portion of Bonds Payable		30,568,133			30,568,133	1,334,300
Current Portion of Contracts Payable	192,600			84,026	276,626	
Claims Payable						8,448,389
Remediation Obligations						320,540
Current Portion of Compensated Absences	514,889	1,769,251	123,166	1,782	2,409,088	
Liabilities Payable from Restricted Assets		31,270,435			31,270,435	
Customer Advances				91,222	91,222	
Current Portion of Long Term Liabilities	758,158				758,158	
Total current liabilities	<u>2,930,179</u>	<u>74,740,133</u>	<u>1,095,706</u>	<u>517,411</u>	<u>79,283,429</u>	<u>12,494,673</u>
Noncurrent liabilities:						
Bonds Payable		506,520,529			506,520,529	9,926,500
Contracts Payable	11,561,155			189,437	11,750,592	
Interfund Loans Payable				1,626,413	1,626,413	
Claims Payable						31,492,611
Remediation Obligations						490,836
Compensated Absences	608,388	1,835,388	101,455	12,790	2,558,021	
Pension Liability	21,331,898	59,877,724	6,549,766	783,704	88,543,092	
Other Post-employment Benefits	584,846	1,485,509			2,070,355	
Long Term Liabilities	57,350,501				57,350,501	
Total non-current liabilities	<u>91,436,788</u>	<u>569,719,150</u>	<u>6,651,221</u>	<u>2,612,344</u>	<u>670,419,503</u>	<u>41,909,947</u>
Total liabilities	<u>94,366,967</u>	<u>644,459,283</u>	<u>7,746,927</u>	<u>3,129,755</u>	<u>749,702,932</u>	<u>54,404,620</u>

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
June 30, 2016

DEFERRED INFLOWS

Deferred Revenue		95,544	75,531,363	25,053	75,651,960	
Pension Plans	1,800,965	5,055,230	552,968	66,167	7,475,330	
Total deferred inflows	<u>1,800,965</u>	<u>5,150,774</u>	<u>76,084,331</u>	<u>91,220</u>	<u>83,127,290</u>	

NET POSITION

Net Investment in Capital Assets	29,943,221	773,906,030	19,858,572	26,485,741	850,193,564	7,522,291
Restricted for Debt Service		24,806,878			24,806,878	
Restricted for Self Insurance Mandates						27,206,576
Restricted for Grants and Entitlements			2,629,796	1,660,514	4,290,310	
Unrestricted	(46,907,615)	7,754,820		(1,164,574)	(40,317,369)	(14,930,248)
Total net position	<u>\$ (16,964,394)</u>	<u>\$ 806,467,728</u>	<u>\$ 22,488,368</u>	<u>\$ 26,981,681</u>	<u>\$ 838,973,383</u>	<u>\$ 19,798,619</u>

Reconciliation to Government-Wide Statement of Net Position

Adjustment to consolidate internal service activities

	(16,293,953)	(1,033,924)		(339,434)	(17,667,311)	
Total Net Position - Business Type	<u>\$ (33,258,347)</u>	<u>\$ 805,433,804</u>	<u>\$ 22,488,368</u>	<u>\$ 26,642,247</u>	<u>\$ 821,306,072</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, 2016

	Business-type Activities				Total	Governmental
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds		Internal Service Funds
Operating revenues:						
Charges for Services	\$ 48,917,181	\$ 185,029,933	\$ 3,668,598	\$ 9,135,521	\$ 246,751,233	\$ 56,593,257
Federal Grants and Contributions			6,067,135	227,967	6,295,102	
Miscellaneous	736,839	2,171,914	51,811	1,000	2,961,564	159,229
Total operating revenues	49,654,020	187,201,847	9,787,544	9,364,488	256,007,899	56,752,486
Operating expenses:						
Salaries, Wages and Benefits	14,855,358	33,914,765	4,719,683	695,891	54,185,697	16,160,243
Contractual Services	21,189,718	71,873,115	3,766,911	7,270,226	104,099,970	15,751,441
Commodities	3,237,451	8,779,489	778,678	1,360,531	14,156,149	11,888,173
Cost of Goods Sold				660,399	660,399	
Benefits and Claims						6,145,470
Depreciation	4,733,545	34,204,266	778,988	1,033,676	40,750,475	2,005,225
Total operating expenses	44,016,072	148,771,635	10,044,260	11,020,723	213,852,690	51,950,552
Operating income (loss)	5,637,948	38,430,212	(256,716)	(1,656,235)	42,155,209	4,801,934
Nonoperating revenues (expenses):						
Property Taxes						2,445,781
Other Agencies						288,393
Investment Income	357,647	1,122,438	102,064	83,102	1,665,251	335,268
Gain (loss) on Sale of Property/Equipment	(291,599)	199,453	5,031		(87,115)	177,948
Federal Grants and Contributions	113,053				113,053	
Non-Grant Contributions		738,581			738,581	
Interest Expense	(331,204)	(17,856,308)	(68,590)	(13,160)	(18,269,262)	(471,866)
Debt Issuance Costs	(157,238)	(1,593,194)			(1,750,432)	
Other Non-operating Income (Expense)	(5,308,921)	(2,689,992)	(47,531)		(8,046,444)	43,072
Total nonoperating revenues (expenses)	(5,618,262)	(20,079,022)	(9,026)	69,942	(25,636,368)	2,818,596
Income (loss) before capital contributions and transfers	19,686	18,351,190	(265,742)	(1,586,293)	16,518,841	7,620,530
Capital Contributions		8,722,293		2,399,435	11,121,728	10,755,714
Transfers In				7,450,096	7,450,096	280,065
Transfers Out		(1,600,000)		(13,772)	(1,613,772)	(229,508)
Changes in net position	19,686	25,473,483	(265,742)	8,249,466	33,476,893	18,426,801
Total net position, beginning of year	(16,984,080)	780,994,245	22,754,110	18,732,215	805,496,490	1,371,818
Total net position, end of year	\$ (16,964,394)	\$ 806,467,728	\$ 22,488,368	\$ 26,981,681	\$ 838,973,383	\$ 19,798,619
Reconciliation to government-wide Statement of Activities						
Changes in net position	19,686	25,473,483	(265,742)	8,249,466	33,476,893	
Adjustment to consolidate internal service activities	(454,950)	589,423			134,473	
Changes in net position - Business-type activities	\$ (435,264)	\$ 26,062,906	\$ (265,742)	\$ 8,249,466	\$ 33,611,366	

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, 2016

	Business-type Activities					Governmental
	Environmental		Public	Non-Major	Total	Internal Service
	Services	Water Utility	Housing	Enterprise Funds		
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 48,771,188	\$ 185,572,608	\$ 3,764,102	\$ 9,155,300	\$ 247,263,198	\$ 56,628,438
Cash Payments to Suppliers for Goods and Services	(24,194,431)	(85,691,211)	(4,551,042)	(9,743,607)	(124,180,291)	(28,236,770)
Cash Payments to Employees for Services	(15,742,981)	(36,508,545)	(4,648,690)	(606,736)	(57,506,952)	(16,637,684)
Subsidy from Federal Grant			6,047,953	227,967	6,275,920	
Other Operating Revenues	682,281			1,000	683,281	121,321
Cash Payments to Claimants						(6,140,971)
Net Cash Provided (Used) by Operating Activities	9,516,057	63,372,852	612,323	(966,076)	72,535,156	5,734,334
Cash Flows from Noncapital Financing Activities						
Property Taxes						2,394,802
Interfund Transfers	22,929,670	(1,600,000)	(47,531)	7,436,324	28,718,463	(229,508)
Advances from Other Funds				(6,928,202)	(6,928,202)	
Subsidy from Federal Grant	99,407	738,581			837,988	288,393
Interest Paid on Advances				(1,987)	(1,987)	
Net Cash Provided (Used) by Noncapital Financing Activities	23,029,077	(861,419)	(47,531)	506,135	22,626,262	2,453,687
Cash Flows from Capital and Related Financing Activities						
Capital Leasing Activities				(81,954)	(81,954)	
Bond Issuance		18,391,480			18,391,480	
Premium on Bonds		595,000			595,000	
Acquisition and Construction of Capital Assets	(12,430,713)	(54,499,838)	(53,248)	(17,465)	(67,001,264)	(347,102)
Principal Paid on Capital Debt		(32,453,155)			(32,453,155)	(718,550)
Interest Paid on Capital Debt	(333,357)	(20,719,294)	(68,590)	(7,971)	(21,129,212)	(471,866)
Fiscal Agent Fees Paid on Capital Debt		(1,593,194)			(1,593,194)	
Capital Contributions-System Equity fee		2,604,061			2,604,061	
Proceeds from Sale of Assets/Equipment	662,425	262,453	10,062		934,940	461,809
Net Cash Provided (Used) by Capital and Related Financing Activities	(12,101,645)	(87,412,487)	(111,776)	(107,390)	(99,733,298)	(1,075,709)
Cash Flows from Investing Activities:						
Interest on Investments	364,225	1,105,868	99,775	83,331	1,653,199	306,062
Proceeds from Sale of Investments						31,467,899
Purchase of Investments						(27,206,576)
Net Cash Provided (Used) by Investing Activities	364,225	1,105,868	99,775	83,331	1,653,199	4,567,385
Net Increase (Decrease) in Cash and Cash Equivalents	20,807,714	(23,795,186)	552,791	(484,000)	(2,918,681)	11,679,697
Cash and Cash Equivalents - July 1	9,263,754	119,698,013	9,304,225	2,992,696	141,258,688	15,088,633
Cash and Cash Equivalents - June 30	\$ 30,071,468	\$ 95,902,827	\$ 9,857,016	\$ 2,508,696	\$ 138,340,007	\$ 26,768,330

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 5,637,948	\$ 38,430,212	\$ (256,716)	\$ (1,656,235)	\$ 42,155,209	\$ 4,801,934
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	4,733,545	34,204,266	778,988	1,033,676	40,750,475	2,005,225
Provision for Landfill Closure	1,002,721				1,002,721	
Other Adjustments:						
Decrease (Increase) in Assets / Deferred Outflows:						
Accounts Receivable	(161,967)	(1,693,598)	(1,072)	(78,047)	(1,934,684)	10,162
Pension Plans	(1,667,777)	(4,903,403)	(527,774)	(66,968)	(7,165,922)	
Capitalized Labor Costs		(4,561,245)			(4,561,245)	
Inventory and Prepays		(1,322,325)		(19,708)	(1,342,033)	127,602
Due from Other Agencies	(54,558)		(19,183)		(73,741)	(12,889)
Other Assets		(5,315,298)			(5,315,298)	
Increase (Decrease) in Liabilities / Deferred Inflows:						
Accounts Payable	(765,457)	4,080,923	(4,419)	(429,756)	2,881,291	(246,394)
Accrued Payroll Liabilities	(433,831)	(1,147,074)	(125,060)	601	(1,705,364)	(477,440)
Accrued Compensated Absences	(149,279)	109,907	17,873	2,195	(19,304)	
Pension Plans	(281,364)	(406,296)	(59,272)	(502)	(747,434)	
Pension Liability	1,657,805	8,276,584	765,226	153,829	10,853,444	
Accrued Other Post-Employment Benefits	(13,178)	37,747			24,569	
Deferred Revenue			15,279	19,289	34,568	
Customer/Refundable Deposits	15,977	64,359	28,452	63,957	172,745	
Claims and Judgments Payable						4,500
Remediation Obligation						(479,394)
Due to Other Agencies	(4,528)	(2,481,907)	1	(2,652)	(2,489,086)	1,028
Other Operating Liabilities				14,245	14,245	
Net Cash Provided (Used) by Operating Activities	\$ 9,516,057	\$ 63,372,852	\$ 612,323	\$ (966,076)	\$ 72,535,156	\$ 5,734,334
Noncash Investing, Capital, and Financing Activities:						
Contributions of capital assets	\$	\$ 6,055,232	\$	\$ (1,036)	\$ 6,054,196	\$ 9,775,713
Refunding Bonds	8,510,000	71,805,000			80,315,000	
Defeased Bonds	(8,754,638)	(81,485,000)			(90,239,638)	
Total Noncash Investing, Capital, and Financing Activities:	\$ (244,638)	\$ (3,624,768)	\$	\$ (1,036)	\$ (3,870,442)	\$ 9,775,713

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, 2016

	Pension Trust	Agency
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,058,745	\$ 8,587,449
Accounts Receivable, Net		11,282,000
Employer Contributions Receivable		
Employee Contributions Receivable		
Interest & Dividends Receivable	1,857,456	
Due from Brokers	912,621	
Short Term Investments	26,974,161	
Securities Lending Cash Collateral	20,407,804	
U.S. Treasuries, Agencies & Other Governmental Bonds	73,736,561	
Bonds and Preferred Stock	52,865,484	
U.S. Equity	242,729,611	
International Bonds & Other Fixed Income Instrument	45,039,947	
International Equity & Comingled Equity Funds	167,960,887	
Real Estate & Comingled Real Estate Funds	64,188,363	
Infrastructure Investment Funds	48,875,449	
Total assets	747,607,089	19,869,449
 <u>LIABILITIES</u>		
Accounts Payable	411,873	6,158,083
Accrued Payroll Liabilities	4,334	
Due to Other Agencies		13,711,366
Due to Securities Borrowers	20,407,804	
Due to Brokers		
Refundable Deposits	199	
Total liabilities	20,824,210	19,869,449
 <u>NET POSITION</u>		
Restricted for Pensions	\$ 726,782,879	\$

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, 2016

	Pension Trust
Additions:	
Employer Contributions	\$ 33,175,307
Employee Contributions	7,083,385
Net Increase (Decrease) in Fair Value of investment	8,758,641
Interest, Dividends and Other Income	13,058,239
Securities Lending Income	148,059
Less: Investment Activity Expense	(3,937,354)
Less: Securities Lending Expense	(59,201)
Miscellaneous Additions	105,713
Total additions	58,332,789
Deductions:	
Payments to Participants	67,910,496
Refunds and Transfers to Other Plans	2,535,254
Administrative Expense	786,028
Miscellaneous Deductions	111,679
Total deductions	71,343,457
Changes in net position	(13,010,668)
Net position, beginning of year	739,793,547
Net position, end of year	\$ 726,782,879

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, 2016

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.

A. 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 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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 2016 of \$41,784,125.

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.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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. Effective February 1, 2014, all 5 City golf courses are now managed by OB Sports.

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 Funds

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

4. Fiduciary Funds

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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 nonspendable accounts.

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

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

E. Reserve for Loss and Loss Adjustment Expenses

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

F. Budgetary Information

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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 Non-Departmental. Transfers between purposes, such as Neighborhood Services and Support Services, can be made upon Mayor and Council approval
6. All appropriations lapse at year-end.
7. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2016.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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 \$11,416,423 for water sales delivered, but unbilled at June 30, 2016.

General Fund accounts receivables of \$31,288,590 are net of allowance for doubtful accounts of \$7,813. The Water Utility and Environment Services accounts receivable of \$25,113,612 and \$3,175,276, respectively, are net of allowance for doubtful accounts of \$839,429 and \$292,279, 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, 2016, these loans, called forgivable loans, totaled \$5,810,356. Due to the infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

J. Inventories/Prepays

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

K. Restricted Assets/Liabilities

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

L. Capital Assets

Capital assets, which include property, equipment, buildings, and infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), are depreciated and reported

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets and depreciation expense are not shown in the governmental fund financial statements.

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

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

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

	<u>Estimated Useful Life (Years)</u>
Buildings and Building Improvements	20 – 75
Improvements Other Than Buildings	10 – 40
Wells, Tanks and Improvements	40 – 100
Machinery and Equipment	3 – 20

The City's policy is to capitalize interest on proprietary fund capital projects if it is material, based upon GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance. Interest costs capitalized during the fiscal year for the City's water utility fund was \$471,526. Interest on general government capital projects is not capitalized.

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

M. Water Rights

The City does not place a limitation on the useful life of the water rights. The water rights are recorded at historical cost and are considered to have an indefinite useful life. The total book value for water rights for the Water Utility Fund is \$52,126,968 at June 30, 2016.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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.

P. Deferred Outflows/Inflows of Resources

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

Q. Fund Balance Policies

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

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

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

Committed – Committed fund balance is self-imposed constraints imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval through an ordinance or resolution is required to commit resources or to rescind the commitment. Although an ordinance is the most binding, it is

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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, 2016, this fund is at five percent (5%) of General Fund revenues, short of the ten percent (10%) target goal included in the City's comprehensive financial policies (Resolution No. 22319). These policies were first adopted in January 2011, by Mayor and Council, post 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. The Stabilization fund will be funded from balances that have remained unspent in assigned fund balance after one fiscal year.

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. In July 2013, \$5 million was transferred from the City's Investment Pool account to Alliance Bank to begin participation in a two year Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the 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 and allowed in the City's investment policy. The City now holds \$10 million of the Stabilization Fund in a 2-year CDARS investment.

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

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

As of June 30, 2016, 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, 2016

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	\$ 294,126	\$	\$	\$ 344,398
Long-Term Investment	2,615,448			2,615,448
Golf Long-Term Loan	1,626,413			1,626,413
Inventory - Bus and Streetcar Parts		2,590,595	50,272	2,590,595
Prepaid Expenditures		470,886		470,886
Total Nonspendable	<u>4,535,987</u>	<u>3,061,481</u>	<u>50,272</u>	<u>7,647,740</u>
Restricted:				
Crime Prevention, Investigation and Education	3,379,729		68,279	3,448,008
Debt Service			3,291,090	3,291,090
Streets, Sidewalks, Drainage and Signage			49,706,631	49,706,631
Streets Resurfacing			23,508,360	23,508,360
Building and Infrastructure Improvements			2,451,529	2,451,529
Parks and Recreation Improvements			6,417,041	6,417,041
General Equipment and Improvements			624,928	624,928
Neighborhood/Housing Improvements			344,804	344,804
Low Income Housing Loans			3,589,638	3,589,638
Police and Fire Buildings and Improvements			4,616,294	4,616,294
Housing Choice Vouchers			2,044,004	2,044,004
Affordable Housing Programs			85,570	85,570
Total Restricted	<u>3,379,729</u>		<u>96,748,168</u>	<u>100,127,897</u>
Committed:				
Litter Clean Up	311,270			311,270
City Court Case Processing	1,589,311			1,589,311
Business Development Loans	987,982			987,982
Land Annexation - Raytheon Buffer	2,527,269			2,527,269
Fire Equipment	54,759			54,759
Housing Trust Fund	179,814			179,814
Zoo Expansion Projects	971,104			971,104
Parks and Recreation Projects	1,831,757			1,831,757
Campaign Finance	17,192			17,192
Stabilization Fund	22,836,507			22,836,507
Garage Lighting Upgrades			1,490,584	1,490,584
Property Management		94,332	35,833	130,165
Marketing for Civic Contributions Fund			7,398	7,398
Total Committed	<u>31,306,965</u>	<u>94,332</u>	<u>1,533,815</u>	<u>32,935,112</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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	3,200,000			3,200,000
Public Safety Pension Contribution	1,800,000			1,800,000
Employee General Fund Incentive	2,650,000			2,650,000
Future Self-Insurance Medical Plan	229,509			229,509
Liability Insurance		1,394,376		1,394,376
Parking Operations			1,815,470	1,815,470
SunLink Operations			4,003,004	4,003,004
Other	579,365	259,200	24,500	863,065
Total Assigned	<u>8,458,874</u>	<u>1,653,576</u>	<u>5,842,974</u>	<u>15,955,424</u>
Unassigned:	28,269,669			28,269,669
Total Fund Balances	<u>\$ 75,951,224</u>	<u>\$ 4,809,389</u>	<u>\$ 104,175,229</u>	<u>\$ 184,935,842</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.

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 \$7,033 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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 to take 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.

Note 3 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2016, the following funds had deficit fund balances or net position:

Environmental Services	\$ (16,964,394)
General Services Fund	\$ (9,182,437)

The deficit in the Environmental Services fund is primarily due to the remediation obligations and pension liabilities. The deficit in the General Services Fund is due to the incurrence of debt to acquire solar panels as capital assets that were transferred to other funds. This fund has revenue sources from department charges and utility solar rebates to pay the debt service.

Note 4 - DEPOSITS AND INVESTMENTS:

The City maintains an investment pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as Cash and Cash Equivalents 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2016:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 247,599,734	\$ (9,245,197)	\$ 238,354,537
Investments	777,662,647		777,662,647
Total	\$ 1,025,262,381	\$ (9,245,197)	\$ 1,016,017,184

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and Cash Equivalents	\$ 203,406,310	\$ 10,646,194	\$ 214,052,504
Noncurrent Investments	34,884,380	742,778,267	777,662,647
Cash & Investments Restricted	24,302,033		24,302,033
Total	\$ 262,592,723	\$ 753,424,461	\$ 1,016,017,184

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2016:

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	\$ 236,733,935	\$ 121,385,586	\$ 43,349,766	\$ 71,998,583
Corporate Bonds & Other Fixed Income Instruments	96,598,552		94,723,598	1,874,954
U.S. Equity & Commingled Equity Funds	227,405,668	146,255,603		81,150,065
Non-U.S. Issues not on Securities Loan:				
International Bonds & Other Fixed Income Instruments	45,039,947		42,728,235	2,311,712
International Equity & Commingled Equity Funds	166,658,890	63,961,945		102,696,945
Subtotal	772,436,992	331,603,134	180,801,599	260,032,259
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:				
U.S. Corporate Bonds & Other Fixed Income Instruments	3,260,259		3,260,259	
U.S. Equity	15,323,943	15,323,943		
International Equity	1,301,997	1,301,997		
Subtotal	19,886,199	16,625,940	3,260,259	
Securities Lending Short-Term Collateral Investment Pool	20,407,804			20,407,804
Money Market Funds/Short-Term Investments	99,467,574	67,431,057	6,568,951	25,467,566
Real Estate & Commingled Real Estate Funds	64,188,363			64,188,363
Infrastructure Investment Funds	48,875,449			48,875,449
Subtotal	232,939,190	67,431,057	6,568,951	158,939,182
Total Deposits and Investments	\$ 1,025,262,381	\$ 415,660,131	\$ 190,630,809	\$ 418,971,441

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following credit risk structure as of June 30, 2016:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash & Cash Equivalents:				
Wells Fargo Large Balance Public Institutional Bank Deposit Account	1	Aaa	\$ 50,017,121	21.73%
U.S. Treasury Notes	12	Aaa	93,496,268	40.62%
U.S. Agency & Municipal Bonds	11	Aaa	39,679,082	17.24%
Negotiable Certificates of Deposit	5	P-1	16,201,909	7.04%
U.S. Corporate Bonds	15	A1	30,791,419	13.37%
TOTAL	44		\$ 230,185,799	100%

Footnotes:

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

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, 2016, these funds consisted of: a U.S. Treasury Note with a fair market value of \$27,206,576, a U.S. Agency Bond with a fair market value of \$2,615,448 and various other operational accounts totaling \$17,273,339. 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 five million dollars in a two-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product in July 2013 and an additional five million in September 2014. The initial investment of five million matured in 2015 and as of June 30, 2016, the fair value of the second investment was \$5,062,356.

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

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2016:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash & Short Term Investment Funds:				
Cash and Cash Equivalents	26	Aa1	\$ 26,668,184	
Fixed Income Swaps & Options	23	Aa1	305,977	
Subtotal	<u>49</u>		<u>26,974,161</u>	13.58%
U.S. Agency & Other Governmental Obligations:				
Municipal Bonds	5	B3	1,055,236	
Futures	3	Aaa	682,742	
BlackRock U.S. Debt Fund	1	Aaa	71,998,583	
Subtotal	<u>9</u>		<u>73,736,561</u>	37.12%
U.S. Corporate Bonds & Other Fixed Income Instruments:				
Asset Backed Securities	3	Baa3	321,680	
Collateralized Mortgage Obligations	5	Aa2	557,771	
Fixed Income Swaps & Options	19	Baa3	(540,314) (2)	
Banking & Finance	19	Ba3	7,647,612	
Health Care	2	Ba1	1,096,375	
Oil, Gas & Chemicals	25	Baa1	6,144,979	
Communications	3	Ba3	926,698	
Utilities	14	Baa3	4,460,556	
Other Corporate Issues	47	Ba3	15,114,616	
PIMCO Private Mortgage Sector Fund	4	Aa1	17,135,511	
Subtotal	<u>141</u>		<u>52,865,484</u>	26.62%
International Bonds & Other Fixed Income Instruments:				
Banking & Finance	19	Baa1	6,674,294	
Fixed Income Swaps & Options	18	Aa1	(244,992) (2)	
Government Bonds	23	Baa3	8,711,287	
Futures	4	Aaa	(98,464) (2)	
Communications	7	B3	1,952,317	
Oil, Gas & Chemicals	12	Ba1	5,581,777	
Utilities	5	Ba3	1,582,762	
Other Corporate Issues	58	Ba2	20,880,966	
Subtotal	<u>146</u>		<u>45,039,947</u>	22.68%
TOTAL	<u>199</u>		<u>\$198,616,153</u>	<u>100%</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, 2016

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, 2016:

Maturity Structure		
<u>Investment Type/Maturity</u>	<u>Fair Value</u>	<u>Percent of Total</u>
<i>Cash & Cash Equivalents</i>		
Wells Fargo Large Balance Public Institutional Bank Deposit Account	\$ 50,017,121	
	<u>50,017,121</u>	21.73%
<i>Less Than 1 Year</i>		
U.S. Treasury Notes	13,532,940	
Negotiable Certificates of Deposit	13,944,371	
U.S. Corporate Bonds	5,005,875	
Municipal Bonds	1,515,030	
	<u>33,998,216</u>	14.77%
<i>Between 1 to 2 Years</i>		
U.S. Treasury Notes	21,508,460	
U.S. Agencies	20,503,184	
Negotiable Certificates of Deposit	2,257,538	
U.S. Corporate Bonds	14,101,338	
	<u>58,370,520</u>	25.36%
<i>Between 2 to 3 Years</i>		
U.S. Treasury Notes	58,454,868	
U.S. Agencies	17,660,868	
Negotiable Certificates of Deposit		
U.S. Corporate Bonds	11,684,206	
	<u>87,799,942</u>	38.14%
TOTAL	<u>\$ 230,185,799</u>	<u>100%</u>
Effective Duration: 1.85 Years		

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016:

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	\$ 26,974,161	\$	\$	\$	\$ 26,974,161
U.S. Agency & Other Governmental Obligations			362,352	1,375,626	1,737,978
BlackRock U.S. Debt Fund			71,998,583		71,998,583
U.S. Corporate & Other Fixed Income Instruments	22,071,318	11,681,347	13,866,723	5,246,096	52,865,484
International Bonds & Other Fixed Income Instruments	3,349,845	11,708,824	18,677,862	11,303,416	45,039,947
TOTAL	<u>\$ 52,395,324</u>	<u>\$ 23,390,171</u>	<u>\$ 104,905,520</u>	<u>\$ 17,925,138</u>	<u>\$ 198,616,153</u>

Effective Duration:

Active Account 4.69 years

Passive Account 5.17 years

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

E. Foreign Currency Risk

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2016:

Currency Type	Foreign Currency Risk Exposure						Fair Value	Percent of Total
	Cash & Cash Equivalents (1)	Fixed Income (1)	Equity	Real Estate	Infra-structure	Foreign Exchange Contracts (2)		
Australian Dollar	\$ (30,354)	\$	\$ 676,745	\$	\$	\$	\$ 646,391	0.089%
Brazil Real	31,461						31,461	0.004%
British Pound Sterling	187,345	4,433,413	14,958,329			24,263	19,603,350	2.714%
Canadian Dollar	390		115,502				115,892	0.016%
Euro Currency Unit	339,903	14,041,146	18,242,406		23,137,016	(122,727)	55,637,744	7.702%
Japanese Yen	19,432		8,673,840				8,693,272	1.203%
Mexican Peso	31						31	0.000%
Polish Zloty	11,663						11,663	0.002%
S. African Comm Rand	8,361						8,361	0.001%
Swiss Franc	723	89,561	7,747,594				7,837,878	1.085%
Currency Subtotals	568,955	18,564,120	50,414,416		23,137,016	(98,464)	92,586,043	12.816%
U.S. Dollar	26,443,737	148,597,471	364,133,674	64,188,363	25,738,433	682,742	629,784,420	87.184%
TOTAL	\$ 27,012,692	\$ 167,161,591	\$ 414,548,090	\$ 64,188,363	\$ 48,875,449	\$ 584,278	\$ 722,370,463	100%
	3.740%	23.140%	57.380%	8.890%	6.770%	0.080%	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, 2016, the carrying amount and fair value of securities on loan was \$19,886,199. 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 analysis, demanding

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2016, 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, 2016. 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 (2)	Principal Risk
Government Futures	\$ 8,400,000	\$ 3,508,833	\$ 11,428,985	Interest Rate
Options	\$ 21,700,000	\$ 35,969	\$ (27,540)	Credit
Currency Forwards (Net)	\$ 1,469,008,379	\$ 1,978,981	\$ 24,466,767	Foreign Currency
Credit Default Swaps	\$ 1,665,000	\$ 370,598	\$ (559,508)	Credit
Interest Rate Swaps	\$ (15,050,000)	\$ (182,802)	\$ (225,643)	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) 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, 2016

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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

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

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

Note 5 - INTERFUND BALANCES AND TRANSFERS:

Interfund receivables/payables represent cash transfers between funds as of June 30, 2016. These are necessary to cover short term timing differences between cash outflows and inflows for specific funds. The following governmental interfund receivables/payables are eliminated in the government-wide financial statements.

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 30,676,410	\$
Mass Transit Fund		2,790,865
Other Non-major Governmental Funds	9,003	27,894,548
Total Governmental Funds	<u>\$ 30,685,413</u>	<u>\$ 30,685,413</u>

The Due from/to Other Agencies balances at June 30, 2016 represent receivables/payables to federal, state, or local governmental agencies. Fiduciary Fund due from/to are not shown on the government-wide financial Statement of Net Position.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 22,257,207	\$ 1,115,239
Mass Transit Fund	3,524,513	313,759
Other Non-major Governmental Funds	37,598,644	56,296
Total Governmental Funds	<u>63,380,364</u>	<u>1,485,294</u>
Internal Service Funds:		
Fleet Services	29,397	323
Self Insurance		132
General Services	8,327	1,251
Total Internal Service Funds	<u>37,724</u>	<u>1,706</u>
Enterprise Funds:		
Environmental Services	79,584	1,227
Water Utility		2,124,447
Public Housing	182,993	19
Other Non-major Enterprise Funds	417,762	35,324
Total Enterprise Funds	<u>680,339</u>	<u>2,161,017</u>
Fiduciary Funds:		
Sewer User Fee Fund		13,711,366
Total Fiduciary Funds		<u>13,711,366</u>
Total All Funds	<u>\$ 64,098,427</u>	<u>\$ 17,359,383</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 \$14,371,865 are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2016, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 1,829,510	\$ 55,289,151
Mass Transit Fund	41,784,125	
Other Non-major Governmental Funds	16,607,914	10,819,279
Total Governmental Funds	<u>60,221,549</u>	<u>66,108,430</u>
Internal Service Funds:		
Self Insurance Fund		229,508
General Services	280,065	
Total Internal Service Funds	<u>280,065</u>	<u>229,508</u>
Enterprise Funds:		
Water Utility		1,600,000
Other Non-major Enterprise Funds	7,450,096	13,772
Total Enterprise Funds	<u>7,450,096</u>	<u>1,613,772</u>
Total All Funds	<u>\$ 67,951,710</u>	<u>\$ 67,951,710</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2016:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 745,031,654	\$ 19,498,364	\$ (3,765,527)	\$ 760,764,491
Construction-in-Progress	512,519,548	57,766,648	(219,314,201)	350,971,995
Capital Assets being Depreciated:				
Buildings and Improvements	673,318,682	185,826,534	(3,585,980)	855,559,236
Equipment	310,100,760	56,150,088	(23,576,828)	342,674,020
Infrastructure	876,348,985			876,348,985
Totals at Historical Cost	<u>3,117,319,629</u>	<u>319,241,634</u>	<u>(250,242,536)</u>	<u>3,186,318,727</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	275,405,573	37,988,823	(1,758,509)	311,635,887
Equipment	224,406,489	19,680,213	(23,329,468)	220,757,234
Infrastructure	522,157,341	24,863,125		547,020,466
Total Accumulated Depreciation	<u>1,021,969,403</u>	<u>82,532,161</u>	<u>(25,087,977)</u>	<u>1,079,413,587</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 2,095,350,226</u></u>	<u><u>\$ 236,709,473</u></u>	<u><u>\$ (225,154,559)</u></u>	<u><u>\$ 2,106,905,140</u></u>
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				\$ 274,488
Public Safety and Justice Services				4,448,163
Community Enrichment and Development				11,294,973
Support Services				65,318,646
Non-Departmental				1,195,891
Total Depreciation Expense				<u><u>\$ 82,532,161</u></u>
Business-Type Activities:				
Non-depreciated Assets				
Land	\$ 70,633,929	\$ 1,008,794	\$ (63,000)	\$ 71,579,723
Construction-in-Progress	132,181,310	61,117,233	(58,749,624)	134,548,919
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	235,812,462	14,409,373	(272,500)	249,949,335
Equipment	87,363,895	6,413,471	(5,589,700)	88,187,666
Distribution and Collection Systems	1,406,540,692	41,007,718	(15,421)	1,447,532,989
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,985,846,594</u>	<u>123,956,589</u>	<u>(64,690,245)</u>	<u>2,045,112,938</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	128,944,103	7,076,592		136,020,695
Equipment	60,853,370	6,594,951	(5,019,618)	62,428,703
Distribution and Collective Systems	433,588,037	27,090,173		460,678,210
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	<u>624,572,848</u>	<u>40,761,716</u>	<u>(5,019,618)</u>	<u>660,314,946</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 1,361,273,746</u></u>	<u><u>\$ 83,194,873</u></u>	<u><u>\$ (59,670,627)</u></u>	<u><u>\$ 1,384,797,992</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

The following is a summary of changes in long-term debt as of June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 213,495,000	\$ 43,020,000	\$ (47,655,000)	\$ 208,860,000	\$ 25,635,000
Street & Highway Revenue Bonds	82,975,000		(13,185,000)	69,790,000	13,610,000
Certificates of Participation	231,775,881	25,650,000	(43,909,600)	213,516,281	14,822,400
Special Assessment Bonds	1,139,000		(447,000)	692,000	399,000
Clean Renewable Energy Bonds	12,580,100		(1,319,300)	11,260,800	1,334,300
Unamortized Amount:					
on Premiums	25,110,063	7,143,323	(4,337,977)	27,915,409	
on Discounts	(391,353)		27,254	(364,099)	
Total Bonds and Notes Payable	566,683,691	75,813,323	(110,826,623)	531,670,391	55,800,700
Other Liabilities:					
Capital Leases	3,073,227	16,445,984	(246,966)	19,272,245	482,828
Other Long-term Debt	21,082,384		(234,000)	20,848,384	290,700
Other Post Employment Benefits	9,749,568		(123,004)	9,626,564	
Compensated Absences	33,922,674	16,719,926	(17,681,295)	32,961,305	15,750,701
Pension	975,223,314	41,221,540	(9,097,012)	1,007,347,842	
Remediation	1,290,770		(479,394)	811,376	320,540
Claims and Judgments	39,936,500	6,145,471	(6,140,971)	39,941,000	8,448,389
Total Other Liabilities	1,084,278,437	80,532,921	(34,002,642)	1,130,808,716	25,293,158
Governmental Activities Long Term Liabilities	\$ 1,650,962,128	\$ 156,346,244	\$ (144,829,265)	\$ 1,662,479,107	\$ 81,093,858
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 518,990,120	\$ 89,020,000	\$ (113,938,155)	\$ 494,071,965	\$ 30,568,133
Certificate of Participation	10,589,119	8,510,000	(8,865,400)	10,233,719	192,600
Unamortized Amount:					
Bond Premiums	34,508,857	14,361,648	(4,333,773)	44,536,732	
	564,088,096	111,891,648	(127,137,328)	548,842,416	30,760,733
Other Liabilities:					
Landfill Closure/Post Closure Costs	41,784,021	883,570	(248,750)	42,418,841	758,158
Remediation	15,321,916	367,902		15,689,818	
Capital Leases	355,417		(81,954)	273,463	84,026
Other Post Employment Benefits	2,045,786	37,747	(13,178)	2,070,355	
Compensation Absences	4,986,414	159,862	(179,166)	4,967,110	2,409,088
Pension	77,689,648	10,900,249	(46,805)	88,543,092	
Loans Payable	8,554,615		(6,928,202)	1,626,413	
Total Other Liabilities	150,737,817	12,349,330	(7,498,055)	155,589,092	3,251,272
Business-type Activities Long Term Liabilities	\$ 714,825,913	\$ 124,240,978	\$ (134,635,383)	\$ 704,431,508	\$ 34,012,005

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016.

Years ending June 30,	Governmental Activities	Business-Type Activities
2017	\$ 25,618,037	\$ 734,706
2018	31,736,432	770,071
2019	29,558,109	763,920
2020	28,044,541	1,090,491
2021	26,131,267	1,257,967
2022-2026	115,744,490	6,362,835
2027-2031	49,162,062	3,198,610
2032-2034	4,529,838	
Total Minimum Lease Payments	310,524,776	14,178,600
Less: Amount Representing Interest (interest rates range: 1.682% to 6.52%)	77,736,250	3,671,418
Present Value of Net Minimum Lease Payments	<u>\$ 232,788,526</u>	<u>\$ 10,507,182</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$174,602,005), improvements other than buildings (\$21,325,088), equipment (\$39,561,863), and streets (\$65,193,265).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$2,259,129. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2016, were as follows:

Years ending June 30,	
2017	\$ 2,155,770
2018	1,835,836
2019	1,508,280
2020	1,514,049
2021	1,526,347
2022-2026	5,591,710
2027-2031	459,226
2032-2036	448,554
2037-2041	459,768
2042-2046	471,262
Total Minimum Future Lease Payments	<u>\$ 15,970,802</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016 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, 2016 to July 1, 2022. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2016 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2016
1998 Refunding	5.38-5.50	2021	\$ 26,470,000	\$ 18,985,000
2006 Series Refunding	5.00	2021	50,525,000	24,415,000
2007 Series Refunding	5.00	2019	19,190,000	11,565,000
2000-F Series (2007)	4.00	2018	13,325,000	2,000,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	11,745,000
2012-B Series Refunding	2.14-3.22	2020	11,315,000	6,295,000
2012-A Series (2013)	4.00-5.00	2026	20,000,000	20,000,000
2012-B Series (2014)	3.00-5.00	2027	20,000,000	20,000,000
2012-C Series (2015)	2.00-3.00	2023	20,000,000	20,000,000
2015 Series Refunding	3.00-5.00	2023	36,535,000	30,835,000
2012-D Series (2016)	2.00-3.00	2024	20,000,000	20,000,000
2016 Series Refunding	2.00-4.00	2021	23,020,000	23,020,000
Total			<u>\$ 272,125,000</u>	<u>\$ 208,860,000</u>

Street and Highway Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2016
2009 Refunding	5.00	2019	\$ 10,130,000	\$ 10,130,000
2010 Refunding	4.00-5.00	2020	10,560,000	10,560,000
2011 Refunding	5.00	2021	10,730,000	10,730,000
2013 Refunding	3.00-5.00	2022	34,500,000	18,655,000
2015 Refunding	5.00	2018	27,415,000	19,715,000
Total			<u>\$ 93,335,000</u>	<u>\$ 69,790,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016
1994 Series A (1996)	6.00 - 8.00	2018	\$ 33,000,000	\$ 500,000
2009 Refunding	5.00	2019	2,815,000	1,770,000
2007 Refunding	5.00	2021	31,460,000	30,475,000
2005 Series C (2008)	4.00 - 5.00	2026	20,425,000	2,000,000
Water System Revenue Obligations 2009	5.00	2029	35,635,000	33,030,000
Water System Revenue Obligations 2010	6.00	2030	38,510,000	38,510,000
Water System Revenue Obligations 2011	2.75 - 5.00	2032	30,965,000	29,215,000
Water System Revenue Obligations 2012	2.00 - 5.00	2033	31,555,000	27,380,000
2012 Refunding Series A	4.00 - 5.00	2018	36,120,000	25,065,000
2013A Refunding	2.00 - 5.00	2025	34,280,000	24,700,000
2013B Refunding	.61 - 2.75	2022	18,825,000	18,200,000
Water System Revenue Obligation, Series 2013	1.50 - 5.00	2030	21,065,000	20,065,000
Water System Revenue Obligation, Series 2014	3.00 - 5.00	2033	35,630,000	35,130,000
2015 Refunding	3.00 - 5.00	2032	46,640,000	46,640,000
2016 Refunding	2.00 - 5.00	2024	71,805,000	71,805,000
Water System Revenue Obligation, Series 2015	2.00 - 5.00	2033	20,570,000	20,170,000
Water System Revenue Obligation, Series 2016	3.00 - 5.00	2035	17,215,000	17,215,000
Jr Lien Water System Refunding Bond 2012	1.90	2021	15,245,000	7,310,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	3,215,938
2004 Water Infrastructure Finance Authority (WIF5)	3.15 - 3.15	2023	3,000,000	1,314,594
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	1,108,907
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	1,476,396
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	1,458,453
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	1,156,677
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	3,759,239
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	11,294,799
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	1,776,318
2009B Water Infrastructure Finance Authority (WIF12)	3.60	2028	1,000,000	682,069
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,809,344
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	12,472,896
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	3,366,335
Total			<u>\$ 613,607,000</u>	<u>\$ 494,071,965</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 9 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2016 is \$692,000 that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$1,085,842 in the Special Assessment Bond & Interest Fund at June 30, 2016 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

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

E. Annual Principal and Interest Requirements

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

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 25,635,000	\$ 8,039,341	\$ 13,610,000	\$ 3,400,250	\$ 399,000	\$ 25,125
2018	24,570,000	7,087,885	14,145,000	2,757,450	257,000	8,340
2019	26,175,000	6,137,568	10,130,000	2,090,250	36,000	946
2020	27,995,000	4,990,933	10,560,000	1,583,750		
2021	25,520,000	3,763,475	10,730,000	1,067,250		
2022-2026	73,965,000	8,036,000	10,615,000	530,750		
2027-2031	5,000,000	150,000				
Totals	\$ 208,860,000	\$ 38,205,202	\$ 69,790,000	\$ 11,429,700	\$ 692,000	\$ 34,411

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewable Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,334,300	\$ 429,834	\$ 30,568,133	\$ 21,460,334
2018	1,349,300	387,092	33,421,690	20,348,369
2019	1,364,300	343,356	36,198,942	19,141,670
2020	1,379,300	298,910	37,590,012	17,770,896
2021	5,388,600	794,632	38,195,023	16,182,078
2022-2026	445,000	12,638	171,896,772	55,339,300
2027-2031			114,989,666	21,408,719
2032-2036			31,211,727	1,993,781
Totals	\$ 11,260,800	\$ 2,266,462	\$ 494,071,965	\$ 173,645,147

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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 \$132,050,000, General Obligation debt of \$32,625,000 and Certificates of Participation \$35,910,000.

On June 29, 2016, the City issued \$34,160,000 in tax-exempt Certificates of Participation to refund and restructure the Series 2006, 2006-A, 2007 and 2009 bonds and to pay costs associated with the issuance of the bonds. Interest rates on the refunding bonds range from 2% to 5% with maturity dates from July 1, 2017 to July 1, 2029. Debt service payments are scheduled semi-annually with total annual amounts ranging from \$1,945,194 to \$4,526,600 (including interest). The City realized net present value savings of \$3,094,660 over the life of the issuance, as a result of the refunding.

On June 29, 2016, the City issued \$23,020,000 General Obligation Bonds to refund Series 2006 and 2006 Refunding bonds and to pay costs associated with the issuance of the bonds. Interest rates on the refunding bonds range from 2% to 4% with maturity dates from July 1, 2017 to July 1, 2024. Debt service payments are scheduled semi-annually with total annual amounts ranging from \$2,615,600 to \$6,761,736 (including interest). The City realized net present value savings of \$1,777,095 over the life of the issuance, as a result of the refunding.

On April 6, 2016 the City issued \$71,805,000 Water System Revenue Refunding Bonds, Series 2016-A, to refund Water System Revenue Bonds Series 2006, 2006 Refunding, 2005-C and 2008 Water System Revenue Bonds and to pay costs related to the issuance of the bonds. The interest rates on the refunding bonds ranges from 2% to 5% with maturity dates from July 1, 2017 to July 1, 2024. Debt service payments are scheduled semi-annually with total annual amounts ranging from \$793,510 to \$17,868,000 (including interest). The economic gain resulting from the refunded bonds is \$8,915,676, based on the net present value from delivery date. The City realized net present value savings of \$8,915,676 over the life of the issuance, as a result of the refunding.

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 2016. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2016. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 11 - LANDFILLS (Continued):

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

Landfill Site	Landfill Capacity Used as of 6/30/2016	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/2016	Estimated Closure/ Postclosure Cost to be Recognized in Future Years	Estimated Remaining Life in Years
Los Reales	96.10%	\$ 34,980,407	\$ 33,609,173	\$ 1,371,234	30
Harrison	100%	3,850,723	3,850,723		
Irvington	100%	2,373,096	2,373,096		
Mullins	100%	2,585,849	2,585,849		
Totals		<u>\$ 43,790,075</u>	<u>\$ 42,418,841</u>	<u>\$ 1,371,234</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 has started accumulating a portion of net position to address the closure/post-closure liability (\$8,918,107) and construction of new landfill cells (\$12,246,600).

The June 30, 2016, liability for closure and post-closure costs is \$42,418,841 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, 2016, 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	\$ 1,007,347,842	\$ 88,543,092	\$ 1,095,890,934
Deferred outflows of resources	181,307,836	11,926,656	193,234,492
Deferred inflows of resources	51,244,939	7,475,330	58,720,269
Pension expense	97,725,075	14,947,017	112,672,092

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 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

The System covers substantially all City of Tucson, Arizona, employees, except for appointed officials and staff who may elect not to join, and commissioned police and fire personnel and elected officials, who are covered under other plans. Employees participate in the System immediately upon beginning employment with the City. Employee membership data as of June 30, 2016 is as follows:

Active Plan Participants	
Active plan members	2,495
Inactive plan members (or their beneficiaries)	
currently receiving benefits	2,945
Inactive plan members entitled to but not yet receiving benefits	390
Total active plan participants	5,830

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.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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, 2016, allocations were based on rates of return of 6.00% per annum. Any unallocated earnings remain in unreserved net position.

The net position at June 30, 2016, consisted of the following components:

Reserved for employee contributions	\$ 133,200,540
Reserved for retirement benefits	699,577,704
Unreserved net position (deficit)	<u>(105,995,365)</u>
Net Position	<u>\$ 726,782,879</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, 2016.

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

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

The City maintains an investment pool account for City funds. Bi-weekly contributions for the Tucson Supplemental Retirement System are held in the City's investment pool account and are used to pay recurring expenditures. The \$2,058,745 cash balance in the investment pool account, as well as, current deposits to the City's investment pool account are invested in money market funds consisting of U.S. Treasuries and Agencies and separately held issues of federal agency and U.S. corporate bonds with ratings no lower than A2 as reported by Moody's.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

E. Liability, Expense and Deferred Outflows/Inflows

The components of the net pension liability at June 30, 2016 are as follows:

Total Pension Liability	\$ 1,030,694,946
Plan's Fiduciary Net Position	726,782,879
Net Pension Liability	<u>\$ 303,912,067</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.51%

Pension Expense and Deferred Outflows/Inflows of Resources-For the year ended June 30, 2016, the City recognized pension expense for TSRS of \$27,504,176. At June 30, 2016, 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	\$	\$ 9,076,059
Assumption changes		16,459,457
Net Difference between projected and actual earnings on pension plan investments	40,741,121	
Total	<u>\$ 40,741,121</u>	<u>\$ 25,535,516</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			
	2017	\$	466,291
	2018		466,291
	2019		7,551,660
	2020		6,721,363
Total		<u>\$</u>	<u>15,205,605</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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, 2016, 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 6/30/15	<u>\$ 1,021,377,564</u>	<u>\$ 739,793,547</u>	<u>\$ 281,584,017</u>
Changes for the year:			
Service Cost	14,279,065		14,279,065
Interest	72,013,831		72,013,831
Differences between expected and actual	(6,529,764)		(6,529,764)
Contributions - employer		33,175,307	(33,175,307)
Contributions - member		7,083,385	(7,083,385)
Net investment income		17,820,325	(17,820,325)
Benefits and refund payments	(70,445,750)	(70,445,750)	
Administrative expense		(786,028)	786,028
Other changes		142,093	(142,093)
Net changes	<u>9,317,382</u>	<u>(13,010,668)</u>	<u>22,328,050</u>
Balances at 6/30/16	<u><u>\$ 1,030,694,946</u></u>	<u><u>\$ 726,782,879</u></u>	<u><u>\$ 303,912,067</u></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, 2016

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

G. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2016 valuation covering the plan year July 1, 2015 through June 30, 2016 are as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Inflation	3%
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.

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, 2016:

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return Arithmetic</u>
Large Cap Equities	26%	6.35%
Small/Mid Cap Equities	8%	7.60%
International Equities	25%	7.30%
Fixed Income	27%	0.80%
Real Estate	9%	4.95%
Infrastructure	5%	6.50%
Total	100%	
Average Arithmetic Return		5.07%

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

contribution, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk free" rate is required as described below.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and tax-exempt municipal bond rate base on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate of return are not met). For this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 2.85%; and the resulting single discount rate is 7.25%.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Net Pension Liability	\$ 407,718,893	\$ 302,460,706	\$ 212,694,267

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, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 2.38%. 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 seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues publicly available financial reports that include financial statements and required supplementary information. Financial statements are issued by PSPRS and are available online at www.psprs.com.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

B. Plan Benefits

The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as described in the table below:

	Initial membership date	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% of retired member's pension benefit	
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

C. Membership and Contributions

At June 30, 2016, the following employees were covered by the agent pension plan's benefit terms:

<u>Plan Participants</u>	<u>Police</u>	<u>Fire</u>
Active plan members	861	502
Retirees and beneficiaries	870	523
Inactive, non-retired members	146	96
Total plan participants	<u>1,877</u>	<u>1,121</u>

In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Employees covered by the Public Safety Personnel Retirement System contribute 11.05% of their salary to the System. The System's funding policy provides for actuarially determined employer contribution rates which will provide assets sufficient to pay benefits when due. For the fiscal year ended June 30, 2016, the required employer contribution rates were 52.14% and 54.55%, respectively, for Police and Fire. If a member leaves covered employment or dies and no benefit is payable, accumulated member contributions are refunded to the member or designated beneficiary.

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension Contributions Made	\$ 34,405,880	\$ 21,553,190
Health Insurance Premium Benefit		
Annual OPEB Cost	\$ 534,499	\$ 221,261
OPEB Contributions Made	\$ 534,499	\$ 221,261

D. Liability, Expense and Deferred Outflows/Inflows

At June 30, 2016, the City reported the following net pension liabilities:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Total Pension Liability	\$ 771,560,785	\$ 480,951,542
Plan's Fiduciary Net Position	287,219,049	173,486,605
Net Pension Liability	<u>\$ 484,341,736</u>	<u>\$ 307,464,937</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	37.23%	36.07%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The significant actuarial assumptions used to measure the total pension liability are presented on the table on the following page:

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

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The tables on the next two pages present the changes in the net pension liability for Police and Fire respectively:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Tucson Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 767,401,990	\$ 297,320,211	\$ 470,081,779
Changes for the year:			
Service cost	11,668,152		11,668,152
Interest on the total pension liability	58,577,435		58,577,435
Changes of benefit terms			
Differences between the expected and actual experience in the measurement of the pension liability	(12,033,376)		(12,033,376)
Changes of assumptions			
Contributions--employer		26,978,551	(26,978,551)
Contributions--employee		7,096,010	(7,096,010)
Net investment income		10,553,615	(10,553,615)
Benefits payments, including refunds of employee contributions	(54,053,416)	(54,053,416)	
Pension Plan Administrative Expense		(257,865)	257,865
Other changes		(418,057)	418,057
Net changes	4,158,795	(10,101,162)	14,259,957
Balances at June 30, 2016	\$ 771,560,785	\$ 287,219,049	\$ 484,341,736

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Tucson Fire	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 477,118,955	\$ 177,549,205	\$ 299,569,750
Changes for the year:			
Service cost	7,103,326		7,103,326
Interest on the total pension liability	36,501,680		36,501,680
Changes of benefit terms			
Differences between the expected and actual experience in the measurement of the pension liability	(8,410,285)		(8,410,285)
Changes of assumptions			
Contributions--employer		17,186,603	(17,186,603)
Contributions--employee		4,092,378	(4,092,378)
Net investment income		6,307,289	(6,307,289)
Benefits payments, including refunds of employee contributions	(31,362,134)	(31,362,134)	
Pension Plan Administrative Expense		(154,261)	154,261
Other changes		(132,475)	132,475
Net changes	3,832,587	(4,062,600)	7,895,187
Balances at June 30, 2016	\$ 480,951,542	\$ 173,486,605	\$ 307,464,937

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

Pension expense recognized by the City for the year ended June 30, 2016 is \$86,002,321.

Deferred outflows of resources and deferred inflows of resources related to pension are recorded at June 30, 2016 from the following sources as presented on the next page:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

Tucson Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 10,926,709
Assumption changes	52,171,130	
Net Difference between projected and actual earnings on pension plan investments	9,580,258	9,063,139
City contributions subsequent to measurement date	34,405,880	
Total	\$ 96,157,268	\$ 19,989,848
Tucson Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 64,539	\$ 6,908,958
Assumption changes	28,611,298	
Net Difference between projected and actual earnings on pension plan investments	5,778,644	5,454,939
City contributions subsequent to measurement date	21,553,190	
Total	\$ 56,007,671	\$ 12,363,897

The amounts reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date are recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Tucson Police	Tucson Fire
Year ended June 30		
2017	\$ 12,163,576	\$ 5,943,713
2018	12,163,576	5,943,713
2019	12,163,578	5,943,713
2020	5,968,411	5,163,095
2021	(697,601)	(903,650)
Thereafter		
Total	\$ 41,761,540	\$ 22,090,584

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

E. Rate of Return and Discount Sensitivity

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85% (see actuarial assumptions table in section D). 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%	6.23%
Non-U.S. Equity	14%	8.25%
Private Equity	11%	9.50%
Fixed Income	7%	2.92%
Credit Opportunities	13%	7.08%
Absolute Return	5%	4.11%
GTAA	10%	4.38%
Real Assets	8%	4.77%
Real Estate	10%	4.48%
Risk Parity	4%	5.13%
Short Term Investments	2%	0.75%
Total	100%	

The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Tucson Police			
Rate	6.85%	7.85%	8.85%
Net Pension liability	\$ 569,595,969	\$ 484,341,736	\$ 412,729,129
Tucson Fire			
Rate	6.85%	7.85%	8.85%
Net Pension liability	\$ 357,842,383	\$ 307,464,937	\$ 264,922,686

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

F. Agent Plan OPEB Actuarial Assumptions

The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the City and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

PSPRS - OPEB Contribution Requirements

Actuarial Valuation Date	June 30, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining Amortization Period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset Valuation Method	7-Year smoothed market; 20% corridor
Actuarial Assumptions:	
	Investment Rate of Return: 7.85%
	Projected Salary Increases: 4%-8%
	Wage Growth: 4%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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

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

Year Ended June 30	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Tucson Police			
2016	\$ 634,874	100%	—
2015	560,023	100%	—
2014	505,314	100%	—
Tucson Fire			
2016	\$ 324,886	100%	—
2015	137,280	100%	—
2014	212,632	100%	—

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow:

	Tucson Police	Tucson Fire
Actuarial value of assets: (a)	\$ 16,630,244	\$ 11,399,685
Actuarial accrued liability: (b)	21,931,804	13,375,806
Unfunded actuarial accrued liability: (b) - (a)	5,301,560	1,976,121
Funded ratio: (a) / (b)	76%	85%
Annual covered payroll: (c)	\$ 59,290,594	\$ 42,306,370
Unfunded actuarial accrued liability as a percentage of covered payroll: (b) - (a) / (c)	9%	5%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 14 – ELECTED OFFICIALS RETIREMENT PLAN:

A. Plan Description

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

B. Plan Benefits

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

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 14 - ELECTED OFFICIALS RETIREMENT PLAN: (Continued)

C. Contributions

Contributions-State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2016, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the City was required to contribute 23.5 percent of active EORP members' annual covered payroll. In addition, the City was required by statute to contribute 23.5 percent of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the EORP. The City's contributions to the pension plan for the year ended June 30, 2016, were \$43,949.

D. Liability, Expense and Deferred Outflows/Inflows

At June 30, 2016, the City reported a liability for its proportionate share of the net pension liability of the EORP that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amounts the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP		
net pension liability	\$	1,623,555
State's proportionate share of the EORP		
net pension liability associated with the City		506,156
Total	\$	2,129,711

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2015, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

The City's proportion of the net pension liability as of June 30, 2015 was based on the City's actual contributions to the plan relative to the total of all participating employers' actual contributions for the year. The City's proportion measured as of June 30, 2015 was 0.208%.

For the year ended June 30, 2016, the City recognized pension expense for EORP of \$401,274. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 14 - ELECTED OFFICIALS RETIREMENT PLAN: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,596	\$ 18,076
Assumption changes	272,040	
Net Difference between projected and actual earnings on pension plan investments	9,847	
Changes in proportion and differences between employer contributions and proportionate share		153,532
City contributions subsequent to measurement date	43,949	
Total	\$ 328,432	\$ 171,608

The \$43,949 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ended June 30		
2017	\$	125,011
2018		(20,361)
2109		811
2020		7,414
Total	\$	112,875

E. Actuarial Assumptions

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	4.86%
Projected salary increases	4.25%
Inflation	3.00%
Permanent benefit increase	Members retired on or before July 1, 2011: 3% of benefit Members retired on or after August 1, 2011: 0.5% of benefit
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 14 - ELECTED OFFICIALS RETIREMENT PLAN: (Continued)

F. Rate of Return and Discount Sensitivity

The long-term expected rate of return on EORP pension plan investments was determined to be 4.86 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Real Return Geometric Basis
Short term investments	2.00%	0.75%
Absolute return	5.00%	4.11%
Risk parity	4.00%	5.13%
Fixed income	7.00%	2.92%
Real assets	8.00%	4.77%
GTAA	10.00%	4.38%
Private equity	11.00%	9.50%
Real estate	10.00%	4.48%
Credit opportunities	13.00%	7.08%
Non-U.S. equity	14.00%	8.25%
U.S. equity	16.00%	6.23%
Total	100.00%	

Sensitivity of the City's proportionate share of the EORP net pension liability to changes in the discount rate- The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 4.86 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.86 percent) or 1 percentage point higher (5.86 percent) than the current rate:

	1% Decrease 3.86%	Current Discount Rate 4.86%	1% Increase 5.86%
Net Pension Liability \$	1,890,023	1,623,555	1,399,469

Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 15 – OTHER POST EMPLOYMENT BENEFITS:

A. Plan Descriptions

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

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

The City contributed towards the medical premiums of 1,192 participants as of June 30, 2015. Depending upon the date of retirement, the City generally pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents. City of Tucson employees retiring or entering a Deferred Retirement Option Plan program after January 1, 2011 will receive a fixed retiree health subsidy based on their plan choice. Individuals hired on or after January 1, 2016 are not eligible for retiree medical, dental, vision or life insurance.

B. Contributions and Funding Policy

The City's policy for other post-employment benefits is to contribute 75% of the cost of retiree medical premiums prior to Medicare eligibility (age 65) for retirements that occurred prior to January 1, 2011. Effective January 1, 2011, the employer contribution changed to a flat rate. Contribution amounts will vary based on plan options. The City also provides a life insurance benefit of \$7,500 to all retirees, regardless of age. Currently the costs associated with this retirement benefit are expended as the appropriate medical and life insurance premiums are paid. For fiscal year 2016 the City's portion of the retiree medical insurance was \$9,589,865 and the retiree life insurance was \$299,582.

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

OPEB Cost Plan for the Last Three Fiscal Years

Fiscal Year ended, June 30	Annual Contribution (ARC)	Employer contributions	Interest on Net OPEB	ARC Adjustment	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Liability)
2016	\$ 15,397,386	\$15,555,902	\$ 530,791	\$ (470,711)	\$ 15,457,466	101.03%	\$ 11,696,918
2015	15,497,550	13,866,659	455,083	(403,572)	15,549,061	89.51%	11,795,354
2014	15,291,809	13,797,801	385,887	(342,209)	15,335,487	90.23%	10,112,952

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

C. Funding Status

The following table provides the funded status of the plans as of the most recent valuation date of June 30, 2015 and two prior years. The purpose of the valuation is to measure the funding progress of the plan and to establish contribution rates for the 2016 - 2017 fiscal year.

Schedule of Funding Progress with Dollar Amounts in Thousands
(Excluding Health Insurance Subsidy - Police & Fire)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age / Projected Unit Credit	Unfunded (Overfunded) AAL	Funded Ratio	Active Member Covered Payroll	Unfunded (Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll
July 1	(a)	(b)	(b) - (a)	(a) / (b)	(c)	(b-a) / (c)
<u>OPEB (City)</u>						
2015		\$ 215,961	\$ 215,961		\$ 217,930	99.1%
2014		213,318	213,318		225,458	94.6%
2013		213,216	213,216		240,171	88.8%

D. Trend Information

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

OPEB Three Year Trend Information with Dollar Amounts in Thousands

Fiscal Year Ended June 30	Annual Required Contribution	Percentage of ARC Contributed	Net Pension and OPEB Obligation
2016	\$ 15,397	101.03%	\$ 11,697
2015	15,498	89.48%	11,795
2014	15,292	90.23%	10,113

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

E. Actuarial Information and Assumptions

Actuarial Valuation Date	July 1, 2015
Actuarial Cost Method	Projected unit credit
Amortization Method	30-year open, level % of pay
Remaining Amortization Period	30 years as of July 1, 2015
Asset Valuation Method	N/A. No assets in OPEB trust.

Actuarial Assumptions:

Investment Rate of Return	4.50%
Projected Payroll Increases	3.50%
Medical/Drug cost trend rate	6.25% in 2015/2016, grading down by 0.25% per year until ultimate rate of 5.0%

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 as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

All risk management activities are accounted for in the Self Insurance Internal Service Fund that has an appointed Board of Trustees. There have not been any settlements in excess of the insurance coverage provided by this fund in the previous 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 Self Insurance Fund's aggregate claims liabilities for the fiscal years ended June 30, 2016 and 2015, are as follows:

	2016	2015
Beginning of fiscal year liability	\$ 39,936,500	\$ 38,166,700
Current year claims and changes in estimates	6,145,471	10,126,137
Claim Payments	(6,140,971)	(8,356,337)
Balance at fiscal year end	\$ 39,941,000	\$ 39,936,500

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 17 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$494,071,965 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 2035. Annual principal and interest payments on the bonds are expected to require less than 64 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$667,717,112. Principal and interest paid for the current year and total customer net revenues were \$50,917,022 and \$79,886,324, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$69,790,000 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 2016 annual principal and interest payments on the bonds required 36.4% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$81,219,700. Principal and interest paid for the current year and total H.U.R.F. revenues were \$17,040,618 and \$46,779,437, 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 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 \$3,332,203. 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 \$21,414,430.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$33,348,233 at June 30, 2016.

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 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 \$28,854,492 at June 30, 2016.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest at various rates, was \$3,654,455 at June 30, 2016.

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

H. Financing of Silverbell Homes Low-income Housing

On November 15, 2005, and as amended on September 6, 2006, the City entered into a capital lease with Silverbell Homes Limited Partnership (Silverbell Homes), whereby the City leased various parcels to Silverbell Homes for a period of 89 years. Under the terms of the lease, Silverbell Homes will develop and operate the properties solely as low-income residential housing facilities. Silverbell Homes financed this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest, was \$2,325,286 at June 30, 2016.

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

I. Financing of Martin Luther King Low-income Housing

On September 22, 2009, the City amended a ground lease for 89 years with MLK I, LLC (MLK) to include only an above ground condominium unit for development of low-income residential housing units. MLK financed this development through Low-Income Housing Tax Credit Exchange funds and State Housing Funds from the State of Arizona, Federal Home Loan Bank funds from Alliance Bank, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance was \$7,295,230 at June 30, 2016.

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 \$1,515,000 at June 30, 2016.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$1,735,000 at June 30, 2016.

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 District”), 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 the existing debt service obligation. As of June 30, 2016, the balance due is \$20,848,384.

L. Encumbrances

The City of Tucson utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. All appropriations lapse on the last day of the fiscal year. Any outstanding commitments that the City intends to honor are re-budgeted in the new fiscal year. At June 30, 2016, the City intended to honor \$42,677,015 of outstanding encumbrances in the new year.

General Fund	\$ 1,899,258
Mass Transit	2,972,678
Nonmajor Governmental Funds	<u>37,805,079</u>
Total	<u>\$ 42,677,015</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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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 2016 the City received rebate revenues of \$849,555.

Note 21 – SUBSEQUENT EVENTS:

The City adopted Resolution 22647 on October 5, 2016 which authorized the sale of City owned land to Rio Nuevo Multipurpose Facilities District (Rio Nuevo) in return for a reduced liability owed by the City to Rio Nuevo for the garage settlement described in Note 18, section K. The liability was reduced from \$20,848,384 to \$6,100,000, which will be paid in twenty-one annual payments of \$285,000 from fiscal year 2022 through fiscal year 2042. In fiscal year 2043 a final payment of \$115,000 will satisfy the liability in full.

Note 22 – NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS:

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015 and the City reported fair market values in Note 4 as required.

In June 2015, the GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, which completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by Statements 67 and 68). The requirements in Statement 73 for reporting pensions generally are the same as in Statement 68 and are effective for financial statements for fiscal years beginning after June 15, 2016. The City does not have pension plans not held in trusts and is not affected by this statement.

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

In June 2015, the GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The City will disclose its OPEB benefit plan as required by GASB Statement No. 75 beginning fiscal year 2018.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**Note 22 - NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS
(Continued):**

GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

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

CITY OF TUCSON, ARIZONA



**Required Supplementary
Information**

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 251,777,080	\$ 248,560,350	\$ 251,930,389	\$ 3,370,039
Licenses and Permits	28,349,160	28,349,160	29,661,134	1,311,974
Fines and Forfeitures	14,331,870	14,331,870	12,217,670	(2,114,200)
Use of Money and Property	648,930	648,930	1,171,359	522,429
Federal Grants and Contributions			10,285	10,285
Other Agencies	139,034,550	139,034,550	139,127,178	92,628
Charges for Services	39,053,170	39,053,170	42,505,262	3,452,092
Miscellaneous	10,382,120	10,382,120	16,837,028	6,454,908
Total revenues	483,576,880	480,360,150	493,460,305	13,100,155
Expenditures:				
Current -				
Elected and Official	20,478,530	18,665,020	17,622,992	1,042,028
Support Services	46,417,680	44,363,250	43,888,000	475,250
Public Safety/Justice Services	266,005,150	265,145,800	263,666,872	1,478,928
Community Enrichment and Development	53,269,450	51,357,720	48,450,396	2,907,324
Non-Departmental	27,477,840	27,532,840	28,313,991	(781,151)
Capital Outlay	3,000,640	3,888,370	2,596,125	1,292,245
Capital Projects	1,031,800	1,031,800	844,836	186,964
Debt service -				
Principal	15,501,930	15,536,930	15,408,866	128,064
Interest	8,347,070	8,347,070	8,898,570	(551,500)
Fiscal Agent Fees			67,639	(67,639)
Issuance Costs of Debt			471,715	(471,715)
Total expenditures	441,530,090	435,868,800	430,230,002	5,638,798
Excess (deficiency) of revenues over expenditures	42,046,790	44,491,350	63,230,303	18,738,953
Other financing sources (uses):				
Refunding Proceeds			25,650,000	25,650,000
Premium on Debt Issuance			4,482,570	4,482,570
Refunded Bond Escrow Agent			(29,660,855)	(29,660,855)
Transfers In	1,600,000	1,600,000	1,829,510	229,510
Transfers Out	(52,571,400)	(52,571,400)	(55,289,151)	(2,717,751)
Total other financing sources (uses)	(50,971,400)	(50,971,400)	(52,987,926)	(2,016,526)
Change in fund balances	\$ (8,924,610)	\$ (6,480,050)	10,242,377	\$ 16,722,427
Fund balance, beginning of year			65,708,847	
Fund balance, end of year			\$ 75,951,224	

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

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of Money and Property	\$ 360,000	\$ 360,000	\$ 667,627	\$ 307,627
Federal Grants and Contributions	28,303,470	28,303,470	19,838,627	(8,464,843)
Other Agencies	13,829,020	13,829,020	12,990,187	(838,833)
Charges for Services	13,156,630	11,436,750	10,721,818	(714,932)
Miscellaneous	100,370	100,370	796,273	695,903
Total revenues	<u>55,749,490</u>	<u>54,029,610</u>	<u>45,014,532</u>	<u>(9,015,078)</u>
Expenditures:				
Current -				
Community Enrichment and Development	77,585,280	75,865,400	72,303,024	3,562,376
Capital Outlay	12,114,000	12,529,180	11,016,880	1,512,300
Capital Projects	11,508,100	11,189,750	4,842,087	6,347,663
Total expenditures	<u>101,207,380</u>	<u>99,584,330</u>	<u>88,161,991</u>	<u>11,422,339</u>
Excess (deficiency) of revenues over expenditures	<u>(45,457,890)</u>	<u>(45,554,720)</u>	<u>(43,147,459)</u>	<u>2,407,261</u>
Other financing sources (uses):				
Transfers In	45,483,070	45,483,070	41,784,125	(3,698,945)
Total other financing sources (uses)	<u>45,483,070</u>	<u>45,483,070</u>	<u>41,784,125</u>	<u>(3,698,945)</u>
Changes in fund balances	<u>\$ 25,180</u>	<u>\$ (71,650)</u>	<u>(1,363,334)</u>	<u>\$ (1,291,684)</u>
Fund balance, beginning of year			6,172,723	
Fund balance, end of year			<u>\$ 4,809,389</u>	

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

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

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)

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 14,279,065	\$ 15,753,944	\$ 14,825,019
Interest Cost	72,013,831	70,688,775	66,915,612
Changes of Benefit Terms			
Differences Between Expected and Actual Experience	(6,529,764)	(7,815,270)	325,889
Changes of Assumptions		(31,210,057)	76,945,563
Benefit Payments, Including Refunds of Member Contributions	(70,445,750)	(67,612,351)	(66,002,013)
Net Change in Total Pension Liability	9,317,382	(20,194,959)	93,010,070
Total Pension Liability - Beginning	1,021,377,564	1,041,572,523	948,562,453
Total Pension Liability - Ending	<u>\$1,030,694,946</u>	<u>\$1,021,377,564</u>	<u>\$1,041,572,523</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 33,175,307	\$ 33,985,523	\$ 34,189,288
Contributions - Member	7,083,385	7,531,845	7,338,543
Net Investment Income	17,820,325	30,684,188	119,729,154
Benefit Payments, Including Refunds of Member Contributions	(70,445,750)	(67,612,351)	(66,002,013)
Administrative Expense	(786,028)	(650,405)	(735,739)
Other	142,093	118,247	171,077
Net Change in Plan Fiduciary Net Position	(13,010,668)	4,057,047	94,690,310
Plan Fiduciary Net Position - Beginning	739,793,547	735,736,500	641,046,190
Plan Fiduciary Net Position - Ending	<u>\$ 726,782,879</u>	<u>\$ 739,793,547</u>	<u>\$ 735,736,500</u>
Net Pension Liability - Ending	<u>\$ 303,912,067</u>	<u>\$ 281,584,017</u>	<u>\$ 305,836,023</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	72.43%	70.64%
Covered Employee Payroll	\$ 115,183,349	\$ 123,414,560	\$ 126,639,423
Net Pension Liability as a Percentage of Covered Employee Payroll	262.59%	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	Covered	Net Pension
Ending	Pension	Position	Liability	Position as	Payroll	Liability as a
June 30,	Liability	Position	Liability	a % of		% of Covered
				Total Pension		Payroll
				Liability		
2016	\$ 1,030,694,946	\$ 726,782,879	\$ 303,912,067	70.51%	\$ 115,183,349	263.85%
2015	1,021,377,564	739,793,547	281,584,017	72.43%	123,414,560	228.16%
2014	1,041,572,524	735,736,500	305,836,024	70.64%	126,639,423	241.50%

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

Valuation date	FY Ending June 30,	Actuarially Determined Rate	Actuarially Determined Contribution	Actual Contribution Rate	Actual Contribution	Rate Deficiency (Excess)	Contribution Deficiency (Excess)	Employee	
								Covered Payroll at Val Date	Covered Payroll during FY
6/30/2014	2016	27.03%	\$ 33,358,956	27.50%	\$ 33,175,307	(0.47)%	\$ 183,649	\$ 126,639,423	\$ 123,414,560
6/30/2013	2015	26.95%	34,129,324	27.50%	33,985,523	(0.55)%	143,801	125,857,903	126,639,423
6/30/2012	2014	27.09%	34,094,906	27.09%	34,189,288	0.00%	(94,382)	125,003,023	125,857,903

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

Valuation Date: June 30, 2016

Notes Actuarially determined contribution rates are calculated for the fiscal year beginning one year after the valuation date (one year lag). The actuarial valuation as of June 30, 2014 determines the contribution for fiscal year ending June 30, 2016.

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)**

	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	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) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability		
Service Cost	\$ 11,668,152	\$ 11,720,855
Interest	58,577,435	49,886,649
Changes of Benefit Terms		17,350,937
Differences Between Expected and Actual Experience	(12,033,376)	(1,845,566)
Changes of Assumptions		82,969,636
Benefit Payments, Including Refunds of Member Contributions	(54,053,416)	(44,637,621)
Net Change in Total Pension Liability	4,158,795	115,444,890
Total Pension Liability - Beginning	767,401,990	651,957,100
Total Pension Liability - Ending	<u>\$ 771,560,785</u>	<u>\$ 767,401,990</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 26,978,551	\$ 25,050,303
Contributions - Member	7,096,010	6,411,220
Net Investment Income	10,553,615	36,646,985
Benefit Payments, Including Refunds of Member Contributions	(54,053,416)	(44,637,621)
Pension Plan Administrative Expense	(257,865)	
Other (Net Transfer)	(418,057)	(14,311,889)
Net Change in Plan Fiduciary Net Position	(10,101,162)	9,158,998
Plan Fiduciary Net Position - Beginning	297,320,211	288,161,213
Plan Fiduciary Net Position - Ending	<u>\$ 287,219,049</u>	<u>\$ 297,320,211</u>
City's Net Position Liability - Ending	<u>\$ 484,341,736</u>	<u>\$ 470,081,779</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	37.23%	38.74%
Covered-Employee Payroll	\$ 58,837,806	\$ 57,677,943
City's Net Position Liability as a Percentage of Covered Employee Payroll	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)		Reporting Fiscal Year (Measurement Date)	
	2016 (2015)		2015 (2014)	
Total Pension Liability				
Service Cost	\$	7,103,326	\$	7,175,895
Interest		36,501,680		31,594,819
Changes of Benefit Terms				9,902,338
Differences Between Expected and Actual Experience		(8,410,285)		99,733
Changes of Assumptions				44,213,488
Benefit Payments, Including Refunds of Member Contributions		(31,362,134)		(29,522,292)
Net Change in Total Pension Liability		3,832,587		63,463,981
Total Pension Liability - Beginning		477,118,955		413,654,974
Total Pension Liability - Ending	\$	480,951,542	\$	477,118,955
Plan Fiduciary Net Position				
Contributions - Employer	\$	17,186,603	\$	15,972,870
Contributions - Member		4,092,378		3,849,878
Net Investment Income		6,307,289		22,057,153
Benefit Payments, Including Refunds of Member Contributions		(31,362,134)		(29,522,292)
Pension Plan Administrative Expense		(154,261)		
Other		(132,475)		(9,649,798)
Net Change in Plan Fiduciary Net Position		(4,062,600)		2,707,811
Plan Fiduciary Net Position - Beginning		177,549,205		174,841,394
Plan Fiduciary Net Position - Ending	\$	173,486,605	\$	177,549,205
City's Net Position Liability - Ending	\$	307,464,937	\$	299,569,750
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability				
		36.07%		37.21%
Covered-Employee Payroll	\$	35,256,316	\$	35,105,468
City's Net Position Liability as a Percentage of Covered Employee Payroll		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
2015	2016	\$ 26,978,551	\$ 26,978,551		\$ 58,837,806	45.85%
2014	2015	25,050,303	25,050,303		57,677,943	43.43%

TUCSON FIRE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
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:

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 2015 Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset Valuation Method	7-Year smoothed market; 20% corridor
Wage growth	4.5%
Price Inflation	3.0% - 4.0% -- approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	4.50% to 8.50% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

Other Information:

Assumed Future Permanent Benefit Increases	No explicit Assumed Permanent Benefit Increases Assumption
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CITY OF TUCSON, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST-SHARING PENSION PLAN - ELECTED OFFICIAL

Fiscal Year Ending June 30,	City's Proportion of Net Pension Liability	City's Proportionate Share of Net Pension Liability	State's Proportionate Net Pension Liability	Total	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2016	0.208%	\$ 1,623,555	\$ 506,156	\$ 2,129,711	\$ 186,000	1,145.01%
2015	0.258%	1,732,465	531,189	2,263,654	186,000	1,217.02%

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

Valuation Date	Fiscal Year Ending June 30,	Statutorily Required Contribution	City's Contributions in Relation to Statutorily Required Contribution	City's Contribution Deficiency (Excess)	Covered Payroll	City's Contributions as a Percentage of Covered Employee Payroll
6/30/2015	2016	\$ 43,949	\$ 43,949		\$ 186,000	23.63%
6/30/2014	2015	43,829	43,829		186,000	23.56%
6/30/2013	2014	55,049	55,049		186,000	29.60%

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

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
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Tucson Police

2016	\$ 16,630,244	\$ 21,931,804	\$ 5,301,560	75.80	\$ 59,290,594	8.94%
2015	16,692,997	21,156,184	4,463,187	78.90	58,837,806	7.59%
2014	15,974,237	20,768,531	4,794,294	76.92	57,677,930	8.31%
2013		20,511,640	20,511,640	0.00	57,032,297	35.96%

Tucson Fire

2016	\$ 11,399,685	\$ 13,735,806	\$ 2,336,121	82.99	\$ 42,306,370	5.52%
2015	11,451,289	11,629,158	177,869	98.47	35,256,316	0.50%
2014	10,990,964	12,908,005	1,917,041	85.15	35,105,469	5.46%
2013		12,850,458	12,850,458	0.00	34,904,848	36.82%

Note 1 – Factors That Affect the Identification of Trends

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



CITY OF TUCSON, ARIZONA



Combining Statements and Individual Fund Statements and Schedules

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2016

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$ 16,160,762	\$ 3,304,345	\$ 61,959,579	\$ 81,424,686
Cash & Investments with Fiscal Agents	16,914,153	42,789,543		59,703,696
Cash & Investments with Fiscal Agents - Restricted			3,669,417	3,669,417
Accounts Receivable, Net	606,490		27,695	634,185
Special Assessments Receivable		331,882		331,882
Notes & Loans Receivable	28,526,995			28,526,995
Interfund Receivable	9,003			9,003
Due from Other Agencies	4,851,586		32,747,058	37,598,644
Grants & Entitlements Receivable	8,684,844			8,684,844
Interest Receivable	33,006	10,812	85,509	129,327
Inventories	92,231			92,231
Other Assets	26,678			26,678
Total assets	<u>75,905,748</u>	<u>46,436,582</u>	<u>98,489,258</u>	<u>220,831,588</u>
Deferred outflows:				
Deferred Settlement Proceeds	1,480,018			1,480,018
Total deferred outflows	<u>1,480,018</u>			<u>1,480,018</u>
Total assets and deferred outflows	<u>\$ 77,385,766</u>	<u>\$ 46,436,582</u>	<u>\$ 98,489,258</u>	<u>\$ 222,311,606</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 3,946,283	\$ 1,000	\$ 13,473,081	\$ 17,420,364
Accrued Payroll Liabilities	392,712		9,774	402,486
Interfund Payable	4,615,602	9,003	23,269,943	27,894,548
Due to Other Agencies	56,296			56,296
Refundable Deposits	1,022,183	16,088	180,000	1,218,271
Bonds & Interest Payable, including Special Assessments		42,789,183		42,789,183
Advances from Grantors	2,045,020			2,045,020
Total liabilities	<u>12,078,096</u>	<u>42,815,274</u>	<u>36,932,798</u>	<u>91,826,168</u>
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	25,945,426	330,218		26,275,644
Total deferred inflows	<u>25,945,426</u>	<u>330,218</u>	<u>34,565</u>	<u>26,310,209</u>
Fund balances:				
Nonspendable	50,272			50,272
Restricted	31,935,183	3,291,090	61,521,895	96,748,168
Committed	1,533,815			1,533,815
Assigned	5,842,974			5,842,974
Total fund balances	<u>39,362,244</u>	<u>3,291,090</u>	<u>61,521,895</u>	<u>104,175,229</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 77,385,766</u>	<u>\$ 46,436,582</u>	<u>\$ 98,489,258</u>	<u>\$ 222,311,606</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Park Tucson	Convention Center	H.U.R.F.
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Assets:			
Cash and Cash Equivalents	\$ 1,929,591	\$ 1,403,594	\$ 7,995,923
Cash & Investments with Fiscal Agents	1,526,417		14,971,489
Accounts Receivable, Net	136,016	115,252	355,222
Notes & Loans Receivable			
Interfund Receivable			9,003
Due from Other Agencies			3,458,849
Grants & Entitlements Receivable			
Interest Receivable	4,464		28,542
Inventories		41,959	
Other Assets		25,399	
Total assets	3,596,488	1,586,204	26,819,028
Deferred outflows:			
Deferred Settlement Proceeds			
Total deferred outflows			
Total assets and deferred outflows	\$ 3,596,488	\$ 1,586,204	\$ 26,819,028
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 241,767	\$ 498,172	\$ 592,664
Accrued Payroll Liabilities	12,628	762	248,930
Interfund Payable			
Due to Other Agencies	206	54,688	1,174
Refundable Deposits			798,300
Advances from Grantors			
Total liabilities	254,601	553,622	1,641,068
Deferred inflows:			
Deferred Revenues		1,008,082	
Total deferred inflows		1,008,082	
Fund balances:			
Nonspendable			
Restricted			25,177,960
Committed	1,526,417		
Assigned	1,815,470	24,500	
Total fund balances	3,341,887	24,500	25,177,960
Total liabilities, deferred inflows and fund balances	\$ 3,596,488	\$ 1,586,204	\$ 26,819,028

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants
\$ 672,238	\$	\$	\$ 1,845,373	\$ 87,101	\$
	5,672,006			22,854,989	416,247
	879,645	754,642	503,743	183,992	3,898,814
1,279					
<u>673,517</u>	<u>6,551,651</u>	<u>754,642</u>	<u>2,349,116</u>	<u>23,126,082</u>	<u>4,315,061</u>
<u>\$ 673,517</u>	<u>\$ 6,551,651</u>	<u>\$ 754,642</u>	<u>\$ 2,349,116</u>	<u>\$ 23,126,082</u>	<u>\$ 4,315,061</u>
\$ 41,191	\$ 395,692	\$ 460,063	\$ 75,884	\$ 181,464	\$ 990,719
	13,651	4,594	18,342	4,059	79,343
	98,090	289,963			2,098,594
	13				75
	2,975	22	210,886		10,000
	24,433				1,068,051
<u>41,191</u>	<u>534,854</u>	<u>754,642</u>	<u>305,112</u>	<u>185,523</u>	<u>4,246,782</u>
	2,082,355			22,854,989	
	2,082,355			22,854,989	
624,928	3,934,442		2,044,004	85,570	68,279
7,398					
<u>632,326</u>	<u>3,934,442</u>		<u>2,044,004</u>	<u>85,570</u>	<u>68,279</u>
<u>\$ 673,517</u>	<u>\$ 6,551,651</u>	<u>\$ 754,642</u>	<u>\$ 2,349,116</u>	<u>\$ 23,126,082</u>	<u>\$ 4,315,061</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Totals
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$ 89,262	\$	\$ 2,137,680	\$ 16,160,762
Cash & Investments with Fiscal Agents				16,914,153
Accounts Receivable, Net				606,490
Notes & Loans Receivable				28,526,995
Interfund Receivable				9,003
Due from Other Agencies	892,737		500,000	4,851,586
Grants & Entitlements Receivable		2,464,008		8,684,844
Interest Receivable				33,006
Inventories			50,272	92,231
Other Assets				26,678
Total assets	<u>981,999</u>	<u>2,464,008</u>	<u>2,687,952</u>	<u>75,905,748</u>
Deferred outflows:				
Deferred Settlement Proceeds			1,480,018	1,480,018
Total deferred outflows			<u>1,480,018</u>	<u>1,480,018</u>
Total assets and deferred outflows	<u>\$ 981,999</u>	<u>\$ 2,464,008</u>	<u>\$ 4,167,970</u>	<u>\$ 77,385,766</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 20,422	\$ 333,620	\$ 114,625	\$ 3,946,283
Accrued Payroll Liabilities	8,970	1,433		392,712
Interfund Payable		2,128,955		4,615,602
Due to Other Agencies	71		69	56,296
Refundable Deposits				1,022,183
Advances from Grantors	952,536			2,045,020
Total liabilities	<u>981,999</u>	<u>2,464,008</u>	<u>114,694</u>	<u>12,078,096</u>
Deferred inflows:				
Deferred Revenues				25,945,426
Total deferred inflows				<u>25,945,426</u>
Fund balances:				
Nonspendable			50,272	50,272
Restricted				31,935,183
Committed				1,533,815
Assigned			4,003,004	5,842,974
Total fund balances			<u>4,053,276</u>	<u>39,362,244</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 981,999</u>	<u>\$ 2,464,008</u>	<u>\$ 4,167,970</u>	<u>\$ 77,385,766</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
June 30, 2016

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
ASSETS				
Cash and Cash Equivalents	\$ 1,099,097	\$ 2,205,248	\$	\$ 3,304,345
Cash & Investments with Fiscal Agents	17,732	27,682,301	15,089,510	42,789,543
Special Assessments Receivable	331,882			331,882
Interest Receivable	2,169		8,643	10,812
Total assets	\$ 1,450,880	\$ 29,887,549	\$ 15,098,153	\$ 46,436,582
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,000	\$	\$	\$ 1,000
Interfund Payable			9,003	9,003
Refundable Deposits	16,088			16,088
Bonds & Interest Payable, including Special Assessments	17,732	27,682,301	15,089,150	42,789,183
Total liabilities	34,820	27,682,301	15,098,153	42,815,274
Deferred inflows:				
Deferred revenues	330,218			330,218
Total deferred inflows	330,218			330,218
Fund balances:				
Restricted	1,085,842	2,205,248		3,291,090
Total fund balances	1,085,842	2,205,248		3,291,090
Total liabilities, deferred inflows and fund balances	\$ 1,450,880	\$ 29,887,549	\$ 15,098,153	\$ 46,436,582

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2016

	2012 General Obligation Streets Improvements	Capital Improvements	Development Fees
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 26,273,747	\$	\$ 35,685,832
Cash & Investments with Fiscal Agents - Restricted		3,669,417	
Accounts Receivable, Net		19,751	
Due from Other Agencies		3,067,658	
Interest Receivable	21,016		64,493
Total assets	<u>\$ 26,294,763</u>	<u>\$ 6,756,826</u>	<u>\$ 35,750,325</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 2,786,403	\$ 387,384	\$ 1,184,155
Accrued Payroll Liabilities		1,213	
Interfund Payable		3,882,135	
Refundable Deposits			
Total liabilities	<u>2,786,403</u>	<u>4,270,732</u>	<u>1,184,155</u>
Deferred Inflows:			
Advance Federal Project Grants		34,565	
Total fund balances		<u>34,565</u>	
Fund balances:			
Restricted	23,508,360	2,451,529	34,566,170
Total fund balances	<u>23,508,360</u>	<u>2,451,529</u>	<u>34,566,170</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 26,294,763</u>	<u>\$ 6,756,826</u>	<u>\$ 35,750,325</u>

Regional Transportation Authority Fund	Totals
\$	\$ 61,959,579
	3,669,417
7,944	27,695
29,679,400	32,747,058
	85,509
<u>\$ 29,687,344</u>	<u>\$ 98,489,258</u>

\$ 9,115,139	\$ 13,473,081
8,561	9,774
19,387,808	23,269,943
180,000	180,000
<u>28,691,508</u>	<u>36,932,798</u>

	34,565
	<u>34,565</u>

995,836	61,521,895
<u>995,836</u>	<u>61,521,895</u>
<u>\$ 29,687,344</u>	<u>\$ 98,489,258</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, 2016

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 32,357,241	\$	\$ 32,357,241
Licenses and Permits	246,259			246,259
Fines and Forfeitures	830,941	3,113		834,054
Developer Fees			4,352,737	4,352,737
Use of Money and Property	854,623	59,538	667,489	1,581,650
Federal Grants and Contributions	62,794,969			62,794,969
Other Agencies	42,508,629	8,292,776	56,717,848	107,519,253
Charges for Services	11,693,975			11,693,975
Special Assessments		270,738		270,738
Contributions from Outside Sources	333,952			333,952
Miscellaneous	2,981,482	30,728	22,849	3,035,059
Total revenues	<u>122,244,830</u>	<u>41,014,134</u>	<u>61,760,923</u>	<u>225,019,887</u>
Expenditures:				
Current -				
Elected and Official	514,386			514,386
Public Safety and Justice Services	12,361,656		240	12,361,896
Community Enrichment and Development	94,486,381		25,755,048	120,241,429
Non-Departmental	1,514,841			1,514,841
Capital Outlay	2,218,241			2,218,241
Capital Projects	5,138,012		62,888,608	68,026,620
Debt service -				
Principal	1,435,100	37,412,000		38,847,100
Interest	665,755	12,287,655	757,427	13,710,837
Fiscal Agent Fees		24,275		24,275
Debt Issuance Costs	70,750	200,637	224,201	495,588
Total expenditures	<u>118,405,122</u>	<u>49,924,567</u>	<u>89,625,524</u>	<u>257,955,213</u>
Excess (deficiency) of revenues over expenditures	<u>3,839,708</u>	<u>(8,910,433)</u>	<u>(27,864,601)</u>	<u>(32,935,326)</u>
Other financing sources (uses):				
Bond Issuance		23,020,000	20,000,000	43,020,000
Capital Leases/Certificates of Participation	16,445,984			16,445,984
Premium on Debt Issuance		1,663,979	996,774	2,660,753
Refunded Bond Escrow Agent		(24,483,342)		(24,483,342)
Transfers In	5,539,826	8,694,567	2,373,521	16,607,914
Transfers Out	(9,447,828)		(1,371,451)	(10,819,279)
Total other financing sources (uses)	<u>12,537,982</u>	<u>8,895,204</u>	<u>21,998,844</u>	<u>43,432,030</u>
Change in fund balances	<u>16,377,690</u>	<u>(15,229)</u>	<u>(5,865,757)</u>	<u>10,496,704</u>
Fund balances, beginning of year	22,984,554	3,306,319	67,387,652	93,678,525
Fund balances, end of year	<u>\$ 39,362,244</u>	<u>\$ 3,291,090</u>	<u>\$ 61,521,895</u>	<u>\$ 104,175,229</u>



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016

	Park Tucson	Convention Center	H.U.R.F.
Revenues:			
Licenses and Permits	\$	\$	\$ 246,259
Fines and Forfeitures	830,941		
Use of Money and Property	154,741	45,837	638,372
Federal Grants and Contributions			
Other Agencies			38,486,661
Charges for Services	4,656,077	5,878,949	32,580
Contributions from Outside Sources			
Miscellaneous	26,985	892	1,188,184
Total revenues	<u>5,668,744</u>	<u>5,925,678</u>	<u>40,592,056</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	3,567,459	8,196,061	30,493,520
Non-Departmental		1,315,818	187,023
Capital Outlay	634,471	424,177	847,645
Capital Projects		113,855	855,643
Debt service -			
Principal	680,100		
Interest	650,475		
Debt Issuance Costs	6,438		64,312
Total expenditures	<u>5,538,943</u>	<u>10,049,911</u>	<u>32,448,143</u>
Excess (deficiency) of revenues over expenditures	<u>129,801</u>	<u>(4,124,233)</u>	<u>8,143,913</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation	1,497,022		14,948,962
Transfers In		4,124,233	
Transfers Out			(9,349,754)
Total other financing sources (uses)	<u>1,497,022</u>	<u>4,124,233</u>	<u>5,599,208</u>
Change in fund balances	<u>1,626,823</u>	<u></u>	<u>13,743,121</u>
Fund balances (deficits), beginning of year	1,715,064	24,500	11,434,839
Fund balances (deficits), end of year	<u>\$ 3,341,887</u>	<u>\$ 24,500</u>	<u>\$ 25,177,960</u>

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing	Other Federal Grants
\$	\$	\$	\$	\$	\$
7,032	17		7,183		1,441
	4,848,721	3,751,145	34,710,046	3,001,886	11,775,340
			40,893		
333,952			46,825		
<u>340,984</u>	<u>4,848,738</u>	<u>3,751,145</u>	<u>34,804,947</u>	<u>3,001,886</u>	<u>11,776,781</u>
56,898					325,292
34,820					10,816,630
195,592	3,976,375	3,751,145	35,549,172	3,035,527	370,385
12,000					
11,836			10,042		264,474
17,795	523,338				
	15,280				
<u>328,941</u>	<u>4,514,993</u>	<u>3,751,145</u>	<u>35,559,214</u>	<u>3,035,527</u>	<u>11,776,781</u>
<u>12,043</u>	<u>333,745</u>		<u>(754,267)</u>	<u>(33,641)</u>	
	8,442			5,329	
	(72,274)			(25,800)	
	(63,832)			(20,471)	
<u>12,043</u>	<u>269,913</u>		<u>(754,267)</u>	<u>(54,112)</u>	
620,283	3,664,529		2,798,271	139,682	68,279
<u>\$ 632,326</u>	<u>\$ 3,934,442</u>	<u>\$</u>	<u>\$ 2,044,004</u>	<u>\$ 85,570</u>	<u>\$ 68,279</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Totals
Revenues:				
Licenses and Permits	\$	\$	\$	\$ 246,259
Fines and Forfeitures				830,941
Use of Money and Property				854,623
Federal Grants and Contributions		4,707,831		62,794,969
Other Agencies	2,014,368		2,007,600	42,508,629
Charges for Services			1,085,476	11,693,975
Contributions from Outside Sources				333,952
Miscellaneous			1,718,596	2,981,482
Total revenues	<u>2,014,368</u>	<u>4,707,831</u>	<u>4,811,672</u>	<u>122,244,830</u>
Expenditures:				
Current -				
Elected and Official	132,196			514,386
Public Safety and Justice Services	1,510,206			12,361,656
Community Enrichment and Development	347,892	1,081,479	3,921,774	94,486,381
Non-Departmental				1,514,841
Capital Outlay	10,973	12,072	2,551	2,218,241
Capital Projects	13,101	3,614,280		5,138,012
Debt service -				
Principal			755,000	1,435,100
Interest				665,755
Debt Issuance Costs				70,750
Total expenditures	<u>2,014,368</u>	<u>4,707,831</u>	<u>4,679,325</u>	<u>118,405,122</u>
Excess (deficiency) of revenues over expenditures			<u>132,347</u>	<u>3,839,708</u>
Other financing sources (uses):				
Capital Leases/Certificates of Participation				16,445,984
Transfers In			1,401,822	5,539,826
Transfers Out				(9,447,828)
Total other financing sources (uses)			<u>1,401,822</u>	<u>12,537,982</u>
Change in fund balances			<u>1,534,169</u>	<u>16,377,690</u>
Fund balances (deficits), beginning of year			2,519,107	22,984,554
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$ 4,053,276</u>	<u>\$ 39,362,244</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2016

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
Revenues:				
Taxes	\$	\$ 32,357,241	\$	\$ 32,357,241
Fines and Forfeitures	3,113			3,113
Use of Money and Property	12,290		47,248	59,538
Other Agencies			8,292,776	8,292,776
Special Assessments	270,738			270,738
Miscellaneous		18,401	12,327	30,728
Total revenues	<u>286,141</u>	<u>32,375,642</u>	<u>8,352,351</u>	<u>41,014,134</u>
Expenditures:				
Debt service -				
Principal	447,000	23,780,000	13,185,000	37,412,000
Interest	47,072	8,384,965	3,855,618	12,287,655
Fiscal Agent Fees	7,000	10,975	6,300	24,275
Debt Issuance Costs		200,637		200,637
Total expenditures	<u>501,072</u>	<u>32,376,577</u>	<u>17,046,918</u>	<u>49,924,567</u>
Excess (deficiency) of revenues over expenditures	<u>(214,931)</u>	<u>(935)</u>	<u>(8,694,567)</u>	<u>(8,910,433)</u>
Other financing sources (uses):				
Bond Issuance		23,020,000		23,020,000
Premium on Debt Issuance		1,663,979		1,663,979
Refunded Bond Escrow Agent		(24,483,342)		(24,483,342)
Transfers In			8,694,567	8,694,567
Total other financing sources (uses)		<u>200,637</u>	<u>8,694,567</u>	<u>8,895,204</u>
Change in fund balances	<u>(214,931)</u>	<u>199,702</u>		<u>(15,229)</u>
Fund balances, beginning of year	1,300,773	2,005,546		3,306,319
Fund balances (deficits), end of year	<u>\$ 1,085,842</u>	<u>\$ 2,205,248</u>	<u>\$</u>	<u>\$ 3,291,090</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2016

	Capital Improvements	2012 General Obligation Streets Improvements
Revenues:		
Developer Fees	\$	\$
Use of Money and Property	732	234,137
Grants and Contributions		
Other Agencies	3,229,178	
Miscellaneous		
Total revenues	3,229,910	234,137
Expenditures:		
Current -		
Public Safety and Justice Services	240	
Community Enrichment and Development	45,282	25,389,933
Support Services		
Capital Outlay		
Capital Projects	3,908,278	
Debt service -		
Interest	757,427	
Debt Issuance Costs		224,201
Total expenditures	4,711,227	25,614,134
Excess (deficiency) of revenues over expenditures	(1,481,317)	(25,379,997)
Other financing sources (uses):		
Bond Issuance		20,000,000
Capital Leases		
Premium on Debt Issuance		996,774
Transfers In		
Transfers Out	(1,371,451)	
Total other financing sources (uses)	(1,371,451)	20,996,774
Change in fund balances	(2,852,768)	(4,383,223)
Fund balances, beginning of year	5,304,297	27,891,583
Fund balances, end of year	\$ 2,451,529	\$ 23,508,360

Development Fee	Regional Transportation Authority	Totals
\$ 4,352,737	\$	\$ 4,352,737
358,697	73,923	667,489
	53,488,670	56,717,848
	22,849	22,849
<u>4,711,434</u>	<u>53,585,442</u>	<u>61,760,923</u>
		240
52,153	267,680	25,755,048
4,232,779	54,747,551	62,888,608
		757,427
		224,201
<u>4,284,932</u>	<u>55,015,231</u>	<u>89,625,524</u>
426,502	(1,429,789)	(27,864,601)
		20,000,000
		996,774
1,002,070	1,371,451	2,373,521
		(1,371,451)
<u>1,002,070</u>	<u>1,371,451</u>	<u>21,998,844</u>
<u>1,428,572</u>	<u>(58,338)</u>	<u>(5,865,757)</u>
33,137,598	1,054,174	67,387,652
<u>\$ 34,566,170</u>	<u>\$ 995,836</u>	<u>\$ 61,521,895</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS
June 30, 2016

	Tucson Golf	Non-PHA Asset Management	Totals
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$	\$ 2,508,696	\$ 2,508,696
Accounts Receivable, Net	2,513	121,775	124,288
Due from Other Agencies	417,762		417,762
Interest Receivable		4,079	4,079
Inventories	206,157		206,157
Other Assets	76,903		76,903
Total current assets	703,335	2,634,550	3,337,885
Noncurrent assets:			
Land & Construction in Progress	2,701,865	3,447,359	6,149,224
Other Capital Assets, Net	12,055,797	8,554,183	20,609,980
Total noncurrent assets	14,757,662	12,001,542	26,759,204
Total assets	15,460,997	14,636,092	30,097,089
<u>DEFERRED OUTFLOWS</u>			
Pension Plans		105,567	105,567
Total deferred outflows		105,567	105,567
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	55,578	62,151	117,729
Accrued Payroll Liabilities	55,584	7,303	62,887
Accrued Interest Payable	3,889	278	4,167
Due to Other Agencies	35,223	101	35,324
Refundable Deposits		120,274	120,274
Current Portion of Contracts Payable	84,026		84,026
Current Portion of Compensated Absences		1,782	1,782
Customer Advances	91,222		91,222
Total current liabilities	325,522	191,889	517,411
Noncurrent liabilities:			
Long Term Contracts Payable	189,437		189,437
Interfund Loans Payable	1,626,413		1,626,413
Compensated Absences		12,790	12,790
Pension Liability		783,704	783,704
Total non-current liabilities	1,815,850	796,494	2,612,344
Total liabilities	2,141,372	988,383	3,129,755
<u>DEFERRED INFLOWS</u>			
Deferred Revenue		25,053	25,053
Pension Plans		66,167	66,167
Total deferred inflows		91,220	91,220
<u>NET POSITION</u>			
Net Investment in Capital Assets	14,484,199	12,001,542	26,485,741
Restricted for Grants and Entitlements		1,660,514	1,660,514
Unrestricted	(1,164,574)		(1,164,574)
Total net position	\$ 13,319,625	\$ 13,662,056	\$ 26,981,681

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, 2016

	Tucson Golf	Non-PHA Asset Management	Totals
Operating revenues:			
Charges for Services	\$ 7,507,666	\$ 1,627,855	\$ 9,135,521
Federal Grants and Contributions		227,967	227,967
Miscellaneous	1,000		1,000
Total operating revenues	<u>7,508,666</u>	<u>1,855,822</u>	<u>9,364,488</u>
Operating expenses:			
Salaries, Wages and Benefits	50,687	645,204	695,891
Contractual Services	5,667,641	1,602,585	7,270,226
Commodities	1,154,992	205,539	1,360,531
Cost of Goods Sold	660,399		660,399
Depreciation	721,531	312,145	1,033,676
Total operating expenses	<u>8,255,250</u>	<u>2,765,473</u>	<u>11,020,723</u>
Operating loss	<u>(746,584)</u>	<u>(909,651)</u>	<u>(1,656,235)</u>
Nonoperating revenues (expenses):			
Investment Income		83,102	83,102
Interest Expense	(13,160)		(13,160)
Total nonoperating revenues (expense)	<u>(13,160)</u>	<u>83,102</u>	<u>69,942</u>
Income (loss) before capital contributions, transfers and special items	<u>(759,744)</u>	<u>(826,549)</u>	<u>(1,586,293)</u>
Capital Contributions	(1,036)	2,400,471	2,399,435
Transfers In	7,352,022	98,074	7,450,096
Transfers Out		(13,772)	(13,772)
Change in net position	<u>6,591,242</u>	<u>1,658,224</u>	<u>8,249,466</u>
Total net position, beginning of year	6,728,383	12,003,832	18,732,215
Total net position, end of year	<u>\$ 13,319,625</u>	<u>\$ 13,662,056</u>	<u>\$ 26,981,681</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Tucson Golf	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,533,506	\$ 1,621,794	\$ 9,155,300
Cash Payments to Suppliers for Goods and Services	(7,819,490)	(1,924,117)	(9,743,607)
Cash Payments to Employees for Services	(39,009)	(567,727)	(606,736)
Subsidy from Federal Grant		227,967	227,967
Other Operating Revenues	1,000		1,000
Net Cash Provided (Used) by Operating Activities	<u>(323,993)</u>	<u>(642,083)</u>	<u>(966,076)</u>
Cash Flows from Noncapital Financing Activities			
Interfund Transfers	7,352,022	84,302	7,436,324
Advances from Other Funds	(6,928,202)		(6,928,202)
Interest Paid on Advances	(1,987)		(1,987)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>421,833</u>	<u>84,302</u>	<u>506,135</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Leasing Activities	(81,954)		(81,954)
Acquisition and Construction of Capital Assets	(17,465)		(17,465)
Interest Paid on Capital Debt	(7,971)		(7,971)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(107,390)</u>		<u>(107,390)</u>
Cash Flows from Investing Activities:			
Interest on Investments		83,331	83,331
Net Cash Provided (Used) by Investing Activities		<u>83,331</u>	<u>83,331</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(9,550)</u>	<u>(474,450)</u>	<u>(484,000)</u>
Cash and Cash Equivalents - July 1	<u>9,550</u>	<u>2,983,146</u>	<u>2,992,696</u>
Cash and Cash Equivalents - June 30	<u>\$</u>	<u>\$</u>	<u>\$</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (746,584)	\$ (909,651)	\$ (1,656,235)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	721,531	312,145	1,033,676
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable	11,595	(89,642)	(78,047)
Deferred Outflow of Resources - Pension Plan		(66,968)	(66,968)
Due from Other Agencies			
Inventory and Prepaids	(19,708)		(19,708)
Increase (Decrease) in Liabilities:			
Accounts Payable	(313,881)	(115,875)	(429,756)
Accrued Payroll Liabilities	11,678	(11,077)	601
Accrued Compensated Absences		2,195	2,195
Deferred Inflow of Resources - Pension Plan		(502)	(502)
Pension Liability		153,829	153,829
Deferred Revenue		19,289	19,289
Customer/Refundable Deposits	(222)	64,179	63,957
Due to Other Agencies	(2,647)	(5)	(2,652)
Other Operating Liabilities	14,245		14,245
Net Cash Provided (Used) by Operating Activities	<u>\$ (323,993)</u>	<u>\$ (642,083)</u>	<u>\$ (966,076)</u>
Noncash Investing, Capital, and Financing Activities:			
Contributions of capital assets	\$ (1,036)	\$	\$ (1,036)
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ (1,036)</u>	<u>\$</u>	<u>\$ (1,036)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
June 30, 2016

	Fleet Services	Self Insurance	General Services	Totals
<u>ASSETS</u>				
Current assets:				
Cash and Cash Equivalents	\$ 2,423,843	\$ 21,780,811	\$ 2,563,676	\$ 26,768,330
Accounts Receivable, Net	109,394			109,394
Due from Other Agencies	29,397		8,327	37,724
Interest Receivable	4,584	130,280	3,213	138,077
Inventories	758,798			758,798
Other Assets		401,249		401,249
Total current assets	<u>3,326,016</u>	<u>22,312,340</u>	<u>2,575,216</u>	<u>28,213,572</u>
Noncurrent assets:				
Other Assets - Restricted		27,206,576		27,206,576
Land & Construction in Progress		30,242		30,242
Other Capital Assets, Net	17,997,229	87,793	667,827	18,752,849
Total noncurrent assets	<u>17,997,229</u>	<u>27,324,611</u>	<u>667,827</u>	<u>45,989,667</u>
Total assets	<u>21,323,245</u>	<u>49,636,951</u>	<u>3,243,043</u>	<u>74,203,239</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	760,871	375,658	1,061,495	2,198,024
Accrued Payroll Liabilities	71,030	18,750	101,934	191,714
Current Portion of Bonds Payable			1,334,300	1,334,300
Due to Other Agencies	323	132	1,251	1,706
Claims Payable		8,448,389		8,448,389
Remediation Obligations		320,540		320,540
Total current liabilities	<u>832,224</u>	<u>9,163,469</u>	<u>2,498,980</u>	<u>12,494,673</u>
Noncurrent liabilities:				
Bonds Payable			9,926,500	9,926,500
Claims Payable		31,492,611		31,492,611
Remediation Obligations		490,836		490,836
Total non-current liabilities		<u>31,983,447</u>	<u>9,926,500</u>	<u>41,909,947</u>
Total liabilities	<u>832,224</u>	<u>41,146,916</u>	<u>12,425,480</u>	<u>54,404,620</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	17,997,229	118,035	(10,592,973)	7,522,291
Restricted for Self Insurance Mandates		27,206,576		27,206,576
Unrestricted	2,493,792	(18,834,576)	1,410,536	(14,930,248)
Total net position	<u>\$ 20,491,021</u>	<u>\$ 8,490,035</u>	<u>\$ (9,182,437)</u>	<u>\$ 19,798,619</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Services	Self Insurance	General Services	Totals
Operating revenues:				
Charges for Services	\$ 21,734,723	\$ 16,506,662	\$ 18,351,872	\$ 56,593,257
Miscellaneous	121,321	25,778	12,130	159,229
Total operating revenues	<u>21,856,044</u>	<u>16,532,440</u>	<u>18,364,002</u>	<u>56,752,486</u>
Operating expenses:				
Salaries, Wages and Benefits	5,843,973	1,231,065	9,085,205	16,160,243
Contractual Services	6,016,090	3,899,627	5,835,724	15,751,441
Commodities	10,017,688	94,897	1,775,588	11,888,173
Benefits and Claims		6,145,470		6,145,470
Depreciation	1,931,192	11,911	62,122	2,005,225
Total operating expenses	<u>23,808,943</u>	<u>11,382,970</u>	<u>16,758,639</u>	<u>51,950,552</u>
Operating income (loss)	<u>(1,952,899)</u>	<u>5,149,470</u>	<u>1,605,363</u>	<u>4,801,934</u>
Nonoperating revenues (expenses):				
Property Taxes		2,445,781		2,445,781
Other Agencies			288,393	288,393
Investment Income	20,225	293,418	21,625	335,268
Gain (loss) on Sale of Property/ Equipment	177,948			177,948
Interest Expense			(471,866)	(471,866)
Other Non-operating Income (Expense)	43,142		(70)	43,072
Total nonoperating revenues (expenses)	<u>241,315</u>	<u>2,739,199</u>	<u>(161,918)</u>	<u>2,818,596</u>
Income (loss) before capital contributions and transfers	<u>(1,711,584)</u>	<u>7,888,669</u>	<u>1,443,445</u>	<u>7,620,530</u>
Capital Contributions	10,880,567		(124,853)	10,755,714
Transfers In			280,065	280,065
Transfers Out		(229,508)		(229,508)
Change in net position	<u>9,168,983</u>	<u>7,659,161</u>	<u>1,598,657</u>	<u>18,426,801</u>
Total net position, beginning of year	11,322,038	830,874	(10,781,094)	1,371,818
Total net position, end of year	<u>\$ 20,491,021</u>	<u>\$ 8,490,035</u>	<u>\$ (9,182,437)</u>	<u>\$ 19,798,619</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fleet Services	Self Insurance	General Services	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 21,733,939	\$ 16,532,440	\$ 18,362,059	\$ 56,628,438
Cash Payments to Suppliers for Goods and Services	(15,787,664)	(4,357,658)	(8,091,448)	(28,236,770)
Cash Payments to Employees for Services	(6,023,168)	(1,261,844)	(9,352,672)	(16,637,684)
Other Operating Revenues	121,321			121,321
Cash Payments to Claimants		(6,140,971)		(6,140,971)
Net Cash Provided (Used) by Operating Activities	<u>44,428</u>	<u>4,771,967</u>	<u>917,939</u>	<u>5,734,334</u>
Cash Flows from Noncapital Financing Activities:				
Property Taxes		2,394,802		2,394,802
Interfund Transfers		(229,508)		(229,508)
Federal Subsidy for Energy Bonds Interest			288,393	288,393
Net Cash Provided (Used) by Noncapital Financing Activities		<u>2,165,294</u>	<u>288,393</u>	<u>2,453,687</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(27,868)		(319,234)	(347,102)
Principal Paid on Capital Debt			(718,550)	(718,550)
Interest Paid on Capital Debt			(471,866)	(471,866)
Proceeds from Sale of Assets/Equipment	181,744		280,065	461,809
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>153,876</u>		<u>(1,229,585)</u>	<u>(1,075,709)</u>
Cash Flows from Investing Activities:				
Interest on Investments	17,684	264,592	23,786	306,062
Proceeds from Sale of Investments		31,467,899		31,467,899
Purchase of Investments		(27,206,576)		(27,206,576)
Net Cash Provided (Used) by Investing Activities	<u>17,684</u>	<u>4,525,915</u>	<u>23,786</u>	<u>4,567,385</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>215,988</u>	<u>11,463,176</u>	<u>533</u>	<u>11,679,697</u>
Cash and Cash Equivalents - July 1	<u>2,207,855</u>	<u>10,317,635</u>	<u>2,563,143</u>	<u>15,088,633</u>
Cash and Cash Equivalents - June 30	<u>\$ 2,423,843</u>	<u>\$ 21,780,811</u>	<u>\$ 2,563,676</u>	<u>\$ 26,768,330</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,952,899)	\$ 5,149,470	\$ 1,605,363	\$ 4,801,934
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	1,931,192	11,911	62,122	2,005,225
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	12,105		(1,943)	10,162
Inventory	102,084			102,084
Due from Other Agencies	(12,889)			(12,889)
Prepaid Expense		25,518		25,518
Increase (Decrease) in Liabilities:				
Accounts Payable	143,856	90,661	(480,911)	(246,394)
Accrued Payroll Liabilities	(179,195)	(30,779)	(267,466)	(477,440)
Claims and Judgments Payable		4,500		4,500
Remediation Obligation		(479,394)		(479,394)
Due to Other Agencies	174	80	774	1,028
Net Cash Provided (Used) by Operating Activities	<u>\$ 44,428</u>	<u>\$ 4,771,967</u>	<u>\$ 917,939</u>	<u>\$ 5,734,334</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	\$ 10,880,567	\$	\$ (1,104,854)	\$ 9,775,713
Total Noncash Investing, Capital and Financing Activities:	<u>\$ 10,880,567</u>	<u>\$</u>	<u>\$ (1,104,854)</u>	<u>\$ 9,775,713</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Sewer User Fee				
Assets				
Cash and Cash Equivalents	\$ 1,518,142	\$ 135,977,484	\$ 135,066,260	\$ 2,429,366
Accounts Receivable, Net	11,289,052	133,570,004	133,577,056	11,282,000
Total assets	\$ 12,807,194	\$ 269,547,488	\$ 268,643,316	\$ 13,711,366
Liabilities				
Accounts Payable	\$	\$ 134,743,454	\$ 134,743,454	\$
Due to Other Agencies	12,807,194	135,647,626	134,743,454	13,711,366
Total liabilities	\$ 12,807,194	\$ 270,391,080	\$ 269,486,908	\$ 13,711,366
Employee Prepaid Insurance				
Assets				
Cash and Cash Equivalents	\$ 268,335	\$ 68,457,413	\$ 62,567,665	\$ 6,158,083
Accounts Receivable, Net	499,232		499,232	
Total assets	\$ 767,567	\$ 68,457,413	\$ 63,066,897	\$ 6,158,083
Liabilities				
Accounts Payable	\$ 767,567	\$ 67,525,912	\$ 62,135,396	\$ 6,158,083
Total liabilities	\$ 767,567	\$ 67,525,912	\$ 62,135,396	\$ 6,158,083
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Cash and Cash Equivalents	\$ 72,718	\$ 5,914,600	\$ 5,987,318	\$
Total assets	\$ 72,718	\$ 5,914,600	\$ 5,987,318	\$
Liabilities				
Due to Other Agencies	\$ 72,718	\$ 5,914,600	\$ 5,987,318	\$
Total liabilities	\$ 72,718	\$ 5,914,600	\$ 5,987,318	\$
Totals				
Assets				
Cash and Cash Equivalents	\$ 1,859,195	\$ 210,349,497	\$ 203,621,243	\$ 8,587,449
Accounts Receivable, Net	11,788,284	133,570,004	134,076,288	11,282,000
Total assets	\$ 13,647,479	\$ 343,919,501	\$ 337,697,531	\$ 19,869,449
Liabilities				
Accounts Payable	\$ 767,567	\$ 67,525,912	\$ 62,135,396	\$ 6,158,083
Due to Other Agencies	12,879,912	141,562,226	140,730,772	13,711,366
Total liabilities	\$ 13,647,479	\$ 209,088,138	\$ 202,866,168	\$ 19,869,449

**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, 2016

	Park Tucson		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	779,350	830,941	51,591
Use of Money and Property	117,300	154,741	37,441
Federal Grants and Contributions			
Other Agencies			
Charges for Services	4,126,370	4,656,077	529,707
Contributions from Outside Sources			0
Miscellaneous		26,985	26,985
Total revenues	<u>5,023,020</u>	<u>5,668,744</u>	<u>645,724</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	3,594,360	3,567,459	26,901
Non-Departmental			
Capital Outlay	535,190	634,471	(99,281)
Capital Projects			
Debt service -			
Principal	664,100	680,100	(16,000)
Interest	646,450	650,475	(4,025)
Debt Issuance Costs		6,438	(6,438)
Total expenditures	<u>5,440,100</u>	<u>5,538,943</u>	<u>(98,843)</u>
Excess (deficiency) of revenues over expenditures	<u>(417,080)</u>	<u>129,801</u>	<u>546,881</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation		1,497,022	1,497,022
Transfers In			
Transfers Out			
Total other financing sources (uses)		<u>1,497,022</u>	<u>1,497,022</u>
Change in fund balances	<u>\$ (417,080)</u>	<u>1,626,823</u>	<u>\$ 2,043,903</u>
Fund balances, beginning of year		1,715,064	
Fund balances (deficits), end of year		<u>\$ 3,341,887</u>	

Convention Center			H.U.R.F.		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 543,000	\$ 246,259	\$ (296,741)
66,080	45,837	(20,243)	635,840	638,372	2,532
4,186,810	5,878,949	1,692,139	36,492,310	38,486,661	1,994,351
	892	892		32,580	32,580
<u>4,252,890</u>	<u>5,925,678</u>	<u>1,672,788</u>	<u>500,000</u>	<u>1,188,184</u>	<u>688,184</u>
			<u>38,171,150</u>	<u>40,592,056</u>	<u>2,420,906</u>
7,713,630	8,196,061	(482,431)	31,960,360	30,493,520	1,466,840
1,315,820	1,315,818	2	100,580	187,023	(86,443)
	424,177	(424,177)	1,092,650	847,645	245,005
	113,855	(113,855)	2,004,620	855,643	1,148,977
				64,312	(64,312)
<u>9,029,450</u>	<u>10,049,911</u>	<u>(1,020,461)</u>	<u>35,158,210</u>	<u>32,448,143</u>	<u>2,710,067</u>
(4,776,560)	(4,124,233)	652,327	3,012,940	8,143,913	5,130,973
4,776,560	4,124,233	(652,327)		14,948,962	14,948,962
<u>4,776,560</u>	<u>4,124,233</u>	<u>(652,327)</u>	<u>(9,821,590)</u>	<u>(9,349,754)</u>	<u>471,836</u>
			<u>(9,821,590)</u>	<u>5,599,208</u>	<u>15,420,798</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ (6,808,650)</u>	<u>13,743,121</u>	<u>\$ 20,551,771</u>
	24,500			11,434,839	
	<u>\$ 24,500</u>			<u>\$ 25,177,960</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, 2016
(Continued)

	Civic Contributions		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	8,500	7,032	(1,468)
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	241,100	333,952	92,852
Miscellaneous			
Total revenues	<u>249,600</u>	<u>340,984</u>	<u>91,384</u>
Expenditures:			
Current -			
Elected and Official		56,898	(56,898)
Public Safety and Justice Services	70,800	34,820	35,980
Community Enrichment and Development	650,750	195,592	455,158
Non-Departmental		12,000	(12,000)
Capital Outlay	11,900	11,836	64
Capital Projects	68,740	17,795	50,945
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>802,190</u>	<u>328,941</u>	<u>473,249</u>
Excess (deficiency) of revenues over expenditures	<u>(552,590)</u>	<u>12,043</u>	<u>564,633</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (552,590)</u>	<u>12,043</u>	<u>\$ 564,633</u>
Fund balances, beginning of year		620,283	
Fund balances (deficits), end of year		<u>\$ 632,326</u>	

Community Development Block Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	17	17
8,034,610	4,848,721	(3,185,889)
328,270		(328,270)
860		(860)
<u>8,363,740</u>	<u>4,848,738</u>	<u>(3,515,002)</u>

Miscellaneous Housing Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
4,467,060	3,751,145	(715,915)
<u>4,467,060</u>	<u>3,751,145</u>	<u>(715,915)</u>

4,433,140	3,976,375	456,765
3,750		3,750
1,364,370	523,338	841,032
	15,280	(15,280)
<u>5,801,260</u>	<u>4,514,993</u>	<u>1,286,267</u>

4,467,060	3,751,145	715,915
<u>4,467,060</u>	<u>3,751,145</u>	<u>715,915</u>

<u>2,562,480</u>	<u>333,745</u>	<u>(2,228,735)</u>
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	8,442	8,442
	(72,274)	(72,274)
	(63,832)	(63,832)

<u>\$ 2,562,480</u>	<u>269,913</u>	<u>\$ (2,292,567)</u>
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<u>\$</u>	<u>\$</u>	<u>\$</u>
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3,664,529
<u>\$ 3,934,442</u>

<u>\$</u>

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Continued)**

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	20,000	7,183	(12,817)
Federal Grants and Contributions	38,114,730	34,710,046	(3,404,684)
Other Agencies			
Charges for Services		40,893	40,893
Contributions from Outside Sources			
Miscellaneous		46,825	46,825
Total revenues	<u>38,134,730</u>	<u>34,804,947</u>	<u>(3,329,783)</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	35,769,740	35,549,172	220,568
Non-Departmental			
Capital Outlay	23,480	10,042	13,438
Capital Projects			
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>35,793,220</u>	<u>35,559,214</u>	<u>234,006</u>
Excess (deficiency) of revenues over expenditures	<u>2,341,510</u>	<u>(754,267)</u>	<u>(3,095,777)</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 2,341,510</u>	<u>(754,267)</u>	<u>\$ (3,095,777)</u>
Fund balances, beginning of year		2,798,271	
Fund balances (deficits), end of year		<u>\$ 2,044,004</u>	

HOME Affordable Housing		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
3,141,050	3,001,886	(139,164)
228,130		(228,130)
100		(100)
<u>3,369,280</u>	<u>3,001,886</u>	<u>(367,394)</u>

Other Federal Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
15,032,810	11,775,340	(3,257,470)
	1,441	1,441
<u>15,032,810</u>	<u>11,776,781</u>	<u>(3,256,029)</u>

3,369,280	3,035,527	333,753
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236,270	325,292	(89,022)
11,997,730	10,816,630	1,181,100
677,710	370,385	307,325
323,870	264,474	59,396
<u>13,235,580</u>	<u>11,776,781</u>	<u>1,458,799</u>

	(33,641)	(33,641)
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	1,797,230	(1,797,230)
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	5,329	5,329
	(25,800)	(25,800)
	(20,471)	(20,471)

\$	(54,112)	\$ (54,112)
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\$	1,797,230	\$ (1,797,230)
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	139,682
<u>\$</u>	<u>85,570</u>

	68,279
<u>\$</u>	<u>68,279</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, 2016
(Continued)

	Non-Federal Grants		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	2,405,210	2,014,368	(390,842)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>2,405,210</u>	<u>2,014,368</u>	<u>(390,842)</u>
Expenditures:			
Current -			
Elected and Official	132,200	132,196	4
Public Safety and Justice Services	1,967,610	1,510,206	457,404
Community Enrichment and Development	583,560	347,892	235,668
Non-Departmental			
Capital Outlay	86,030	10,973	75,057
Capital Projects	15,200	13,101	2,099
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	<u>2,784,600</u>	<u>2,014,368</u>	<u>770,232</u>
Excess (deficiency) of revenues over expenditures	<u>(379,390)</u>		<u>379,390</u>
Other financing sources (uses):			
Capital Leases/Certificates of Participation			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (379,390)</u>		<u>\$ 379,390</u>
Fund balances, beginning of year			
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 SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2016
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$ 543,000	\$ 246,259	\$ (296,741)
Fines and Forfeitures	779,350	830,941	51,591
Use of Money and Property	847,720	854,623	6,903
Federal Grants and Contributions	104,182,060	62,794,969	(41,387,091)
Other Agencies	40,897,520	42,508,629	1,611,109
Charges for Services	10,265,860	11,693,975	1,428,115
Contributions from Outside Sources	241,100	333,952	92,852
Miscellaneous	500,960	2,981,482	2,480,522
Total revenues	158,257,570	122,244,830	(36,012,740)
Expenditures:			
Current -			
Elected and Official	368,470	514,386	(145,916)
Public Safety and Justice Services	14,036,140	12,361,656	1,674,484
Community Enrichment and Development	99,115,510	94,486,381	4,629,129
Non-Departmental	1,416,400	1,514,841	(98,441)
Capital Outlay	2,126,870	2,218,241	(91,371)
Capital Projects	27,070,460	5,138,012	21,932,448
Debt service -			
Principal	1,419,100	1,435,100	(16,000)
Interest	1,403,880	665,755	738,125
Debt Issuance Costs		70,750	(70,750)
Total expenditures	146,956,830	118,405,122	28,551,708
Excess (deficiency) of revenues over expenditures	11,300,740	3,839,708	(7,461,032)
Other financing sources (uses):			
Capital Leases/Certificates of Participation		16,445,984	16,445,984
Transfers In	7,088,330	5,539,826	(1,548,504)
Transfers Out	(9,821,590)	(9,447,828)	373,762
Total other financing sources (uses)	(2,733,260)	12,537,982	15,271,242
Change in fund balances	\$ 8,567,480	16,377,690	\$ 7,810,210
Fund balances, beginning of year		22,984,554	
Fund balances (deficits), end of year		\$ 39,362,244	



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, 2016

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures	1,960	3,113	1,153
Use of Money and Property	16,480	12,290	(4,190)
Other Agencies			
Special Assessments	265,300	270,738	5,438
Miscellaneous			
Total revenues	<u>283,740</u>	<u>286,141</u>	<u>2,401</u>
Expenditures:			
Debt service -			
Principal	447,000	447,000	
Interest	47,080	47,072	8
Fiscal Agent Fees	1,750	7,000	(5,250)
Issuance Cost of Debt			
Total expenditures	<u>495,830</u>	<u>501,072</u>	<u>(5,242)</u>
Excess (deficiency) of revenues over expenditures	<u>(212,090)</u>	<u>(214,931)</u>	<u>(2,841)</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Refunded Bond Escrow Agent			
Transfers In			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (212,090)</u>	<u>(214,931)</u>	<u>\$ (2,841)</u>
Fund balances, beginning of year		1,300,773	
Fund balances (deficits), end of year		<u>\$ 1,085,842</u>	

General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 33,217,410	\$ 32,357,241	\$ (860,169)
	18,401	18,401
<u>33,217,410</u>	<u>32,375,642</u>	<u>(841,768)</u>
23,735,000	23,780,000	(45,000)
8,729,760	8,384,965	344,795
	10,975	(10,975)
3,350	200,637	(197,287)
<u>32,468,110</u>	<u>32,376,577</u>	<u>91,533</u>
<u>749,300</u>	<u>(935)</u>	<u>(750,235)</u>
	23,020,000	23,020,000
	1,663,979	1,663,979
	(24,483,342)	(24,483,342)
	<u>200,637</u>	<u>200,637</u>
<u>\$ 749,300</u>	<u>199,702</u>	<u>\$ (549,598)</u>
	2,005,546	
	<u>\$ 2,205,248</u>	

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
11,490	47,248	35,758
7,561,020	8,292,776	731,756
	12,327	12,327
<u>7,572,510</u>	<u>8,352,351</u>	<u>779,841</u>
13,465,000	13,185,000	280,000
4,017,800	3,855,618	162,182
1,300	6,300	(5,000)
<u>17,484,100</u>	<u>17,046,918</u>	<u>437,182</u>
<u>(9,911,590)</u>	<u>(8,694,567)</u>	<u>1,217,023</u>
	9,821,590	(1,127,023)
	<u>9,821,590</u>	<u>(1,127,023)</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, 2016
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 33,217,410	\$ 32,357,241	\$ (860,169)
Fines and Forfeitures	1,960	3,113	1,153
Use of Money and Property	27,970	59,538	31,568
Other Agencies	7,561,020	8,292,776	731,756
Special Assessments	265,300	270,738	5,438
Miscellaneous		30,728	30,728
Total revenues	<u>41,073,660</u>	<u>41,014,134</u>	<u>(59,526)</u>
Expenditures:			
Debt service -			
Principal	37,647,000	37,412,000	235,000
Interest	12,794,640	12,287,655	506,985
Fiscal Agent Fees	3,050	24,275	(21,225)
Issuance Cost of Debt	3,350	200,637	(197,287)
Total expenditures	<u>50,448,040</u>	<u>49,924,567</u>	<u>523,473</u>
Excess (deficiency) of revenues over expenditures	<u>(9,374,380)</u>	<u>(8,910,433)</u>	<u>463,947</u>
Other financing sources (uses):			
Bond Issuance		23,020,000	(23,020,000)
Premium on Debt Issuance		1,663,979	(1,663,979)
Refunded Bond Escrow Agent		(24,483,342)	24,483,342
Transfers In	9,821,590	8,694,567	1,127,023
Total other financing sources (uses)	<u>9,821,590</u>	<u>8,895,204</u>	<u>926,386</u>
Change in fund balances	<u>\$ 447,210</u>	<u>(15,229)</u>	<u>\$ 462,439</u>
Fund balances, beginning of year		3,306,319	
Fund balances (deficits), end of year		<u>\$ 3,291,090</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, 2016

	Capital Improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		732	732
Other Agencies	7,902,900	3,229,178	(4,673,722)
Miscellaneous	4,910,600		(4,910,600)
Total revenues	<u>12,813,500</u>	<u>3,229,910</u>	<u>(9,583,590)</u>
Expenditures:			
Current -			
City Court		240	(240)
Community Enrichment and Development	80,000	45,282	34,718
Capital Projects	18,304,260	3,908,278	14,395,982
Debt Service -			
Interest		757,427	(757,427)
Debt Issuance Costs			
Total expenditures	<u>18,384,260</u>	<u>4,711,227</u>	<u>13,673,033</u>
Excess (deficiency) of revenues over expenditures	<u>(5,570,760)</u>	<u>(1,481,317)</u>	<u>4,089,443</u>
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Premium on Debt Issuance			
Transfers In			
Transfers Out		(1,371,451)	(1,371,451)
Total other financing sources (uses)		<u>(1,371,451)</u>	<u>(1,371,451)</u>
Change in fund balances	<u>\$ (5,570,760)</u>	<u>(2,852,768)</u>	<u>\$ 2,717,992</u>
Fund balances, beginning of year		5,304,297	
Fund balances (deficits), end of year		<u>\$ 2,451,529</u>	

Regional Transportation Authority		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
103,000	73,923	(29,077)
53,488,670	53,488,670	
	22,849	22,849
<u>53,591,670</u>	<u>53,585,442</u>	<u>(6,228)</u>
1,267,370	267,680	999,690
54,747,551	54,747,551	
<u>56,014,921</u>	<u>55,015,231</u>	<u>999,690</u>
<u>(2,423,251)</u>	<u>(1,429,789)</u>	<u>993,462</u>
	1,371,451	1,371,451
	<u>1,371,451</u>	<u>1,371,451</u>
\$ (2,423,251)	(58,338)	\$ 2,364,913
	1,054,174	
	<u>\$ 995,836</u>	

2012 General Obligation Streets Improvements		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
90,000	234,137	144,137
<u>90,000</u>	<u>234,137</u>	<u>144,137</u>
23,870,000	25,389,933	(1,519,933)
	224,201	(224,201)
<u>23,870,000</u>	<u>25,614,134</u>	<u>(1,744,134)</u>
<u>(23,780,000)</u>	<u>(25,379,997)</u>	<u>(1,599,997)</u>
20,000,000	20,000,000	
400,000	996,774	596,774
<u>20,400,000</u>	<u>20,996,774</u>	<u>596,774</u>
\$ (3,380,000)	(4,383,223)	\$ (1,003,223)
	27,891,583	
	<u>\$ 23,508,360</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, 2016
(Concluded)

	Development Fee		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$ 420,000	\$ 4,352,737	\$ 3,932,737
Use of Money and Property	70,000	358,697	288,697
Other Agencies			
Miscellaneous			
Total revenues	<u>490,000</u>	<u>4,711,434</u>	<u>4,221,434</u>
Expenditures:			
Current -			
City Court			
Community Enrichment and Development		52,153	(52,153)
Capital Projects	8,719,910	4,232,779	4,487,131
Debt Service -			
Interest			
Debt Issuance Costs			
Total expenditures	<u>8,719,910</u>	<u>4,284,932</u>	<u>4,434,978</u>
Excess (deficiency) of revenues over expenditures	<u>(8,229,910)</u>	<u>426,502</u>	<u>8,656,412</u>
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Premium on Debt Issuance			
Transfers In		1,002,070	1,002,070
Transfers Out			
Total other financing sources (uses)		<u>1,002,070</u>	<u>1,002,070</u>
Change in fund balances	<u>\$ (8,229,910)</u>	<u>1,428,572</u>	<u>\$ 9,658,482</u>
Fund balances, beginning of year		33,137,598	
Fund balances (deficits), end of year		<u>\$ 34,566,170</u>	

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 420,000	\$ 4,352,737	\$ 3,932,737
263,000	667,489	404,489
61,391,570	56,717,848	(4,673,722)
4,910,600	22,849	(4,887,751)
<u>66,985,170</u>	<u>61,760,923</u>	<u>(5,224,247)</u>
	240	(240)
25,217,370	25,755,048	(537,678)
81,771,721	62,888,608	18,883,113
	757,427	(757,427)
	224,201	(224,201)
<u>106,989,091</u>	<u>89,625,524</u>	<u>17,363,567</u>
<u>(40,003,921)</u>	<u>(27,864,601)</u>	<u>12,139,320</u>
20,000,000	20,000,000	
400,000	996,774	596,774
	2,373,521	2,373,521
	(1,371,451)	(1,371,451)
<u>20,400,000</u>	<u>21,998,844</u>	<u>1,598,844</u>
<u>\$ (19,603,921)</u>	<u>(5,865,757)</u>	<u>\$ 13,738,164</u>
	67,387,652	
	<u>\$ 61,521,895</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENVIRONMENTAL SERVICES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 47,066,180	\$ 48,917,181	\$ 1,851,001
Miscellaneous	899,000	736,839	(162,161)
Total operating revenues	<u>47,965,180</u>	<u>49,654,020</u>	<u>1,688,840</u>
Operating expenses:			
Salaries, Wages and Benefits	15,232,240	14,855,358	376,882
Contractual Services	20,567,810	21,189,718	(621,908)
Commodities	4,491,720	3,237,451	1,254,269
Depreciation		4,733,545	(4,733,545)
Total operating expenses	<u>40,291,770</u>	<u>44,016,072</u>	<u>(3,724,302)</u>
Operating Income (Loss)	<u>7,673,410</u>	<u>5,637,948</u>	<u>(2,035,462)</u>
Nonoperating revenues (expenses):			
Investment Income	35,000	357,647	322,647
Gain (Loss) on Sale of Property/Equipment	200,000	(291,599)	(491,599)
Federal Grants and Contributions	130,000	113,053	(16,947)
Interest Expense	(483,220)	(331,204)	152,016
Debt Issuance Costs		(157,238)	(157,238)
Other Nonoperating Income (Expenses)	(268,000)	(5,308,921)	(5,040,921)
Total nonoperating revenues (expenses)	<u>(386,220)</u>	<u>(5,618,262)</u>	<u>(5,232,042)</u>
Income (Loss)	<u>7,287,190</u>	<u>19,686</u>	<u>(7,267,504)</u>
Changes in net Position	<u>\$ 7,287,190</u>	<u>19,686</u>	<u>\$ (7,267,504)</u>
Total net position, beginning of year		(16,984,080)	
Total net position (deficit), end of year		<u>\$ (16,964,394)</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, 2016

	Tucson Golf Enterprise Fund		
	Budget	Actual	Variance - Positive/ (Negative)
Operating revenues:			
Charges for Services	\$ 7,688,730	\$ 7,507,666	\$ (181,064)
Miscellaneous Revenue	10,130	1,000	(9,130)
Total operating revenues	<u>7,698,860</u>	<u>7,508,666</u>	<u>(190,194)</u>
Operating expenses:			
Salaries, Wages and Benefits	45,840	50,687	(4,847)
Contractual Services	5,537,470	5,667,641	(130,171)
Commodities	1,297,850	1,154,992	142,858
Cost of Goods Sold	646,280	660,399	(14,119)
Depreciation		721,531	(721,531)
Total operating expenses	<u>7,527,440</u>	<u>8,255,250</u>	<u>(727,810)</u>
Operating income (loss)	<u>171,420</u>	<u>(746,584)</u>	<u>(918,004)</u>
Nonoperating revenues (expenses):			
Interest Expense	(102,220)	(13,160)	89,060
Total nonoperating revenues (expenses)	<u>(102,220)</u>	<u>(13,160)</u>	<u>89,060</u>
Income (loss) before capital contributions and transfers	<u>69,200</u>	<u>(759,744)</u>	<u>(828,944)</u>
Capital Contributions		(1,036)	(1,036)
Transfers In		7,352,022	7,352,022
Changes in net position	<u>\$ 69,200</u>	<u>6,591,242</u>	<u>\$ 6,522,042</u>
Total net position, beginning of year		6,728,383	
Total net position, end of year		<u>\$ 13,319,625</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PUBLIC HOUSING FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2016

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 6,853,270	\$ 3,668,598	\$ (3,184,672)
Federal Grants and Contributions	5,815,660	6,067,135	251,475
Miscellaneous	57,460	51,811	(5,649)
Total operating revenues	<u>12,726,390</u>	<u>9,787,544</u>	<u>(2,938,846)</u>
Operating expenses:			
Salaries, Wages and Benefits	5,047,020	4,719,683	327,337
Contractual Services	7,059,580	3,766,911	3,292,669
Commodities	825,630	778,678	46,952
Depreciation		778,988	(778,988)
Total operating expenses	<u>12,932,230</u>	<u>10,044,260</u>	<u>2,887,970</u>
Operating Income (Loss)	<u>(205,840)</u>	<u>(256,716)</u>	<u>(50,876)</u>
Nonoperating revenues (expenses):			
Investment Income	26,860	102,064	75,204
Gain (Loss) on Sale of Property/Equipment		5,031	5,031
Other Nonoperating Income (Expenses)		(116,121)	(116,121)
Total nonoperating revenues (expenses)	<u>26,860</u>	<u>(9,026)</u>	<u>(35,886)</u>
Income (Loss) before capital contributions and transfers	<u>(178,980)</u>	<u>(265,742)</u>	<u>(86,762)</u>
Capital Contributions			
Transfers Out			
Changes in net position	<u>\$ (178,980)</u>	<u>(265,742)</u>	<u>\$ (86,762)</u>
Total net position, beginning of year		22,754,110	
Total net position, end of year		<u>\$ 22,488,368</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, 2016

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 1,046,420	\$ 1,627,855	\$ 581,435
Federal Grants and Contributions	208,200	227,967	19,767
Miscellaneous			
Total operating revenues	<u>1,254,620</u>	<u>1,855,822</u>	<u>601,202</u>
Operating expenses:			
Salaries, Wages and Benefits	451,210	645,204	(193,994)
Contractual Services	1,333,000	1,602,585	(269,585)
Commodities	157,450	205,539	(48,089)
Depreciation		312,145	(312,145)
Total operating expenses	<u>1,941,660</u>	<u>2,765,473</u>	<u>(823,813)</u>
Operating Income (Loss)	<u>(687,040)</u>	<u>(909,651)</u>	<u>(222,611)</u>
Nonoperating revenues (expenses):			
Investment Income	33,530	83,102	49,572
Gain (loss) on Sale of Property/Equipment			
Total nonoperating revenues (expenses)	<u>33,530</u>	<u>83,102</u>	<u>49,572</u>
Income (Loss) before capital contributions and transfers	<u>(653,510)</u>	<u>(826,549)</u>	<u>(173,039)</u>
Capital Contributions		2,400,471	2,400,471
Transfers In		98,074	98,074
Transfers Out		(13,772)	(13,772)
Changes in net position	<u>\$ (653,510)</u>	<u>1,658,224</u>	<u>\$ 2,311,734</u>
Total net position, beginning of year		12,003,832	
Total net position, end of year		<u>\$ 13,662,056</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, 2016

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 192,379,950	\$ 185,029,933	\$ (7,350,017)
Miscellaneous	4,813,700	2,171,914	(2,641,786)
Total operating revenues	<u>197,193,650</u>	<u>187,201,847</u>	<u>(9,991,803)</u>
Operating expenses:			
Salaries, Wages and Benefits	36,414,480	33,914,765	2,499,715
Contractual Services	71,114,140	71,873,115	(758,975)
Commodities	11,822,630	8,779,489	3,043,141
Depreciation		34,204,266	(34,204,266)
Total operating expenses	<u>119,351,250</u>	<u>148,771,635</u>	<u>(29,420,385)</u>
Operating Income (Loss)	<u>77,842,400</u>	<u>38,430,212</u>	<u>(39,412,188)</u>
Nonoperating revenues (expenses):			
Investment Income	319,540	1,122,438	802,898
Gain (Loss) on Sale of Property/Equipment		199,453	199,453
Non-Grant Contributions		738,581	738,581
Interest Expense	(24,579,080)	(17,856,308)	6,722,772
Issuance Costs	(280,000)	(1,593,194)	(1,313,194)
Other Nonoperating Income (Expenses)		(2,689,992)	(2,689,992)
Total nonoperating revenues (expenses)	<u>(24,539,540)</u>	<u>(20,079,022)</u>	<u>4,460,518</u>
Income (Loss) before capital contributions and transfers	<u>53,302,860</u>	<u>18,351,190</u>	<u>(34,951,670)</u>
Capital Contributions	2,758,340	8,722,293	5,963,953
Transfers Out	(1,600,000)	(1,600,000)	
Changes in net position	<u>\$ 54,461,200</u>	<u>25,473,483</u>	<u>\$ (28,987,717)</u>
Total net position, beginning of year		780,994,245	
Total net position, end of year		<u>\$ 806,467,728</u>	



CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Revenues:

Sale of Water:		
Potable Water Sales		\$ 141,209,766
Reclaimed Water Sales		8,992,875
Central Arizona Project Charge		22,569,204
Connection Fees		1,673,060
Environmental and Sewer Billing Services		4,342,581
TCE Clean Up Reimbursement		1,059,646
Plan Review and Inspection Fees		647,030
Other		6,707,684

Non-Operating Income:

Impact Fees	\$ 2,805,415	
Investment Earnings - Operating Fund	693,331	
Investment Earnings - Debt Service	74,354	
Federal Non-Grant Contributions (BABS)	738,581	
Proceeds from Sale of Property/Equipment	354,295	
Proceeds from Property Equipment Rental	354,752	
Total Non-Operating Income	<u>5,020,728</u>	
Total Revenues		<u>192,222,574</u>

Operation and Maintenance Expenses:

Director's Office		7,210,181
Business Services		4,222,960
Customer Services		8,184,725
Water Operations		27,841,749
Planning and Engineering		6,738,013
Quality Management		10,429,010
Power - Potable System		12,687,818
Power - Reclaimed System		1,720,214
CAP Water Purchases:		
Commodity	21,414,430	
Capital Charges	3,332,203	
Total CAP Water Purchases	<u>24,746,633</u>	
General Expenses		8,298,428
Capitalized Operation and Maintenance Expense		(4,561,245)
Total Operation and Maintenance Expense		<u>107,518,486</u>

Net Revenue Available After Operations (2) \$ 84,704,088

CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Bond Debt Service:

Senior Liens

Interest	\$	19,395,157
Principal		27,130,000
Total Debt Service for Water Revenue Bonds		46,525,157

Junior Liens (Water Infrastructure Finance Authority)

Interest		983,710
Principal		3,408,155
Total Debt Service for Water Infrastructure Finance Authority		4,391,865

Combined Senior and Junior Liens

Interest		20,378,867
Principal		30,538,155
Total Debt Service		50,917,022

Net Revenue Available After Operations

Bond Debt Service for Senior Liens	\$	38,178,931
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Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	\$	33,787,066
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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 \$48,974,543. 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, 2016, maximum future annual debt service coverage of senior lien debt is 173%.

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, 2016, the debt coverage on Senior Lien Annual Debt Service Requirement was 182% .

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, 2016, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 869%.

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, 2016, is 166%. The maximum future debt service coverage is 151%.



CITY OF TUCSON, ARIZONA



Statistical Section

Statistical Section - Unaudited

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

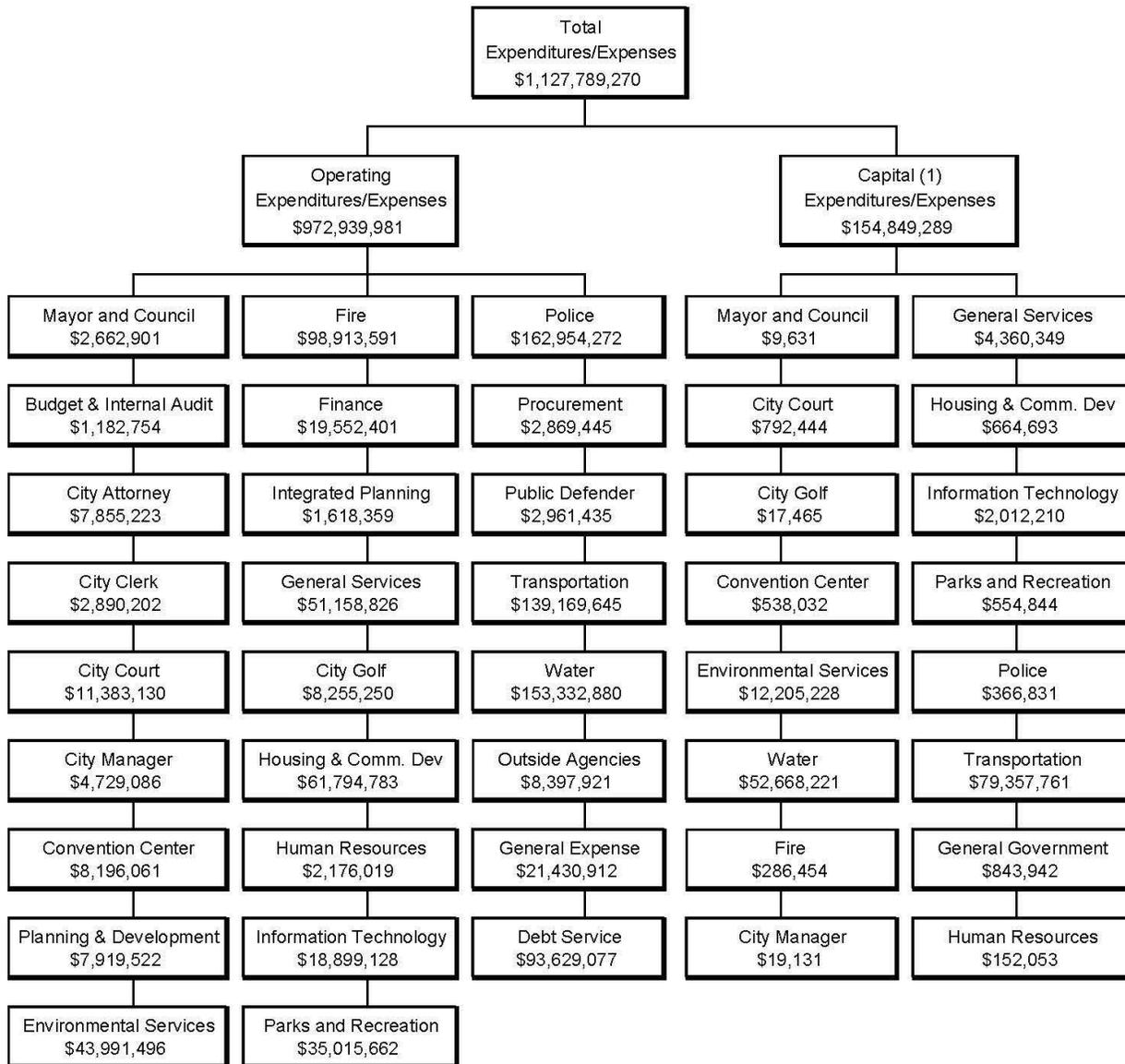
Contents

	<u>Page</u>
Financial Trends	162
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	170
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	173
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	178
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	180
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.

TABLE I

**City of Tucson
Expenditures/Expenses by Department
Fiscal Year 2016**



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

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

TABLE II

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 959,636,068	\$ 1,048,004,576	\$ 1,128,906,123	\$ 1,231,660,136	\$ 1,244,170,566	\$ 1,350,013,946	\$ 1,450,248,757	\$ 1,499,029,239	\$ 1,539,250,781	\$ 1,570,553,310
Restricted	177,158,918	164,195,246	154,738,778	129,992,175	159,017,958	118,633,469	141,695,269	154,849,334	147,289,613	156,102,271
Unrestricted	28,276,910	(2,780,426)	(24,665,404)	(13,022,236)	24,382,059	33,108,497	(409,624)	(780,353,582)	(833,065,927)	(832,271,564)
Total Net position	\$ 1,165,071,896	\$ 1,209,419,396	\$ 1,258,979,497	\$ 1,348,630,075	\$ 1,427,570,583	\$ 1,501,755,912	\$ 1,591,534,402	\$ 873,524,991	\$ 853,474,467	\$ 894,384,017
Business-type Activities										
Net Investment in Capital Assets	\$ 681,599,255	\$ 696,128,404	\$ 727,347,232	\$ 737,714,049	\$ 752,837,699	\$ 769,213,845	\$ 788,088,044	\$ 811,642,121	\$ 825,087,980	\$ 850,193,564
Restricted	25,024,209	26,615,863	33,361,233	35,566,434	35,160,494	36,339,552	37,933,738	38,724,476	39,601,012	29,097,188
Unrestricted	(42,876,565)	(60,875,072)	(37,020,962)	(36,777,570)	(26,949,353)	(10,391,767)	(1,669,897)	(89,809,383)	(76,994,286)	(57,984,680)
Total Net position	\$ 663,746,899	\$ 661,869,195	\$ 723,687,503	\$ 736,502,913	\$ 761,048,840	\$ 795,161,630	\$ 824,351,885	\$ 760,557,214	\$ 787,694,706	\$ 821,306,072
Primary Government										
Net Investment in Capital Assets	\$ 1,641,235,323	\$ 1,744,132,980	\$ 1,856,253,355	\$ 1,969,374,185	\$ 1,997,008,265	\$ 2,119,227,791	\$ 2,238,336,801	\$ 2,310,671,360	\$ 2,364,338,761	\$ 2,420,746,874
Restricted	202,183,127	\$ 190,811,109	\$ 188,100,011	\$ 165,558,609	\$ 194,178,452	\$ 154,973,021	\$ 179,629,007	\$ 193,573,810	\$ 186,890,625	\$ 185,199,459
Unrestricted	(14,599,655)	(63,655,498)	(61,686,366)	(49,799,806)	(2,567,294)	22,716,730	(2,079,521)	(870,162,965)	(910,060,213)	(890,256,244)
Total Net position	\$ 1,828,818,795	\$ 1,871,288,591	\$ 1,982,667,000	\$ 2,085,132,988	\$ 2,188,619,423	\$ 2,296,917,542	\$ 2,415,886,287	\$ 1,634,082,205	\$ 1,641,169,173	\$ 1,715,690,089

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

TABLE III

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (3)	2014 (4)	2015	2016
Expenses										
Governmental Activities										
Elected and Official	\$ 18,282,947	\$ 20,700,143	\$ 18,779,409	\$ 18,771,020	\$ 22,071,179	\$ 22,496,102	\$ 22,380,772	\$ 22,266,302	\$ 20,624,381	\$ 17,193,925
Support Services	48,489,229	47,471,907	42,727,879	44,550,729	42,164,837	35,118,839	39,001,414	48,948,932	50,308,291	44,993,104
Neighborhood Services	359,333,504	372,033,490	366,985,315	354,449,593	340,720,803	497,892,563				
Public Safety and Justice Services								260,591,927	323,811,440	310,658,969
Public Safety/ Neighborhood Services							373,619,042			
Operations and Development	153,134,680	156,511,559	143,961,284	137,548,043	146,488,882	12,266,031	170,562,802			
Community Enrichment and Development								271,590,886	297,437,927	299,659,039
Strategic Initiatives	8,156,745	7,217,537	6,517,311	5,538,870						
Non-Departmental	35,332,418	46,693,111	43,079,731	29,756,362	27,175,033	27,092,579	45,134,817	28,356,640	25,615,851	28,753,654
Interest on Long-term Debt	27,227,363	27,105,560	27,364,406	27,605,603	27,880,687	32,242,741	30,428,436	24,236,525	25,387,637	23,075,684
Fiscal Agent Fees and Other	43,875	41,025	327,635	801,342	1,803,136	58,676	2,419,872	1,868,185	1,880,263	1,059,217
Total Governmental Activities	\$ 650,000,761	\$ 677,774,332	\$ 649,742,970	\$ 619,021,562	\$ 608,304,557	\$ 627,167,531	\$ 683,547,155	\$ 657,859,397	\$ 745,065,790	\$ 725,393,592
Business-type Activities										
Public Housing (1)	\$	\$ 11,184,715	\$ 11,006,286	\$ 12,370,229	\$ 12,138,321	\$ 11,062,401	\$ 11,866,322	\$ 10,257,513	\$ 9,974,288	\$ 10,112,850
Non-PHA Asset Management (2)						1,120,698	1,409,258	1,383,356	2,267,351	2,765,473
Environmental Services	46,037,471	53,420,043	44,676,920	48,824,879	45,752,439	48,122,885	44,760,999	57,226,295	41,611,732	44,959,464
Tucson Golf Enterprise Fund	9,692,464	10,847,587	9,864,806	9,184,549	8,452,760	7,371,311	6,650,603	6,753,158	8,276,232	8,268,410
Water Utility	118,221,611	130,340,130	125,467,271	127,688,652	130,382,350	140,597,834	138,822,228	151,980,908	167,441,460	170,321,706
Total Business-type Activities	173,951,546	205,792,475	191,015,283	198,068,309	196,725,870	208,275,129	203,509,410	227,601,230	229,571,063	236,427,903
Total Primary Government Expenses	\$ 823,952,307	\$ 883,566,807	\$ 840,758,253	\$ 817,089,871	\$ 805,030,427	\$ 835,442,660	\$ 887,056,565	\$ 885,460,627	\$ 974,636,853	\$ 961,821,495
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 10,190,224	\$ 10,160,837	\$ 6,901,801	\$ 6,472,160	\$ 7,969,980	\$ 8,179,531	\$ 8,909,982	\$ 6,681,559	\$ 7,829,176	\$ 9,430,958
Recreation Fees	4,240,903	4,302,267	4,256,646	4,558,748	5,024,093	5,108,831	5,631,054	5,569,954	5,634,416	5,196,732
Paramedic Services Fees	7,243,133	8,510,101	8,830,533	10,921,989	12,111,479	7,856,194	12,098,585	10,616,793	11,155,836	14,267,196
Transit Fees	9,576,722	10,205,276	11,058,854	11,896,786	11,273,379	14,315,113	13,940,587	13,689,563	14,650,911	11,807,294
Other Charges for Service	59,651,892	68,504,419	70,813,426	68,746,501	70,395,491	65,894,543	64,077,153	67,855,088	75,410,073	73,630,570
Operating Grants & Contributions	119,726,357	112,001,911	119,638,739	124,171,155	119,655,515	118,671,770	131,713,221	108,429,579	118,631,887	117,355,150
Capital Grants and Contributions	56,340,464	87,427,159	124,734,954	116,859,034	95,761,089	122,030,260	153,546,244	123,245,664	81,649,759	93,814,694
Total Governmental Activities Program Revenues	\$ 266,969,695	\$ 301,111,970	\$ 346,234,953	\$ 343,626,373	\$ 322,191,026	\$ 342,056,242	\$ 389,916,826	\$ 336,088,200	\$ 314,962,058	\$ 325,502,594
Business-type Activities:										
Charges for Services:										
Public Housing (1)	\$	\$ 7,415,970	\$ 3,454,415	\$ 3,575,243	\$ 3,894,804	\$ 4,337,148	\$ 4,006,300	\$ 3,881,856	\$ 4,382,173	\$ 3,720,409
Non-PHA Asset Management (2)						728,920	1,093,525	1,008,228	1,084,595	1,627,855
Environmental Services	42,960,815	42,533,898	43,888,522	40,998,260	48,442,224	50,327,999	48,646,855	48,788,808	48,731,484	49,654,020
Tucson Golf Enterprise Fund	8,900,670	9,284,924	7,861,067	7,341,967	7,015,322	6,126,611	6,011,381	6,125,375	7,139,282	7,508,666
Water Utility	115,937,118	122,794,083	126,998,731	135,055,480	143,991,812	151,809,779	158,996,999	171,755,468	181,654,170	187,201,847
Operating Grants and Contributions			6,761,845	7,762,635	6,769,831	6,876,004	6,511,555	6,077,057	6,110,015	6,295,102
Capital Grants and Contributions	18,305,223	18,768,422	16,126,145	10,190,038	10,963,141	11,214,120	9,214,121	8,463,198	7,631,102	9,573,927
Total Business-type Activities Program Revenues	186,103,826	200,797,297	205,090,725	204,923,623	221,077,134	231,420,581	234,480,736	246,099,990	256,732,821	265,581,826
Total Primary Government Program Revenues	\$ 453,073,521	\$ 501,909,267	\$ 551,325,678	\$ 548,549,996	\$ 543,268,160	\$ 573,476,823	\$ 624,397,562	\$ 582,188,190	\$ 571,694,879	\$ 591,084,420

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (3)	2014 (4)	2015 (5)	2016 (6)
Net (Expenses) Revenue										
Governmental Activities	\$ (383,031,066)	\$ (376,662,362)	\$ (303,508,017)	\$ (275,395,189)	\$ (286,113,531)	\$ (285,111,289)	\$ (293,630,329)	\$ (321,771,197)	\$ (430,103,732)	\$ (399,890,998)
Business-type Activities	12,152,280	(4,995,178)	14,075,442	6,855,314	24,351,264	23,145,452	30,971,326	18,498,760	27,161,758	29,153,923
Total Primary Government Net Expense	\$ (370,878,786)	\$ (381,657,540)	\$ (289,432,575)	\$ (268,539,875)	\$ (261,762,267)	\$ (261,965,837)	\$ (262,659,003)	\$ (303,272,437)	\$ (402,941,974)	\$ (370,737,075)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 37,669,367	\$ 38,247,154	\$ 36,427,562	\$ 33,033,945	\$ 36,313,914	\$ 39,869,881	\$ 41,787,498	\$ 43,912,695	\$ 44,992,133	\$ 48,798,741
Business Privilege Taxes	209,180,346	204,012,348	184,328,136	172,738,382	175,207,546	182,474,594	189,238,160	193,235,470	194,523,190	200,472,119
Public Utility Taxes	7,176,742	7,048,842	6,711,441	18,216,381	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368	23,031,922
Hotel/Motel Surcharge (6)	12,979,893	12,367,631	10,987,895	11,692,050	12,524,705	12,411,247	12,217,409	12,290,994	13,397,772	14,016,293
Occupational Taxes	2,124,410	881,679	86,868	127,851	86,091	84,690	102,558	87,846		
Liquor Taxes	731,380	670,480	702,523	732,622	760,615	743,322	749,028	750,481		
Unrestricted Grants and Contributions	136,287,823	148,335,159	141,187,557	125,011,993	110,567,181	105,988,454	115,792,652	124,171,684	131,349,102	133,663,259
Investment Income (Loss)	11,613,881	6,480,118	2,505,708	1,086,559	718,308	916,820	227,689	1,127,524	988,190	2,088,982
Miscellaneous	8,370,501	3,750,250	2,082,053	7,500,061	1,966,010	3,860,699	5,756,461	14,843,790	1,225,842	21,545,539
Transfers	(410,991)	(783,799)	(1,031,319)	(5,094,077)	1,618,501	(9,228,249)	(1,410,120)	957,697	1,785,611	(2,816,307)
Total Governmental Activities	\$ 425,723,352	\$ 421,009,862	\$ 383,988,424	\$ 365,045,767	\$ 365,054,039	\$ 359,296,620	\$ 391,178,911	\$ 412,264,407	\$ 410,053,208	\$ 440,800,548
Business-type Activities:										
Investment Income (Loss)	\$ 3,586,680	\$ 2,633,875	\$ 1,752,143	\$ 866,019	\$ 1,813,164	\$ 1,739,089	\$ 1,226,119	\$ 2,079,879	\$ 1,761,345	\$ 1,641,136
Transfers	410,991	783,799	1,031,319	5,094,077	(1,618,501)	9,228,249	1,410,120	(957,697)	(1,785,611)	2,816,307
Total Business-type Activities	\$ 3,997,671	\$ 3,417,674	\$ 2,783,462	\$ 5,960,096	\$ 194,663	\$ 10,967,338	\$ 2,636,239	\$ 1,122,182	\$ (24,266)	\$ 4,457,443
Total Primary Government	\$ 429,721,023	\$ 424,427,536	\$ 386,771,886	\$ 371,005,863	\$ 365,248,702	\$ 370,263,958	\$ 393,815,150	\$ 413,386,589	\$ 410,028,942	\$ 445,257,991
Change in Net Position										
Governmental Activities	\$ 42,692,286	\$ 44,347,500	\$ 80,480,407	\$ 89,650,578	\$ 78,940,508	\$ 74,185,331	\$ 97,548,582	\$ 90,493,210	\$ (20,050,524)	\$ 40,909,550
Business-type Activities	16,149,951	(1,577,504)	16,858,904	12,815,410	24,545,927	34,112,790	33,607,565	19,620,942	27,137,492	33,611,366
Total Primary Government	\$ 58,842,237	\$ 42,769,996	\$ 97,339,311	\$ 102,465,988	\$ 103,486,435	\$ 108,298,121	\$ 131,156,147	\$ 110,114,152	\$ 7,086,968	\$ 74,520,916

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 IV

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

	Fiscal Year									
	2007	2008	2009	2010 (1)	2011	2012	2013	2014	2013 (2)	2016
General Fund										
Reserved	\$ 116,841,230	\$ 26,948,312	\$ 22,727,163	\$	\$	\$	\$	\$	\$	\$
Unreserved	50,947,576	31,124,703	17,000,405							
Nonspendable				3,091,091	2,725,063	2,736,679	7,885,432	10,539,014	11,175,121	4,535,987
Restricted				4,288,438	5,477,328	4,875,762	4,337,530	5,401,397	4,876,013	3,379,729
Committed				5,412,146	28,162,175	28,074,273	27,692,762	28,356,051	29,635,059	31,306,965
Assigned				11,523,823	13,264,761	18,056,275	1,680,900	6,464,860	4,285,870	8,458,874
Unassigned				22,836,507	11,107,980	8,668,230	12,765,747	15,991,136	15,736,784	28,269,669
Total General Fund	<u>\$ 167,788,806</u>	<u>\$ 58,073,015</u>	<u>\$ 39,727,568</u>	<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>
All Other Governmental Funds										
Reserved	\$ 58,199,299	\$ 128,066,834	\$ 103,582,644							
Unreserved, Reported In:										
Special Revenue Funds	(487,809)	(11,863,316)	1,099,433							
Capital Project Funds	(2,508,873)	(528,205)								
Debt Service Funds										
Total Unreserved	<u>(2,996,682)</u>	<u>(12,391,521)</u>	<u>1,099,433</u>							
Nonspendable				5,014,035	4,186,004		4,115,915	4,505,250	5,831,208	3,111,753
Restricted				68,556,717	85,453,622	59,880,453	76,975,091	93,614,555	89,416,493	96,748,168
Committed				3,284,544	3,360,321	3,142,812	5,187,925	1,611,378	104,954	1,628,147
Assigned				13,779,239	18,901,488	9,861,655	9,559,070	15,359,731	4,498,593	7,496,550
Unassigned				(1,540,527)	(177,479)	(421,037)	(96,591)			
Total All Other Governmental Funds	<u>\$ 55,202,617</u>	<u>\$ 115,675,313</u>	<u>\$ 104,682,077</u>	<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>

Notes: (1) For FY 2010 GASB Statement No. 54 was implemented. See Note 1.Q of the Notes to Basic Financial Statements.
(2) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows.

CITY OF TUCSON

TABLE V

Tax and Other Agency Revenues, General Fund

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Tax Revenues										
Property Taxes (2)	\$ 9,975,822	10,122,161	11,568,247	11,633,043	12,034,959	12,048,032	12,467,667	12,993,033	13,413,323	13,985,797
Public Utility Taxes (1)	7,176,742	7,048,842	6,711,442	18,216,381	25,291,168	22,175,162	26,717,576	20,886,226	21,791,368	23,031,922
Local Use Taxes	6,839,887	7,949,205	8,770,451	6,688,928	6,361,392	5,229,898	4,332,206	3,275,783	5,336,256	6,193,640
Business Privilege Taxes	202,340,460	196,063,144	169,708,658	166,573,329	168,139,915	176,758,407	182,861,378	187,178,747	188,784,244	194,093,020
Transient Occupancy Taxes	10,963,953	10,488,453	9,270,796	8,578,730	8,865,662	8,881,638	9,018,728	8,853,403	9,743,022	10,345,642
Other Taxes	4,871,730	3,431,368	2,511,727	3,977,799	4,793,061	4,704,477	4,280,298	4,788,139	3,990,156	4,280,368
Total Tax Revenues	<u>\$ 242,168,594</u>	<u>235,103,173</u>	<u>208,541,321</u>	<u>215,668,210</u>	<u>225,486,157</u>	<u>229,797,614</u>	<u>239,677,853</u>	<u>237,975,331</u>	<u>243,058,369</u>	<u>251,930,389</u>
Other Agency Revenues										
Auto Lieu Taxes - State	\$ 23,429,781	23,445,568	22,114,531	20,318,278	19,718,347	19,743,016	19,090,499	20,030,860	20,709,722	21,801,786
Sales Tax - State	50,310,855	48,272,651	41,597,129	38,800,312	40,564,009	40,807,325	42,757,073	45,344,556	47,733,015	48,829,221
Urban Revenue Sharing - State	62,547,187	75,343,982	77,475,899	65,593,404	50,284,825	45,438,112	53,945,081	58,796,268	62,906,365	63,032,252
Contributions and Agency Billings (2)	1,262,098	2,663,381	1,564,782	1,570,211	3,862,945	4,855,284	4,486,826	4,563,843	5,606,984	6,563,219
Total Other Agency Revenue	<u>\$ 137,549,921</u>	<u>149,725,582</u>	<u>142,752,341</u>	<u>126,282,205</u>	<u>114,430,126</u>	<u>110,843,737</u>	<u>120,279,479</u>	<u>128,735,527</u>	<u>136,956,086</u>	<u>140,226,478</u>

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 VI

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (2)	2014 (3)	2015	2016
Revenues										
Taxes	\$ 268,850,174	262,850,771	233,356,179	237,065,108	249,762,745	255,269,345	267,885,494	265,975,961	273,206,471	284,287,630
Licenses and Permits	22,211,469	23,372,170	22,067,281	21,851,480	22,480,422	22,566,668	20,660,558	20,271,165	28,604,577	29,907,393
Fines and Forfeitures	13,025,976	13,688,009	15,945,245	14,591,212	14,656,099	13,845,465	12,852,016	15,761,622	16,831,650	13,051,724
Developer Fees	6,985,561	5,936,592	6,782,474	3,617,096	4,923,737	6,435,351	7,865,777	5,198,521	1,522,640	4,352,737
Use of Money and Property	13,645,750	8,564,946	4,763,576	3,069,974	2,812,446	2,822,212	2,475,035	3,185,971	2,248,794	3,420,636
Federal Grants and Contributions	88,800,500	75,144,483	97,791,606	108,297,296	98,431,053	130,698,957	147,167,365	81,133,301	89,328,863	82,643,881
Other Agencies	210,751,555	256,350,134	266,729,414	242,284,368	228,230,267	205,536,890	232,434,327	259,994,992	240,999,776	259,636,618
Charges for Services	47,584,931	56,153,508	55,590,055	59,108,565	60,487,549	59,580,884	63,383,040	61,868,702	62,646,317	64,921,055
Special Assessments	873,801	1,712,882	1,155,596	652,683	598,613	523,362	390,049	355,263	323,164	270,738
Miscellaneous	6,046,159	4,916,002	5,188,266	3,912,511	3,798,046	3,162,594	6,856,402	14,916,576	8,083,996	21,002,312
Total Revenues	678,775,876	708,689,497	709,369,692	694,450,293	686,180,977	700,441,728	761,970,063	728,662,074	723,796,248	763,494,724
Expenditures										
Current										
Elected and Official	18,113,339	20,547,490	18,326,961	18,435,544	21,539,110	22,745,526	22,220,220	22,491,683	21,123,774	18,137,378
Support Services	45,444,738	43,182,510	37,623,756	38,293,888	37,282,485	32,198,197	33,533,949	44,022,242	45,244,122	43,888,000
Neighborhood Services	336,416,150	354,437,324	355,353,344	334,874,173	328,579,562	446,212,801				
Environment and Development	119,417,994	125,894,170	112,662,056	101,757,866	110,638,943	12,266,031				
Public Safety/Neighborhood Services							359,047,300			
Public Safety and Justice Services								255,356,475	261,650,102	276,028,768
Operations and Development							133,123,134			
Community Enrichment and Development								223,217,451	247,138,055	240,994,849
Strategic Initiatives	7,760,831	7,017,029	6,298,094	5,378,320						
Non-Departmental	34,744,063	39,918,390	36,356,093	30,409,258	22,190,452	26,530,390	25,093,204	26,787,570	24,012,380	29,828,832
Capital Outlay	11,767,166	20,350,305	27,979,817	22,206,864	15,074,167	16,464,806	31,567,755	25,149,554	27,411,744	15,831,246
Capital Projects	84,542,323	94,607,634	109,248,633	95,859,440	120,926,947	105,148,263	114,500,756	81,701,341	63,066,809	73,713,543
Debt Service										
Principal	32,408,561	39,356,327	27,609,139	26,767,636	20,722,468	38,542,247	27,754,913	33,961,609	49,743,385	54,255,966
Interest	27,227,363	27,105,560	27,276,527	27,614,317	27,928,190	31,471,681	29,846,761	24,241,560	25,539,124	22,609,407
Fiscal Agent Fees	43,875	41,025	49,197	209,780	31,250	40,800	6,138	37,850	23,625	91,914
Issuance Cost of Debt	1,512,249		1,183,612	422,079	1,774,291	1,093,410	643,784	1,276,819	1,197,267	967,303
Total Expenditures	719,398,652	772,457,764	759,967,229	702,229,165	706,687,865	732,714,152	777,337,914	738,244,154	766,150,387	776,347,206
Excess of Revenues										
Over (Under) Expenditures	\$ (40,622,776)	(63,768,267)	(50,597,537)	(7,778,872)	(20,506,888)	(32,272,424)	(15,367,851)	(9,582,080)	(42,354,139)	(12,852,482)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (2)	2014 (3)	2015	2016
Other Financing Sources (Uses)										
Bond Issuance	\$ 72,167,871	14,972,655	10,505,635	10,560,000	10,730,000	23,060,000	54,500,000	40,000,000	83,950,000	43,020,000
Capital Leases	46,925,648	3,403,554	37,865,261	15,080,000	66,565,000	24,280,000	1,150,000	29,505,017	20,659,864	42,095,984
Premium on Issuance of Debt	5,263,499		1,757,629	1,686,456	1,575,158	3,624,218	4,008,299	4,123,622	8,287,282	7,143,323
Refunded Bond Escrow Agent	(65,418,781)		(28,778,672)	(24,964,377)	(21,992,814)	(50,175,809)	(37,576,983)	(32,257,750)	(88,426,284)	(54,144,197)
Discount on Issuance of Debt			(275,753)		(252,090)					
Transfers In	64,238,616	66,240,407	42,237,209	36,952,322	49,484,780	55,836,769	45,444,401	58,034,047	71,625,419	60,221,549
Transfers Out	(80,940,455)	(67,512,881)	(42,052,456)	(39,699,161)	(49,387,896)	(54,626,769)	(44,241,334)	(58,083,265)	(70,025,419)	(66,108,430)
Total Other Financing Sources (Uses)	42,236,398	17,103,735	21,258,853	(384,760)	56,722,138	1,998,409	23,284,383	41,321,671	26,070,862	32,228,229
Net Change in Fund Balances	\$ 1,613,622	(46,664,532)	(29,338,684)	(8,163,632)	36,215,250	(30,274,015)	7,916,532	31,739,591	(16,283,277)	19,375,747
Debt Service as a % of Noncapital Expenditures (1)	9.6%	10.1%	8.8%	9.3%	8.5%	11.5%	9.1%	9.2%	11.1%	11.2%

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	Fiscal Year									
	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012 (1)	2013 (1)	2014 (1)	2015	2016
Utilities	\$ 685,494,200	754,333,550	720,709,200	790,046,950	718,552,700	750,007,650	753,704,450	761,478,800	782,177,122	827,836,228
Communications	309,965,250	314,494,025	234,427,450	240,025,429	267,402,622	227,677,700	232,882,104	201,169,667	184,659,928	167,040,690
Publishing & Printing	56,808,850	55,307,570	44,152,529	54,591,885	46,369,408	50,777,500	47,314,952	46,030,420	46,225,728	44,861,010
Restaurants	1,006,900,500	966,255,780	909,165,921	912,271,846	913,184,999	996,147,700	1,031,086,030	1,053,054,171	1,116,095,399	1,174,744,611
Amusements	68,246,600	62,898,805	56,520,306	80,315,638	81,730,112	84,884,600	88,969,460	85,607,140	85,427,724	90,656,814
Rentals	1,576,227,300	1,051,928,291	967,460,437	969,092,254	971,487,214	985,211,000	1,015,055,763	998,954,427	972,479,203	1,002,169,113
Contracting	1,103,554,400	1,180,979,287	926,838,539	674,230,827	707,955,711	745,759,900	835,481,024	862,574,090	654,854,410	499,557,358
Retail	5,861,941,200	5,745,480,498	4,882,756,145	4,668,578,836	4,793,591,280	5,062,139,300	5,336,970,626	5,455,905,198	5,804,257,368	6,133,012,334
Use Tax	311,142,550	342,690,041	437,398,000	335,281,026	325,202,306	256,853,800	219,717,771	208,957,129	274,254,592	308,009,316
Other	9,693,050	4,337,849	3,459,309	2,332,375	2,324,982	2,051,050	2,812,713	1,388,506	1,711,651	2,465,771
Total Business Privilege Activity	\$ 10,989,973,900	10,478,705,696	9,182,887,836	8,726,767,066	8,827,801,334	9,161,510,200	9,563,994,893	9,675,119,548	9,922,143,125	10,250,353,245
City's Tax Rate	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%

Notes: (1) Tax activity reporting were re-calculated for fiscal years 2007-2014 due to changes in tax software collection systems.

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

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

TABLE VIII

<u>Fiscal Year</u>	<u>City's Rate</u>	<u>State's Rate (1)</u>	<u>County's Rate - RTA (2)</u>
2007	2.0%	5.6%	0.5%
2008	2.0%	5.6%	0.5%
2009	2.0%	5.6%	0.5%
2010	2.0%	6.6%	0.5%
2011	2.0%	6.6%	0.5%
2012	2.0%	6.6%	0.5%
2013	2.0%	5.6%	0.5%
2014	2.0%	5.6%	0.5%
2015	2.0%	5.6%	0.5%
2016	2.0%	5.6%	0.5%

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

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

CITY OF TUCSON

TABLE IX

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

Business Sector	Fiscal Year 2007		Fiscal Year 2016	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility	\$ 13,709,884	6.0%	\$ 16,556,810	7.4%
Public Utility	7,046,229	3.1%	21,370,733	9.5%
Public Utility (Right of Way)	218,760	0.1%	663,484	0.3%
Communications	6,199,305	2.7%	3,340,968	1.5%
Publishing & Printing	1,136,177	0.5%	891,426	0.4%
Restaurants	20,138,010	8.9%	23,482,740	10.5%
Amusements	1,364,932	0.6%	1,814,015	0.8%
Rentals	31,524,546	13.9%	20,029,472	8.9%
Contracting	22,071,088	9.7%	9,575,681	4.3%
Retail	117,238,824	51.6%	120,866,353	53.8%
Use Tax	6,222,851	2.7%	5,843,821	2.6%
Other Activities	193,861	0.1%	49,353	0.0%
Total (1)	\$ 227,064,467	100%	\$ 224,484,856	100%

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

CITY OF TUCSON

TABLE X

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities							
	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	Total Governmental Activities
2007	\$ 245,941,434	\$ 141,039,342	\$	\$ 187,546,573	\$ 3,331,922	\$ 11,505,815	\$	\$ 589,365,086
2008	231,335,000	130,074,491	13,400,000	175,822,401	4,333,598	11,484,700		566,450,190
2009	262,210,644	129,612,924	5,900,000	194,647,929	4,192,893	7,697,512	7,595,900	611,857,802
2010	245,618,295	129,386,496		194,509,665	3,626,171	5,687,600	7,011,600	585,839,827
2011	228,830,948	129,040,167		250,893,995	3,052,000	2,875,924	17,662,300	632,355,334
2012	215,939,228	115,753,502		243,748,461	2,469,000	1,660,877	16,458,000	596,029,068
2013	220,197,706	116,685,796		236,008,762	2,006,000	2,340,221	15,178,700	592,417,185
2014	221,448,585	103,815,714		256,206,057	1,577,000	2,062,612	13,889,400	598,999,368
2015	221,866,839	89,760,231		241,337,521	1,139,000	3,073,227	12,580,100	569,756,918
2016	218,709,143	74,955,413		226,053,035	692,000	19,272,245	11,260,800	550,942,636

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

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

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

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

CITY OF TUCSON

TABLE XI

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
2007 (1) \$	291,777,230	\$ 10,833,913	\$ 280,943,317	\$ 22,220,936,879	1.26%	\$ 282.07
2008 (2)	279,850,223	13,842,695	263,007,528	26,219,680,375	1.00%	259.63
2009 (3)	262,210,644	10,742,199	251,468,445	30,304,695,215	0.83%	247.07
2010	245,618,295	4,234,358	241,383,937	30,988,293,628	0.78%	233.06
2011	228,830,948	1,101,917	227,729,031	29,724,994,272	0.77%	233.81
2012	215,939,228		215,939,228	26,361,320,625	0.82%	217.90
2013	220,197,706		220,197,706	25,277,236,323	0.87%	220.90
2014	221,448,585		221,448,585	23,573,852,432	0.94%	222.33
2015	221,866,839		221,866,839	23,621,125,299	0.94%	220.28
2016	218,709,143	2,205,248	216,503,895	24,914,786,731	0.87%	214.96

Source: Estimated net full cash value is from the General Obligations, Series 2016-D (2016) Official Statement.

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

(1) Includes \$45,835,796 of General Bonded debt in the Environment Services Fund.

(2) Includes \$45,515,223 of General Bonded debt in the Environment Services Fund.

(3) General Bonded debt no longer in the Environment Services Fund.

CITY OF TUCSON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

TABLE XII

Overlapping Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt (2)
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 383,935,000	41.32%	\$ 158,641,942
Tucson Unified School District No. 1	183,655,000	76.00%	139,577,800
Flowing Wells Unified School District No. 8	17,455,000	6.02%	1,050,791
Amphitheater Unified School District No. 10	97,530,000	8.20%	7,997,460
Sunnyside Unified School District No. 12	60,830,000	13.13%	7,986,979
Tanque Verde Unified School District No. 13	11,785,000	5.40%	636,390
Vail Unified School District No. 20	61,390,000	13.42%	8,238,538
Sahuarita Unified School District No. 30	38,215,000	27.00%	10,318,050
Other Debt (1)			
Pima County Capital Leases	178,156,361	41.32%	73,614,208
Tucson Unified School District No. 1 Capital Leases	47,666,654	76.00%	36,226,657
Flowing Wells Unified School District No. 8 Capital Leases	62,147	6.02%	3,741
Sunnyside Unified School District No. 12 Capital Leases	2,155,350	13.13%	282,997
Subtotal, Overlapping Debt			444,575,553
City of Tucson, Arizona Direct Debt			550,942,636
Total Direct and Overlapping Debt			\$ 995,518,189

Source: State Report of Indebtedness and Official Statement Dated June 2014, GO Series 1012-B (2014)

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.

(2) State Report of Indebtedness for fiscal year 2016 is not available for the fiscal year 2016 CAFR. Figures are from the fiscal year 2014-2015.

CITY OF TUCSON
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary Tax Rate (1)	\$ 0.3411	0.3296	0.3231	0.3144	0.3289	0.4297	0.4125	0.5245	0.4829	0.5326
Secondary Tax Rate	0.8846	0.8025	0.6370	0.6200	0.6261	0.7324	0.8514	0.9059	0.9777	1.0634
Total Property Tax Rate (2)	\$ 1.2257	1.1321	0.9601	0.9344	0.9550	1.1621	1.2639	1.4304	1.4606	1.5960
Secondary Assessed Value	\$ 3,016,230,759	3,491,926,602	3,895,581,900	3,862,655,420	3,914,105,239	3,487,959,628	3,377,401,416	3,151,042,287	3,131,952,246	3,248,105,418
6% Limitation (3)	\$ 180,973,846	209,515,596	233,734,914	231,759,325	210,076,018	209,277,578	202,644,085	189,062,537	187,420,723	194,886,325
Less: Direct G.O. Bonds Outstanding	20,715,000	9,145,000	660,000							
Legal Debt Margin	\$ 160,258,846	200,370,596	233,074,914	231,759,325	210,076,018	209,277,578	202,644,085	189,062,537	187,420,723	194,886,325
Legal Debt Margin as a Percentage of the Debt Limit	88.55%	95.64%	99.72%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	\$ 603,246,152	698,385,320	779,116,380	772,531,084	782,821,048	697,591,926	675,480,283	630,208,457	624,735,746	649,621,083
Less: Direct G.O. Bonds Outstanding	262,585,610	259,960,610	253,415,610	238,315,610	222,360,610	209,071,010	213,450,000	214,760,000	213,495,000	208,860,000
Legal Debt Margin	\$ 340,660,542	438,424,710	525,700,770	534,215,474	560,460,438	488,520,916	462,030,283	415,448,457	411,240,746	440,761,083
Legal Debt Margin as a Percentage of the Debt Limit	56.47%	62.78%	67.47%	69.15%	71.59%	70.03%	68.40%	65.92%	65.83%	67.85%

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

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

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

CITY OF TUCSON

TABLE XIV

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		
				2007	\$ 124,708,152	\$ 73,544,769	\$ 51,163,383		
2008	129,575,735	77,116,750	52,458,985	13,589,134	18,816,787	10,515,000	17,813,015	1.62	1.85
2009	130,592,259	73,340,779	57,251,480	14,102,839	19,565,491	10,850,000	18,214,243	1.70	1.97
2010	138,999,806	71,990,433	67,009,373	17,619,889	19,207,229	14,252,045	18,018,477	1.82	2.08
2011	148,473,207	75,307,470	73,165,737	20,147,455	22,130,225	16,500,000	20,919,848	1.73	1.96
2012	156,327,453	83,267,358	73,060,095	21,198,854	22,226,365	18,330,000	20,946,272	1.68	1.86
2013	163,836,521	84,757,495	79,079,026	24,503,570	21,875,823	19,595,000	20,729,587	1.71	1.96
2014	176,411,669	91,766,938	84,644,731	22,543,481	19,291,096	19,345,000	18,170,704	2.02	2.26
2015	186,136,837	96,997,979	89,138,858	28,201,640	21,117,117	24,900,000	20,073,447	1.81	1.98
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

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	
2007	\$ 692,291	\$ 453,001	\$ 170,514	1.11	\$ 49,427,956	\$ 9,600,000	\$ 7,263,235	2.93
2008	1,370,171	570,887	210,457	1.75	48,918,768	10,000,000	6,831,205	2.91
2009	742,520	516,254	214,151	1.02	45,849,257		6,118,500	7.49
2010	677,504	566,635	200,664	0.88	43,475,000		6,150,817	7.07
2011	612,085	574,000	171,169	0.82	40,018,318		5,941,298	6.74
2012	536,157	583,000	142,025	0.74	37,160,062	12,255,000	6,167,389	2.02
2013	396,135	463,000	115,553	0.68	40,613,665		5,437,808	7.47
2014	371,320	429,000	92,610	0.71	41,266,976	11,660,000	5,042,561	2.47
2015	335,927	438,000	70,064	0.66	44,846,287	12,965,000	4,544,350	2.56
2016	286,141	447,000	47,072	0.58	46,779,437	13,185,000	3,855,618	2.75

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 XV

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2006	996,000 \$	30,837,500,000 \$	30,961	3.8%
2007	1,013,000	33,117,770,000	32,693	4.7%
2008	1,017,800	32,873,000,000	32,298	7.9%
2009	1,035,700	34,958,100,000	33,753	8.6%
2010	974,000	35,187,500,000	36,127	9.1%
2011	991,000	36,864,000,000	37,199	7.2%
2012	996,800	37,031,000,000	37,150	7.0%
2013	996,046	37,587,700,000	37,737	6.6%
2014	1,007,200	38,272,000,000	37,998	5.7%
2015	1,009,400	38,606,000,000	38,246	5.7%

Sources: Economic and Business Research, University of Arizona; and the Arizona Department of Administration,

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 2016 contains data for the calendar year ending December 31,2015.

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XVI

Employer	2007		Employer	2016	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
U.S. Army Intelligence Center & Fort Huachuca	13,090	3.13%	University of Arizona	11,235	2.94%
Raytheon Missile Systems	11,000	2.46%	Raytheon Missile Systems	9,600	2.51%
University of Arizona	10,282	2.57%	State of Arizona	8,524	2.23%
State of Arizona	9,927	2.33%	Davis-Monthan Air Force Base	8,335	2.18%
Davis-Monthan Air Force Base	8,230	1.97%	Tucson Unified School District No. 1	7,134	1.87%
Tucson Unified School District	7,600	1.82%	Pima County	7,023	1.84%
Pima County	6,765	1.27%	Banner University Health Care	6,542	1.71%
City of Tucson	5,325	1.19%	U.S. Customs and Border Patrol	6,470	1.69%
Wal-Mart Stores, Inc.	3,020	0.99%	Freeport-McMoRan Copper & Gold, Inc.	5,800	1.52%
University Medical Center	2,950	0.90%	Wal-Mart Stores, Inc.	5,400	1.41%
Total	78,189	18.63%		76,063	19.90%

Source: City of Tucson Certificates of Participation, Taxable Series 2004-A
City of Tucson General Obligation Bond, Tax-Exempt Series 2012-A
Arizona Workforce Web Site (CES/NAICS)

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

TABLE XVII

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013 (1)	2014 (2)	2015	2016
Elected and Official	223.50	253.50	250.00	247.50	214.50	207.50	209.50	223.00	206.50	212.50
Neighborhood Services	3,277.80	3,433.55	3,447.05	3,277.55	3,167.80	2,413.75				
Public Safety/Neighborhood Services							2,974.75			
Public Safety and Justice Services								2,239.30	2,237.80	2,254.80
Operations and Development	564.50	577.50	563.50	456.00	450.00	1,159.25	594.00			
Strategic Initiatives	63.75	63.75	63.75							
Community Enrichment and Development								1,090.25	1,052.50	1,027.00
Support Services	724.71	702.16	702.16	676.66	644.50	303.00	301.50	524.00	518.00	522.50
Non-Departmental	14.75	4.00	4.00							
Pension Services							4.00	4.00	4.00	4.00
Utility Services-Environmental Services	251.00	264.00	263.00	248.00	241.00	241.00	237.00	222.00	216.00	214.00
Utility Services-Water	573.00	578.00	580.00	568.00	556.00	556.00	549.00	547.00	547.50	547.50
Golf Courses (3)	154.75	154.75	154.75	154.75	145.25	63.75	68.00	68.00		
Total	5,847.76	6,031.21	6,028.21	5,628.46	5,419.05	4,944.25	4,937.75	4,917.55	4,782.30	4,782.30

Source: Adopted Budget - Volume I

Note: (1) Environment and Development and Neighborhood Services functions were re-organized into the Public Safety/Neighborhood Service and Operations and Development functions.

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

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

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

TABLE XVIII

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police Facilities	8	8	9	9	13	13	13	13	9	9
Fire Stations	20	21	21	21	21	21	21	21	22	22
Parks & Recreation										
Recreation/Regional Centers	18	18	18	18	18	18	18	18	20	20
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	136	142	142	142	142	142	142	142	127	127
Playfields	231	231	231	231	231	231	231	231	225	225
Swimming Pools	27	27	27	27	27	27	27	27	45	45
Transportation (1)										
Residential (Miles)	1,378	1,378	1,384	1,384	1,384	1,604	1,604	1,629	1,645	1,328
Collectors (Miles)	101	101	101	101	101	101	101	101	101	85
Arterials (Miles)	287	287	287	287	287	316	316	371	381	310
Interstate (Miles)	80	80	80	80	80	80	80	80	80	
Transit										
Buses (Active Fleet)	196	203	230	241	240	237	252	240	252	252
Water										
Operable Wells	212	216	216	214	221	226	206	230	225	221
Miles of Water Mains	4,617	4,437	4,683	4,454	4,620	4,687	4,793	4,606	4,623	4,579

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.

CITY OF TUCSON

TABLE XIX

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Number of Construction Permits (Residential and Commercial)	5,187	3,994	2,802	2,921	2,984	2,430	2,295	1,932	2,094	unavailable
Permit Revenue	\$10,728,891	\$10,509,526	\$7,227,251	\$6,769,166	\$8,278,724	\$8,179,531	\$8,909,982	\$6,870,350	\$8,644,604	unavailable
Police										
Calls for Service	346,836	345,395	327,882	296,316	299,191	305,662	328,015	346,817	326,900	286,811
Calls for Service per Capita	0.34	0.62	0.60	0.54	0.57	0.56	0.62	0.66	0.62	0.54
Part I Crimes (% Cleared) (1)	16.97%	19.39%	18.41%	20.43%	17.04%	17.13%	11.52%	14.73%	14.80%	12.34%
Part II Crimes (% Cleared) (1)	86.07%	94.14%	94.27%	97.90%	100.00%	93.02%	83.61%	79.22%	37.94%	65.51%
Fire										
Emergency Responses	76,567	79,940	79,380	77,800	79,721	80,236	81,941	79,704	85,594	91,272
Inspections	2,644	3,028	7,825	8,712	8,301	8,319	6,293	7,199	5,471	5,140
Parks & Recreation										
KIDCO Registration	6,851	4,423	2,967	2,947	3,710	4,161	3,407	3,209	3,195	3,285
Class Enrollment-Other than KIDCO	19,681	10,531	19,865	7,412	18,304	19,418	17,607	16,949	16,724	16,248
Facility Rental	14,197	14,215	14,021	13,032	11,509	11,734	9,325	9,231	10,688	10,810
Zoo Visitors	467,108	504,528	529,010	514,269	524,701	585,583	549,929	568,028	618,357	519,829
Environmental Services										
Landfill Tons of Waste Collected	690,215	631,465	487,144	412,950	435,864	453,400	471,400	517,564	560,938	575,469
Tons of Material Recycled	46,918	46,096	44,480	44,622	43,534	39,000	38,000	38,623	39,506	39,792
Water										
Average Total Monthly Connections										
Potable	225,048	224,129	228,157	224,562	222,736	223,139	224,284	225,791	227,052	228,450
Reclaimed	993	1086	1053	1,061	1,087	1,087	1,082	1,086	1,076	1,056
New Connections										
Potable	3,880	2,295	1,064	1,064	1,127	1,018	1,459	1,186	1,258	1,398
Reclaimed	55	15	17	17	0	0	9	0	-10	-20
Water Sales (1000 ccf)										
Potable	46,366	46,590	44,443	43,668	42,885	41,433	41,109	41,266	39,876	39,500
Reclaimed	5,848	6,617	7,151	6,913	6,872	6,285	6,483	7,154	6,188	5,981
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	10	2 to 4 weeks	4 to 6 weeks	4 to 6 weeks	4 to 6 weeks	42	16	2 to 3 weeks	18	14
The % of Lane Miles Assessed as Satisfactory or Better (2)	79.0%	80.0%	81%	81%	67%	43%	46%	23%	28%	26%
Traffic Signal Expenditure per Repair	\$95.00	\$250.00	\$486.00	\$516.00	\$567.00	\$700.00	\$746.00	\$831.00	\$593.00	\$510.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$5.91	\$6.02	\$6.44	\$6.23	\$5.78	\$6.89	\$6.20	\$7.11	\$7.08	\$7.47
Sun Tran's Operating Expenses per Passenger Mile	\$0.53	\$0.68	\$0.59	\$0.69	\$0.74	\$0.70	\$0.64	\$0.73	\$0.68	\$0.94

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.

CITY OF TUCSON, ARIZONA



Glossary

Glossary

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

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

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

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 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.

Intangible Asset. An asset with an initial useful life beyond a single reporting life and lacks physical substance and is not in a monetary form similar cash or investment securities.

Internal service funds. Proprietary fund type that may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The goal of an internal service fund is to measure the full cost of providing goods or services for the purpose of fully recovering that cost (including the cost of capital assets) through fees or charges.

Introductory section. The first of three essential components of any comprehensive annual financial report. The introductory section typically provides general information on a government's structure and personnel as well as information useful in assessing the government's financial condition. The contents of the introductory section normally fall outside the scope of the independent audit of the financial statements.

Landfill closure and postclosure care costs. Costs incurred to provide for the protection of the environment that occur near or after the date that a municipal solid-waste landfill stops accepting solid waste and during the postclosure period. Closure and postclosure care costs include the cost of equipment and facilities (e.g., leachate collection systems and final cover) as well as the cost of services (e.g., postclosure maintenance and monitoring costs). [SGAS18]

Legal debt margin. The excess of the amount of debt legally authorized over the amount of debt outstanding.

Legal defeasance. A situation that occurs when debt is legally satisfied based on certain provisions in the debt instrument even though the debt is not actually paid. When debt is defeased, it is no longer reported as a liability on the face of the statement of position; only the new debt, if any, is reported as a liability. [SGAS 7]

Legal level of budgetary control. The level at which a government's management may not reallocate resources without special approval from the legislative body.

Materiality. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement. The objective of accountability in governmental financial reporting adds another perspective to materiality. Specifically, accountability requires another perspective to materiality. Specifically, accountability requires materiality to be judged not only in a quantitative manner, but also in a qualitative manner. That is, accountability involves such issues as legal and contractual compliance that may not have a "material" effect on the entity's reported operating results and financial position but that would influence or change the judgment of a reasonable person about how the government has conducted its affairs during the period. [SGAS 11]

Measurement Focus. The objective of a measurement, that is, what is being expressed in reporting an entity's financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized (the basis of accounting). The measurement focus of government-

wide financial statements, proprietary fund financial statements, and fiduciary fund financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

Modified accrual basis of accounting. Basis of accounting according to which (a) revenues are recognized in the accounting period in which they become available and measurable and (b) expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt and certain similar accrued obligations, which should be recognized when due.

Net position. The residual of all elements presented in a statement of financial position. Net position equals assets plus deferred outflows, less liabilities and deferred inflows.

Noncapital financing activities. Term used in connection with cash flows reporting. Noncapital financing activities include borrowing money for purposes other than to acquire, construct, or improve capital assets and repaying those amounts borrowed, including interest. This category includes proceeds from all borrowings (such as revenue anticipation notes) not clearly attributable to acquisition, construction, or improvement of capital assets, regardless of the form of the borrowing. Also included are certain other interfund and intergovernmental receipts and payments. [SGAS 9]

Nonspendable fund balance. The portion of fund balance that have practical constraints that represent assets that will never convert to cash (inventory), assets that will not convert to cash in the current period (long term portion of a loan receivable), and resources that must be maintained intact pursuant to legal or contractual requirements (principal of an endowment).

Operating Activities: Term used in connection with cash flows reporting. Operating activities generally result from providing services and producing and delivering goods, and include all transactions and other events that are not defined as capital and related financing, noncapital financing, or investing activities. [SGAS 9]

Operating revenues and expenses. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net 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]

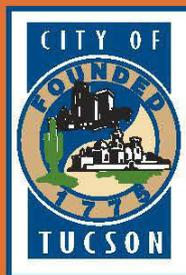
Restricted assets. Assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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.



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