

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year July 1, 2016 - June 30, 2017



City of Tucson, Arizona

City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017



Prepared by: The Department of Finance,
Accounting Division



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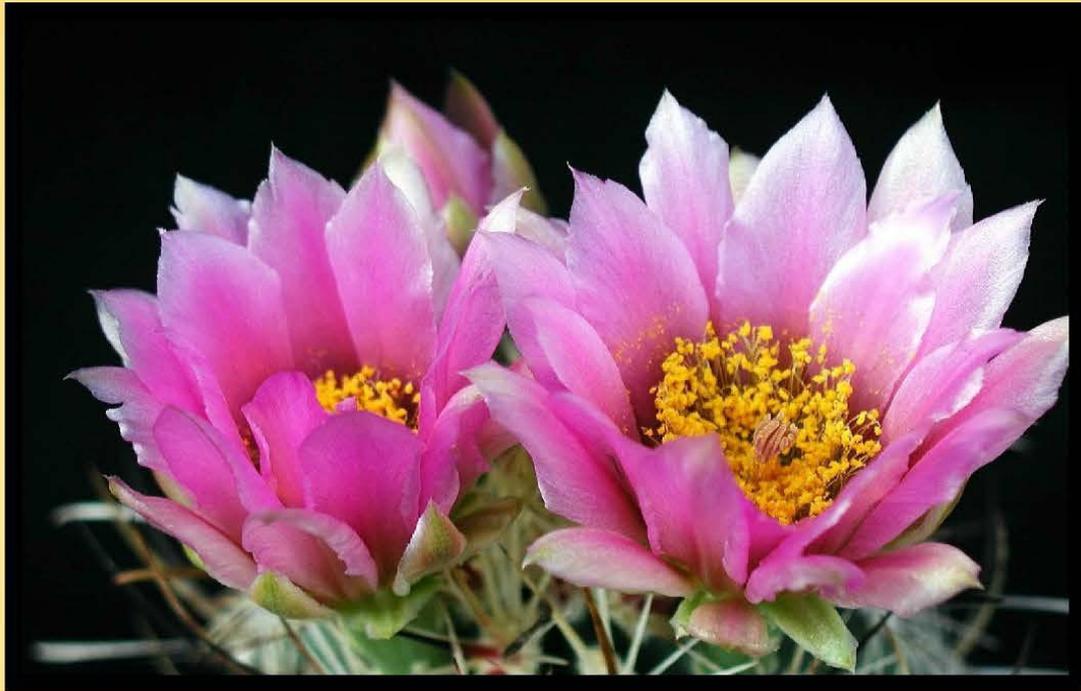
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Introduction



CITY OF TUCSON

ARIZONA



CITY OF
TUCSON

OFFICE OF THE
CITY MANAGER

December 28, 2017

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2017, 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 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 Heinfeld, Meech, and Company, P.C. to express an opinion on the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report, and the City received an unmodified opinion upon completion of the audit. Heinfeld, Meech, and Company, P.C. 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 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 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 3.6% of General Fund revenues and the committed fund balance for the stabilization fund is 4.6%.

Assessing Economic Condition

Tucson has a broad based economy that is anchored in tourism, higher education, retail, military, government and various high-tech and health care employers. The economic forecast is calling for expansion at a moderate pace with gains in jobs, income and population. In 2017, retail sales increased approximately 4.1%, while personal income increased 3.2%. The preliminary estimate for the October 2017 unemployment rate is 4.0%, down from 4.7% in October 2016, and median home sale prices are strong with an increase of 12.3%.

Sales tax revenues comprise approximately 40% of the City's General Fund, with retail sales being a major component. Retail sales growth rates for the Tucson Metropolitan Area are projected to increase from 2.1% in 2018 to 3.2% in

2021. State-shared sales tax revenues represent approximately 10% of the City's general fund revenues, and retail sales growth rates for Arizona are expected to average 4.5% through 2021.

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

Long-Term Planning

Tucson voters approved Plan Tucson, the City's General and Sustainability Plan at the November 5, 2013 general election. Plan Tucson is a long-term policy document intended to provide a vision and future direction for the City in areas such as economic development, housing, water, historic preservation, transportation, and land use. Plan Tucson will provide the basis of an Annual Work Program. The Annual Work Program will establish Mayor and Council priorities for intermediate (1-3 years) objectives on which City government will focus. These priorities form the development of the Operating and Capital Budgets and the allocation of resources on an annual basis.

The City utilizes a long term financial model and anticipates a continued challenge in balancing future revenue growth estimated to be outpaced by projected expenses. Arizona law requires cities to balance the total expenditures and other requirements to the total resources in their budgets. The Fiscal Year 2018 continues to be structurally balanced in that there is no use of one-time funds for recurring expenditures. It incorporates a thorough review of departments and business functions including a reorganization, combining the Procurement, Finance and Human Resources departments, as well as the consolidation of the Police and Fire 911 Communication Center. These consolidations are expected to yield better service to the community, efficiencies and cost savings.

The City is aggressively managing increasing employee benefit costs. During Fiscal Year 2017, the City paid \$5.6 million in excess of the actuarially recommended pension contribution amount to the State-controlled Public Safety Personnel Retirement System (PSPRS). Two court decisions reversing the gradual increases to employee contribution rates have increased pension liabilities and employer contribution rates state-wide provoking the need for excess contributions, which in the long-term will help improve the funded status of the plan. In addition, there are no pay increases built into the Fiscal Year 2018 budget. However, the City will absorb health insurance increases in lieu of passing these additional costs to employees and offer other benefits including six weeks of paid parental leave, alternative work schedules where feasible, and an expanded tuition reimbursement program.

Major Initiatives

Tucson Delivers - This five-year program was approved overwhelmingly by City of Tucson voters on May 16, 2017, increasing sales tax by a half-cent to fund public safety capital needs and to restore, repair and resurface city streets. The tax went into effect on July 1, 2017 and is projected to generate approximately \$250 million over the five-year period with \$100 million dedicated to better streets and \$150 million for public safety vehicles, facilities and equipment.

Water Conservation Program - Tucson Water continues to offer resources for its residential and commercial customers who want to learn more about how to conserve water and use it efficiently. Resources include rebates and incentive programs, home water audits and xeriscape landscaping recommendations. Conservation efforts over time have helped keep Tucson Water rates down through the cost avoidance of investing millions of dollars in infrastructure to accommodate increasing demand. In a report sponsored by the Alliance for Water Efficiency, it is estimated that water rates are at least 11.7% lower today had Tucsonans not implemented reduced demand through the conservation efforts program.

Reid Park Zoo Health Center - The Fiscal Year 2018 Capital Improvement Plan includes an expansion of the existing veterinary facility at the Reid Park Zoo, renovating a 40-year old facility to accommodate the zoo's current collection of animals and to help meet the standards set by the Association of Zoos and Aquariums. The Reid Park Zoological Society is raising funds for this project estimated to be at \$3.5 million. Additionally, November of 2017 saw a voter approved 0.1% tax increase to support the zoo. This tax will take effect in fiscal year 2018 and will be in place for 10 years.

Sustainable Water Supply - In late 2016, the Lower Colorado River System faced a looming Tier 1 shortage declaration by the Bureau of Reclamation, due to extended drought in the Southwest. In response to the risk of a federal shortage declaration, Mayor and Council approved an innovative collaboration between the City of Tucson, the City of Phoenix, and the Metro Water District. This agreement allowed the City of Tucson to assist Central Arizona Project (CAP) and the Arizona Department of Water Resources (ADWR) with their efforts to protect the water level in Lake Mead,

and to preserve the Colorado River Water System for all users. Under this effort, Tucson reduced its CAP order for calendar year 2017 by 26,500 acre-feet (AF). CAP in turn left the 26,500 AF in Lake Mead, helping to shore up the lake's elevation and reducing the probability of a shortage declaration in 2018. Expanding upon the existing inter-AMA firming agreement between the two cities, Phoenix also agreed to deliver 36,500 AF of its CAP allocation to Tucson for recharge and storage at CAVSARP and SAVSARP. By receiving Phoenix CAP water for storage in Tucson Water's facilities, Tucson recharged the same volume of wet water it would have stored had it received its own full allocation, plus an additional 10,000 AF over and above the allocation. Only Tucson Water will have the right and ability to recover this water in the future.

Economic Development - Tucson's economic development efforts are continuing to produce significant results due to a climate of regional cooperation and collaboration with our partners (Pima County, the Rio Nuevo District, regional EDO Sun Corridor Inc., and the Arizona Commerce Authority). The AC Marriott, downtown's first new hotel to be constructed in four decades, opened for business in September 2017. The unique eight-storied 136 room structure comes with 4 floors of parking, commercial retail space and a 6th floor pool deck with great views of our city. This hotel is a great example of that partnership, as the City worked closely with Rio Nuevo and the developer to apply an incentive package that made this new jewel of our entertainment district possible. Two additional downtown hotel projects are in preliminary development and will serve the recently renovated, resurging, and privately managed Tucson Arena and Convention Center. Both of these projects will benefit from the continued cooperation of the City and the Rio Nuevo District.

Construction of Caterpillar's Tucson Mining Center on the west side of downtown is under construction with an expected completion in March 2019. In August, Mayor and Council approved the remediation of approximately 300,000 cubic yards of landfill waste from the old Nearmont and Congress landfills. The remediation will occur on parcels adjacent to the Caterpillar site and will be complete before the end of 2018. In addition, the Hexagon Mining Expansion and Regional Headquarter is now under construction downtown, as a part of the City Park Project. All of our regional partners have played a major role in both of these projects which are expected to bring more than 750 executive, engineering, and product development jobs to Tucson within the next 5 years.

The largest example of the successful climate that has been achieved in our region can be seen in the expansion of Raytheon. With 2000 new jobs expected to be offered over the next 5 years, hundreds of millions of dollars in construction underway in 2017, and billions of dollars in economic impact, the Raytheon expansion is the largest and most significant economic development undertaking in the region's history. The partners have worked together to acquire and create required buffer zone areas, constructed and expanded roadways, and put together financial incentive packages that will allow this major employer to grow and thrive in our region for years to come, as well as further secure our presence and major role in the global aerospace and defense industry.

Annexations - Annexation continues to be a critical part of our economic development efforts and a high priority for the City Manager and Mayor and Council. Bringing new and existing commercial and residential development into City limits will allow the City to collect a larger portion of state-shared revenue dollars. In October 2017, the Mayor and Council approved the Swan and Valencia East annexation, the City's largest residential annexation to date. The annexed area encompasses approximately 652 acres, including right-of-way, and is currently a mix of residential and commercial properties. There are 1,384 taxable parcels in the area and approximately 41 acres of vacant land zoned for residential development. This annexation is expected to generate approximately \$25 million in gross revenues over a 10 year period (net revenue of approximately \$9 million), including more than \$13 million from State shared revenues based on a population of 3,101 residents. In addition, this annexation district includes revenue from sales tax, public utility taxes and property taxes.

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, 2016 CAFR for the 35th consecutive year (fiscal years ended 1982 through 2016). 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. Special acknowledgement is made for the work of Finance Manager, Aaron Williams, CPA; Finance Manager, Stacie Bird, Senior Financial Accountants, Robert Hayes Jr., Jerry Hillis, Darla Lovett, Sandra Mathis, Rob Roach, David Roels and Susan Spiess, CPA.

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

Respectfully submitted,



Joyce K Garland, CPA
Chief Financial Officer/Assistant City Manager

City of Tucson Officials

Mayor and Council



HONORABLE
JONATHAN ROTHSCHILD
Mayor



REGINA ROMERO
Ward One



PAUL CUNNINGHAM
Ward Two



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

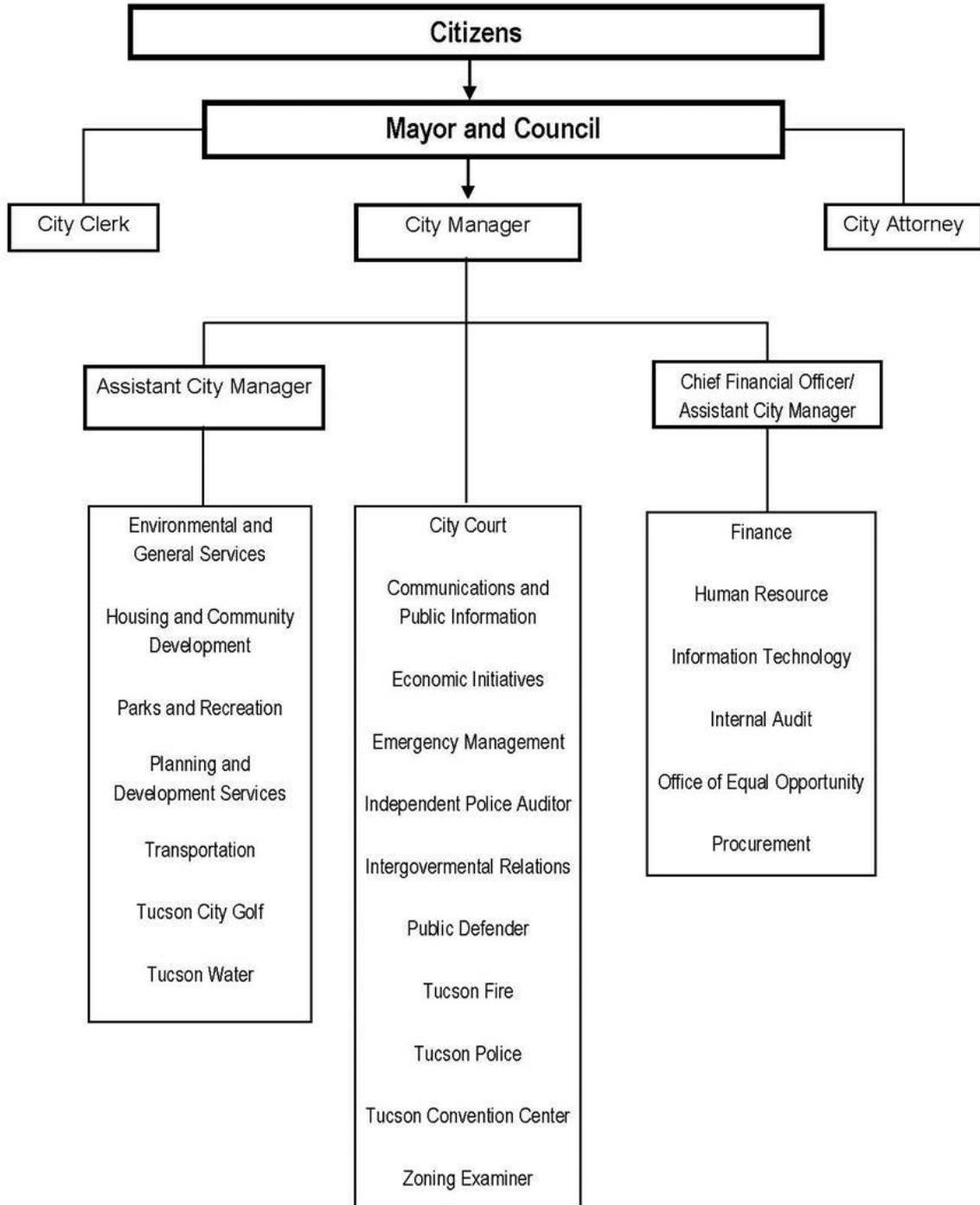
PETE SAXTON, CPA
Finance Director

KAREN TENACE, CPA
Deputy Finance Director

AARON WILLIAMS, CPA
Finance Manager - Accounting Division



**CITY OF TUCSON
ORGANIZATIONAL CHART
FISCAL YEAR 2017**





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, 2016

Christopher P. Morill

Executive Director/CEO

Financial Section



CITY OF TUCSON

ARIZONA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona, (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona, as of June 30, 2017, 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.

Change in Accounting Principle

The City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, for the year ended June 30, 2017, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and net pension liability and other postemployment benefit plan information, listed as Required Supplementary Information in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining Statements and Individual Fund Financial Statements and Schedules, and Statistical Section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the City of Tucson, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tucson, Arizona's internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
December 28, 2017

◆ Management Discussion ◆
And Analysis



CITY OF TUCSON
ARIZONA



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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, 2017. 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

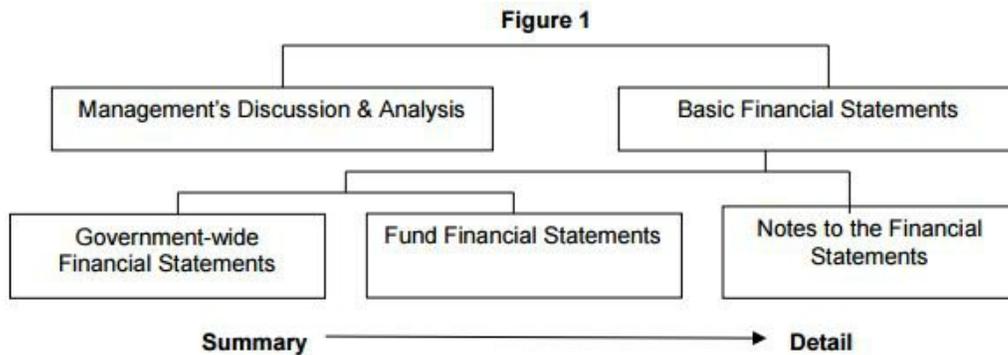
The City's financial position improved over last fiscal year with an increase in total net position. The highlights are explained below:

- At fiscal year end, the City's assets and deferred outflows exceeds its liabilities and deferred inflows by \$1.8 billion - reported as net position. Assets and deferred outflows totaled \$4.47 billion while liabilities and deferred inflows were \$2.69 billion.
- In comparing fiscal year 2017 to fiscal year 2016, total net position increased by \$67.8 million. Governmental activities decreased \$2.2 million, while business-type activities increased \$70.0 million. Within the governmental activities, restricted net position decreased by \$12.5 million while net investment in capital assets increased \$38.9 million and unrestricted net position decreased \$28.6 million. Within the business-type activities, unrestricted net position increased by \$31.2 million, net investment in capital assets increased \$27.6 million and restricted net position increased \$11.3 million.
- The cash and cash equivalents for the governmental and business-type activities increased a combined total of \$74.6 million over last year.
- The City's governmental funds reported a combined fund balance of \$200.4 million, an increase of \$15.5 million from last fiscal year.
- The General Fund reported a fund balance of \$102.7 million. This is an increase of \$26.7 million (35.2%) over the last fiscal year.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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 are an integral part of the financial report and should be read in conjunction with the financial 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

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For the Year Ended June 30, 2017

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

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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 4.0% over the course of the year to \$1.8 billion; an increase of \$67.8 million. Governmental activities decreased \$2.2 million and business-type net position increased \$70.0 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 \$38.9 million in net investment in capital assets, primarily due to continued corridor widening projects and street improvements of \$22.9 million and the capitalization of an LED lighting project for \$15.8 million. The overall decrease in net position was generated by an increase in the general pension liability.

The change in net position for business-type activities is a decrease of \$31.2 million to the unrestricted deficit, a \$27.6 million increase in net investment in capital assets and an increase of \$11.3 million in restricted net position. The \$31.2 million net decrease in the unrestricted deficit is primarily due to the improvement in net position of the Water Utility Fund, unrestricted increase of \$25.4 million, and a deficit reduction for the Environmental Services Fund of \$5.7 million. The \$27.6 million increase in capital assets is mostly due to capitalization of Water Utility projects related to 22nd Street reservoir rehabilitation, sleeve valve replacements, and upgrades to well fields and systems. The increase to restricted net position includes increases to debt service restrictions of \$8.3 million and capital restrictions of \$2.9 million.

Figure 2 is a comparative summary of the City's net position for fiscal years 2017 and 2016:

Net Position	Figure 2					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 418,655,629	\$ 393,908,441	\$ 278,723,758	\$ 239,593,673	\$ 697,379,387	\$ 633,502,114
Capital Assets	2,107,536,985	2,106,905,140	1,418,247,111	1,384,797,992	3,525,784,096	3,491,703,132
Deferred Outflows	220,697,940	197,378,662	27,418,228	29,744,629	248,116,168	227,123,291
Total Assets and Deferred Outflows	2,746,890,554	2,698,192,243	1,724,389,097	1,654,136,294	4,471,279,651	4,352,328,537
Current and Other Liabilities	194,494,614	169,762,091	85,729,694	79,283,429	280,224,308	249,045,520
Long-term Liabilities	1,596,554,069	1,581,385,250	650,330,281	670,419,503	2,246,884,350	2,251,804,753
Deferred Inflows	63,646,164	52,660,885	97,003,465	83,127,290	160,649,629	135,788,175
Total Liabilities and Deferred Inflow	1,854,694,847	1,803,808,226	833,063,440	832,830,222	2,687,758,287	2,636,638,448
Net Position:						
Net Investment in Capital Assets	1,609,405,372	1,570,553,310	877,797,240	850,193,564	2,487,202,612	2,420,746,874
Restricted	143,610,042	156,102,271	40,362,311	29,097,188	183,972,353	185,199,459
Unrestricted (Deficit)	(860,819,707)	(832,271,564)	(26,833,894)	(57,984,680)	(887,653,601)	(890,256,244)
Total net position	\$ 892,195,707	\$ 894,384,017	\$ 891,325,657	\$ 821,306,072	\$1,783,521,364	\$1,715,690,089

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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		
	2017	2016	2017	2016	2017	2016	
Revenues:							
Program Revenues:							
Charges for Services	\$ 116,875,968	\$ 114,332,750	\$ 270,149,109	\$ 249,712,797	\$ 387,025,077	\$ 364,045,547	
Operating Grants and Contributions	124,837,969	117,355,150	5,882,512	6,295,102	130,720,481	123,650,252	
Capital Grants and Contributions	70,476,919	93,814,694	14,373,302	9,573,927	84,850,221	103,388,621	
Total Program Revenues	312,190,856	325,502,594	290,404,923	265,581,826	602,595,779	591,084,420	
General Revenues:							
Taxes:							
Property	50,726,533	48,798,741			50,726,533	48,798,741	
Business Privilege	208,573,221	200,472,119			208,573,221	200,472,119	
Public Utility	23,786,210	23,031,922			23,786,210	23,031,922	
Hotel/Motel Surcharge	18,626,692	14,016,293			18,626,692	14,016,293	
Unrestricted Grants and Contributions	135,764,176	133,663,259			135,764,176	133,663,259	
Investment Income (Loss)	676,098	2,088,982	1,635,722	1,641,136	2,311,820	3,730,118	
Miscellaneous	25,482,001	21,545,539			25,482,001	21,545,539	
Total General Revenues	463,634,931	443,616,855	1,635,722	1,641,136	465,270,653	445,257,991	
Total Revenues	775,825,787	769,119,449	292,040,645	267,222,962	1,067,866,432	1,036,342,411	
Expenses:							
Elected and Official	16,318,010	17,193,925			16,318,010	17,193,925	
Support Services	62,550,523	44,993,104			62,550,523	44,993,104	
Public Safety and Justice Services	363,576,231	310,658,969			363,576,231	310,658,969	
Community Enrichment and Development	280,647,041	299,659,039			280,647,041	299,659,039	
General Government	33,653,089	28,753,654			33,653,089	28,753,654	
Interest on Long-term Debt	22,190,906	23,075,684			22,190,906	23,075,684	
Fiscal Agent and Other Fees	459,539	1,059,217			459,539	1,059,217	
Public Housing			9,681,933	10,112,850	9,681,933	10,112,850	
Non-PHA Asset Management			3,009,448	2,765,473	3,009,448	2,765,473	
Environmental Services			43,580,825	44,959,464	43,580,825	44,959,464	
Tucson Golf Enterprise Fund			7,977,207	8,268,410	7,977,207	8,268,410	
Water Utility			156,390,405	170,321,706	156,390,405	170,321,706	
Total Expenses	779,395,339	725,393,592	220,639,818	236,427,903	1,000,035,157	961,821,495	
Changes in Net Position before Transfers	(3,569,552)	43,725,857	71,400,827	30,795,059	67,831,275	74,520,916	
Transfers	1,381,242	(2,816,307)	(1,381,242)	2,816,307			
Changes in Net Position	(2,188,310)	40,909,550	70,019,585	33,611,366	67,831,275	74,520,916	
Net Position, Beginning of Year	894,384,017	853,474,467	821,306,072	787,694,706	1,715,690,089	1,641,169,173	
Net Position, End of Year	\$ 892,195,707	\$ 894,384,017	\$ 891,325,657	\$ 821,306,072	\$1,783,521,364	\$ 1,715,690,089	

CITY OF TUCSON, ARIZONA
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For the Year Ended June 30, 2017

Governmental Activities

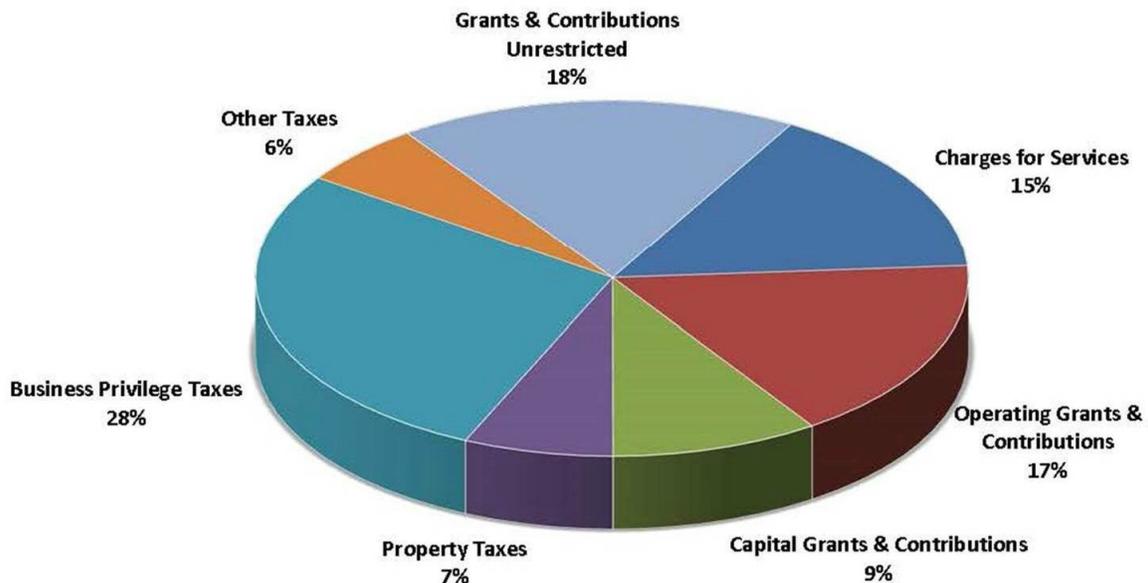
For fiscal year 2017, revenues increased \$6.7 million and expenses increased \$8.5 million from fiscal year 2016. General revenues increased \$20 million in total, with significant increases in Taxes, \$15.4 million, and Miscellaneous, \$3.9 million. The increase in Tax Revenue is due to increased collection efforts related to Business Privilege Taxes and an increase to the nightly fee for Hotel/Motel Surcharges. The increase in Miscellaneous Revenue is due to receipt of settlements related to dioxane remediation and an anti-trust lawsuit. Program revenues decreased \$13.3 million in total, with a decrease of \$23.3 million in Capital Grants and Contributions due to the completion of various capital road projects while Operating Grants and Contributions increased \$7.5 million due, in part, to increases in Housing Choice Vouchers of \$2.2 million, Miscellaneous Federal Grants of \$1.4 million, and Highway User Revenue Fees of \$1.2 million. The increase to expenses is mostly due to recognizing increased pension liabilities of \$44.4 million in the Tucson Supplemental Retirement System. Depreciation expense decreased \$8.2 million. Overtime wages for Fire decreased \$1.7 million. Employer pension expenses increased \$3.7 million for Police and \$5.3 million for Fire. Support Services shows an expense increase of \$12.2 million, this is due to a change to the allocation method of shared utility and maintenance costs among governmental funds and is reflected in decreases in the other functional categories of expenses.

Program revenues, including charges for services and operating/capital grants or contributions, covered 42.5% of costs. General revenues covered the remaining 57.5% of governmental costs. Components of general revenues include taxes, unrestricted grants and contributions and miscellaneous revenues.

Total General Revenues increased \$20 million. Within General Revenues, Taxes increased \$15.4 million (5.4%) and Miscellaneous Revenues increased \$3.9 million (18.3%) over fiscal year 2016. The increase in Miscellaneous Revenues is non-recurring in nature; related to one-time settlements.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2017:

Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2017



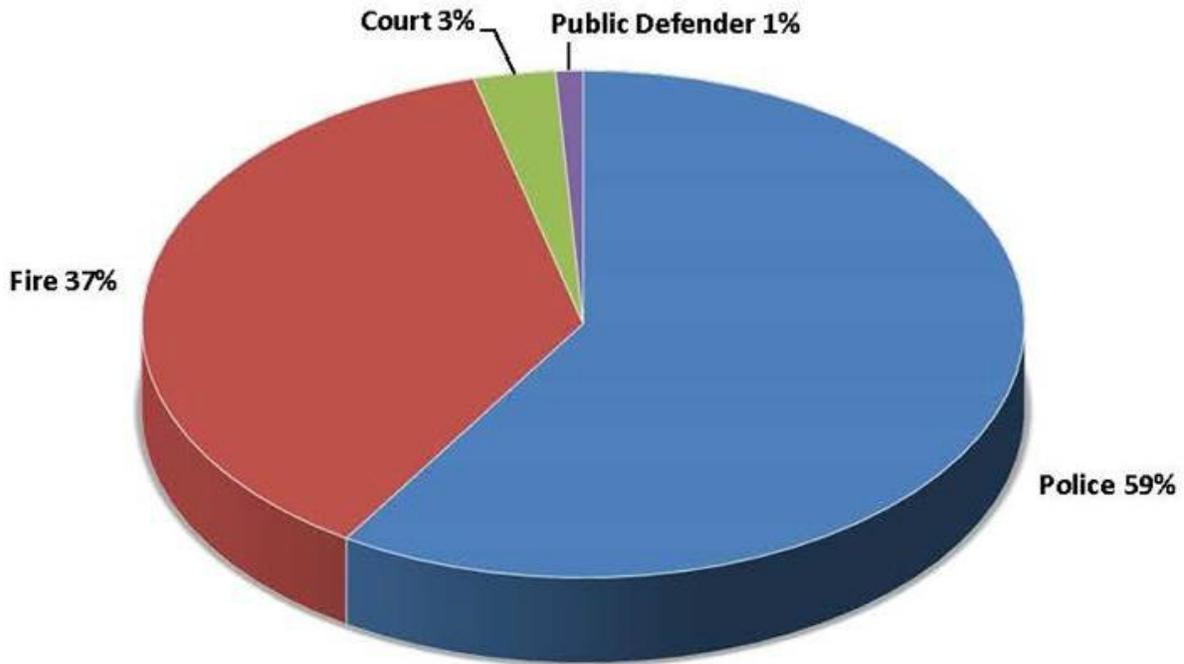
CITY OF TUCSON, ARIZONA
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Net expenses (program revenues less expenses) generated from governmental activities are presented by function in Figure 4 below to illustrate how much support each function receives from the City's general revenues:

Net Expense/Revenue-Governmental Activities		Figure 4			
Function	2017		2016		
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage	
Elected and Official	\$ (15,378,776)	3%	\$ (16,067,963)	4%	
Support Services	(61,029,542)	13%	(40,396,151)	10%	
Public Safety and Justice Services	(315,278,427)	67%	(260,901,109)	65%	
Community Enrichment and Development	(55,862,727)	12%	(65,572,584)	16%	
General Government	2,995,434	-2%	7,181,710	-2%	
Interest	(22,190,906)	5%	(23,075,684)	6%	
Fiscal Agent Fees and Other Fees	(459,539)	1%	(1,059,217)	1%	
Total Net Expense	\$ (467,204,483)	100%	\$ (399,890,998)	100%	

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

Public Safety and Justice Services Expenses by Department
For the Fiscal Year Ended June 30, 2017



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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 2017 the business-type net position increased \$70.0 million or 8.5%. Net investment in capital assets increased \$27.6 million, restricted net position increased \$11.3 million and the unrestricted net position deficit decreased \$31.2 million. The largest changes were increases in the Water Utility Fund's net investment in capital assets for \$25.7 million and unrestricted net position of \$25.4 million, as well as, a reduction of the unrestricted deficit in the Environmental Services Fund of \$5.7 million.

Water Utility Revenues

Total operating revenues increased by \$18.5 million or 9.9%. The Central Arizona Project (CAP) water surcharge rate increase resulted in higher CAP revenues of \$2.4 million. Water rates also increased, resulting in a revenue increase of \$13.1 million. Other non-operating income increase \$8.6 million due to a one-time settlement related to dioxane remediation.

Water Utility Expenses

Total operating expenses decreased by \$5.3 million in fiscal year 2017 compared to fiscal year 2016. Personnel expenses related to pension decreased \$6.4 million, primarily due to the annual calculation of future pension liability. Depreciation expense increased \$1.3 million.

Environmental Services Revenues

Total operating revenues increased \$1.7 million and continue to support operating expenses. Residential services increased \$0.7 million, 2.4% and commercial services increased \$0.2 million, 3.1%.

Environmental Services Expenses

Total expenses decreased \$1.5 million, primarily due to personnel expenses related to pension decreasing \$0.9 million related to the annual calculation of future pension liability.

Public Housing Asset Management Properties Revenues

Total operating revenues decreased slightly, \$0.3 million. This is due to a slight decrease in federal grant activity.

Public Housing Asset Management Properties Expenses

Total operating expenses decreased \$0.5 million related to a decreases in personnel expenses related to the calculation of future pension liability and a slight decrease in contractual services.

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 \$26.7 million during fiscal year 2017 and the Mass Transit Fund fund balance increased \$1.0 million. The General Fund unassigned fund balance decreased \$10.3 million with increases to assignments of \$34.7 million and commitments of \$2.0 million. Notable increases to assigned fund balance include \$18.8 million for refunds due to public safety pension, management contingency of \$8.0 million and

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public safety vehicles of \$3.2 million. The increased fund balance in the Mass Transit Fund is due to additional non-spendable prepayments.

General Fund Revenues

- In total, General Fund revenues increased \$7.4 million, or 1.5%. Tax revenues, representing 52.6% of total revenues, increased \$11.5 million. The City's business privilege tax (sales tax) increased \$4.5 million and hotel/motel surcharges increased \$3.9 million. Miscellaneous revenue in fiscal year 2016 had a one-time land sale of \$13.8 million, fiscal year 2017 includes settlement proceeds of \$8 million, this results in an overall decreased \$6.5 million in revenue.
- Other agency revenues, which include state shared and other intergovernmental agreement revenues, increased \$4.7 million. The state revenue-sharing revenues, which represent 27.1% of General Fund revenues, increased \$2.1 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 8.4% of total revenues and decreased \$0.6 million from last fiscal year. The majority of this decrease is in paramedic ambulance and vehicle impound fees.

General Fund Expenditures

- General Fund expenditures decreased by \$2.4 million from fiscal year 2016, or 0.6%.
- Police expenditures decreased \$2.7 million due to a decrease of \$7.4 million in shared utility and maintenance costs caused by a change to the allocation method; these cost now stay in the Support Service function of the General Fund. Increases occurred in employer pension contributions of \$3.7 million and overtime wages of \$1.0 million.
- Fire expenditures decreased \$1.4 million due to a decrease of \$2.1 million in shared utility and maintenance costs caused by a change to the allocation method; these cost now stay in the Support Service function of the General Fund. Employer pension contributions increased \$4.3 million. Overtime decreased \$1.7 million, permanent employee wages and benefits decreased \$1.0 million and sick leave paid at retirement decreased \$0.9 million.
- Debt service expenditures decreased \$2.4 million caused by the reduction of scheduled principal payments compared to fiscal year 2016.
- General government expenditures increased \$2.7 million due to increases to outside agency and other miscellaneous expenditures.

Mass Transit Fund Revenues

- Total revenues decreased by \$8.7 million. This is attributed to a decrease in federal grants and contributions revenue of \$10.6 million offset by an increase of \$1.9 million in charges for services. During fiscal year 2016 there was a six week halt in services, due to a labor strike, which impacted charges for services revenue. Federal grants disbursements decreased due to vehicle purchases, constructing a new fueling station and storm water projects being delayed to fiscal year 2018. Therefore, there are less active projects compared to fiscal year 2016, which means lower grant revenues.

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For the Year Ended June 30, 2017

Mass Transit Fund Expenditures

- Total expenditures decreased \$11.6 million compared to fiscal year 2016. Capital outlay and capital projects, which are primarily federally funded, accounted for the decrease. The majority of this decrease is reduced spending on replacement buses and preventive maintenance, lower by \$6.8 million, and costs related to the compressed natural gas facility project, lower by \$4.0 million.

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.

- The deficit generated within the Public Safety/Justice Services function of \$8.1 million is primarily due to additional Public Safety pension payments, public safety retirement incentive program, and public safety overtime.
- Capital Outlay surplus of \$4.3 million is primarily generated by pending equipment purchases and vehicles delivery delays.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2017 and 2016:

Capital Assets (Net of Depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 775,648,819	\$ 760,764,491	\$ 71,579,723	\$ 71,579,723	\$ 847,228,542	\$ 832,344,214
Buildings and Improvements	518,689,724	543,923,349	115,588,998	113,928,640	634,278,722	657,851,989
Equipment	104,159,418	121,916,786	29,034,537	25,758,963	133,193,955	147,675,749
Infrastructure/Distribution and Collections Systems	304,620,369	329,328,519	1,018,845,822	986,854,779	1,323,466,191	1,316,183,298
Construction in Progress	404,418,655	350,971,995	131,071,064	134,548,919	535,489,719	485,520,914
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 2,107,536,985	\$ 2,106,905,140	\$ 1,418,247,112	\$ 1,384,797,992	\$ 3,525,784,097	\$ 3,491,703,132

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

Governmental Activities

Capital assets in the Governmental Activities represent 59.8% of the City's capital assets. Total capital assets increased by \$0.6 million.

- Land represents 36.8% of capital assets and had a net increase of \$14.9 million from fiscal year 2016. This increase is due to routine acquisition of easements for \$18.6 million reduced by land sales of \$3.7 million.
- Buildings and Improvements represent 24.6% of capital assets and had a net decrease of \$25.2 million from fiscal year 2016. The decrease represents normal depreciation of \$25.3 million netted against a few small additions and sales.
- Construction in Progress represents 19.2% of capital assets, which increased by a net of \$53.4 million. This increase 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 40.2% of the City's capital assets. Business-type activities had a net increase of \$33.4 million in capital assets during the fiscal year.

- Infrastructure represents 71.8% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by \$32.0 million.
- Buildings and Improvements represent 8.2% of capital assets, which increased by a net of \$1.7 million. This increase is for the new Compressed Natural Gas Fueling Station, 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, 2017

Long-term Debt and Liabilities

Figure 6 illustrates the City's debt as of June 30, 2017 and 2016. Additional information regarding long-term debt can be found in Note 7.

	Figure 6					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Debt	\$ 200,270,000	\$ 208,860,000	\$	\$	\$ 200,270,000	\$ 208,860,000
Street & Highway Revenue Bonds	56,180,000	69,790,000			56,180,000	69,790,000
Certificates of Participation	198,693,881	213,516,281	10,041,119	10,233,719	208,735,000	223,750,000
Special Assessment Bonds	293,000	692,000			293,000	692,000
Clean Renewable Energy Bonds	9,926,500	11,260,800			9,926,500	11,260,800
Water Revenue Bonds			479,766,831	494,071,965	479,766,831	494,071,965
Unamortized Amount on Premiums and Discounts	26,323,671	27,551,310	57,177,584	44,536,732	83,501,255	72,088,042
Landfill Closure/Post Closure			43,546,832	42,418,841	43,546,832	42,418,841
Remediation	600,447	811,376	15,795,498	15,689,818	16,395,945	16,501,194
Capital Leases Payable	18,789,417	19,272,245	189,437	273,463	18,978,854	19,545,708
Other Long-term Debt	6,100,000	20,848,384	1,554,656	1,626,413	7,654,656	22,474,797
Other Post-employment Benefits	10,206,132	9,626,564	2,301,382	2,070,355	12,507,514	11,696,919
Pension	1,086,685,790	1,007,347,842	71,921,504	88,543,092	1,158,607,294	1,095,890,934
Compensated Absences	33,898,740	32,961,305	4,675,207	4,967,110	38,573,947	37,928,415
Claims and Judgments	35,358,500	39,941,000			35,358,500	39,941,000
Total	\$1,683,326,078	\$1,662,479,107	\$686,970,050	\$704,431,508	\$2,370,296,128	\$2,366,910,615

Outstanding debt for the City totaled \$2.4 billion with 71.0% attributed to governmental activities and the remaining 29.0% 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-E with a par amount of \$17.3 million on June 28, 2017. These bonds are the last in a series of five authorized as a result of the passage of Proposition 409. The proposition was passed in a City general election November 6, 2012, allowing 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 \$8.6 million of General Obligation Refunding Bonds, Series 2017, to refund certain maturities of multiple series, saving \$0.4 million, at net present value, over the life of the issuance.

Business-type Activities

- The City issued Water System Revenue Obligation Bonds, Series 2017, with a par amount of \$24.6 million for acquisition and construction of water system improvements and to pay costs related to the issuance of the bonds.
- The City issued \$82.4 million of Water System Revenue Refunding Bonds, Series 2017, to refund multiple previous issuances in order to reduce debt service costs. Saving \$9.4 million, at net present value, over the life of the issuance.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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		
	2017	2016	2017	2016	2017	2016	
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.



**Basic Financial
Statements**



**CITY OF TUCSON
ARIZONA**

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 155,468,859	\$ 122,509,510	\$ 277,978,369
Cash & Investments - Restricted		17,885,196	17,885,196
Cash & Investments with Fiscal Agent - Restricted	51,361,135	33,093,168	84,454,303
Taxes Receivable, Net	23,625,424		23,625,424
Accounts Receivable, Net	29,071,521	33,257,795	62,329,316
Special Assessments Receivable	88,265		88,265
Internal Balances	17,709,144	(17,709,144)	
Due from Other Agencies	48,692,424	498,890	49,191,314
Interest Receivable	355,993	185,709	541,702
Inventories	4,328,889	5,343,778	9,672,667
Other Assets	2,658,042	2,877,762	5,535,804
Total current assets	<u>333,359,696</u>	<u>197,942,664</u>	<u>531,302,360</u>
Noncurrent assets:			
Long Term Accounts Receivable	25,466,162	142,895	25,609,057
Long Term Notes Receivable	32,831,185	80,351,860	113,183,045
Long Term Investments	5,161,898		5,161,898
Restricted Receivable		286,339	286,339
Other Assets - Restricted	21,836,688		21,836,688
Land & Construction in Progress	1,180,067,474	202,650,787	1,382,718,261
Other Capital Assets, Net	927,469,511	1,163,469,356	2,090,938,867
Water Rights		52,126,968	52,126,968
Total noncurrent assets	<u>2,192,832,918</u>	<u>1,499,028,205</u>	<u>3,691,861,123</u>
Total assets	<u>2,526,192,614</u>	<u>1,696,970,869</u>	<u>4,223,163,483</u>
<u>DEFERRED OUTFLOWS</u>			
Loss on Refunding of Debt	12,344,858	18,826,100	31,170,958
Deferred Maintenance Rights	528,941		528,941
Pension Plans	207,824,141	8,592,128	216,416,269
Total deferred outflows	<u>220,697,940</u>	<u>27,418,228</u>	<u>248,116,168</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	45,501,942	6,236,132	51,738,074
Accrued Payroll Liabilities	8,569,043	1,167,281	9,736,324
Accrued Interest Payable	12,740	5,129	17,869
Due to Other Agencies	2,246,344	2,360,400	4,606,744
Refundable Deposits	5,237,850	1,834,637	7,072,487
Customer Advances		94,833	94,833
Liabilities Payable from Restricted Assets	46,154,686	37,391,513	83,546,199
Current Portion of Long Term Liabilities	86,772,009	36,639,769	123,411,778
Total current liabilities	<u>194,494,614</u>	<u>85,729,694</u>	<u>280,224,308</u>
Noncurrent liabilities:			
Long Term Liabilities	1,596,554,069	650,330,281	2,246,884,350
Total non-current liabilities	<u>1,596,554,069</u>	<u>650,330,281</u>	<u>2,246,884,350</u>
Total liabilities	<u>1,791,048,683</u>	<u>736,059,975</u>	<u>2,527,108,658</u>
<u>DEFERRED INFLOWS</u>			
Advance Federal Project Grants	34,565		34,565
Deferred Revenue	1,123,429	80,552,706	81,676,135
Pension Plans	62,488,170	16,450,759	78,938,929
Total deferred inflows	<u>63,646,164</u>	<u>97,003,465</u>	<u>160,649,629</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,609,405,372	877,797,240	2,487,202,612
Restricted for:			
Debt Service	6,542,773	33,093,168	39,635,941
Capital Projects	64,076,797	2,938,965	67,015,762
Self-Insurance Mandates	21,836,688		21,836,688
Transportation	13,257,846		13,257,846
Grants and Entitlements	33,592,903	4,330,178	37,923,081
Other Purposes	4,303,035		4,303,035
Unrestricted	(860,819,707)	(26,833,894)	(887,653,601)
Total net position	<u>\$ 892,195,707</u>	<u>\$ 891,325,657</u>	<u>\$ 1,783,521,364</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, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 16,318,010	\$ 439,079	\$ 500,155	
Support Services	62,550,523	1,029,251	491,730	
Public Safety and Justice Services	363,576,231	29,620,373	17,367,503	1,309,928
Community Enrichment and Development	280,647,041	50,623,509	104,993,814	69,166,991
General Government	33,653,089	35,163,756	1,484,767	
Interest	22,190,906			
Fiscal Agent Fees and Other	459,539			
Total governmental activities	779,395,339	116,875,968	124,837,969	70,476,919
Business-type activities:				
Public Housing	9,681,933	3,802,862	5,654,863	
Non-PHA Asset Management	3,009,448	1,789,259	227,649	
Environmental Services	43,580,825	51,374,445		18,992
Tucson Golf Enterprise Fund	7,977,207	7,450,029		
Water Utility	156,390,405	205,732,514		14,354,310
Total business-type activities	220,639,818	270,149,109	5,882,512	14,373,302
Total primary government	\$ 1,000,035,157	\$ 387,025,077	\$ 130,720,481	\$ 84,850,221

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
\$ (15,378,776)	\$	\$ (15,378,776)
(61,029,542)		(61,029,542)
(315,278,427)		(315,278,427)
(55,862,727)		(55,862,727)
2,995,434		2,995,434
(22,190,906)		(22,190,906)
(459,539)		(459,539)
<u>(467,204,483)</u>		<u>(467,204,483)</u>
	(224,208)	(224,208)
	(992,540)	(992,540)
	7,812,612	7,812,612
	(527,178)	(527,178)
	<u>63,696,419</u>	<u>63,696,419</u>
	<u>69,765,105</u>	<u>69,765,105</u>
<u>(467,204,483)</u>	<u>69,765,105</u>	<u>(397,439,378)</u>
50,726,533		50,726,533
208,573,221		208,573,221
23,786,210		23,786,210
18,626,692		18,626,692
135,764,176		135,764,176
676,098	1,635,722	2,311,820
25,482,001		25,482,001
1,381,242	(1,381,242)	
<u>465,016,173</u>	<u>254,480</u>	<u>465,270,653</u>
(2,188,310)	70,019,585	67,831,275
894,384,017	821,306,072	1,715,690,089
<u>\$ 892,195,707</u>	<u>\$ 891,325,657</u>	<u>\$ 1,783,521,364</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, 2017

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Assets:				
Cash and Cash Equivalents	\$ 36,867,576	\$	\$ 84,378,768	\$ 121,246,344
Cash & Investments with Fiscal Agents	924,191	130,977	47,011,050	48,066,218
Cash & Investments with Fiscal Agents - Restricted			3,294,917	3,294,917
Taxes Receivable, Net	23,625,424			23,625,424
Accounts Receivable, Net	32,845,597	684,664	750,967	34,281,228
Special Assessments Receivable			88,265	88,265
Notes & Loans Receivable	1,421,359		29,855,170	31,276,529
Interfund Receivable	29,080,455		3,642	29,084,097
Due from Other Agencies	22,017,354	4,936,524	19,188,701	46,142,579
Grants & Entitlements Receivable		8,175,640	11,897,722	20,073,362
Interest Receivable	107,238		114,332	221,570
Inventories	429,858	2,669,694	493,231	3,592,783
Interfund Loans Receivable	1,554,656			1,554,656
Long Term Investments	5,161,898			5,161,898
Other Assets		2,259,044	16,600	2,275,644
Total assets	154,035,606	18,856,543	197,093,365	369,985,514
Deferred outflows:				
Deferred Settlement Proceeds			528,941	528,941
Total deferred outflows			528,941	528,941
Total assets and deferred outflows	\$ 154,035,606	\$ 18,856,543	\$ 197,622,306	\$ 370,514,455
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 12,559,488	\$ 5,779,654	\$ 9,700,848	\$ 28,039,990
Accrued Payroll Liabilities	7,615,715	84,537	595,439	8,295,691
Interfund Payable		6,548,228	20,260,373	26,808,601
Due to Other Agencies	888,173	463,079	891,397	2,242,649
Refundable Deposits	3,933,346	224	1,304,280	5,237,850
Bonds & Interest Payable, including Special Assessments			44,753,050	44,753,050
Advances from Grantors			1,401,636	1,401,636
Total liabilities	24,996,722	12,875,722	78,907,023	116,779,467
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	26,378,633	198,951	26,750,885	53,328,469
Total deferred inflows	26,378,633	198,951	26,785,450	53,363,034
Fund balances:				
Nonspendable	4,546,261	4,928,738	454,250	9,929,249
Restricted	3,581,948	462,955	88,613,042	92,657,945
Committed	33,312,757	130,977	271,165	33,714,899
Assigned	43,196,713	259,200	2,591,376	46,047,289
Unassigned	18,022,572			18,022,572
Total fund balances	102,660,251	5,781,870	91,929,833	200,371,954
Total liabilities, deferred inflows and fund balances	\$ 154,035,606	\$ 18,856,543	\$ 197,622,306	\$ 370,514,455

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, 2017

Total Governmental Fund Balances (pg.20)		\$ 200,371,954
<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		2,089,216,591
<p>Deferred Inflows not recognized in the current period and, therefore, are not reported in the governmental funds</p>		
Loss on Refunding of Debt		12,344,858
<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	(283,066,672)	
Capital Leases	(217,483,298)	
Compensated Absences	(33,898,740)	
OPEB Liabilities	(10,206,132)	
Other Long-term Debt	(6,100,000)	
Total Long-term Liabilities		(550,754,842)
Interest payable on long-term debt is not reported in governmental funds.		(12,740)
<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>		
		52,205,040
<p>Obligations to pay claims and judgments that are not due and payable as of fiscal year end are not reported as liabilities in the governmental funds, but are recognized in the Statement of Net Position.</p>		
		(15,595,450)
<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>		
		45,770,115
<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	(1,086,685,790)	
Deferred Inflow of Resources	(62,488,170)	
Deferred Outflow of Resources	207,824,141	
		(941,349,819)
Net Position of Governmental Activities		\$ 892,195,707

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, 2017

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 263,456,937	\$	\$ 33,992,884	\$ 297,449,821
Licenses and Permits	31,740,111		1,265,982	33,006,093
Fines and Forfeitures	9,086,099		897,677	9,983,776
Developer Fees			11,442,519	11,442,519
Use of Money and Property	459,545	587,167	973,491	2,020,203
Federal Grants and Contributions	51,063	8,985,471	66,449,367	75,485,901
Other Agencies	143,794,949	13,517,732	85,493,397	242,806,078
Charges for Services	41,888,360	12,603,600	13,050,891	67,542,851
Special Assessments			227,596	227,596
Contributions from Outside Sources			1,392,085	1,392,085
Miscellaneous	10,358,148	650,833	2,380,282	13,389,263
Total revenues	<u>500,835,212</u>	<u>36,344,803</u>	<u>217,566,171</u>	<u>754,746,186</u>
Expenditures:				
Current -				
Elected and Official	16,571,665		507,706	17,079,371
Support Services	61,374,216			61,374,216
Public Safety and Justice Services	257,669,690		14,059,286	271,728,976
Community Enrichment and Development	34,831,137	72,823,955	118,551,990	226,207,082
General Government	30,991,887		1,492,684	32,484,571
Capital Outlay	3,287,683	2,003,661	2,622,707	7,914,051
Capital Projects	580,086	1,752,573	65,331,352	67,664,011
Debt service -				
Principal	13,620,328		41,328,900	54,949,228
Interest	8,850,442		12,854,343	21,704,785
Fiscal Agent Fees	29,600		15,550	45,150
Debt Issuance Costs			414,389	414,389
Total expenditures	<u>427,806,734</u>	<u>76,580,189</u>	<u>257,178,907</u>	<u>761,565,830</u>
Excess (deficiency) of revenues over expenditures	<u>73,028,478</u>	<u>(40,235,386)</u>	<u>(39,612,736)</u>	<u>(6,819,644)</u>
Other financing sources (uses):				
Bond Issuance			25,875,000	25,875,000
Premium on Debt Issuance			3,292,450	3,292,450
Refunded Bond Escrow Agent			(8,830,000)	(8,830,000)
Transfers In	2,225,376	41,207,867	17,812,058	61,245,301
Transfers Out	(48,544,827)		(10,782,168)	(59,326,995)
Total other financing sources (uses)	<u>(46,319,451)</u>	<u>41,207,867</u>	<u>27,367,340</u>	<u>22,255,756</u>
Changes in fund balances	26,709,027	972,481	(12,245,396)	15,436,112
Fund balances, beginning of year	<u>75,951,224</u>	<u>4,809,389</u>	<u>104,175,229</u>	<u>184,935,842</u>
Fund balances, end of year	<u>\$ 102,660,251</u>	<u>\$ 5,781,870</u>	<u>\$ 91,929,833</u>	<u>\$ 200,371,954</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, 2017

Net Change in Fund Balances - Total Governmental Funds (pg. 22)		\$ 15,436,112
<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	75,578,062	
Depreciation Expense	(71,732,073)	
<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>		
		3,845,989
Proceeds on the sale of an asset	(1,460,743)	
Gain on the sale of an asset	12,139,408	
Loss on the sale of an asset	(1,172,546)	
		9,506,119
<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>		
		7,209,049
<p>Obligations to pay claims and judgments that are not due and payable as of fiscal year end are not reported as expenditures in the governmental funds, but are recognized in the Statement of Activities.</p>		
		(15,595,450)
<p>Transfer of Assets to Enterprise Funds</p>		
		(2,204,240)
<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	(25,875,000)	
Repayment of Debt Principal	54,949,228	
		29,074,228
<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		8,830,000
<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	(3,292,450)	
Accrued Interest Expense	115,340	
Amortization of Premium/Discount on Debt	2,164,688	
		(1,012,422)
<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		
Change in Compensated Absences Liability		(937,435)
Change in OPEB Liability		(579,569)
Change in Pension Liability		(64,064,874)
<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>		
		8,304,183
Change in Net Position of Governmental Activities		<u>\$ (2,188,310)</u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	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	\$ 35,355,965	\$ 74,336,194	\$ 10,691,403	\$ 2,125,948	\$ 122,509,510	\$ 34,222,515
Cash & Investments - Restricted		17,885,196			17,885,196	
Cash & Investments with Fiscal Agent - Restricted		33,093,168			33,093,168	
Accounts Receivable, Net	3,475,604	29,530,464	31,895	219,832	33,257,795	183,093
Due from Other Agencies	3,072		78,056	417,762	498,890	274,349
Interest Receivable	57,448	107,169	17,423	3,669	185,709	134,423
Inventories		5,129,451		214,327	5,343,778	736,106
Other Assets		2,796,927		80,835	2,877,762	382,398
Total current assets	<u>38,892,089</u>	<u>162,878,569</u>	<u>10,818,777</u>	<u>3,062,373</u>	<u>215,651,808</u>	<u>35,932,884</u>
Noncurrent assets:						
Long Term Accounts Receivable		142,895			142,895	
Long Term Notes Receivable			80,351,860		80,351,860	
Restricted Receivable		286,339			286,339	
Other Assets - Restricted						21,836,688
Land & Construction in Progress	14,879,562	173,226,995	8,395,006	6,149,224	202,650,787	30,242
Other Capital Assets, Net	29,458,691	1,103,079,177	10,727,059	20,204,429	1,163,469,356	18,290,151
Water Rights		52,126,968			52,126,968	
Total noncurrent assets	<u>44,338,253</u>	<u>1,328,862,374</u>	<u>99,473,925</u>	<u>26,353,653</u>	<u>1,499,028,205</u>	<u>40,157,081</u>
Total assets	<u>83,230,342</u>	<u>1,491,740,943</u>	<u>110,292,702</u>	<u>29,416,026</u>	<u>1,714,680,013</u>	<u>76,089,965</u>
DEFERRED OUTFLOWS						
Loss on Refunding of Debt	1,153,432	17,672,668			18,826,100	
Pension Plans	2,052,979	5,762,623	686,170	90,356	8,592,128	
Total deferred outflows	<u>3,206,411</u>	<u>23,435,291</u>	<u>686,170</u>	<u>90,356</u>	<u>27,418,228</u>	
LIABILITIES						
Current liabilities:						
Accounts Payable	776,086	4,819,313	421,384	219,349	6,236,132	1,866,502
Accrued Payroll Liabilities	293,908	712,573	87,600	73,200	1,167,281	273,352
Accrued Interest Payable			1,316	3,813	5,129	
Due to Other Agencies	212	2,327,997	26	32,165	2,360,400	3,695
Refundable Deposits	107,274	1,114,879	476,503	135,981	1,834,637	
Current Portion of Bonds Payable		33,526,690			33,526,690	1,349,300
Current Portion of Contracts Payable	237,586			86,154	323,740	
Claims Payable						7,988,204
Remediation Obligations						329,540
Current Portion of Compensated Absences	459,487	1,744,051	111,482	11,951	2,326,971	
Liabilities Payable from Restricted Assets		37,391,513			37,391,513	
Customer Advances				94,833	94,833	
Current Portion of Long Term Liabilities	462,368				462,368	
Total current liabilities	<u>2,336,921</u>	<u>81,637,016</u>	<u>1,098,311</u>	<u>657,446</u>	<u>85,729,694</u>	<u>11,810,593</u>
Noncurrent liabilities:						
Bonds Payable		502,014,782			502,014,782	8,577,200
Contracts Payable	11,206,476			103,283	11,309,759	
Interfund Loans Payable				1,554,656	1,554,656	
Claims Payable						27,370,296
Remediation Obligations						270,907
Compensated Absences	527,325	1,703,530	101,351	16,030	2,348,236	
Pension Liability	17,184,726	48,236,790	5,743,625	756,363	71,921,504	
Other Post-employment Benefits	687,913	1,613,469			2,301,382	
Long Term Liabilities	58,879,962				58,879,962	
Total non-current liabilities	<u>88,486,402</u>	<u>553,568,571</u>	<u>5,844,976</u>	<u>2,430,332</u>	<u>650,330,281</u>	<u>36,218,403</u>
Total liabilities	<u>90,823,323</u>	<u>635,205,587</u>	<u>6,943,287</u>	<u>3,087,778</u>	<u>736,059,975</u>	<u>48,028,996</u>

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
June 30, 2017

DEFERRED INFLOWS

Deferred Revenue		99,384	80,419,113	34,209	80,552,706	
Pension Plans	3,930,701	11,033,309	1,313,750	172,999	16,450,759	
Total deferred inflows	<u>3,930,701</u>	<u>11,132,693</u>	<u>81,732,863</u>	<u>207,208</u>	<u>97,003,465</u>	

NET POSITION

Net Investment in Capital Assets	32,894,190	799,616,771	19,122,065	26,164,215	877,797,241	8,393,892
Restricted for Debt Service		33,093,168			33,093,168	
Restricted for Capital		2,938,965			2,938,965	
Restricted for Self Insurance Mandates						21,836,688
Restricted for Grants and Entitlements			3,180,657	1,149,520	4,330,177	
Unrestricted	(41,211,461)	33,189,050		(1,102,339)	(9,124,750)	(2,169,611)
Total net position	<u>\$ (8,317,271)</u>	<u>\$ 868,837,954</u>	<u>\$ 22,302,722</u>	<u>\$ 26,211,396</u>	<u>\$ 909,034,801</u>	<u>\$ 28,060,969</u>
Reconciliation to Government-Wide Statement of Net Position						
Adjustment to consolidate internal service activities	(16,949,764)	(419,946)		(339,434)	(17,709,144)	
Total Net Position - Business Type	<u>\$ (25,267,035)</u>	<u>\$ 868,418,008</u>	<u>\$ 22,302,722</u>	<u>\$ 25,871,962</u>	<u>\$ 891,325,657</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, 2017

	Business-type Activities				Total	Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds		Internal Service Funds
Operating revenues:						
Charges for Services	\$ 50,039,743	\$ 200,895,641	\$ 3,747,707	\$ 9,238,288	\$ 263,921,379	\$ 52,752,649
Federal Grants and Contributions			5,654,863	227,649	5,882,512	
Miscellaneous	1,334,702	4,836,873	55,155	1,000	6,227,730	216,337
Total operating revenues	51,374,445	205,732,514	9,457,725	9,466,937	276,031,621	52,968,986
Operating expenses:						
Salaries, Wages and Benefits	13,783,171	27,305,775	4,814,066	786,451	46,689,463	14,886,077
Contractual Services	20,610,989	70,697,464	3,198,881	7,021,229	101,528,563	15,598,987
Commodities	3,153,726	9,960,377	850,226	1,419,675	15,384,004	11,775,949
Cost of Goods Sold				603,383	603,383	
Benefits and Claims						4,112,315
Depreciation	4,945,961	35,486,824	736,507	1,129,452	42,298,744	2,590,912
Total operating expenses	42,493,847	143,450,440	9,599,680	10,960,190	206,504,157	48,964,240
Operating income (loss)	8,880,598	62,282,074	(141,955)	(1,493,253)	69,527,464	4,004,746
Nonoperating revenues (expenses):						
Property Taxes						2,494,675
Other Agencies						260,012
Investment Income	120,115	694,110	35,962	69,841	920,028	273,400
Gain (loss) on Sale of Property/Equipment	199,414	511,981	2,600		713,995	163,802
Federal Grants and Contributions	18,992				18,992	
Non-Grant Contributions		765,296			765,296	
Interest Expense	(431,167)	(17,623,592)	(82,253)	(26,465)	(18,163,477)	(601,461)
Debt Issuance Costs		(1,840,027)			(1,840,027)	
Other Non-operating Income (Expense)		5,909,676			5,909,676	
Total nonoperating revenues (expenses)	(92,646)	(11,582,556)	(43,691)	43,376	(11,675,517)	2,590,428
Income (loss) before capital contributions and transfers	8,787,952	50,699,518	(185,646)	(1,449,877)	57,851,947	6,595,174
Capital Contributions	(140,829)	13,589,014		679,592	14,127,777	1,667,176
Transfers Out		(1,918,306)			(1,918,306)	
Changes in net position	8,647,123	62,370,226	(185,646)	(770,285)	70,061,418	8,262,350
Total net position, beginning of year	(16,964,394)	806,467,728	22,488,368	26,981,681	838,973,383	19,798,619
Total net position, end of year	\$ (8,317,271)	\$ 868,837,954	\$ 22,302,722	\$ 26,211,396	\$ 909,034,801	\$ 28,060,969
Reconciliation to government-wide Statement of Activities						
Changes in net position	8,647,123	62,370,226	(185,646)	(770,285)	70,061,418	
Adjustment to consolidate internal service activities	(655,811)	613,978			(41,833)	
Changes in net position - Business-type activities	\$ 7,991,312	\$ 62,984,204	\$ (185,646)	\$ (770,285)	\$ 70,019,585	

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, 2017**

	Business-type Activities					Governmental Activities
	Environmental Services		Public Housing	Non-Major Enterprise Funds	Total	Internal Service Funds
	Water Utility					
Cash Flows from Operating Activities:						
Cash Received from Customers	\$ 49,925,936	\$ 200,209,103	\$ 3,817,166	\$ 9,170,765	\$ 263,122,970	\$ 52,669,445
Cash Payments to Suppliers for Goods and Services	(23,168,657)	(77,606,133)	(4,051,767)	(8,958,459)	(113,785,016)	(27,873,853)
Cash Payments to Employees for Services	(14,898,634)	(36,025,306)	(4,647,804)	(668,027)	(56,239,771)	(14,804,442)
Subsidy from Federal Grant			5,759,800	227,649	5,987,449	
Other Operating Revenues	1,289,685			1,000	1,290,685	116,670
Cash from Settlements		8,997,760			8,997,760	(8,694,816)
Net Cash Provided (Used) by Operating Activities	13,148,330	95,575,424	877,395	(227,072)	109,374,077	1,413,004
Cash Flows from Noncapital Financing Activities						
Property Taxes						2,435,689
Interfund Transfers		(1,918,306)		(71,757)	(1,990,063)	
Subsidy from Federal Grant	95,504	765,295			860,799	132,559
Interest Paid on Advances				(20,973)	(20,973)	
Net Cash Provided (Used) by Noncapital Financing Activities	95,504	(1,153,011)		(92,730)	(1,150,237)	2,568,248
Cash Flows from Capital and Related Financing Activities						
Capital Leasing Activities				(84,026)	(84,026)	
Bond Issuance		24,835,000			24,835,000	
Premium on Bonds		5,351,849			5,351,849	
Acquisition and Construction of Capital Assets	(7,516,791)	(47,841,102)	(2,600)	(43,272)	(55,403,765)	(461,037)
Principal Paid on Capital Debt		(30,565,133)			(30,565,133)	(1,334,300)
Interest Paid on Capital Debt	(772,287)	(19,156,999)	(82,253)	(5,899)	(20,017,438)	(429,834)
Fiscal Agent Fees Paid on Capital Debt		(1,840,027)			(1,840,027)	
Capital Contributions-System Equity fee		2,955,036			2,955,036	
Proceeds from Sale of Assets/Equipment	209,775	526,413	5,200		741,388	163,802
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,079,303)	(65,734,963)	(79,653)	(133,197)	(74,027,116)	(2,061,369)
Cash Flows from Investing Activities:						
Interest on Investments	119,966	724,281	36,645	70,251	951,143	164,414
Proceeds from Sale of Investments						27,206,576
Purchase of Investments						(21,836,688)
Net Cash Provided (Used) by Investing Activities	119,966	724,281	36,645	70,251	951,143	5,534,302
Net Increase (Decrease) in Cash and Cash Equivalents	5,284,497	29,411,731	834,387	(382,748)	35,147,867	7,454,185
Cash and Cash Equivalents - July 1	30,071,468	95,902,827	9,857,016	2,508,696	138,340,007	26,768,330
Cash and Cash Equivalents - June 30	\$ 35,355,965	\$ 125,314,558	\$ 10,691,403	\$ 2,125,948	\$ 173,487,874	\$ 34,222,515

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-type Activities					Governmental
					Total	Internal Service Funds
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds		
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 8,880,598	\$ 62,282,074	\$ (141,955)	\$ (1,493,253)	\$ 69,527,464	\$ 4,004,746
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	4,868,604	35,486,824	736,507	1,129,452	42,221,387	2,590,912
Provision for Landfill Closure	1,037,669				1,037,669	
Other Adjustments:						
Decrease (Increase) in Assets / Deferred Outflows:						
Accounts Receivable	(175,467)	(4,377,447)	(22,570)	(95,543)	(4,671,027)	(201,460)
Pension Plans	820,404	2,302,840	196,073	15,211	3,334,528	
Capitalized Labor Costs		(5,533,659)			(5,533,659)	
Inventory and Prepays		407,871		(12,102)	395,769	41,542
Due from Other Agencies	54,557		104,937		159,494	18,587
Other Assets	(149)	12,856,424			12,856,275	
Increase (Decrease) in Liabilities / Deferred Inflows:						
Accounts Payable	(416,957)	(2,580,667)	(3,028)	101,672	(2,898,980)	(332,692)
Accrued Payroll Liabilities	114,274	203,241	27,336	10,314	355,165	81,636
Accrued Compensated Absences	(136,465)	(157,058)	(11,788)	13,409	(291,902)	
Pension Plans	2,129,736	5,978,079	760,782	106,832	8,975,429	
Pension Liability	(4,147,172)	(11,640,934)	(806,141)	(27,341)	(16,621,588)	
Accrued Other Post-Employment Benefits	103,067	127,960			231,027	
Deferred Revenue			47,263	9,156	56,419	
Customer/Refundable Deposits	16,646	16,326	(10,028)	15,188	38,132	
Claims and Judgments Payable						(4,582,500)
Remediation Obligation						(210,929)
Due to Other Agencies	(1,015)	203,550	7	(3,160)	199,382	3,162
Other Operating Liabilities				3,093	3,093	
Net Cash Provided (Used) by Operating Activities	\$ 13,148,330	\$ 95,575,424	\$ 877,395	\$ (227,072)	\$ 109,374,077	\$ 1,413,004
Noncash Investing, Capital, and Financing Activities:						
Contributions of capital assets	\$	\$ 10,633,978	\$	\$ 679,592	\$ 11,313,570	\$ 1,667,176
Refunding Bonds		82,410,000			82,410,000	
Defeased Bonds		(90,985,000)			(90,985,000)	
Total Noncash Investing, Capital, and Financing Activities:	\$	\$ 2,058,978	\$	\$ 679,592	\$ 2,738,570	\$ 1,667,176

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, 2017

	Pension Trust	Agency
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 1,681,100	\$ 3,752,553
Accounts Receivable, Net		14,403,290
Employer Contributions Receivable		
Employee Contributions Receivable		
Interest & Dividends Receivable	1,727,372	
Due from Brokers	1,657,689	
Short Term Investments	17,082,604	
Securities Lending Cash Collateral	28,692,389	
U.S. Treasuries, Agencies & Other Governmental Bonds	100,060,978	
Bonds and Preferred Stock	49,334,317	
U.S. Equity	260,806,435	
International Bonds & Other Fixed Income Instrument	39,922,393	
International Equity & Comingled Equity Funds	198,827,182	
Real Estate & Comingled Real Estate Funds	74,665,411	
Infrastructure Investment Funds	47,529,426	
Total assets	821,987,296	18,155,843
 <u>LIABILITIES</u>		
Accounts Payable	167,432	4,103,542
Accrued Payroll Liabilities	6,045	
Due to Other Agencies		11,776,805
Due to Other Funds		2,275,496
Due to Securities Borrowers	28,692,389	
Due to Brokers	3,178,294	
Refundable Deposits	199	
Total liabilities	32,044,359	18,155,843
 <u>NET POSITION</u>		
Restricted for Pensions	\$ 789,942,937	\$

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, 2017

	Pension Trust
Additions:	
Employer Contributions	\$ 31,823,694
Employee Contributions	7,439,065
Net Increase (Decrease) in Fair Value of investment	89,165,007
Interest, Dividends and Other Income	12,688,833
Securities Lending Income	142,453
Less: Investment Activity Expense	(4,261,291)
Less: Securities Lending Expense	(56,951)
Miscellaneous Additions	189,575
Total additions	137,130,385
Deductions:	
Payments to Participants	71,059,090
Refunds and Transfers to Other Plans	2,154,067
Administrative Expense	756,268
Miscellaneous Deductions	902
Total deductions	73,970,327
Changes in net position	63,160,058
Net position, beginning of year	726,782,879
Net position, end of year	\$ 789,942,937

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, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

Tucson Supplemental Retirement System

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

B. Government-wide and Fund Financial Statements

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

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

The Statement of Activities shows the degree to which direct expenses of various City functions are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges for services, fines and forfeitures, and licenses and fees, and 2) grants and contributions that are restricted to meeting the operational or capital requirements 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, 2017

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 2017 of \$41,207,867.

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, 2017

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.

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, 2017

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 General Fund and certain other funds charge service fees to other operating funds to support general services used by the operating funds (like accounting and maintenance).

E. Reserve for Loss and Loss Adjustment Expenses

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

F. Budgetary Information

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of expenditures based on a factor of increases in population and inflation, which are adjusted annually. Under the

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

State statutes, the City must either use the State's expenditure limitation or follow an alternative expenditure limitation, which must be voter approved. The City is under the State approved expenditure limitation that includes three voter approved increases in the base. The voters passed an increase of \$800 thousand in November 1981 and an additional \$46.9 million permanent adjustment in November 1987. In November 2013, voters approved a \$50 million permanent adjustment effective July 1, 2014.

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

1. The City Charter requires the City Manager to prepare a written estimate of the funds required to conduct the business and affairs of the City. The estimate, which is the recommended budget, is due on or before the first Monday in May of each year or on such date fixed by the Mayor and Council. The recommended budget may be increased or decreased until tentatively adopted by Mayor and Council.
2. Public hearings are conducted on the recommended budget.
3. State statutes require the City to prepare a full and complete statement of the estimated expenditures and revenues for the fiscal year. Mayor and Council tentatively adopt the budget for the following fiscal year. After the adoption of the tentative budget, total appropriations cannot be increased.
4. A public hearing is held on the budget as tentatively adopted and on the proposed property tax levy.
5. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget by purpose. Purpose is defined as a series of departments/offices as follows: Elected Officials, Public Safety and Justice Services, Community Enrichment and Development, Support Services, Public Utilities and General Government. Transfers between purposes, such as General Government and Support Services, can be made upon Mayor and Council approval.
6. All appropriations lapse at year-end.
7. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2017.

G. Cash and Cash Equivalents

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

H. Method used to Value Investments

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

I. Accounts/Notes Receivable

The Water Utility Funds' assets and revenues include \$14,717,310 for water sales delivered, but unbilled at June 30, 2017.

General Fund accounts receivables of \$32,845,597 are net of allowance for doubtful accounts of \$11,428. The Water Utility and Environmental Services accounts receivable of \$29,530,464 and \$3,475,604, respectively, are net of allowance for doubtful accounts of \$831,109 and \$295,718, respectively. Internal Service Funds accounts receivable of \$183,093 are net of allowance for doubtful accounts of \$16,538.

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, 2017, these loans, called forgivable loans, totaled \$5,568,088. Due to the infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

J. Inventories/Prepays

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

K. Restricted Assets/Liabilities

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

L. Capital Assets

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

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

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

	Estimated Useful Life (Years)
Buildings and Building Improvements	20 – 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 \$429,160. 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, 2017.

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, 2017

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, 2017

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, 2017, this fund is at approximately five percent (4.6%) of General Fund revenues, less than the ten percent (10%) target goal included in the City's comprehensive financial policies (Resolution No. 22319). These policies were first adopted in January 2011, by Mayor and Council, post the 2008-2009 Great Recession, with the goal to restore fund balance within five years of revenue stabilization. The Stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned fund balance is depleted.

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

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

Mayor and Council established a Community Banking Program on May 29, 2013. The City participates in a Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the country up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to the Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01 and allowed in the City's investment policy. The City now holds \$5.1 million of the Stabilization Fund in a 2-year CDARS investment with Alliance Bank, Commerce Bank and Wells Fargo Bank.

A target of a minimum of seven percent (7%) of General Fund revenues will be "Unassigned/contingency", with the intention to provide additional stability to the General Fund recognizing the cyclical nature of the economy and the volatility of the major revenue sources of the City. Funds in excess of the minimum targets will be retained in the Unassigned General Fund Balance to supplement "pay as you go" requirements.

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

As of June 30, 2017, 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, 2017

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

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory - General Supplies	\$ 429,858	\$	\$	\$ 429,858
Long-Term Investment	2,561,747			2,561,747
Golf Long-Term Loan	1,554,656			1,554,656
Inventory - Bus and Streetcar Parts		2,669,693	454,250	3,123,943
Prepaid Expenditures		2,259,045		2,259,045
Total Nonspendable	<u>4,546,261</u>	<u>4,928,738</u>	<u>454,250</u>	<u>9,929,249</u>
Restricted:				
Crime Prevention, Investigation and Education	3,581,948		85,371	3,667,319
Debt Service			3,443,243	3,443,243
Streets, Sidewalks, Drainage and Signage			39,747,485	39,747,485
Streets Resurfacing			23,223,732	23,223,732
Building and Infrastructure Improvements			864,556	864,556
Parks and Recreation Improvements			7,655,216	7,655,216
General Equipment and Improvements			721,060	721,060
Neighborhood/Housing Improvements			326,866	326,866
Low Income Housing Loans			3,628,188	3,628,188
Police and Fire Buildings and Improvements			6,004,196	6,004,196
Housing Choice Vouchers			2,489,304	2,489,304
Federal Transit Administration Programs		462,955		462,955
Affordable Housing Programs			423,825	423,825
Total Restricted	<u>3,581,948</u>	<u>462,955</u>	<u>88,613,042</u>	<u>92,657,945</u>
Committed:				
Litter Clean Up	412,571			412,571
City Court Case Processing	1,344,854			1,344,854
Business Development Loans	962,037			962,037
Land Annexation - Raytheon Buffer	3,770,244			3,770,244
Fire Equipment	10,759			10,759
Housing Trust Fund	119,230			119,230
Zoo Expansion Projects	2,132,182			2,132,182
Parks and Recreation Projects	1,705,441			1,705,441
Campaign Finance	18,932			18,932
Stabilization Fund	22,836,507			22,836,507
Garage Lighting Upgrades			243,577	243,577
Property Management		130,977	18,612	149,589
Marketing for Civic Contributions Fund			8,976	8,976
Total Committed	<u>33,312,757</u>	<u>130,977</u>	<u>271,165</u>	<u>33,714,899</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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:				
TARP Settlement	8,000,000			8,000,000
Fuel Contingency	2,100,000			2,100,000
Operating Contingency	2,600,000			2,600,000
Public Safety Pension Refunds	18,787,440			18,787,440
Employee One-Time Distribution	2,600,000			2,600,000
Software and System Upgrades	3,500,000			3,500,000
Public Safety Vehicles	3,200,000			3,200,000
Parking Operations			1,817,936	1,817,936
SunLink Operations			748,940	748,940
Other	2,409,273	259,200	24,500	2,692,973
Total Assigned	<u>43,196,713</u>	<u>259,200</u>	<u>2,591,376</u>	<u>46,047,289</u>
Unassigned:	18,022,572			18,022,572
Total Fund Balances	<u>\$ 102,660,251</u>	<u>\$ 5,781,870</u>	<u>\$ 91,929,833</u>	<u>\$ 200,371,954</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 \$2,970 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, 2017

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, 2017, the following funds had deficit fund balances or net position:

Environmental Services	\$ (8,317,271)
General Services Fund	\$ (8,346,992)

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, 2017

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, 2017:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 309,430,115	\$ (8,032,897)	\$ 301,397,218
Investments	843,819,721		843,819,721
Total	<u>\$ 1,153,249,836</u>	<u>\$ (8,032,897)</u>	<u>\$ 1,145,216,939</u>
	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and Cash Equivalents	\$ 277,978,369	\$ 5,433,653	\$ 283,412,022
Noncurrent Investments	26,998,586	816,921,135	843,919,721
Cash & Investments Restricted	17,885,196		17,885,196
Total	<u>\$ 322,862,151</u>	<u>\$ 822,354,788</u>	<u>\$ 1,145,216,939</u>

A. Deposits

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

B. Investments

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations typically rated by one or more nationally recognized statistical-rating organizations (NRSROs) i.e., Moody's/ Standard & Poors. These obligations may consist of the U.S. Government Treasuries, Agencies and instrumentalities, money market funds consisting of primarily U.S. Governmental issues, repurchase 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, 2017

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, 2017:

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	\$ 257,084,799	\$ 96,397,787	\$ 61,775,488	\$ 98,911,524
Corporate Bonds & Other Fixed Income Instruments	90,763,091		65,171,289	25,591,802
U.S. Equity & Commingled Equity Funds	237,918,324	151,963,786		85,954,538
Non-U.S. Issues not on Securities Loan:				
International Bonds & Other Fixed Income Instruments	38,417,099	(7,207)	36,797,206	1,627,100
International Equity & Commingled Equity Funds	197,320,836	75,832,517		121,488,319
Subtotal	821,504,149	324,186,883	163,743,983	333,573,283
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:				
U.S. Corporate Bonds & Other Fixed Income Instruments	2,117,378		2,117,378	
U.S. Equity	22,888,111	22,888,111		
International Bonds & Other Fixed Income Instruments	1,505,294		1,505,294	
International Equity	1,506,346	1,506,346		
Subtotal	28,017,129	24,394,457	3,622,672	
Securities Lending Short-Term Collateral Investment Pool	28,692,389			28,692,389
Money Market Funds/Short-Term Investments	152,841,332	131,508,699	16,420,504	4,912,129
Real Estate & Commingled Real Estate Funds	74,665,411			74,665,411
Infrastructure Investment Funds	47,529,426			47,529,426
Subtotal	303,728,558	131,508,699	16,420,504	155,799,355
Total Deposits and Investments	\$1,153,249,836	\$ 480,090,039	\$183,787,159	\$ 489,372,638

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following credit risk structure as of June 30, 2017:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash & Cash Equivalents:				
Wells Fargo Large Balance Public Institutional Bank Deposit Account	3	Aaa	\$ 125,071,962	41.28%
Commercial Paper	1	P-1	1,749,878	0.58%
U.S. Treasury Notes	10	Aaa	74,590,844	24.62%
U.S. Agency & Municipal Bonds	18	Aaa	58,034,542	19.15%
Negotiable Certificates of Deposit	4	Aa3	13,585,625	4.48%
U.S. Corporate Bonds	22	A2	29,960,527	9.89%
TOTAL	58		\$ 302,993,378	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, 2017, these funds consisted of: a U.S. Treasury Note with a fair market value of \$21,836,688 a U.S. Agency Bond with a fair market value of \$2,500,000 and various other operational accounts totaling \$6,436,737. 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 \$2,500,000 in a one-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product in 2017.

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, 2017

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2017:

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash & Short Term Investment Funds:				
Cash and Cash Equivalents	30	Aaa	\$ 17,462,350	
Futures	2	Aaa	(3,625) (2)	
Fixed Income Swaps & Options	6	Aaa	(376,121) (2)	
Subtotal	<u>38</u>		<u>17,082,604</u>	8.28%
U.S. Agency & Other Governmental Obligations:				
Municipal Bonds	6	B3	1,179,199	
Futures	3	Aaa	(29,745) (2)	
BlackRock U.S. Debt Fund	1	Aaa	98,911,524	
Subtotal	<u>10</u>		<u>100,060,978</u>	48.48%
U.S. Corporate Bonds & Other Fixed Income Instruments:				
Asset Backed Securities	2	Baa3	194,235	
Collateralized Mortgage Obligations	5	Aa1	425,544	
Fixed Income Swaps & Options	36	B3	330,854	
Banking & Finance	23	Ba3	7,330,866	
Health Care	1	Ba1	982,125	
Oil, Gas & Chemicals	11	Baa3	2,825,196	
Communications	1	Ba1	426,188	
Utilities	7	Baa3	1,524,343	
Other Corporate Issues	48	Ba2	12,956,681	
PIMCO Private Mortgage Sector Fund	2	Aa1	22,338,285	
Subtotal	<u>136</u>		<u>49,334,317</u>	23.90%
International Bonds & Other Fixed Income Instruments:				
Banking & Finance	16	Ba3	6,670,743	
Fixed Income Swaps & Options	40	Ba1	(67,497) (2)	
Government Bonds	30	Ba2	11,422,648	
Futures	4	Aaa	(7,207) (2)	
Communications	5	B1	1,682,799	
Oil, Gas & Chemicals	12	Ba1	5,250,151	
Utilities	3	B3	1,487,834	
Other Corporate Issues	39	Ba3	13,482,921	
Subtotal	<u>149</u>		<u>39,922,392</u>	19.34%
TOTAL	<u>333</u>		<u>\$206,400,291</u>	<u>100.00%</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, 2017

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, 2017:

<u>Investment Type/Maturity</u>	<u>Maturity Structure</u> <u>Fair Value</u>	<u>Percent of Total</u>
<u>Cash & Cash Equivalents</u>		
Wells Fargo Large Balance Public Institutional Bank Deposit Account	\$ 53,197,242	
	53,197,242	17.56%
<u>Less Than 1 Year</u>		
U.S. Treasury Notes	71,874,720	
U.S. Corporate Bonds	2,322,950	
Municipal Bonds	8,648,187	
	82,845,857	27.34%
<u>Between 1 to 2 Years</u>		
U.S. Treasury Notes	44,921,152	
U.S. Agencies	13,585,625	
Negotiable Certificates of Deposit	26,233,930	
U.S. Corporate Bonds	11,999,104	
	96,739,811	31.93%
<u>Between 2 to 3 Years</u>		
U.S. Treasury Notes	29,669,693	
U.S. Agencies	29,477,662	
U.S. Corporate Bonds	11,063,113	
	70,210,468	23.17%
TOTAL	\$ 302,993,378	100.00%
Effective Duration: 1.85 Years		

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017:

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	\$ 17,082,604	\$	\$	\$	\$ 17,082,604
U.S. Agency & Other Governmental Obligations	(258)		(95,191)	1,244,903	1,149,454
BlackRock U.S. Debt Fund			98,911,524		98,911,524
U.S. Corporate & Other Fixed Income Instruments	24,937,976	13,582,263	9,455,888	1,358,190	49,334,317
International Bonds & Other Fixed Income Instruments	761,581	11,661,848	20,228,717	7,270,246	39,922,392
TOTAL	<u>\$ 42,781,903</u>	<u>\$ 25,244,111</u>	<u>\$ 128,500,938</u>	<u>\$ 9,873,339</u>	<u>\$ 206,400,291</u>

Effective Duration:

Active Account 5.10 years

Passive Account 5.73 years

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

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

E. Foreign Currency Risk

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2017:

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	\$ (30,867)	\$	\$ 606,228	\$	\$	\$	\$ 575,361	0.073%
Brazil Real	30,421						30,421	0.004%
British Pound Sterling	126,434	4,728,713	19,303,036			2,442	24,160,625	3.065%
Canadian Dollar	44,325		4,527,518				4,571,843	0.580%
Euro Currency Unit	306,727	14,393,488	16,785,981		21,925,732	(9,649)	53,402,279	6.775%
Japanese Yen	29,718		8,698,689				8,728,407	1.107%
Mexican Peso	32						32	0.000%
Polish Zloty	12,459						12,459	0.002%
Singapore Dollar	701						701	0.000%
S. African Comm Rand	9,450						9,450	0.001%
Swedish Krona			622,431				622,431	0.079%
Swiss Franc	96		8,928,929				8,929,025	1.133%
Turkish Lira	1,848						1,848	0.000%
Currency Subtotals	531,344	19,122,201	59,472,812		21,925,732	(7,207)	101,044,882	12.819%
U.S. Dollar	16,554,883	169,820,440	400,572,806	74,655,411	25,603,694	(33,370)	687,173,864	87.181%
TOTAL	\$ 17,086,227	\$ 188,942,641	\$ 460,045,618	\$ 74,655,411	\$ 47,529,426	\$ (40,577)	\$ 788,218,746	100%
	2.168%	23.971%	58.365%	9.471%	6.030%	(0.005)%	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, 2017, the carrying amount and fair value of securities on loan was \$28,017,129. 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, 2017

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, 2017, 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 (3)	Principal Risk
Government Futures	\$ 23,600,000	\$ 19,421,684	\$ 30,850,669	Interest Rate
Options	\$ (800,000)	\$ 23,915	\$ (3,625)	Credit
Currency Forwards (Net)	\$ 9,782,078	\$ (5,129,450)	\$ 19,337,317	Foreign Currency
Forward Transactions (2)	\$ 1,665,000	\$ 1,907,917	\$ 1,907,917	Credit
Interest Rate Swaps	\$ (39,450,000)	\$ 1,014,716	\$ 229,565	Interest Rate

Footnotes:

- (1) The Notional Amount is the number of currency units (stated in U.S. and/or foreign currencies), shares or other units specified in the derivative instrument. It is a stated amount on which payments depend.
- (2) Not including Mortgage TBA.
- (3) The notional fair value of the underlying securities is reported in this schedule. Fair market value as reported in the financial statements is presented net of long and short positions.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017. 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	\$ 29,080,455	\$
Mass Transit Fund		6,548,228
Other Non-major Governmental Funds	3,642	20,260,373
Total Governmental Funds	<u>29,084,097</u>	<u>26,808,601</u>
Fiduciary Funds		
Employee Prepaid Insurance		2,275,496
Total Fiduciary Funds		<u>2,275,496</u>
Total All Funds	<u>\$ 29,084,097</u>	<u>\$ 29,084,097</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

The Due from/to Other Agencies balances at June 30, 2017 represent receivables/payables to federal, state, or local governmental agencies. Fiduciary Fund due from/to are not shown on the government-wide financial Statement of Net Position.

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 22,017,354	\$ 888,173
Mass Transit Fund	4,936,524	463,079
Other Non-major Governmental Funds	19,188,701	891,397
Total Governmental Funds	<u>46,142,579</u>	<u>2,242,649</u>
Internal Service Funds:		
Fleet Services	10,810	248
Self Insurance		169
General Services	263,539	3,278
Total Internal Service Funds	<u>274,349</u>	<u>3,695</u>
Enterprise Funds:		
Environmental Services	3,072	212
Water Utility		2,327,997
Public Housing	78,056	26
Other Non-major Enterprise Funds	417,762	32,165
Total Enterprise Funds	<u>498,890</u>	<u>2,360,400</u>
Fiduciary Funds:		
High-Intensity Drug Trafficking (HIDTA)		393,143
Sewer User Fee Fund		11,383,662
Total Fiduciary Funds		<u>11,776,805</u>
Total All Funds	<u>\$ 46,915,818</u>	<u>\$ 16,383,549</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 \$2,204,240 are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2017, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 2,225,376	\$ 48,544,827
Mass Transit Fund	41,207,867	
Other Non-major Governmental Funds	17,812,058	10,782,168
Total Governmental Funds	<u>61,245,301</u>	<u>59,326,995</u>
Enterprise Funds:		
Water Utility		1,918,306
Total Enterprise Funds		<u>1,918,306</u>
Total All Funds	<u>\$ 61,245,301</u>	<u>\$ 61,245,301</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2017:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 760,764,491	\$ 18,726,428	\$ (3,842,100)	\$ 775,648,819
Construction-in-Progress	350,971,995	55,291,779	(1,845,119)	404,418,655
Capital Assets being Depreciated:				
Buildings and Improvements	855,559,236	1,342,715	(1,048,444)	855,853,507
Equipment	342,674,020	6,286,276	(16,357,412)	332,602,884
Infrastructure	876,348,985			876,348,985
Totals at Historical Cost	<u>3,186,318,727</u>	<u>81,647,198</u>	<u>(23,093,075)</u>	<u>3,244,872,850</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	311,635,887	26,102,621	(574,725)	337,163,783
Equipment	220,757,234	23,512,215	(15,825,983)	228,443,466
Infrastructure	547,020,466	24,708,150		571,728,616
Total Accumulated Depreciation	<u>1,079,413,587</u>	<u>74,322,986</u>	<u>(16,400,708)</u>	<u>1,137,335,865</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 2,106,905,140</u></u>	<u><u>\$ 7,324,212</u></u>	<u><u>\$ (6,692,367)</u></u>	<u><u>\$ 2,107,536,985</u></u>
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				\$ 464,021
Public Safety and Justice Services				7,878,170
Community Enrichment and Development				58,433,303
Support Services				6,474,944
Non-Departmental				1,072,548
Total Depreciation Expense				<u><u>\$ 74,322,986</u></u>
Business-Type Activities:				
Non-depreciated Assets				
Land	\$ 71,579,723	\$		\$ 71,579,723
Construction-in-Progress	134,548,919	66,717,156	(70,195,011)	131,071,064
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	249,949,335	8,837,751		258,787,086
Equipment	88,187,666	10,320,417	(5,695,250)	92,812,833
Distribution and Collection Systems	1,447,532,989	60,592,447		1,508,125,436
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>2,045,112,938</u>	<u>146,467,771</u>	<u>(75,890,261)</u>	<u>2,115,690,448</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	136,020,695	7,177,393		143,198,088
Equipment	62,428,703	6,512,397	(5,162,804)	63,778,296
Distribution and Collective Systems	460,678,210	28,601,404		489,279,614
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	<u>660,314,946</u>	<u>42,291,194</u>	<u>(5,162,804)</u>	<u>697,443,336</u>
Business-Type Activities Capital Assets, Net	<u><u>\$ 1,384,797,992</u></u>	<u><u>\$ 104,176,577</u></u>	<u><u>\$ (70,727,457)</u></u>	<u><u>\$ 1,418,247,112</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

The following is a summary of changes in long-term debt as of June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 208,860,000	\$ 25,875,000	\$ (34,465,000)	\$ 200,270,000	\$ 25,630,000
Street & Highway Revenue Bonds	69,790,000		(13,610,000)	56,180,000	14,145,000
Certificates of Participation	213,516,281		(14,822,400)	198,693,881	17,987,414
Special Assessment Bonds	692,000		(399,000)	293,000	257,000
Clean Renewable Energy Bonds	11,260,800		(1,334,300)	9,926,500	1,349,300
Unamortized Amount:					
on Premiums	27,915,409	3,292,450	(4,546,419)	26,661,440	
on Discounts	(364,099)		26,330	(337,769)	
Total Bonds and Notes Payable	531,670,391	29,167,450	(69,150,789)	491,687,052	59,368,714
Other Liabilities:					
Capital Leases	19,272,245		(482,828)	18,789,417	3,520,830
Other Long-term Debt	20,848,384		(14,748,384)	6,100,000	
Other Post Employment Benefits	9,626,564	579,568		10,206,132	
Compensated Absences	32,961,305	17,425,135	(16,487,700)	33,898,740	15,564,721
Pension	1,007,347,842	118,432,676	(39,094,728)	1,086,685,790	
Remediation	811,376		(210,929)	600,447	329,540
Claims and Judgments	39,941,000	4,112,316	(8,694,816)	35,358,500	7,988,204
Total Other Liabilities	1,130,808,716	140,549,695	(79,719,385)	1,191,639,026	27,403,295
Governmental Activities Long Term Liabilities	\$ 1,662,479,107	\$ 169,717,145	\$ (148,870,174)	\$ 1,683,326,078	\$ 86,772,009
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 494,071,965	\$ 107,245,000	\$ (121,550,134)	\$ 479,766,831	\$ 33,526,690
Certificate of Participation	10,233,719		(192,600)	10,041,119	237,586
Unamortized Amount:					
Bond Premiums	44,536,732	21,377,395	(8,736,543)	57,177,584	
	548,842,416	128,622,395	(130,479,277)	546,985,534	33,764,276
Other Liabilities:					
Landfill Closure/Post Closure Costs	42,418,841	1,737,197	(609,206)	43,546,832	462,368
Remediation	15,689,818	105,680		15,795,498	
Capital Leases	273,463		(84,026)	189,437	86,154
Other Post Employment Benefits	2,070,355	231,027		2,301,382	
Compensation Absences	4,967,110	17,817	(309,720)	4,675,207	2,326,971
Pension	88,543,092	22,902	(16,644,490)	71,921,504	
Loans Payable	1,626,413		(71,757)	1,554,656	
Total Other Liabilities	155,589,092	2,114,623	(17,719,199)	139,984,516	2,875,493
Business-type Activities Long Term Liabilities	\$ 704,431,508	\$ 130,737,018	\$ (148,198,476)	\$ 686,970,050	\$ 36,639,769

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017.

Years ending June 30,	Governmental Activities	Business-Type Activities
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	25,950,125	1,368,019
2023-2027	106,904,309	6,107,142
2028-2032	33,561,397	2,086,284
2033-2034	3,020,559	
Total Minimum Lease Payments	<u>284,906,739</u>	<u>13,443,894</u>
Less: Amount Representing Interest (interest rates range: 1.682% to 6.52%)	67,423,441	3,213,338
Present Value of Net Minimum Lease Payments	<u>\$ 217,483,298</u>	<u>\$ 10,230,556</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 \$2,155,770. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2017, were as follows:

Years ending June 30,	
2018	\$ 1,835,836
2019	1,508,280
2020	1,514,049
2021	1,517,054
2022	1,502,675
2023-2027	4,320,386
2028-2032	484,576
2033-2037	481,382
2038-2042	471,264
2043-2046	483,046
Total Minimum Future Lease Payments	<u>\$ 14,118,548</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 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, 2017 to July 1, 2022. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2017 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2017
1998 Refunding	5.38-5.50	2021	\$ 26,470,000	\$ 16,975,000
2006 Series Refunding	5.00	2021	50,525,000	18,445,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	11,745,000
2012-B Series Refunding	2.54-3.22	2020	11,315,000	4,115,000
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	26,090,000
2012-D Series (2016)	2.00-3.00	2024	20,000,000	20,000,000
2016 Series Refunding	3.00-4.00	2021	23,020,000	17,025,000
2012-E Series (2017)	2.00-5.00	2025	17,265,000	17,265,000
2017 Series Refunding	2.00-5.00	2019	8,610,000	8,610,000
Total			<u>\$ 265,485,000</u>	<u>\$ 200,270,000</u>

Street and Highway Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2017
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	14,620,000
2015 Refunding	5.00	2018	27,415,000	10,140,000
Total			<u>\$ 93,335,000</u>	<u>\$ 56,180,000</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017
1994 Series A (1996)	6.00 - 8.00	2018	\$ 33,000,000	\$ 250,000
2009 Refunding	5.00	2019	2,815,000	1,210,000
2005 Series C (2008)	4.00 - 5.00	2019	20,425,000	1,450,000
Water System Revenue Obligations 2009	5.00	2029	35,635,000	6,720,000
Water System Revenue Obligations 2010	5.79-5.94	2030	38,510,000	38,510,000
Water System Revenue Obligations 2011	2.75 - 5.00	2032	30,965,000	5,670,000
Water System Revenue Obligations 2012	2.00 - 5.00	2033	31,555,000	12,790,000
2012 Refunding Series A	4.00 - 5.00	2018	36,120,000	12,770,000
2013A Refunding	2.00 - 5.00	2025	34,280,000	23,920,000
2013B Refunding	.61 - 2.75	2022	18,825,000	16,210,000
Water System Revenue Obligation, Series 2013	1.50 - 5.00	2030	21,065,000	19,565,000
Water System Revenue Obligation, Series 2014	3.00 - 5.00	2033	35,630,000	34,630,000
2015 Refunding	3.00 - 5.00	2032	46,640,000	46,640,000
2016 Refunding	2.00 - 5.00	2024	71,805,000	68,640,000
2017 Refunding	5.00	2032	82,410,000	82,410,000
Water System Revenue Obligation, Series 2015	2.00 - 5.00	2033	20,570,000	19,770,000
Water System Revenue Obligation, Series 2016	3.00 - 5.00	2035	17,215,000	17,040,000
Water System Revenue Obligation, Series 2017	4.00 - 5.00	2035	24,560,000	24,560,000
Jr Lien Water System Refunding Bond 2012	1.90	2021	15,245,000	5,360,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	2,724,257
2004 Water Infrastructure Finance Authority (WIF5)	3.15 - 3.15	2023	3,000,000	1,143,791
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	967,331
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	1,314,026
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	1,333,695
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	1,056,751
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	3,434,478
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	10,437,662
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	1,653,798
2009B Water Infrastructure Finance Authority (WIF12)	3.6	2028	1,000,000	635,624
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,961,759
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	11,791,983
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	3,196,676
Total			<u>\$ 689,117,000</u>	<u>\$ 479,766,831</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 9 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2017 is \$293,000 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 \$888,498 in the Special Assessment Bond & Interest Fund at June 30, 2017 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
2018	\$ 25,630,000	\$ 7,749,670	\$ 14,145,000	\$ 2,757,450	\$ 257,000	\$ 8,340
2019	26,495,000	6,894,818	10,130,000	2,090,250	36,000	946
2020	27,995,000	5,732,183	10,560,000	1,583,750		
2021	27,520,000	4,504,725	10,730,000	1,067,250		
2022	19,735,000	3,237,000	10,615,000	530,750		
2023-2027	72,895,000	6,645,000				
Totals	\$ 200,270,000	\$ 34,763,396	\$ 56,180,000	\$ 8,029,450	\$ 293,000	\$ 9,286

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewable Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,349,300	\$ 387,092	\$ 33,526,689	\$ 21,497,070
2019	1,364,300	343,356	35,503,942	20,228,779
2020	1,379,300	298,910	36,705,012	18,878,051
2021	5,388,600	794,632	37,145,023	17,318,355
2022	445,000	12,638	37,504,105	15,631,682
2023-2027			162,816,750	52,771,729
2028-2032			114,435,310	19,094,234
2033-2036			22,130,000	1,467,181
Totals	\$ 9,926,500	\$ 1,836,628	\$ 479,766,831	\$ 166,887,081

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 \$223,035,000, General Obligation debt of \$41,455,000 and Certificates of Participation \$35,910,000.

On June 28, 2017, the City issued \$8,610,000 General Obligation Bonds to refund Series 2000 F (2007) and Series 2007 Refunding 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, 2018 to July 1, 2019. Debt service payments are scheduled semi-annually with total annual amounts ranging from \$3,948,000 to \$5,137,375 (including interest). The City realized net present value savings of \$379,299 over the life of the issuance, as a result of the refunding.

On June 28, 2017 the City issued \$82,410,000 Water System Revenue Refunding Bonds, Series 2017, to refund Water System Revenue Bonds Series 2007, 2009, 2011 and 2012 and to pay costs related to the issuance of the bonds. The interest rates on the refunding bonds is 5% with maturity dates from July 1, 2018 to July 1, 2032. Debt service payments are scheduled semi-annually with total annual amounts ranging from \$2,105,250 to \$14,663,250 (including interest). The economic gain resulting from the refunded bonds is \$11,085,219, based on the net present value from delivery date. The City realized net present value savings of \$9,443,725 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 2017. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2017. 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, 2017

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 6/30/2017	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/2017	Estimated Remaining Life in Years
Los Reales	100%	\$ 35,408,232	\$ 35,408,232	30
Harrison	100%	3,579,167	3,579,167	
Irvington	100%	2,047,431	2,047,431	
Mullins	100%	2,512,000	2,512,000	
Totals		<u>\$ 43,546,830</u>	<u>\$ 43,546,830</u>	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management accumulates a portion of net position to address the closure/post-closure liability (\$9,941,967) and construction of new landfill cells (\$13,346,600).

The June 30, 2017, liability for closure and post-closure costs is \$43,546,830 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, 2017, 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	\$ 1,086,685,790	\$ 71,921,504	\$ 1,158,607,294
Deferred outflows of resources	207,824,141	8,592,128	216,416,269
Deferred inflows of resources	62,488,170	16,450,759	78,938,929
Pension expense	119,787,773	(4,798,644)	114,989,129

A. Plan Description

The Tucson Supplemental Retirement System (System or TSRS) plan is a single-employer defined benefit plan for City of Tucson ("City") employees. It was established in the City Charter to provide its members with a supplement to the retirement and disability benefits of the social security system. The 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, 2017

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, 2017 is as follows:

Active Plan Participants	
Active plan members	2,526
Inactive plan members (or their beneficiaries) currently receiving benefits	2,974
Inactive plan members entitled to but not yet receiving benefits	380
Total active plan participants	5,880

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, 2017

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, 2017

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, 2017, allocations were based on rates of return of 3.00% per annum. Any unallocated earnings remain in unreserved net position.

The net position at June 30, 2017, consisted of the following components:

Reserved for employee contributions	\$	133,917,363
Reserved for retirement benefits		706,495,829
Unreserved net position (deficit)		(50,470,255)
Net Position	\$	<u>789,942,937</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, 2017.

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

These investments are either held by the System or its agent in the System's name and are insured, registered or collateralized. A portion of these investments is subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk. The Government Accounting Standards Board (GASB) Statement 40 requires the System to disclose such risks which are discussed in Note 4.

The City maintains an investment pool account for City funds. Bi-weekly contributions for the Tucson Supplemental Retirement System are held in the City's investment pool account and are used to pay recurring expenditures. The \$1,681,100 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, 2017

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, 2017 are as follows:

Total Pension Liability	\$ 1,036,687,317
Plan's Fiduciary Net Position	789,942,937
Net Pension Liability	<u>\$ 246,744,380</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.20%

Pension Expense and Deferred Outflows/Inflows of Resources-For the year ended June 30, 2017, the City recognized pension expense for TSRS of \$16,822,613. At June 30, 2017, 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	\$	\$ 10,482,276
Assumption changes		9,084,157
Net Difference between projected and actual earnings on pension plan investments	29,477,394	36,871,962
Total	<u>\$ 29,477,394</u>	<u>\$ 56,438,395</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	
2018	\$ (10,396,123)
2019	(3,310,754)
2020	(4,036,135)
2021	(9,217,989)
Total	<u>\$ (26,961,001)</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, 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 6/30/16	\$ 1,030,694,946	\$ 726,782,879	\$ 303,912,067
Changes for the year:			
Service Cost	13,130,902		13,130,902
Interest	72,547,402		72,547,402
Differences between expected and actual	(6,472,776)		(6,472,776)
Contributions - employer		31,823,694	(31,823,694)
Contributions - member		7,439,065	(7,439,065)
Net investment income		97,535,598	(97,535,598)
Benefits and refund payments	(73,213,157)	(73,213,157)	
Administrative expense		(756,268)	756,268
Other changes		331,126	(331,126)
Net changes	<u>5,992,371</u>	<u>63,160,058</u>	<u>(57,167,687)</u>
Balances at 6/30/17	<u>\$ 1,036,687,317</u>	<u>\$ 789,942,937</u>	<u>\$ 246,744,380</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, 2017

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

G. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2017 valuation covering the plan year July 1, 2016 through June 30, 2017 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, 2017:

<u>Asset Class</u>	<u>Target</u>	<u>Expected Return Arithmetic</u>
Large Cap Equities	26%	5.80%
Small/Mid Cap Equities	8%	7.05%
International Equities	25%	6.70%
Fixed Income	27%	0.80%
Real Estate	9%	4.65%
Infrastructure	5%	5.75%
Total	100%	
Average Arithmetic Return		4.67%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and tax-exempt municipal bond rate base on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contribution for use with the long-term expected rate of return are not met). For this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 3.56%; 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	\$ 351,677,165	\$ 246,744,380	\$ 157,515,807

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, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 14.26%. 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, 2017

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, 2017

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

C. Membership and Contributions

At June 30, 2017, 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	842	582
Retirees and beneficiaries	923	581
Inactive, non-retired members	126	44
Total plan participants	<u>1,891</u>	<u>1,207</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 11.65% 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, 2017, the required employer contribution rates were 64.89% and 67.85%, 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, 2017, were:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Pension Contributions Made	\$ 36,365,338	\$ 27,022,015
Health Insurance Premium Benefit		
Annual OPEB Cost	\$ 567,229	\$ 157,333
OPEB Contributions Made	\$ 567,229	\$ 157,333

D. Liability, Expense and Deferred Outflows/Inflows

At June 30, 2017, the City reported the following net pension liabilities:

	<u>Tucson Police</u>	<u>Tucson Fire</u>
Total Pension Liability	\$ 818,357,817	\$ 512,224,147
Plan's Fiduciary Net Position	267,388,721	152,953,894
Net Pension Liability	<u>\$ 550,969,096</u>	<u>\$ 359,270,253</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	32.67%	29.86%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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

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

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 Years
Asset Valuation Method	7-Year smoothed market, 20% corridor
Price Inflation	3%. 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, 2016 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, 2017

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

Tucson Police	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	\$ 771,560,785	\$ 287,219,049	\$ 484,341,736
Changes for the year:			
Service cost	12,024,132		12,024,132
Interest on the total pension liability	58,552,864		58,552,864
Changes of benefit terms	21,480,741		21,480,741
Differences between the expected and actual experience in the measurement of the pension liability	(10,074,554)		(10,074,554)
Changes of assumptions	28,166,832		28,166,832
Contributions--employer		34,353,830	(34,353,830)
Contributions--employee		8,187,736	(8,187,736)
Net investment income		1,658,844	(1,658,844)
Benefits payments, including refunds of employee contributions	(63,352,983)	(63,352,983)	
Pension Plan Administrative Expense		(239,099)	239,099
Other changes		(438,656)	438,656
Net changes	46,797,032	(19,830,328)	66,627,360
Balances at June 30, 2017	\$ 818,357,817	\$ 267,388,721	\$ 550,969,096

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2016	\$ 480,951,542	\$ 173,486,605	\$ 307,464,937
Changes for the year:			
Service cost	8,490,888		8,490,888
Interest on the total pension liability	36,150,578		36,150,578
Changes of benefit terms	18,630,092		18,630,092
Differences between the expected and actual experience in the measurement of the pension liability	229,638		229,638
Changes of assumptions	17,131,550		17,131,550
Contributions--employer		22,701,968	(22,701,968)
Contributions--employee		5,209,851	(5,209,851)
Net investment income		978,548	(978,548)
Benefits payments, including refunds of employee contributions	(49,360,141)	(49,360,141)	
Pension Plan Administrative Expense		(141,207)	141,207
Other changes		78,270	(78,270)
Net changes	31,272,605	(20,532,711)	51,805,316
Balances at June 30, 2017	\$ 512,224,147	\$ 152,953,894	\$ 359,270,253

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, 2017 is \$139,037,334.

Deferred outflows of resources and deferred inflows of resources related to pension are recorded at June 30, 2017 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, 2017

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

Tucson Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 16,464,937
Assumption changes	59,552,155	
Net Difference between projected and actual earnings on pension plan investments	17,178,623	
City contributions subsequent to measurement date	36,365,338	
Total	\$ 113,096,116	\$ 16,464,937
Tucson Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 235,107	\$ 5,407,631
Assumption changes	34,847,740	
Net Difference between projected and actual earnings on pension plan investments	10,134,024	
City contributions subsequent to measurement date	27,022,015	
Total	\$ 72,238,886	\$ 5,407,631

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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Tucson Police	Tucson Fire
Year ended June 30		
2018	\$ 19,632,378	\$ 11,438,366
2019	19,632,380	11,438,366
2020	13,437,213	10,657,748
2021	6,771,202	4,591,002
2022	792,668	1,683,758
Thereafter		
Total	\$ 60,265,841	\$ 39,809,240

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 7.50%. 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	6.50%	7.50%	8.50%
Net Pension liability	\$ 649,066,044	\$ 550,969,096	\$ 469,394,373
Tucson Fire			
Rate	6.50%	7.50%	8.50%
Net Pension liability	\$ 419,933,306	\$ 359,270,253	\$ 308,678,325

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plans as the 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 2017 contribution requirements:

PSPRS - OPEB Contribution Requirements

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percent of pay closed
Remaining Amortization Period	20 Years for underfunded, 20 years for overfunded
Asset Valuation Method	7-Year smoothed market, 80%/120% market

Actuarial Assumptions:

- Investment Rate of Return: 7.50%
- Projected Salary Increases: 4%-8%
- Wage Growth: 4%

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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			
2017	\$ 560,023	100%	—
2016	505,314	100%	—
2015	1,525,877	100%	—
Tucson Fire			
2017	\$ 137,280	100%	—
2016	212,632	100%	—
2015	930,054	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	13,735,806
Unfunded actuarial accrued liability: (b) - (a)	5,301,560	2,336,121
Funded ratio: (a) / (b)	76%	83%
Annual covered payroll: (c)	\$ 59,290,594	\$ 42,306,370
Unfunded actuarial accrued liability as a percentage of covered payroll: (b) - (a) / (c)	9%	6%

Note 14 – ELECTED OFFICIALS RETIREMENT PLAN:

Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3; however, the plan is not described in detail because of its relative insignificance to the financial statements. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS's Web site at www.psprs.com.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 1,176 participants as of June 30, 2016. 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 2017 the City's portion of the retiree medical insurance was \$8,496,853 and the retiree life insurance was \$309,746.

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)
2017	\$ 14,934,191	\$14,183,173	\$ 526,361	\$ (466,782)	\$ 14,993,770	94.99%	\$ 12,507,515
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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2016 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 2017 - 2018 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>						
2017		\$ 214,220	\$ 214,220		\$ 204,975	104.5%
2016		215,961	215,961		217,930	99.1%
2015		213,318	213,318		225,458	94.6%

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
2017	\$ 14,934	94.99%	\$ 12,508
2016	15,397	101.03%	11,697
2015	15,498	89.51%	11,795

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

E. Actuarial Information and Assumptions

Actuarial Valuation Date	July 1, 2016
Actuarial Cost Method	Projected unit credit
Amortization Method	30-year open, level % of pay
Remaining Amortization Period	30 years as of July 1, 2016
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	7.0% in 2016/2017, grading down by 0.25% per year until ultimate rate of 4.50%

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, 2017 and 2016, are as follows:

	2017	2016
Beginning of fiscal year liability	\$ 39,941,000	\$ 39,936,500
Current year claims and changes in estimates	4,112,316	6,145,471
Claim Payments	(8,694,816)	(6,140,971)
Balance at fiscal year end	\$ 35,358,500	\$ 39,941,000

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 17 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay \$479,766,831 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 47 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$646,650,913. Principal and interest paid for the current year and total customer net revenues were \$49,822,138 and \$109,930,450, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay \$56,180,000 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 2017 annual principal and interest payments on the bonds required 35.3% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is \$64,209,450. Principal and interest paid for the current year and total H.U.R.F. revenues were \$17,010,248 and \$48,218,829, 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 \$4,469,921. In addition, commodity charges, which are designed to cover CAWCD operating and maintenance expenses, are based on the quantity of CAP water taken by the City. The commodity charge for the year was \$19,501,544.

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, 2017

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 \$35,856,926 at June 30, 2017.

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 \$31,018,579 at June 30, 2017.

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, 2017

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 \$3,839,580 at June 30, 2017.

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 \$2,427,151 at June 30, 2017.

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 \$7,185,230 at June 30, 2017.

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 \$1,380,000 at June 30, 2017.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 \$1,620,000 at June 30, 2017.

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. On October 5, 2016, The City adopted Resolution 22647 which authorized the sale of City owned land to Rio Nuevo Multipurpose Facilities District (Rio Nuevo) in return for a reduced liability of the garage settlement described above. The remaining liability was set at \$6,100,000, to 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. As of June 30, 2017, the balance due is \$6,100,000.

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, 2017, the City intended to honor \$29,422,758 of outstanding encumbrances in the new year.

General Fund	\$ 4,454,117
Mass Transit	2,753,984
Nonmajor Governmental Funds	<u>22,214,657</u>
Total	<u>\$ 29,422,758</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, 2017

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 2017 the City received rebate revenues of \$1,006,963.

Note 21 – TAX ABATEMENT:

The City enters into government property lease excise tax (GPLET) abatement agreements with local businesses of up to 100 percent of a business' GPLET bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$51,625 under this program, including the following tax abatement agreement that exceeded 10 percent of the total amount abated:

- A 100 percent GPLET abatement to a local limited liability company as an economic development incentive. The abatement amounted to \$48,500.

The City has an agreement with Pima County who owns and leases a building with a tenant that the tenant will have no obligation to pay City sales taxes assessed by the City of Tucson, currently 2% of gross rent, so long as Pima County owns the building and the City does not impose City tax by virtue of Pima County's ownership of the building. For the fiscal year ended June 30, 2017, the City abated City sales tax taxes totaling \$3,688 under this agreement.

Note 22 – Pension Judgment:

During the fiscal year, the Supreme Court ruled on the Hall v. Elected Officials Retirement Plan (EORP) and the Parker v. Public Safety Personnel Retirement System Plan lawsuits. The courts found that a 2011 law's increases in employee contribution rates for active PSPRS plan and EORP members hired prior to the law's effective date were unconstitutional. As a result, these members are entitled to refunds of their excess employee contributions, plus interest. Employers must provide these refunds because Internal Revenue Service regulations prevent PSPRS from issuing them from the plan's trusts. As such, Tucson refunded the excess contributions on September 1, 2017. The excess contributions and interest totaling \$15.6 million is reflected on the Statement of Net Position in Accounts Payable and Statement of Activities within the respective function.

Note 23 – NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS:

In June 2015, the GASB issued Statement No. 74, Financial Reporting for Post-employment 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. The City is not a participant in this type of plan and therefore has implemented this statement with no effect.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

Note 23 - NEW GOVERNMENTAL ACCOUNTING STANDARD BOARD (GASB) PRONOUNCEMENTS
(Continued):

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 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 and the City adopted the requirements of this standard in Note 21.

In December 2015, the GASB issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The City is not a participant in this type of pension plan and therefore has implemented this statement with no effect.

In December 2015, the GASB issued Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The City is not a participant in this type of investment pool and therefore has implemented this statement with no effect.

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The City has adopted the requirements of this standard with no effect on the financial statements.

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The City has adopted the requirements of this standard with no effect on the financial statements.

◆ Required Supplementary Information ◆



CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 257,127,480	\$ 260,890,610	\$ 263,456,937	\$ 2,566,327
Licenses and Permits	29,074,730	31,474,730	31,740,111	265,381
Fines and Forfeitures	10,478,630	10,478,630	9,086,099	(1,392,531)
Use of Money and Property	448,790	448,790	459,545	10,755
Federal Grants and Contributions			51,063	51,063
Other Agencies	144,180,110	146,055,110	143,794,949	(2,260,161)
Charges for Services	43,327,230	43,327,230	41,888,360	(1,438,870)
Miscellaneous	9,026,410	8,537,410	10,358,148	1,820,738
Total revenues	<u>493,663,380</u>	<u>501,212,510</u>	<u>500,835,212</u>	<u>(377,298)</u>
Expenditures:				
Current -				
Elected and Official	17,151,730	17,276,710	16,571,665	705,045
Support Services	66,294,830	64,938,400	61,374,216	3,564,184
Public Safety/Justice Services	249,495,000	249,614,620	257,669,690	(8,055,070)
Community Enrichment and Development	36,943,130	37,285,180	34,831,137	2,454,043
General Government	34,030,990	33,007,847	30,991,887	2,015,960
Capital Outlay	6,700,210	7,541,180	3,287,683	4,253,497
Capital Projects	890,900	1,135,963	580,086	555,877
Debt service -				
Principal	15,722,850	13,593,780	13,620,328	(26,548)
Interest	8,934,290	8,934,290	8,850,442	83,848
Fiscal Agent Fees			29,600	(29,600)
Total expenditures	<u>436,163,930</u>	<u>433,327,970</u>	<u>427,806,734</u>	<u>5,521,236</u>
Excess (deficiency) of revenues over expenditures	<u>57,499,450</u>	<u>67,884,540</u>	<u>73,028,478</u>	<u>5,143,938</u>
Other financing sources (uses):				
Transfers In	1,918,300	2,227,300	2,225,376	(1,924)
Transfers Out	(53,394,380)	(50,235,760)	(48,544,827)	1,690,933
Total other financing sources (uses)	<u>(51,476,080)</u>	<u>(48,008,460)</u>	<u>(46,319,451)</u>	<u>1,689,009</u>
Change in fund balances	<u>\$ 6,023,370</u>	<u>\$ 19,876,080</u>	<u>26,709,027</u>	<u>\$ 6,832,947</u>
Fund balance, beginning of year			75,951,224	
Fund balance, end of year			<u>\$ 102,660,251</u>	

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

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of Money and Property	\$ 414,100	\$ 414,100	\$ 587,167	\$ 173,067
Federal Grants and Contributions	18,527,880	18,527,880	8,985,471	(9,542,409)
Other Agencies	13,960,980	13,960,980	13,517,732	(443,248)
Charges for Services	12,821,400	12,821,400	12,603,600	(217,800)
Miscellaneous	650,360	650,360	650,833	473
Total revenues	<u>46,374,720</u>	<u>46,374,720</u>	<u>36,344,803</u>	<u>(10,029,917)</u>
Expenditures:				
Current -				
Community Enrichment and Development	77,800,590	76,910,510	72,823,955	4,086,555
Capital Outlay	4,316,350	2,917,800	2,003,661	914,139
Capital Projects	8,821,700	11,110,330	1,752,573	9,357,757
Total expenditures	<u>90,938,640</u>	<u>90,938,640</u>	<u>76,580,189</u>	<u>14,358,451</u>
Excess (deficiency) of revenues over expenditures	<u>(44,563,920)</u>	<u>(44,563,920)</u>	<u>(40,235,386)</u>	<u>4,328,534</u>
Other financing sources (uses):				
Transfers In	44,563,920	44,563,920	41,207,867	(3,356,053)
Total other financing sources (uses)	<u>44,563,920</u>	<u>44,563,920</u>	<u>41,207,867</u>	<u>(3,356,053)</u>
Changes in fund balances	<u>\$</u>	<u>\$</u>	972,481	<u>\$ 972,481</u>
Fund balance, beginning of year			4,809,389	
Fund balance, end of year			<u>\$ 5,781,870</u>	

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

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

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)

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 13,130,902	\$ 14,279,065	\$ 15,753,944	\$ 14,825,019
Interest Cost	72,547,402	72,013,831	70,688,775	66,915,612
Changes of Benefit Terms				
Differences Between Expected and Actual	(6,472,776)	(6,529,764)	(7,815,270)	325,889
Changes of Assumptions			(31,210,057)	76,945,563
Benefits and Refund Payments	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
Net Change in Total Pension Liability	5,992,371	9,317,382	(20,194,959)	93,010,070
Total Pension Liability - Beginning	1,030,694,946	1,021,377,564	1,041,572,523	948,562,453
Total Pension Liability - Ending	<u>\$1,036,687,317</u>	<u>\$1,030,694,946</u>	<u>\$1,021,377,564</u>	<u>\$1,041,572,523</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 31,823,694	\$ 33,175,307	\$ 33,985,523	\$ 34,189,288
Contributions - Member	7,439,065	7,083,385	7,531,845	7,338,543
Net Investment Income	97,535,598	17,820,325	30,684,188	119,729,154
Benefits and Refund Payments	(73,213,157)	(70,445,750)	(67,612,351)	(66,002,013)
Administrative Expense	(756,268)	(786,028)	(650,405)	(735,739)
Other	331,126	142,093	118,247	171,077
Net Change in Plan Fiduciary Net Position	63,160,058	(13,010,668)	4,057,047	94,690,310
Plan Fiduciary Net Position - Beginning	726,782,879	739,793,547	735,736,500	641,046,190
Plan Fiduciary Net Position - Ending	<u>\$ 789,942,937</u>	<u>\$ 726,782,879</u>	<u>\$ 739,793,547</u>	<u>\$ 735,736,500</u>
Net Pension Liability - Ending	<u>\$ 246,744,380</u>	<u>\$ 303,912,067</u>	<u>\$ 281,584,017</u>	<u>\$ 305,836,023</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	76.20%	70.51%	72.43%	70.64%
Covered Employee Payroll	\$ 117,006,431	\$ 115,183,349	\$ 123,414,560	\$ 126,639,423
Net Pension Liability as a Percentage of Covered Employee Payroll	210.88%	263.85%	228.16%	241.50%

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

Fiscal Year	Total	Plan Net	Net Pension	Plan Net	Covered	Net Pension
Ending	Pension	Position	Liability	Position as a	Payroll	Liability as a
June 30,	Liability	Position	Liability	% of		% of Covered
				Total Pension		Payroll
				Liability		
2017	\$ 1,036,687,317	\$ 789,942,937	\$ 246,744,380	76.20%	\$ 117,006,431	210.88%
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
6/30/2015	2017	25.52%	\$ 29,394,791	27.50%	\$ 31,823,694	(1.98)%	\$ (2,428,903)	\$ 123,414,560	\$ 115,716,018
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, 2017
Notes	Actuarially determined contribution rates are calculated for the fiscal year beginning one year after the valuation date (one year lag)..
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	20 years
Asset Valuation Method	5 year smoothed market
Inflation	3.00%
Salary Increases	3.00% to 6.50% including inflation
Investment Rate of Return	7.25%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition. Last updated for the 2009 valuation pursuant to an experience study of the period 2009-2013.
Mortality	Pre and Post-retirement: RP-2000 Combined Mortality Table for males and females projected with Scale BB to 2020. Disabled retirement: RP-2000 Disabled Mortality Table for males and females.
Notes	There were no benefit changes during the year.

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

	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	14.26%	2.38%	4.17%	19.11%

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

TUCSON POLICE			
	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability			
Service Cost	\$ 12,024,132	\$ 11,668,152	\$ 11,720,855
Interest	58,552,864	58,577,435	49,886,649
Changes of Benefit Terms	21,480,741		17,350,937
Differences Between Expected and Actual Experience	(10,074,554)	(12,033,376)	(1,845,566)
Changes of Assumptions	28,166,832		82,969,636
Benefit Payments, Including Refunds of Member Contributions	(63,352,983)	(54,053,416)	(44,637,621)
Net Change in Total Pension Liability	46,797,032	4,158,795	115,444,890
Total Pension Liability - Beginning	771,560,785	767,401,990	651,957,100
Total Pension Liability - Ending	\$ 818,357,817	\$ 771,560,785	\$ 767,401,990
Plan Fiduciary Net Position			
Contributions - Employer	\$ 34,353,830	\$ 26,978,551	\$ 25,050,303
Contributions - Member	8,187,736	7,096,010	6,411,220
Net Investment Income	1,658,844	10,553,615	36,646,985
Benefit Payments, Including Refunds of Member Contributions	(63,352,983)	(54,053,416)	(44,637,621)
Pension Plan Administrative Expense	(239,099)	(257,865)	
Other (Net Transfer)	(438,656)	(418,057)	(14,311,889)
Net Change in Plan Fiduciary Net Position	(19,830,328)	(10,101,162)	9,158,998
Plan Fiduciary Net Position - Beginning	287,219,049	297,320,211	288,161,213
Plan Fiduciary Net Position - Ending	\$ 267,388,721	\$ 287,219,049	\$ 297,320,211
City's Net Position Liability - Ending	\$ 550,969,096	\$ 484,341,736	\$ 470,081,779
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	32.67%	37.23%	38.74%
Covered-Employee Payroll	\$ 59,290,594	\$ 58,837,806	\$ 57,677,943
City's Net Position Liability as a Percentage of Covered Employee Payroll	929.27%	823.18%	815.01%

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

TUCSON FIRE			
	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability			
Service Cost	\$ 8,490,888	\$ 7,103,326	\$ 7,175,895
Interest	36,150,578	36,501,680	31,594,819
Changes of Benefit Terms	18,630,092		9,902,338
Differences Between Expected and Actual Experience	229,638	(8,410,285)	99,733
Changes of Assumptions	17,131,550		44,213,488
Benefit Payments, Including Refunds of Member Contributions	(49,360,141)	(31,362,134)	(29,522,292)
Net Change in Total Pension Liability	31,272,605	3,832,587	63,463,981
Total Pension Liability - Beginning	480,951,542	477,118,955	413,654,974
Total Pension Liability - Ending	\$ 512,224,147	\$ 480,951,542	\$ 477,118,955
Plan Fiduciary Net Position			
Contributions - Employer	\$ 22,701,968	\$ 17,186,603	\$ 15,972,870
Contributions - Member	5,209,851	4,092,378	3,849,878
Net Investment Income	978,548	6,307,289	22,057,153
Benefit Payments, Including Refunds of Member Contributions	(49,360,141)	(31,362,134)	(29,522,292)
Pension Plan Administrative Expense	(141,207)	(154,261)	
Other	78,270	(132,475)	(9,649,798)
Net Change in Plan Fiduciary Net Position	(20,532,711)	(4,062,600)	2,707,811
Plan Fiduciary Net Position - Beginning	173,486,605	177,549,205	174,841,394
Plan Fiduciary Net Position - Ending	\$ 152,953,894	\$ 173,486,605	\$ 177,549,205
City's Net Position Liability - Ending	\$ 359,270,253	\$ 307,464,937	\$ 299,569,750
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			
	29.86%	36.07%	37.21%
Covered-Employee Payroll	\$ 42,306,370	\$ 35,256,316	\$ 35,105,468
City's Net Position Liability as a Percentage of Covered Employee Payroll	849.21%	872.08%	853.34%

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

TUCSON POLICE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2016	2017	\$ 34,353,830	\$ 34,353,830		\$ 59,290,594	57.94%
2015	2016	26,978,551	26,978,551		58,837,806	45.85%
2014	2015	25,050,303	25,050,303		57,677,943	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
2016	2017	\$ 22,701,968	\$ 22,701,968		\$ 42,306,370	53.66%
2015	2016	17,186,603	17,186,603		35,256,316	48.75%
2014	2015	15,972,870	15,972,870		35,105,468	45.50%

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

Valuation Date: June 30, 2016
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 2016 Contribution Rates:

Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 years
Asset Valuation Method	7-Year smoothed market; 20% corridor
Price Inflation	No explicit price inflation assumption is used in this valuation
Salary Increases	4.00% to 8.00% including inflation
Investment Rate of Return	7.5%, 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).

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 AGENT OPEB PLAN'S FUNDING PROGRESS

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

Tucson Police

2016	\$ 16,630,244	\$ 21,931,804	\$ 5,301,560	75.83%	\$ 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.

**Combining Statements
and Individual Fund
Statements and Schedules**



CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
June 30, 2017

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$ 16,891,753	\$ 3,458,559	\$ 64,028,456	\$ 84,378,768
Cash & Investments with Fiscal Agents	2,258,000	44,753,050		47,011,050
Cash & Investments with Fiscal Agents - Restricted			3,294,917	3,294,917
Accounts Receivable, Net	723,101		27,866	750,967
Special Assessments Receivable		88,265		88,265
Notes & Loans Receivable	29,855,170			29,855,170
Interfund Receivable	3,642			3,642
Due from Other Agencies	5,399,852		13,788,849	19,188,701
Grants & Entitlements Receivable	11,897,722			11,897,722
Interest Receivable	32,621	5,206	76,505	114,332
Inventories	493,231			493,231
Other Assets	16,600			16,600
Total assets	67,571,692	48,305,080	81,216,593	197,093,365
Deferred outflows:				
Deferred Settlement Proceeds	528,941			528,941
Total deferred outflows	528,941			528,941
Total assets and deferred outflows	\$ 68,100,633	\$ 48,305,080	\$ 81,216,593	\$ 197,622,306
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 5,750,692		\$ 3,950,156	\$ 9,700,848
Accrued Payroll Liabilities	581,638		13,801	595,439
Interfund Payable	7,990,762	3,642	12,265,969	20,260,373
Due to Other Agencies	16,092		875,305	891,397
Refundable Deposits	1,298,715	5,565		1,304,280
Bonds & Interest Payable, including Special Assessments		44,753,050		44,753,050
Advances from Grantors	1,401,636			1,401,636
Total liabilities	17,039,535	44,762,257	17,105,231	78,907,023
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	26,651,305	99,580		26,750,885
Total deferred inflows	26,651,305	99,580	34,565	26,785,450
Fund balances:				
Nonspendable	454,250			454,250
Restricted	21,093,002	3,443,243	64,076,797	88,613,042
Committed	271,165			271,165
Assigned	2,591,376			2,591,376
Total fund balances	24,409,793	3,443,243	64,076,797	91,929,833
Total liabilities, deferred inflows and fund balances	\$ 68,100,633	\$ 48,305,080	\$ 81,216,593	\$ 197,622,306

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017

	Park Tucson	Convention Center	H.U.R.F.
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
Assets:			
Cash and Cash Equivalents	\$ 1,725,967	\$ 1,003,862	\$ 10,753,248
Cash & Investments with Fiscal Agents	262,189		1,609,939
Accounts Receivable, Net	222,524	91,703	369,570
Notes & Loans Receivable			
Interfund Receivable			3,642
Due from Other Agencies			3,570,288
Grants & Entitlements Receivable			
Interest Receivable	4,759		27,038
Inventories		38,981	
Other Assets		16,600	
Total assets	<u>2,215,439</u>	<u>1,151,146</u>	<u>16,333,725</u>
Deferred outflows:			
Deferred Settlement Proceeds			
Total deferred outflows			
Total assets and deferred outflows	<u>\$ 2,215,439</u>	<u>\$ 1,151,146</u>	<u>\$ 16,333,725</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 116,203	\$ 510,517	\$ 1,651,949
Accrued Payroll Liabilities	19,042	1,066	328,731
Interfund Payable			
Due to Other Agencies	69	13,114	2,011
Refundable Deposits			1,093,188
Advances from Grantors			
Total liabilities	<u>135,314</u>	<u>524,697</u>	<u>3,075,879</u>
Deferred inflows:			
Deferred Revenues		441,407	
Total deferred inflows		<u>441,407</u>	
Fund balances:			
Nonspendable			
Restricted		160,542	13,257,846
Committed	262,189		
Assigned	1,817,936	24,500	
Total fund balances	<u>2,080,125</u>	<u>185,042</u>	<u>13,257,846</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,215,439</u>	<u>\$ 1,151,146</u>	<u>\$ 16,333,725</u>

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants
\$ 18,895	\$	\$	\$ 2,750,077	\$ 295,407	\$
			4,686		385,872
	5,706,620			24,148,550	
1,009,190					
	1,050,615	1,310,240		813,035	3,424,985
824					
<u>1,028,909</u>	<u>6,757,235</u>	<u>1,310,240</u>	<u>2,754,763</u>	<u>25,256,992</u>	<u>3,810,857</u>
<u>\$ 1,028,909</u>	<u>\$ 6,757,235</u>	<u>\$ 1,310,240</u>	<u>\$ 2,754,763</u>	<u>\$ 25,256,992</u>	<u>\$ 3,810,857</u>
\$ 298,873	\$ 331,493	\$ 418,525	\$ 29,982	\$ 680,567	\$ 118,502
	13,477	15,006	29,972	4,050	155,709
	371,403	876,680			2,862,221
	27	7			167
		22	205,505		
	24,433				588,887
<u>298,873</u>	<u>740,833</u>	<u>1,310,240</u>	<u>265,459</u>	<u>684,617</u>	<u>3,725,486</u>
	2,061,348			24,148,550	
	2,061,348			24,148,550	
721,060	3,955,054		2,489,304	423,825	85,371
8,976					
<u>730,036</u>	<u>3,955,054</u>		<u>2,489,304</u>	<u>423,825</u>	<u>85,371</u>
<u>\$ 1,028,909</u>	<u>\$ 6,757,235</u>	<u>\$ 1,310,240</u>	<u>\$ 2,754,763</u>	<u>\$ 25,256,992</u>	<u>\$ 3,810,857</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2017
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Totals
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
Assets:				
Cash and Cash Equivalents	\$	\$	\$ 344,297	\$ 16,891,753
Cash & Investments with Fiscal Agents				2,258,000
Accounts Receivable, Net			34,618	723,101
Notes & Loans Receivable				29,855,170
Interfund Receivable				3,642
Due from Other Agencies	820,374			5,399,852
Grants & Entitlements Receivable		5,298,847		11,897,722
Interest Receivable				32,621
Inventories			454,250	493,231
Other Assets				16,600
Total assets	<u>820,374</u>	<u>5,298,847</u>	<u>833,165</u>	<u>67,571,692</u>
Deferred outflows:				
Deferred Settlement Proceeds			528,941	528,941
Total deferred outflows			<u>528,941</u>	<u>528,941</u>
Total assets and deferred outflows	<u>\$ 820,374</u>	<u>\$ 5,298,847</u>	<u>\$ 1,362,106</u>	<u>\$ 68,100,633</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 14,425	\$ 1,420,861	\$ 158,795	\$ 5,750,692
Accrued Payroll Liabilities	8,570	6,015		581,638
Interfund Payable	9,063	3,871,395		7,990,762
Due to Other Agencies		576	121	16,092
Refundable Deposits				1,298,715
Advances from Grantors	788,316			1,401,636
Total liabilities	<u>820,374</u>	<u>5,298,847</u>	<u>158,916</u>	<u>17,039,535</u>
Deferred inflows:				
Deferred Revenues				26,651,305
Total deferred inflows				<u>26,651,305</u>
Fund balances:				
Nonspendable			454,250	454,250
Restricted				21,093,002
Committed				271,165
Assigned			748,940	2,591,376
Total fund balances			<u>1,203,190</u>	<u>24,409,793</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 820,374</u>	<u>\$ 5,298,847</u>	<u>\$ 1,362,106</u>	<u>\$ 68,100,633</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
June 30, 2017

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 903,814	\$ 2,554,745	\$	\$ 3,458,559
Cash & Investments with Fiscal Agents	7,393	29,435,532	15,310,125	44,753,050
Special Assessments Receivable	88,265			88,265
Interest Receivable	1,564		3,642	5,206
Total assets	\$ 1,001,036	\$ 31,990,277	\$ 15,313,767	\$ 48,305,080
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$	\$	\$	\$
Interfund Payable			3,642	3,642
Refundable Deposits	5,565			5,565
Bonds & Interest Payable, including Special Assessments	7,393	29,435,532	15,310,125	44,753,050
Total liabilities	12,958	29,435,532	15,313,767	44,762,257
Deferred inflows:				
Deferred revenues	99,580			99,580
Total deferred inflows	99,580			99,580
Fund balances:				
Restricted	888,498	2,554,745		3,443,243
Total fund balances	888,498	2,554,745		3,443,243
Total liabilities, deferred inflows and fund balances	\$ 1,001,036	\$ 31,990,277	\$ 15,313,767	\$ 48,305,080

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2017

	2012 General Obligation Streets Improvements	Capital Improvements	Development Fees
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 24,738,410	\$	\$ 39,290,046
Cash & Investments with Fiscal Agents - Restricted		3,294,917	
Accounts Receivable, Net		19,751	
Due from Other Agencies		4,324,336	
Interest Receivable	14,556		61,949
Total assets	\$ 24,752,966	\$ 7,639,004	\$ 39,351,995
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 1,529,234	\$ 764,154	\$ 198,780
Accrued Payroll Liabilities		419	
Interfund Payable		6,135,852	
Due to Other Agencies			
Refundable Deposits			
Total liabilities	1,529,234	6,900,425	198,780
Deferred Inflows:			
Advance Federal Project Grants		34,565	
Deferred Revenue			
Total fund balances		34,565	
Fund balances:			
Restricted	23,223,732	704,014	39,153,215
Total fund balances	23,223,732	704,014	39,153,215
Total liabilities, deferred inflows and fund balances	\$ 24,752,966	\$ 7,639,004	\$ 39,351,995

Regional Transportation Authority Fund	Totals
\$	\$ 64,028,456
	3,294,917
8,115	27,866
9,464,513	13,788,849
	76,505
<u>\$ 9,472,628</u>	<u>\$ 81,216,593</u>
\$ 1,457,988	\$ 3,950,156
13,382	13,801
6,130,117	12,265,969
875,305	875,305
<u>8,476,792</u>	<u>17,105,231</u>
	34,565
<u></u>	<u>34,565</u>
995,836	64,076,797
<u>995,836</u>	<u>64,076,797</u>
<u>\$ 9,472,628</u>	<u>\$ 81,216,593</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, 2017

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 33,992,884	\$	\$ 33,992,884
Licenses and Permits	1,265,982			1,265,982
Fines and Forfeitures	896,806	871		897,677
Developer Fees			11,442,519	11,442,519
Use of Money and Property	739,282	3,314	230,895	973,491
Federal Grants and Contributions	66,449,367			66,449,367
Other Agencies	43,744,515	8,559,181	33,189,701	85,493,397
Charges for Services	13,050,891			13,050,891
Special Assessments		227,596		227,596
Contributions from Outside Sources	1,392,085			1,392,085
Miscellaneous	2,077,023	21,456	281,803	2,380,282
Total revenues	<u>129,615,951</u>	<u>42,805,302</u>	<u>45,144,918</u>	<u>217,566,171</u>
Expenditures:				
Current -				
Elected and Official	507,706			507,706
Public Safety and Justice Services	14,059,286			14,059,286
Community Enrichment and Development	96,843,954		21,708,036	118,551,990
Non-Departmental	1,492,684			1,492,684
Capital Outlay	2,622,707			2,622,707
Capital Projects	24,050,031		41,281,321	65,331,352
Debt service -				
Principal	1,684,900	39,644,000		41,328,900
Interest	1,381,316	11,473,027		12,854,343
Fiscal Agent Fees		15,550		15,550
Debt Issuance Costs		104,000	310,389	414,389
Total expenditures	<u>142,642,584</u>	<u>51,236,577</u>	<u>63,299,746</u>	<u>257,178,907</u>
Excess (deficiency) of revenues over expenditures	<u>(13,026,633)</u>	<u>(8,431,275)</u>	<u>(18,154,828)</u>	<u>(39,612,736)</u>
Other financing sources (uses):				
Bond Issuance		8,610,000	17,265,000	25,875,000
Premium on Debt Issuance		339,750	2,952,700	3,292,450
Refunded Bond Escrow Agent		(8,830,000)		(8,830,000)
Transfers In	8,856,350	8,463,678	492,030	17,812,058
Transfers Out	(10,782,168)			(10,782,168)
Total other financing sources (uses)	<u>(1,925,818)</u>	<u>8,583,428</u>	<u>20,709,730</u>	<u>27,367,340</u>
Change in fund balances	<u>(14,952,451)</u>	<u>152,153</u>	<u>2,554,902</u>	<u>(12,245,396)</u>
Fund balances, beginning of year	39,362,244	3,291,090	61,521,895	104,175,229
Fund balances, end of year	<u>\$ 24,409,793</u>	<u>\$ 3,443,243</u>	<u>\$ 64,076,797</u>	<u>\$ 91,929,833</u>



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017

	Park Tucson	Convention Center	H.U.R.F.
Revenues:			
Licenses and Permits	\$	\$	\$ 1,265,982
Fines and Forfeitures	876,968		
Use of Money and Property	106,441	60,377	541,495
Federal Grants and Contributions			
Other Agencies			39,659,648
Charges for Services	4,769,277	7,363,606	220,829
Contributions from Outside Sources			
Miscellaneous	15,962	30,005	1,950,867
Total revenues	<u>5,768,648</u>	<u>7,453,988</u>	<u>43,638,821</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	3,854,284	9,584,234	31,345,041
Non-Departmental		1,364,273	101,011
Capital Outlay	39,966	754,070	1,658,394
Capital Projects	1,276,989		15,363,615
Debt service -			
Principal	919,900		
Interest	632,201		
Total expenditures	<u>6,723,340</u>	<u>11,702,577</u>	<u>48,468,061</u>
Excess (deficiency) of revenues over expenditures	<u>(954,692)</u>	<u>(4,248,589)</u>	<u>(4,829,240)</u>
Other financing sources (uses):			
Transfers In		4,409,131	1,692,112
Transfers Out	(307,070)		(8,782,986)
Total other financing sources (uses)	<u>(307,070)</u>	<u>4,409,131</u>	<u>(7,090,874)</u>
Change in fund balances	<u>(1,261,762)</u>	<u>160,542</u>	<u>(11,920,114)</u>
Fund balances (deficits), beginning of year	3,341,887	24,500	25,177,960
Fund balances (deficits), end of year	<u>\$ 2,080,125</u>	<u>\$ 185,042</u>	<u>\$ 13,257,846</u>

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing	Other Federal Grants
\$	\$	\$	\$	\$	\$
					19,838
2,970	14		22,408		5,577
	3,790,356	3,770,487	36,874,229	3,381,220	13,177,289
			25,701		
1,392,085					
	5,812	414	30,832	533	
<u>1,395,055</u>	<u>3,796,182</u>	<u>3,770,901</u>	<u>36,953,170</u>	<u>3,381,753</u>	<u>13,202,704</u>
69,369					353,405
19,177					12,368,060
101,332	2,781,551	3,770,901	36,507,870	2,918,258	382,001
27,400					
					82,146
1,080,067	994,019			125,240	
<u>1,297,345</u>	<u>3,775,570</u>	<u>3,770,901</u>	<u>36,507,870</u>	<u>3,043,498</u>	<u>13,185,612</u>
97,710	20,612		445,300	338,255	17,092
<u>97,710</u>	<u>20,612</u>		<u>445,300</u>	<u>338,255</u>	<u>17,092</u>
632,326	3,934,442		2,044,004	85,570	68,279
<u>\$ 730,036</u>	<u>\$ 3,955,054</u>	<u>\$</u>	<u>\$ 2,489,304</u>	<u>\$ 423,825</u>	<u>\$ 85,371</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, 2017
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Totals
Revenues:				
Licenses and Permits	\$	\$	\$	\$ 1,265,982
Fines and Forfeitures				896,806
Use of Money and Property				739,282
Federal Grants and Contributions		5,455,786		66,449,367
Other Agencies	2,084,867		2,000,000	43,744,515
Charges for Services			671,478	13,050,891
Contributions from Outside Sources				1,392,085
Miscellaneous			42,598	2,077,023
Total revenues	<u>2,084,867</u>	<u>5,455,786</u>	<u>2,714,076</u>	<u>129,615,951</u>
Expenditures:				
Current -				
Elected and Official	84,932			507,706
Public Safety and Justice Services	1,672,049			14,059,286
Community Enrichment and Development	253,476	968,451	4,376,555	96,843,954
Non-Departmental				1,492,684
Capital Outlay	74,410	13,721		2,622,707
Capital Projects		4,473,614	736,487	24,050,031
Debt service -				
Principal			765,000	1,684,900
Interest			749,115	1,381,316
Total expenditures	<u>2,084,867</u>	<u>5,455,786</u>	<u>6,627,157</u>	<u>142,642,584</u>
Excess (deficiency) of revenues over expenditures			<u>(3,913,081)</u>	<u>(13,026,633)</u>
Other financing sources (uses):				
Transfers In			2,755,107	8,856,350
Transfers Out			(1,692,112)	(10,782,168)
Total other financing sources (uses)			<u>1,062,995</u>	<u>(1,925,818)</u>
Change in fund balances			<u>(2,850,086)</u>	<u>(14,952,451)</u>
Fund balances (deficits), beginning of year			4,053,276	39,362,244
Fund balances (deficits), end of year	<u>\$</u>	<u>\$</u>	<u>\$ 1,203,190</u>	<u>\$ 24,409,793</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2017

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
Revenues:				
Taxes	\$	\$ 33,992,884	\$	\$ 33,992,884
Fines and Forfeitures	871			871
Use of Money and Property	3,314			3,314
Other Agencies			8,559,181	8,559,181
Special Assessments	227,596			227,596
Miscellaneous		21,456		21,456
Total revenues	<u>231,781</u>	<u>34,014,340</u>	<u>8,559,181</u>	<u>42,805,302</u>
Expenditures:				
Debt service -				
Principal	399,000	25,635,000	13,610,000	39,644,000
Interest	25,125	8,039,343	3,408,559	11,473,027
Fiscal Agent Fees	5,000	6,250	4,300	15,550
Debt Issuance Costs		104,000		104,000
Total expenditures	<u>429,125</u>	<u>33,784,593</u>	<u>17,022,859</u>	<u>51,236,577</u>
Excess (deficiency) of revenues over expenditures	<u>(197,344)</u>	<u>229,747</u>	<u>(8,463,678)</u>	<u>(8,431,275)</u>
Other financing sources (uses):				
Bond Issuance		8,610,000		8,610,000
Premium on Debt Issuance		339,750		339,750
Refunded Bond Escrow Agent		(8,830,000)		(8,830,000)
Transfers In			8,463,678	8,463,678
Total other financing sources (uses)		<u>119,750</u>	<u>8,463,678</u>	<u>8,583,428</u>
Change in fund balances	<u>(197,344)</u>	<u>349,497</u>		<u>152,153</u>
Fund balances, beginning of year	1,085,842	2,205,248		3,291,090
Fund balances (deficits), end of year	<u>\$ 888,498</u>	<u>\$ 2,554,745</u>	<u>\$</u>	<u>\$ 3,443,243</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2017

	Capital Improvements	2012 General Obligation Streets Improvements
Revenues:		
Developer Fees	\$	\$
Use of Money and Property	4,213	71,677
Grants and Contributions		
Other Agencies	9,902,917	
Miscellaneous		280,368
Total revenues	9,907,130	352,045
Expenditures:		
Current -		
Public Safety and Justice Services		
Community Enrichment and Development	94,314	20,543,984
Support Services		
Capital Outlay		
Capital Projects	11,560,331	
Debt service -		
Interest		
Debt Issuance Costs		310,389
Total expenditures	11,654,645	20,854,373
Excess (deficiency) of revenues over expenditures	(1,747,515)	(20,502,328)
Other financing sources (uses):		
Bond Issuance		17,265,000
Capital Leases		
Premium on Debt Issuance		2,952,700
Transfers In		
Transfers Out		
Total other financing sources (uses)		20,217,700
Change in fund balances	(1,747,515)	(284,628)
Fund balances, beginning of year	2,451,529	23,508,360
Fund balances, end of year	\$ 704,014	\$ 23,223,732

Development Fee	Regional Transportation Authority	Totals
\$ 11,442,519	\$	\$ 11,442,519
120,238	34,767	230,895
	23,286,784	33,189,701
	1,435	281,803
<u>11,562,757</u>	<u>23,322,986</u>	<u>45,144,918</u>
131,261	938,477	21,708,036
7,336,481	22,384,509	41,281,321
		310,389
<u>7,467,742</u>	<u>23,322,986</u>	<u>63,299,746</u>
4,095,015		(18,154,828)
		17,265,000
		2,952,700
492,030		492,030
<u>492,030</u>		<u>20,709,730</u>
<u>4,587,045</u>		<u>2,554,902</u>
34,566,170	995,836	61,521,895
<u>\$ 39,153,215</u>	<u>\$ 995,836</u>	<u>\$ 64,076,797</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS
June 30, 2017

	Tucson Golf	Non-PHA Asset Management	Totals
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 8,400	\$ 2,117,548	\$ 2,125,948
Accounts Receivable, Net		219,832	219,832
Due from Other Agencies	417,762		417,762
Interest Receivable		3,669	3,669
Inventories	214,327		214,327
Other Assets	80,835		80,835
Total current assets	721,324	2,341,049	3,062,373
Noncurrent assets:			
Land & Construction in Progress	2,701,865	3,447,359	6,149,224
Other Capital Assets, Net	11,386,695	8,817,734	20,204,429
Total noncurrent assets	14,088,560	12,265,093	26,353,653
Total assets	14,809,884	14,606,142	29,416,026
<u>DEFERRED OUTFLOWS</u>			
Pension Plans		90,356	90,356
Total deferred outflows		90,356	90,356
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	78,025	141,324	219,349
Accrued Payroll Liabilities	60,616	12,584	73,200
Accrued Interest Payable	3,482	331	3,813
Due to Other Agencies	32,052	113	32,165
Refundable Deposits		135,981	135,981
Current Portion of Contracts Payable	86,154		86,154
Current Portion of Compensated Absences		11,951	11,951
Customer Advances	94,833		94,833
Total current liabilities	355,162	302,284	657,446
Noncurrent liabilities:			
Long Term Contracts Payable	103,283		103,283
Interfund Loans Payable	1,554,656		1,554,656
Compensated Absences		16,030	16,030
Pension Liability		756,363	756,363
Total non-current liabilities	1,657,939	772,393	2,430,332
Total liabilities	2,013,101	1,074,677	3,087,778
<u>DEFERRED INFLOWS</u>			
Deferred Revenue		34,209	34,209
Pension Plans		172,999	172,999
Total deferred inflows		207,208	207,208
<u>NET POSITION</u>			
Net Investment in Capital Assets	13,899,122	12,265,093	26,164,215
Restricted for Grants and Entitlements		1,149,520	1,149,520
Unrestricted	(1,102,339)		(1,102,339)
Total net position	\$ 12,796,783	\$ 13,414,613	\$ 26,211,396

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, 2017

	Tucson Golf	Non-PHA Asset Management	Totals
Operating revenues:			
Charges for Services	\$ 7,449,029	\$ 1,789,259	\$ 9,238,288
Federal Grants and Contributions		227,649	227,649
Miscellaneous	1,000		1,000
Total operating revenues	<u>7,450,029</u>	<u>2,016,908</u>	<u>9,466,937</u>
Operating expenses:			
Salaries, Wages and Benefits	51,091	735,360	786,451
Contractual Services	5,409,614	1,611,615	7,021,229
Commodities	1,168,908	250,767	1,419,675
Cost of Goods Sold	603,383		603,383
Depreciation	717,746	411,706	1,129,452
Total operating expenses	<u>7,950,742</u>	<u>3,009,448</u>	<u>10,960,190</u>
Operating loss	<u>(500,713)</u>	<u>(992,540)</u>	<u>(1,493,253)</u>
Nonoperating revenues (expenses):			
Investment Income		69,841	69,841
Interest Expense	(26,465)		(26,465)
Total nonoperating revenues (expense)	<u>(26,465)</u>	<u>69,841</u>	<u>43,376</u>
Income (loss) before capital contributions, transfers and special items	<u>(527,178)</u>	<u>(922,699)</u>	<u>(1,449,877)</u>
Capital Contributions	4,336	675,256	679,592
Transfers In			
Transfers Out			
Change in net position	<u>(522,842)</u>	<u>(247,443)</u>	<u>(770,285)</u>
Total net position, beginning of year	13,319,625	13,662,056	26,981,681
Total net position, end of year	<u>\$ 12,796,783</u>	<u>\$ 13,414,613</u>	<u>\$ 26,211,396</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Tucson Golf	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,454,634	\$ 1,716,131	\$ 9,170,765
Cash Payments to Suppliers for Goods and Services	(7,175,249)	(1,783,210)	(8,958,459)
Cash Payments to Employees for Services	(46,058)	(621,969)	(668,027)
Subsidy from Federal Grant		227,649	227,649
Other Operating Revenues	1,000		1,000
Net Cash Provided (Used) by Operating Activities	<u>234,327</u>	<u>(461,399)</u>	<u>(227,072)</u>
Cash Flows from Noncapital Financing Activities			
Interfund Transfers	(71,757)		(71,757)
Advances from Other Funds			
Interest Paid on Advances	(20,973)		(20,973)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(92,730)</u>		<u>(92,730)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Leasing Activities	(84,026)		(84,026)
Acquisition and Construction of Capital Assets	(43,272)		(43,272)
Interest Paid on Capital Debt	(5,899)		(5,899)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(133,197)</u>		<u>(133,197)</u>
Cash Flows from Investing Activities:			
Interest on Investments		70,251	70,251
Net Cash Provided (Used) by Investing Activities		<u>70,251</u>	<u>70,251</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>8,400</u>	<u>(391,148)</u>	<u>(382,748)</u>
Cash and Cash Equivalents - July 1		2,508,696	2,508,696
Cash and Cash Equivalents - June 30	<u>\$ 8,400</u>	<u>\$ 2,117,548</u>	<u>\$ 2,125,948</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (500,713)	\$ (992,540)	\$ (1,493,253)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	717,746	411,706	1,129,452
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable	2,513	(98,056)	(95,543)
Deferred Outflow of Resources - Pension Plan		15,211	15,211
Due from Other Agencies			
Inventory and Prepaids	(12,102)		(12,102)
Increase (Decrease) in Liabilities:			
Accounts Payable	22,447	79,225	101,672
Accrued Payroll Liabilities	5,033	5,281	10,314
Accrued Compensated Absences		13,409	13,409
Deferred Inflow of Resources - Pension Plan		106,832	106,832
Pension Liability		(27,341)	(27,341)
Deferred Revenue		9,156	9,156
Customer/Refundable Deposits	(518)	15,706	15,188
Due to Other Agencies	(3,172)	12	(3,160)
Other Operating Liabilities	3,093		3,093
Net Cash Provided (Used) by Operating Activities	<u>\$ 234,327</u>	<u>\$ (461,399)</u>	<u>\$ (227,072)</u>
Noncash Investing, Capital, and Financing Activities:			
Contributions of capital assets	\$ 4,336	\$ 675,256	\$ 679,592
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ 4,336</u>	<u>\$ 675,256</u>	<u>\$ 679,592</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET POSITION - ALL INTERNAL SERVICE FUNDS
June 30, 2017

	Fleet Services	Self Insurance	General Services	Totals
<u>ASSETS</u>				
Current assets:				
Cash and Cash Equivalents	\$ 3,065,863	\$ 29,247,158	\$ 1,909,494	\$ 34,222,515
Accounts Receivable, Net	113,858	69,235		183,093
Due from Other Agencies	10,810		263,539	274,349
Interest Receivable	4,591	126,497	3,335	134,423
Inventories	736,106			736,106
Other Assets		382,398		382,398
Total current assets	<u>3,931,228</u>	<u>29,825,288</u>	<u>2,176,368</u>	<u>35,932,884</u>
Noncurrent assets:				
Other Assets - Restricted		21,836,688		21,836,688
Land & Construction in Progress		30,242		30,242
Other Capital Assets, Net	17,790,206	77,853	422,092	18,290,151
Total noncurrent assets	<u>17,790,206</u>	<u>21,944,783</u>	<u>422,092</u>	<u>40,157,081</u>
Total assets	<u>21,721,434</u>	<u>51,770,071</u>	<u>2,598,460</u>	<u>76,089,965</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	903,778	87,020	875,704	1,866,502
Accrued Payroll Liabilities	109,038	24,344	139,970	273,352
Current Portion of Bonds Payable			1,349,300	1,349,300
Due to Other Agencies	248	169	3,278	3,695
Claims Payable		7,988,204		7,988,204
Remediation Obligations		329,540		329,540
Total current liabilities	<u>1,013,064</u>	<u>8,429,277</u>	<u>2,368,252</u>	<u>11,810,593</u>
Noncurrent liabilities:				
Bonds Payable			8,577,200	8,577,200
Claims Payable		27,370,296		27,370,296
Remediation Obligations		270,907		270,907
Total non-current liabilities		<u>27,641,203</u>	<u>8,577,200</u>	<u>36,218,403</u>
Total liabilities	<u>1,013,064</u>	<u>36,070,480</u>	<u>10,945,452</u>	<u>48,028,996</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	17,790,206	108,094	(9,504,408)	8,393,892
Restricted for Self Insurance Mandates		21,836,688		21,836,688
Unrestricted	2,918,164	(6,245,191)	1,157,416	(2,169,611)
Total net position	<u>\$ 20,708,370</u>	<u>\$ 15,699,591</u>	<u>\$ (8,346,992)</u>	<u>\$ 28,060,969</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, 2017

	Fleet Services	Self Insurance	General Services	Totals
Operating revenues:				
Charges for Services	\$ 21,072,674	\$ 14,355,705	\$ 17,324,270	\$ 52,752,649
Miscellaneous	116,670	87,276	12,391	216,337
Total operating revenues	<u>21,189,344</u>	<u>14,442,981</u>	<u>17,336,661</u>	<u>52,968,986</u>
Operating expenses:				
Salaries, Wages and Benefits	5,787,501	1,256,116	7,842,460	14,886,077
Contractual Services	4,871,418	4,340,236	6,387,333	15,598,987
Commodities	10,160,094	96,230	1,519,625	11,775,949
Benefits and Claims		4,112,315		4,112,315
Depreciation	2,266,426	9,941	314,545	2,590,912
Total operating expenses	<u>23,085,439</u>	<u>9,814,838</u>	<u>16,063,963</u>	<u>48,964,240</u>
Operating income (loss)	<u>(1,896,095)</u>	<u>4,628,143</u>	<u>1,272,698</u>	<u>4,004,746</u>
Nonoperating revenues (expenses):				
Property Taxes		2,494,675		2,494,675
Other Agencies			260,012	260,012
Investment Income	7,112	258,365	7,923	273,400
Gain (loss) on Sale of Property/ Equipment	163,802			163,802
Interest Expense		(171,627)	(429,834)	(601,461)
Other Non-operating Income (Expense)				
Total nonoperating revenues (expenses)	<u>170,914</u>	<u>2,581,413</u>	<u>(161,899)</u>	<u>2,590,428</u>
Income (loss) before capital contributions and transfers	<u>(1,725,181)</u>	<u>7,209,556</u>	<u>1,110,799</u>	<u>6,595,174</u>
Capital Contributions	1,942,530		(275,354)	1,667,176
Transfers In				
Transfers Out				
Change in net position	<u>217,349</u>	<u>7,209,556</u>	<u>835,445</u>	<u>8,262,350</u>
Total net position, beginning of year	20,491,021	8,490,035	(9,182,437)	19,798,619
Total net position, end of year	<u>\$ 20,708,370</u>	<u>\$ 15,699,591</u>	<u>\$ (8,346,992)</u>	<u>\$ 28,060,969</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fleet Services	Self Insurance	General Services	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 21,086,797	\$ 14,373,746	\$ 17,208,902	\$ 52,669,445
Cash Payments to Suppliers for Goods and Services	(14,865,987)	(4,917,144)	(8,090,722)	(27,873,853)
Cash Payments to Employees for Services	(5,749,493)	(1,250,524)	(7,804,425)	(14,804,442)
Other Operating Revenues	116,670			116,670
Cash Payments to Claimants		(8,694,816)		(8,694,816)
Net Cash Provided (Used) by Operating Activities	<u>587,987</u>	<u>(488,738)</u>	<u>1,313,755</u>	<u>1,413,004</u>
Cash Flows from Noncapital Financing Activities:				
Property Taxes		2,435,689		2,435,689
Federal Subsidy for Energy Bonds Interest			132,559	132,559
Net Cash Provided (Used) by Noncapital Financing Activities		<u>2,435,689</u>	<u>132,559</u>	<u>2,568,248</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(116,873)		(344,164)	(461,037)
Principal Paid on Capital Debt			(1,334,300)	(1,334,300)
Interest Paid on Capital Debt			(429,834)	(429,834)
Proceeds from Sale of Assets/Equipment	163,802			163,802
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>46,929</u>		<u>(2,108,298)</u>	<u>(2,061,369)</u>
Cash Flows from Investing Activities:				
Interest on Investments	7,104	149,508	7,802	164,414
Proceeds from Sale of Investments		27,206,576		27,206,576
Purchase of Investments		(21,836,688)		(21,836,688)
Net Cash Provided (Used) by Investing Activities	<u>7,104</u>	<u>5,519,396</u>	<u>7,802</u>	<u>5,534,302</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>642,020</u>	<u>7,466,347</u>	<u>(654,182)</u>	<u>7,454,185</u>
Cash and Cash Equivalents - July 1	<u>2,423,843</u>	<u>21,780,811</u>	<u>2,563,676</u>	<u>26,768,330</u>
Cash and Cash Equivalents - June 30	<u>\$ 3,065,863</u>	<u>\$ 29,247,158</u>	<u>\$ 1,909,494</u>	<u>\$ 34,222,515</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (1,896,095)	\$ 4,628,143	\$ 1,272,698	\$ 4,004,746
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	2,266,426	9,941	314,545	2,590,912
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	(4,465)	(69,235)	(127,760)	(201,460)
Inventory	22,692			22,692
Due from Other Agencies	18,587			18,587
Prepaid Expense		18,850		18,850
Increase (Decrease) in Liabilities:				
Accounts Payable	142,910	(288,638)	(186,964)	(332,692)
Accrued Payroll Liabilities	38,007	5,593	38,036	81,636
Claims and Judgments Payable		(4,582,500)		(4,582,500)
Remediation Obligation		(210,929)		(210,929)
Due to Other Agencies	(75)	37	3,200	3,162
Net Cash Provided (Used) by Operating Activities	<u>\$ 587,987</u>	<u>\$ (488,738)</u>	<u>\$ 1,313,755</u>	<u>\$ 1,413,004</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of Capital Assets	\$ 1,942,530		\$ (275,354)	\$ 1,667,176
Total Noncash Investing, Capital and Financing Activities:	<u>\$ 1,942,530</u>		<u>\$ (275,354)</u>	<u>\$ 1,667,176</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Sewer User Fee				
Assets				
Cash and Cash Equivalents	\$ 2,429,366	\$ 135,852,982	\$ 134,998,039	\$ 3,284,309
Accounts Receivable, Net	11,282,000	133,930,516	134,245,643	10,966,873
Total assets	\$ 13,711,366	\$ 269,783,498	\$ 269,243,682	\$ 14,251,182
Liabilities				
Accounts Payable	\$	\$ 136,998,198	\$ 134,130,678	\$ 2,867,520
Due to Other Agencies	13,711,366	132,126,397	134,454,101	11,383,662
Total liabilities	\$ 13,711,366	\$ 269,124,595	\$ 268,584,779	\$ 14,251,182
Employee Prepaid Insurance				
Assets				
Cash and Cash Equivalents	\$ 6,158,083	\$ 67,130,605	\$ 73,213,587	\$ 75,101
Accounts Receivable, Net		3,436,417		3,436,417
Total assets	\$ 6,158,083	\$ 70,567,022	\$ 73,213,587	\$ 3,511,518
Liabilities				
Accounts Payable	\$ 6,158,083	\$ 22,368,677	\$ 27,290,738	\$ 1,236,022
Due to Other Funds		2,275,496		2,275,496
Total liabilities	\$ 6,158,083	\$ 24,644,173	\$ 27,290,738	\$ 3,511,518
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Cash and Cash Equivalents	\$	\$ 7,512,661	\$ 7,119,518	\$ 393,143
Total assets	\$	\$ 7,512,661	\$ 7,119,518	\$ 393,143
Liabilities				
Due to Other Agencies	\$	\$ 7,512,661	\$ 7,119,518	\$ 393,143
Total liabilities	\$	\$ 7,512,661	\$ 7,119,518	\$ 393,143
Totals				
Assets				
Cash and Cash Equivalents	\$ 8,587,449	\$ 210,496,248	\$ 215,331,144	\$ 3,752,553
Accounts Receivable, Net	11,282,000	137,366,933	134,245,643	14,403,290
Total assets	\$ 19,869,449	\$ 347,863,181	\$ 349,576,787	\$ 18,155,843
Liabilities				
Accounts Payable	\$ 6,158,083	\$ 159,366,875	\$ 161,421,416	\$ 4,103,542
Due to Other Agencies	13,711,366	139,639,058	141,573,619	11,776,805
Due to Other Funds		2,275,496		2,275,496
Total liabilities	\$ 19,869,449	\$ 301,281,429	\$ 302,995,035	\$ 18,155,843

**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, 2017

	Park Tucson		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	773,900	876,968	103,068
Use of Money and Property	108,840	106,441	(2,399)
Federal Grants and Contributions			
Other Agencies			
Charges for Services	4,417,980	4,769,277	351,297
Contributions from Outside Sources			
Miscellaneous		15,962	15,962
Total revenues	<u>5,300,720</u>	<u>5,768,648</u>	<u>467,928</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	4,209,720	3,854,284	355,436
Non-Departmental			
Capital Outlay	40,000	39,966	34
Capital Projects	1,100,000	1,276,989	(176,989)
Debt service -			
Principal	511,900	919,900	(408,000)
Interest	633,120	632,201	919
Total expenditures	<u>6,494,740</u>	<u>6,723,340</u>	<u>(228,600)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,194,020)</u>	<u>(954,692)</u>	<u>239,328</u>
Other financing sources (uses):			
Transfers In			
Transfers Out		(307,070)	(307,070)
Total other financing sources (uses)		<u>(307,070)</u>	<u>(307,070)</u>
Change in fund balances	<u>\$ (1,194,020)</u>	<u>(1,261,762)</u>	<u>\$ (67,742)</u>
Fund balances, beginning of year		3,341,887	
Fund balances (deficits), end of year		<u>\$ 2,080,125</u>	

Convention Center		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	60,377	60,377
7,073,240	7,363,606	290,366
	30,005	30,005
<u>7,073,240</u>	<u>7,453,988</u>	<u>380,748</u>

H.U.R.F.		
Budget	Actual	Variance - Positive (Negative)
\$ 650,000	\$ 1,265,982	\$ 615,982
630,000	541,495	(88,505)
38,274,480	39,659,648	1,385,168
24,800	220,829	196,029
600,000	1,950,867	1,350,867
<u>40,179,280</u>	<u>43,638,821</u>	<u>3,459,541</u>

9,472,900	9,584,234	(111,334)
1,364,280	1,364,273	7
759,850	754,070	5,780
<u>11,597,030</u>	<u>11,702,577</u>	<u>(105,547)</u>

35,070,130	31,345,041	3,725,089
100,580	101,011	(431)
1,726,560	1,658,394	68,166
9,986,490	15,363,615	(5,377,125)
<u>46,883,760</u>	<u>48,468,061</u>	<u>(1,584,301)</u>

(4,523,790)	(4,248,589)	275,201
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(6,704,480)	(4,829,240)	1,875,240
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4,476,560	4,409,131	(67,429)
<u>4,476,560</u>	<u>4,409,131</u>	<u>(67,429)</u>

	1,692,112	1,692,112
(9,939,640)	(8,782,986)	1,156,654
<u>(9,939,640)</u>	<u>(7,090,874)</u>	<u>2,848,766</u>

\$ (47,230)	160,542	\$ 207,772
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\$ (16,644,120)	(11,920,114)	\$ 4,724,006
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24,500
<u>\$ 185,042</u>

25,177,960
<u>\$ 13,257,846</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, 2017
(Continued)

	Civic Contributions		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property		2,970	2,970
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	326,200	1,392,085	1,065,885
Miscellaneous			
Total revenues	<u>326,200</u>	<u>1,395,055</u>	<u>1,068,855</u>
Expenditures:			
Current -			
Elected and Official	99,500	69,369	30,131
Public Safety and Justice Services	52,000	19,177	32,823
Community Enrichment and Development	608,650	101,332	507,318
Non-Departmental	11,000	27,400	(16,400)
Capital Outlay	10,000		10,000
Capital Projects	3,600,900	1,080,067	2,520,833
Debt service -			
Principal			
Interest			
Total expenditures	<u>4,382,050</u>	<u>1,297,345</u>	<u>3,084,705</u>
Excess (deficiency) of revenues over expenditures	<u>(4,055,850)</u>	<u>97,710</u>	<u>4,153,560</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (4,055,850)</u>	<u>97,710</u>	<u>\$ 4,153,560</u>
Fund balances, beginning of year		632,326	
Fund balances (deficits), end of year		<u>\$ 730,036</u>	

Community Development Block Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	14	14
18,032,100	3,790,356	(14,241,744)
		0
860	5,812	4,952
<u>18,032,960</u>	<u>3,796,182</u>	<u>(14,236,778)</u>

Miscellaneous Housing Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
3,734,310	3,770,487	36,177
	414	414
<u>3,734,310</u>	<u>3,770,901</u>	<u>36,591</u>

11,840,100	2,781,551	9,058,549
2,880,500		2,880,500
1,000,000	994,019	5,981
<u>15,720,600</u>	<u>3,775,570</u>	<u>11,945,030</u>

3,734,310	3,770,901	(36,591)
<u>3,734,310</u>	<u>3,770,901</u>	<u>(36,591)</u>

<u>2,312,360</u>	<u>20,612</u>	<u>(2,291,748)</u>
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52,000		(52,000)
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<u>52,000</u>		<u>(52,000)</u>
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<u>\$ 2,364,360</u>	<u>20,612</u>	<u>\$ (2,343,748)</u>
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<u>\$</u>		<u>\$</u>
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3,934,442
\$ 3,955,054

\$

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017
(Continued)**

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property	17,750	22,408	4,658
Federal Grants and Contributions	36,367,610	36,874,229	506,619
Other Agencies			
Charges for Services	57,300	25,701	(31,599)
Contributions from Outside Sources			
Miscellaneous		30,832	30,832
Total revenues	<u>36,442,660</u>	<u>36,953,170</u>	<u>510,510</u>
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	37,251,020	36,507,870	743,150
Non-Departmental			
Capital Outlay	21,000		21,000
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	<u>37,272,020</u>	<u>36,507,870</u>	<u>764,150</u>
Excess (deficiency) of revenues over expenditures	<u>(829,360)</u>	<u>445,300</u>	<u>1,274,660</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ (829,360)</u>	<u>445,300</u>	<u>\$ 1,274,660</u>
Fund balances, beginning of year		2,044,004	
Fund balances (deficits), end of year		<u>\$ 2,489,304</u>	

HOME Affordable Housing		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
7,441,340	3,381,220	(4,060,120)
100	533	433
<u>7,441,440</u>	<u>3,381,753</u>	<u>(4,059,687)</u>
6,257,440	2,918,258	3,339,182
800,000	125,240	674,760
<u>7,057,440</u>	<u>3,043,498</u>	<u>4,013,942</u>
<u>384,000</u>	<u>338,255</u>	<u>(45,745)</u>
16,000		(16,000)
<u>16,000</u>		<u>(16,000)</u>
<u>\$ 400,000</u>	<u>338,255</u>	<u>\$ (61,745)</u>
	85,570	
	<u>\$ 423,825</u>	

Other Federal Grants		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
16,772,810	19,838	19,838
	5,577	5,577
	13,177,289	(3,595,521)
<u>16,772,810</u>	<u>13,202,704</u>	<u>(3,570,106)</u>
	367,820	14,415
14,157,340	12,368,060	1,789,280
638,380	382,001	256,379
	82,146	738,584
1,408,900		1,408,900
<u>17,393,170</u>	<u>13,185,612</u>	<u>4,207,558</u>
<u>(620,360)</u>	<u>17,092</u>	<u>637,452</u>
<u>\$ (620,360)</u>	<u>17,092</u>	<u>\$ 637,452</u>
	68,279	
	<u>\$ 85,371</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, 2017
(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	3,660,570	2,084,867	(1,575,703)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>3,660,570</u>	<u>2,084,867</u>	<u>(1,575,703)</u>
Expenditures:			
Current -			
Elected and Official	124,900	84,932	39,968
Public Safety and Justice Services	2,443,800	1,672,049	771,751
Community Enrichment and Development	429,870	253,476	176,394
Non-Departmental			
Capital Outlay	227,800	74,410	153,390
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	<u>3,226,370</u>	<u>2,084,867</u>	<u>1,141,503</u>
Excess (deficiency) of revenues over expenditures	<u>434,200</u>		<u>(434,200)</u>
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 434,200</u>		<u>\$ (434,200)</u>
Fund balances, beginning of year			
Fund balances (deficits), end of year		<u>\$</u>	

Federal Highway Grant		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
11,835,490	5,455,786	(6,379,704)
<u>11,835,490</u>	<u>5,455,786</u>	<u>(6,379,704)</u>
1,409,290	968,451	440,839
25,000	13,721	11,279
10,012,350	4,473,614	5,538,736
<u>11,446,640</u>	<u>5,455,786</u>	<u>5,990,854</u>
<u>388,850</u>		<u>(388,850)</u>
<u>\$ 388,850</u>		<u>\$ (388,850)</u>
<u>\$</u>		

Sun Link		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
1,207,600	2,000,000	792,400
1,085,340	671,478	(413,862)
	42,598	42,598
<u>2,292,940</u>	<u>2,714,076</u>	<u>421,136</u>
4,015,910	4,376,555	(360,645)
446,190	736,487	(290,297)
765,000	765,000	
749,120	749,115	5
<u>5,976,220</u>	<u>6,627,157</u>	<u>(650,937)</u>
<u>(3,683,280)</u>	<u>(3,913,081)</u>	<u>(229,801)</u>
3,175,280	2,755,107	(420,173)
	(1,692,112)	(1,692,112)
<u>3,175,280</u>	<u>1,062,995</u>	<u>(2,112,285)</u>
<u>\$ (508,000)</u>	<u>(2,850,086)</u>	<u>\$ (2,342,086)</u>
	4,053,276	
	<u>\$ 1,203,190</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	\$ 650,000	\$ 1,265,982	\$ 615,982
Fines and Forfeitures	773,900	896,806	122,906
Use of Money and Property	756,590	739,282	(17,308)
Federal Grants and Contributions	94,183,660	66,449,367	(27,734,293)
Other Agencies	43,142,650	43,744,515	601,865
Charges for Services	12,658,660	13,050,891	392,231
Contributions from Outside Sources	326,200	1,392,085	1,065,885
Miscellaneous	600,960	2,077,023	1,476,063
Total revenues	153,092,620	129,615,951	(23,476,669)
Expenditures:			
Current -			
Elected and Official	592,220	507,706	84,514
Public Safety and Justice Services	16,653,140	14,059,286	2,593,854
Community Enrichment and Development	114,937,720	96,843,954	18,093,766
Non-Departmental	1,475,860	1,492,684	(16,824)
Capital Outlay	6,511,440	2,622,707	3,888,733
Capital Projects	28,354,830	24,050,031	4,304,799
Debt service -			
Principal	1,276,900	1,684,900	(408,000)
Interest	1,382,240	1,381,316	924
Total expenditures	171,184,350	142,642,584	28,541,766
Excess (deficiency) of revenues over expenditures	(18,091,730)	(13,026,633)	5,065,097
Other financing sources (uses):			
Transfers In	7,719,840	8,856,350	1,136,510
Transfers Out	(9,939,640)	(10,782,168)	(842,528)
Total other financing sources (uses)	(2,219,800)	(1,925,818)	293,982
Change in fund balances	\$ (20,311,530)	(14,952,451)	\$ 5,359,079
Fund balances, beginning of year		39,362,244	
Fund balances (deficits), end of year		\$ 24,409,793	



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, 2017

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures	2,630	871	(1,759)
Use of Money and Property	10,000	3,314	(6,686)
Other Agencies			
Special Assessments	227,240	227,596	356
Miscellaneous			
Total revenues	<u>239,870</u>	<u>231,781</u>	<u>(8,089)</u>
Expenditures:			
Debt service -			
Principal	399,000	399,000	
Interest	25,130	25,125	5
Fiscal Agent Fees	8,000	5,000	3,000
Issuance Cost of Debt			
Total expenditures	<u>432,130</u>	<u>429,125</u>	<u>3,005</u>
Excess (deficiency) of revenues over expenditures	<u>(192,260)</u>	<u>(197,344)</u>	<u>(5,084)</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>\$ (192,260)</u>	<u>(197,344)</u>	<u>\$ (5,084)</u>
Fund balances, beginning of year		1,085,842	
Fund balances (deficits), end of year		<u>\$ 888,498</u>	

General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 34,874,570	\$ 33,992,884	\$ (881,686)
	21,456	21,456
<u>34,874,570</u>	<u>34,014,340</u>	<u>(860,230)</u>
25,655,000	25,635,000	20,000
7,825,600	8,039,343	(213,743)
	6,250	(6,250)
3,350	104,000	(100,650)
<u>33,483,950</u>	<u>33,784,593</u>	<u>(300,643)</u>
<u>1,390,620</u>	<u>229,747</u>	<u>(1,160,873)</u>
	8,610,000	8,610,000
	339,750	339,750
	(8,830,000)	(8,830,000)
	<u>119,750</u>	<u>119,750</u>
<u>\$ 1,390,620</u>	<u>349,497</u>	<u>\$ (1,041,123)</u>
	2,205,248	
	<u>\$ 2,554,745</u>	

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	16,000	(16,000)
7,759,480	8,559,181	799,701
		0
<u>7,775,480</u>	<u>8,559,181</u>	<u>783,701</u>
13,610,000	13,610,000	0
3,400,250	3,408,559	(8,309)
	4,300	(4,300)
<u>17,010,250</u>	<u>17,022,859</u>	<u>(12,609)</u>
<u>(9,234,770)</u>	<u>(8,463,678)</u>	<u>771,092</u>
	9,141,070	(677,392)
<u>9,141,070</u>	<u>8,463,678</u>	<u>(677,392)</u>
<u>\$ (93,700)</u>		<u>\$ 93,700</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, 2017
(Concluded)

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Taxes	\$ 34,874,570	\$ 33,992,884	\$ (881,686)
Fines and Forfeitures	2,630	871	(1,759)
Use of Money and Property	26,000	3,314	(22,686)
Other Agencies	7,759,480	8,559,181	799,701
Special Assessments	227,240	227,596	356
Miscellaneous		21,456	21,456
Total revenues	<u>42,889,920</u>	<u>42,805,302</u>	<u>(84,618)</u>
Expenditures:			
Debt service -			
Principal	39,664,000	39,644,000	20,000
Interest	11,250,980	11,473,027	(222,047)
Fiscal Agent Fees	8,000	15,550	(7,550)
Issuance Cost of Debt	3,350	104,000	(100,650)
Total expenditures	<u>50,926,330</u>	<u>51,236,577</u>	<u>(310,247)</u>
Excess (deficiency) of revenues over expenditures	<u>(8,036,410)</u>	<u>(8,431,275)</u>	<u>(394,865)</u>
Other financing sources (uses):			
Bond Issuance		8,610,000	8,610,000
Premium on Debt Issuance		339,750	339,750
Refunded Bond Escrow Agent		(8,830,000)	(8,830,000)
Transfers In	9,141,070	8,463,678	(677,392)
Total other financing sources (uses)	<u>9,141,070</u>	<u>8,583,428</u>	<u>(557,642)</u>
Change in fund balances	<u>\$ 1,104,660</u>	<u>152,153</u>	<u>\$ 952,507</u>
Fund balances, beginning of year		3,291,090	
Fund balances (deficits), end of year		<u>\$ 3,443,243</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, 2017

	Capital Improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	\$	\$	\$
Use of Money and Property		4,213	4,213
Other Agencies	25,189,000	9,902,917	(15,286,083)
Miscellaneous	3,516,200		(3,516,200)
Total revenues	<u>28,705,200</u>	<u>9,907,130</u>	<u>(18,798,070)</u>
Expenditures:			
Current -			
Community Enrichment and Development	568,200	94,314	473,886
Capital Projects	27,789,679	11,560,331	16,229,348
Debt Service -			
Debt Issuance Costs			
Total expenditures	<u>28,357,879</u>	<u>11,654,645</u>	<u>16,703,234</u>
Excess (deficiency) of revenues over expenditures	<u>347,321</u>	<u>(1,747,515)</u>	<u>(2,094,836)</u>
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Premium on Debt Issuance			
Transfers In			
Total other financing sources (uses)			
Change in fund balances	<u>\$ 347,321</u>	<u>(1,747,515)</u>	<u>\$ (2,094,836)</u>
Fund balances, beginning of year		2,451,529	
Fund balances (deficits), end of year		<u>\$ 704,014</u>	

Regional Transportation Authority		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
165,610	34,767	(130,843)
91,225,330	23,286,784	(67,938,546)
	1,435	1,435
<u>91,390,940</u>	<u>23,322,986</u>	<u>(68,067,954)</u>
3,033,965	938,477	2,095,488
75,226,375	22,384,509	52,841,866
<u>78,260,340</u>	<u>23,322,986</u>	<u>54,937,354</u>
<u>13,130,600</u>		<u>(13,130,600)</u>
	995,836	
	<u>\$ 995,836</u>	

2012 General Obligation Streets Improvements		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	71,677	71,677
	280,368	280,368
	<u>352,045</u>	<u>352,045</u>
24,720,000	20,543,984	4,176,016
500,000		500,000
	310,389	(310,389)
<u>25,220,000</u>	<u>20,854,373</u>	<u>4,365,627</u>
<u>(25,220,000)</u>	<u>(20,502,328)</u>	<u>4,717,672</u>
20,000,000	17,265,000	(2,735,000)
500,000	2,952,700	2,452,700
<u>20,500,000</u>	<u>20,217,700</u>	<u>(282,300)</u>
<u>\$ (4,720,000)</u>	<u>(284,628)</u>	<u>\$ 4,435,372</u>
	23,508,360	
	<u>\$ 23,223,732</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, 2017
(Concluded)

	Development Fee		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Developer Fees	\$ 2,783,960	\$ 11,442,519	\$ 8,658,559
Use of Money and Property	55,220	120,238	65,018
Other Agencies			
Miscellaneous			
Total revenues	<u>2,839,180</u>	<u>11,562,757</u>	<u>8,723,577</u>
Expenditures:			
Current -			
City Court			
Community Enrichment and Development	319,300	131,261	188,039
Capital Projects	16,322,190	7,336,481	8,985,709
Debt Service -			
Debt Issuance Costs			
Total expenditures	<u>16,641,490</u>	<u>7,467,742</u>	<u>9,173,748</u>
Excess (deficiency) of revenues over expenditures	<u>(13,802,310)</u>	<u>4,095,015</u>	<u>17,897,325</u>
Other financing sources (uses):			
Bond Issuance			
Capital Leases			
Premium on Debt Issuance			
Transfers In	1,277,180	492,030	(785,150)
Total other financing sources (uses)	<u>1,277,180</u>	<u>492,030</u>	<u>(785,150)</u>
Change in fund balances	<u>\$ (12,525,130)</u>	<u>4,587,045</u>	<u>\$ 17,112,175</u>
Fund balances, beginning of year		34,566,170	
Fund balances (deficits), end of year		<u>\$ 39,153,215</u>	

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 2,783,960	\$ 11,442,519	\$ 8,658,559
220,830	230,895	10,065
116,414,330	33,189,701	(83,224,629)
3,516,200	281,803	(3,234,397)
<u>122,935,320</u>	<u>45,144,918</u>	<u>(77,790,402)</u>
28,641,465	21,708,036	6,933,429
119,838,244	41,281,321	78,556,923
	310,389	(310,389)
<u>148,479,709</u>	<u>63,299,746</u>	<u>85,179,963</u>
<u>(25,544,389)</u>	<u>(18,154,828)</u>	<u>7,389,561</u>
20,000,000	17,265,000	(2,735,000)
500,000	2,952,700	2,452,700
1,277,180	492,030	(785,150)
<u>21,777,180</u>	<u>20,709,730</u>	<u>(1,067,450)</u>
<u>\$ (3,767,209)</u>	<u>2,554,902</u>	<u>\$ 6,322,111</u>
	61,521,895	
	<u>\$ 64,076,797</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, 2017

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 47,796,180	\$ 50,039,743	\$ 2,243,563
Miscellaneous	799,000	1,334,702	535,702
Total operating revenues	<u>48,595,180</u>	<u>51,374,445</u>	<u>2,779,265</u>
Operating expenses:			
Salaries, Wages and Benefits	15,798,620	13,783,171	2,015,449
Contractual Services	20,978,140	20,610,989	367,151
Commodities	4,123,525	3,153,726	969,799
Depreciation		4,945,961	(4,945,961)
Total operating expenses	<u>40,900,285</u>	<u>42,493,847</u>	<u>(1,593,562)</u>
Operating Income (Loss)	<u>7,694,895</u>	<u>8,880,598</u>	<u>1,185,703</u>
Nonoperating revenues (expenses):			
Investment Income	35,000	120,115	85,115
Gain (Loss) on Sale of Property/Equipment	200,000	199,414	(586)
Federal Grants and Contributions	124,000	18,992	(105,008)
Interest Expense	(477,510)	(431,167)	46,343
Other Nonoperating Income (Expenses)	(280,000)		280,000
Total nonoperating revenues (expenses)	<u>(398,510)</u>	<u>(92,646)</u>	<u>305,864</u>
Income (Loss) before transfers	<u>7,296,385</u>	<u>8,787,952</u>	<u>1,491,567</u>
Capital Contributions		(140,829)	
Changes in net Position	<u>\$ 7,296,385</u>	<u>8,647,123</u>	<u>\$ 1,491,567</u>
Total net position, beginning of year		(16,964,394)	
Total net position, end of year		<u>\$ (8,317,271)</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, 2017

	Tucson Golf Enterprise Fund		
	Budget	Actual	Variance - Positive/ (Negative)
Operating revenues:			
Charges for Services	\$ 8,130,370	\$ 7,449,029	\$ (681,341)
Miscellaneous Revenue	13,730	1,000	(12,730)
Total operating revenues	<u>8,144,100</u>	<u>7,450,029</u>	<u>(694,071)</u>
Operating expenses:			
Salaries, Wages and Benefits	50,530	51,091	(561)
Contractual Services	5,843,450	5,409,614	433,836
Commodities	1,238,580	1,168,908	69,672
Cost of Goods Sold	669,710	603,383	66,327
Depreciation		717,746	(717,746)
Total operating expenses	<u>7,802,270</u>	<u>7,950,742</u>	<u>(148,472)</u>
Operating income (loss)	<u>341,830</u>	<u>(500,713)</u>	<u>(842,543)</u>
Nonoperating revenues (expenses):			
Interest Expense	(100,140)	(26,465)	73,675
Total nonoperating revenues (expenses)	<u>(100,140)</u>	<u>(26,465)</u>	<u>73,675</u>
Income (loss) before capital contributions and transfers	<u>241,690</u>	<u>(527,178)</u>	<u>(768,868)</u>
Capital Contributions		4,336	4,336
Changes in net position	<u>\$ 241,690</u>	<u>(522,842)</u>	<u>\$ (764,532)</u>
Total net position, beginning of year		13,319,625	
Total net position, end of year		<u>\$ 12,796,783</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, 2017

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 6,764,060	\$ 3,747,707	\$ (3,016,353)
Federal Grants and Contributions	5,603,290	5,654,863	51,573
Miscellaneous	9,400	55,155	45,755
Total operating revenues	<u>12,376,750</u>	<u>9,457,725</u>	<u>(2,919,025)</u>
Operating expenses:			
Salaries, Wages and Benefits	4,905,040	4,814,066	90,974
Contractual Services	6,913,460	3,198,881	3,714,579
Commodities	1,002,240	850,226	152,014
Depreciation		736,507	(736,507)
Total operating expenses	<u>12,820,740</u>	<u>9,599,680</u>	<u>3,221,060</u>
Operating Income (Loss)	<u>(443,990)</u>	<u>(141,955)</u>	<u>302,035</u>
Nonoperating revenues (expenses):			
Investment Income	30,620	35,962	5,342
Gain (Loss) on Sale of Property/Equipment		2,600	2,600
Other Nonoperating Income (Expenses)	(83,870)	(82,253)	1,617
Total nonoperating revenues (expenses)	<u>(53,250)</u>	<u>(43,691)</u>	<u>9,559</u>
Income (Loss) before capital contributions and transfers	<u>(497,240)</u>	<u>(185,646)</u>	<u>311,594</u>
Capital Contributions			
Transfers Out			
Changes in net position	<u>\$ (497,240)</u>	<u>(185,646)</u>	<u>\$ 311,594</u>
Total net position, beginning of year		22,488,368	
Total net position, end of year		<u>\$ 22,302,722</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, 2017

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 1,575,020	\$ 1,789,259	\$ 214,239
Federal Grants and Contributions	223,720	227,649	3,929
Total operating revenues	<u>1,798,740</u>	<u>2,016,908</u>	<u>218,168</u>
Operating expenses:			
Salaries, Wages and Benefits	596,170	735,360	(139,190)
Contractual Services	1,769,740	1,611,615	158,125
Commodities	298,740	250,767	47,973
Depreciation		411,706	(411,706)
Total operating expenses	<u>2,664,650</u>	<u>3,009,448</u>	<u>(344,798)</u>
Operating Income (Loss)	<u>(865,910)</u>	<u>(992,540)</u>	<u>(126,630)</u>
Nonoperating revenues (expenses):			
Investment Income	31,380	69,841	38,461
Total nonoperating revenues (expenses)	<u>31,380</u>	<u>69,841</u>	<u>38,461</u>
Income (Loss) before capital contributions and transfers	<u>(834,530)</u>	<u>(922,699)</u>	<u>(88,169)</u>
Capital Contributions		675,256	675,256
Transfers Out	<u>(68,000)</u>		<u>68,000</u>
Changes in net position	<u>\$ (902,530)</u>	<u>(247,443)</u>	<u>\$ 655,087</u>
Total net position, beginning of year		13,662,056	
Total net position, end of year		<u>\$ 13,414,613</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, 2017

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 183,875,000	\$ 200,895,641	\$ 17,020,641
Miscellaneous	8,800,000	4,836,873	(3,963,127)
Total operating revenues	<u>192,675,000</u>	<u>205,732,514</u>	<u>13,057,514</u>
Operating expenses:			
Salaries, Wages and Benefits	35,739,040	27,305,775	8,433,265
Contractual Services	75,334,690	70,697,464	4,637,226
Commodities	10,558,810	9,960,377	598,433
Depreciation		35,486,824	(35,486,824)
Total operating expenses	<u>121,632,540</u>	<u>143,450,440</u>	<u>(21,817,900)</u>
Operating Income (Loss)	<u>71,042,460</u>	<u>62,282,074</u>	<u>(8,760,386)</u>
Nonoperating revenues (expenses):			
Investment Income	335,000	694,110	359,110
Gain (Loss) on Sale of Property/Equipment		511,981	511,981
Federal Grants and Contributions	865,000	765,296	(99,704)
Interest Expense	(21,195,290)	(17,623,592)	3,571,698
Debt Issuance Costs	(1,139,450)	(1,840,027)	(700,577)
Other Nonoperating Income (Expenses)		5,909,676	5,909,676
Total nonoperating revenues (expenses)	<u>(21,134,740)</u>	<u>(11,582,556)</u>	<u>9,552,184</u>
Income (Loss) before capital contributions and transfers	<u>49,907,720</u>	<u>50,699,518</u>	<u>791,798</u>
Capital Contributions	2,808,340	13,589,014	10,780,674
Transfers Out		(1,918,306)	(1,918,306)
Changes in net position	<u>\$ 52,716,060</u>	<u>62,370,226</u>	<u>\$ 9,654,166</u>
Total net position, beginning of year		806,467,728	
Total net position, end of year		<u>\$ 868,837,954</u>	



CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2017

Revenues:

Sale of Water:		
Potable Water Sales		\$ 154,658,015
Reclaimed Water Sales		9,721,282
Central Arizona Project Charge		24,916,415
Connection Fees		1,779,561
Environmental and Sewer Billing Services		4,381,227
TCE Clean Up Reimbursement		513,479
Plan Review and Inspection Fees		531,686
Other		9,230,849

Non-Operating Income:

Impact Fees	\$ 3,155,484	
Investment Earnings - Operating Fund	147,152	
Investment Earnings - Debt Service	109,406	
Federal Non-Grant Contributions (BABS)	765,296	
Proceeds from Sale of Property/Equipment	526,419	
Proceeds from Property Equipment Rental	437,552	
Total Non-Operating Income	<u>5,141,309</u>	
Total Revenues		<u>210,873,823</u>

Operation and Maintenance Expenses:

Director's Office		8,467,027
Business Services		4,663,753
Customer Services		8,563,667
Water Operations		28,104,893
Planning and Engineering		6,737,063
Quality Management		9,750,539
Power - Potable System		12,663,408
Power - Reclaimed System		1,792,479
CAP Water Purchases:		
Commodity	19,501,544	
Capital Charges	4,469,921	
Total CAP Water Purchases	<u>23,971,465</u>	
General Expenses		1,762,738
Capitalized Operation and Maintenance Expense		<u>(5,533,659)</u>
Total Operation and Maintenance Expense		<u>100,943,373</u>

Net Revenue Available After Operations (2)	<u>\$ 109,930,450</u>
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CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2017

Bond Debt Service:

Senior Liens

Interest	\$	20,316,300
Principal		25,100,000
Total Debt Service for Water Revenue Bonds		45,416,300

Junior Liens (Water Infrastructure Finance Authority)

Interest		890,705
Principal		3,515,133
Total Debt Service for Water Infrastructure Finance Authority		4,405,838

Combined Senior and Junior Liens

Interest		21,207,005
Principal		28,615,133
Total Debt Service		49,822,138

Net Revenue Available After Operations

Bond Debt Service for Senior Liens	\$	64,514,150
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Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	\$	60,108,312
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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 \$49,153,955. 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, 2017, maximum future annual debt service coverage of senior lien debt is 224%.
- (3) An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2017, the debt coverage on Senior Lien Annual Debt Service Requirement was 242%.
- (4) The Water Utility's Junior Lien Debt has requirements that Net Revenues Available After Operations and Senior Lien debt service payments for any fiscal year must equal or exceed 175% of the Annual Debt Service Requirement for that fiscal year. If this requirement is not met, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2017, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 1464%.
- (5) In Comprehensive Annual Financial Reports for prior fiscal years, the debt coverage ratio was calculated on combined Senior and Junior Lien coverage ratio. For comparative purposes, the combined Annual Debt Service coverage ratio for the fiscal year period ended June 30, 2017, is 221%. The maximum future debt service coverage is 197%.



Statistical Section



CITY OF TUCSON

ARIZONA

Statistical Section - Unaudited

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

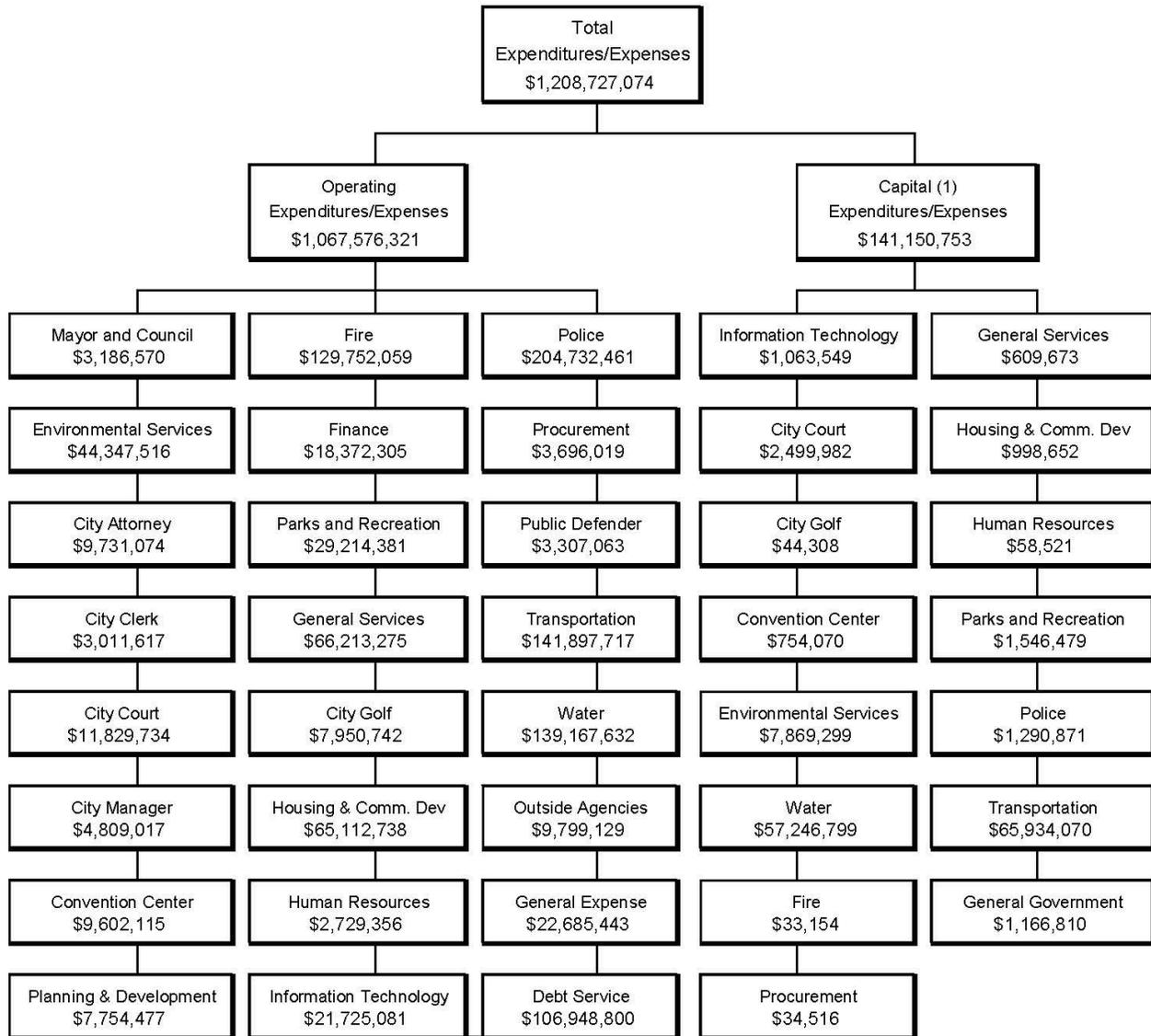
Contents

	<u>Page</u>
Financial Trends	<u>152</u>
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	<u>160</u>
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	<u>163</u>
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	<u>168</u>
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	<u>170</u>
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 2017**



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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 1,609,405,372
Restricted	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	143,610,042
Unrestricted	(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)	(860,819,707)
Total Net position	\$ 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	\$ 892,195,707
Business-type Activities										
Net Investment in Capital Assets	\$ 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	\$ 877,797,240
Restricted	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	40,362,311
Unrestricted	(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)	(26,833,894)
Total Net position	\$ 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	\$ 891,325,657
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 2,487,202,612
Restricted	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	183,972,353
Unrestricted	(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)	(887,653,601)
Total Net position	\$ 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	\$ 1,783,521,364

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

TABLE III

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Elected and Official	\$ 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	\$ 16,318,010
Support Services	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	62,550,523
Neighborhood Services	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	363,576,231
Public Safety/ Neighborhood Services (4)						373,619,042				
Operations and Development (4)	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	280,647,041
Strategic Initiatives	7,217,537	6,517,311	5,538,870							
Non-Departmental	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	33,653,089
Interest on Long-term Debt	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	22,190,906
Fiscal Agent Fees and Other	41,025	327,635	801,342	1,803,136	58,676	2,419,872	1,868,185	1,880,263	1,059,217	459,539
Total Governmental Activities	\$ 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	\$ 779,395,339
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	\$ 9,681,933
Non-PHA Asset Management (2)					1,120,698	1,409,258	1,383,356	2,267,351	2,765,473	3,009,448
Environmental Services	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	43,580,825
Tucson Golf Enterprise Fund	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	7,977,207
Water Utility	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	156,390,405
Total Business-type Activities	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	220,639,818
Total Primary Government Expenses	\$ 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	\$ 1,000,035,157
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	\$ 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	\$ 12,047,270
Recreation Fees	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	4,825,423
Paramedic Services Fees	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	12,926,927
Transit Fees	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	13,275,079
Other Charges for Service	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	73,801,269
Operating Grants & Contributions	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	124,837,969
Capital Grants and Contributions	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	70,476,919
Total Governmental Activities Program Revenues	\$ 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	\$ 312,190,856
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	\$ 3,802,862
Non-PHA Asset Management (2)					728,920	1,093,525	1,008,228	1,084,595	1,627,855	1,789,259
Environmental Services	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	51,374,445
Tucson Golf Enterprise Fund	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	7,450,029
Water Utility	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	205,732,514
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	5,882,512
Capital Grants and Contributions	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	14,373,302
Total Business-type Activities Program Revenues	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	290,404,923
Total Primary Government Program Revenues	\$ 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	\$ 602,595,779

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expenses) Revenue										
Governmental Activities	\$ (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)	\$ (467,204,483)
Business-type Activities	(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	69,765,105
Total Primary Government Net Expense	\$ (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)	\$ (397,439,378)

General Revenues and Other Changes in Net Position

Governmental Activities:

Taxes

Property Taxes	\$ 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	\$ 50,726,533
Business Privilege Taxes	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	208,573,221
Public Utility Taxes	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	23,786,210
Hotel/Motel Surcharge (6)	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	18,626,692
Occupational Taxes (5)	881,679	86,868	127,851	86,091	84,690	102,558	87,846			
Liquor Taxes (5)	670,480	702,523	732,622	760,615	743,322	749,028	750,481			
Unrestricted Grants and Contributions	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	135,764,176
Investment Income (Loss)	6,480,118	2,505,708	1,086,559	718,308	916,820	227,689	1,127,524	988,190	2,088,982	676,098
Miscellaneous	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	25,482,001
Transfers	(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)	1,381,242
Total Governmental Activities	\$ 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	\$ 465,016,173

Business-type Activities:

Investment Income (Loss)	\$ 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	\$ 1,635,722
Transfers	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	(1,381,242)
Total Business-type Activities	\$ 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	\$ 254,480

Total Primary Government	\$ 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	\$ 465,270,653
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Change in Net Position (3)

Governmental Activities	\$ 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	\$ (2,188,310)
Business-type Activities	(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	70,019,585
Total Primary Government	\$ 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	\$ 67,831,275

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

TABLE IV

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 26,948,312	\$ 22,727,163	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved	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	4,546,261
Restricted			4,288,438	5,477,328	4,875,762	4,337,530	5,401,397	4,876,013	3,379,729	3,581,948
Committed			5,412,146	28,162,175	28,074,273	27,692,762	28,356,051	29,635,059	31,306,965	33,312,757
Assigned			11,523,823	13,264,761	18,056,275	1,680,900	6,464,860	4,285,870	8,458,874	43,196,713
Unassigned			22,836,507	11,107,980	8,668,230	12,765,747	15,991,136	15,736,784	28,269,669	18,022,572
Total General Fund	\$ 58,073,015	\$ 39,727,568	\$ 47,152,005	\$ 60,737,307	\$ 62,411,219	\$ 54,362,371	\$ 66,752,458	\$ 65,708,847	\$ 75,951,224	\$102,660,251
All Other Governmental Funds										
Reserved	\$128,066,834	\$103,582,644	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, Reported In:										
Special Revenue Funds	(11,863,316)	1,099,433								
Capital Project Funds	(528,205)									
Debt Service Funds										
Total Unreserved	(12,391,521)	1,099,433								
Nonspendable			5,014,035	4,186,004		4,115,915	4,505,250	5,831,208	3,111,753	5,382,988
Restricted			68,556,717	85,453,622	59,880,453	76,975,091	93,614,555	89,416,493	96,748,168	89,075,997
Committed			3,284,544	3,360,321	3,142,812	5,187,925	1,611,378	104,954	1,628,147	402,142
Assigned			13,779,239	18,901,488	9,861,655	9,559,070	15,359,731	4,498,593	7,496,550	2,850,576
Unassigned			(1,540,527)	(177,479)	(421,037)	(96,591)				
Total All Other Governmental Funds	\$115,675,313	\$104,682,077	\$ 89,094,008	\$111,723,956	\$ 72,463,883	\$ 95,741,410	\$115,090,914	\$ 99,851,248	\$108,984,618	\$ 97,711,703

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Tax Revenues										
Property Taxes (2)	\$ 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	14,215,063
Public Utility Taxes (1)	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	23,786,210
Local Use Taxes	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	7,769,947
Business Privilege Taxes	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	198,629,422
Transient Occupancy Taxes	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	11,079,644
Other Taxes	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	7,976,651
Total Tax Revenues	<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>	<u>263,456,937</u>
Other Agency Revenues										
Auto Lieu Taxes - State	\$ 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	21,754,173
Sales Tax - State	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	48,859,397
Urban Revenue Sharing - State	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	65,150,605
Contributions and Agency Billings (2)	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	8,030,774
Total Other Agency Revenue	<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>	<u>143,794,949</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 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	297,449,821
Licenses and Permits	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	33,006,093
Fines and Forfeitures	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	9,983,776
Developer Fees	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	11,442,519
Use of Money and Property	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	2,020,203
Federal Grants and Contributions	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	75,485,901
Other Agencies	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	242,806,078
Charges for Services	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	67,542,851
Special Assessments	1,712,882	1,155,596	652,683	598,613	523,362	390,049	355,263	323,164	270,738	227,596
Contributions from Outside Services										1,392,085
Miscellaneous	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	13,389,263
Total Revenues	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	754,746,186
Expenditures										
Current										
Elected and Official	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	17,079,371
Support Services	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	61,374,216
Neighborhood Services	354,437,324	355,353,344	334,874,173	328,579,562	446,212,801					
Environment and Development	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	271,728,976
Operations and Development						133,123,134				
Community Enrichment and Development							223,217,451	247,138,055	240,994,849	226,207,082
Strategic Initiatives	7,017,029	6,298,094	5,378,320							
Non-Departmental	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	32,484,571
Capital Outlay	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	7,914,051
Capital Projects	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	67,664,011
Debt Service										
Principal	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	54,949,228
Interest	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	21,704,785
Fiscal Agent Fees	41,025	49,197	209,780	31,250	40,800	6,138	37,850	23,625	91,914	45,150
Issuance Cost of Debt		1,183,612	422,079	1,774,291	1,093,410	643,784	1,276,819	1,197,267	967,303	414,389
Total Expenditures	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	761,565,830
Excess of Revenues										
Over (Under) Expenditures	\$ (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)	(6,819,644)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Bond Issuance	\$ 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	25,875,000
Capital Leases	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		1,757,629	1,686,456	1,575,158	3,624,218	4,008,299	4,123,622	8,287,282	7,143,323	3,292,450
Refunded Bond Escrow Agent		(28,778,672)	(24,964,377)	(21,992,814)	(50,175,809)	(37,576,983)	(32,257,750)	(88,426,284)	(54,144,197)	(8,830,000)
Discount on Issuance of Debt		(275,753)		(252,090)						
Transfers In	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	61,245,301
Transfers Out	(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)	(59,326,995)
Total Other Financing Sources (Uses)	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	22,255,756
Net Change in Fund Balances	\$ (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	15,436,112
Debt Service as a % of Noncapital Expenditures (1)	10.1%	8.8%	9.3%	8.5%	11.5%	9.1%	9.2%	11.1%	11.2%	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.

CITY OF TUCSON

TABLE VII

Taxable Sales by Category
Last Ten Fiscal Years

Activity	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Utilities	\$ 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	761,882,646
Communications	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	153,860,278
Publishing & Printing	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	42,694,048
Restaurants	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	1,169,221,596
Amusements	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	94,681,152
Rentals	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	992,517,487
Contracting	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	594,318,178
Retail	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	5,947,723,431
Use Tax	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	347,898,340
Other	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	684,208
Total Business Privilege Activity	\$ 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	10,105,481,364
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 2008-2014 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>
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%
2017	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 2008		Fiscal Year 2017	
	Tax Paid	% of Total	Tax Paid	% of Total
Utility	\$ 15,452,794	7.1%	\$ 15,237,653	6.8%
Public Utility	6,721,692	3.1%	22,571,418	10.0%
Public Utility (Right of Way)	230,502	0.1%	774,025	0.3%
Communications	6,289,881	2.9%	3,077,206	1.4%
Publishing & Printing	1,106,151	0.5%	853,881	0.4%
Restaurants	19,325,116	8.9%	23,384,432	10.4%
Amusements	1,257,976	0.6%	1,893,623	0.8%
Rentals	21,038,566	9.7%	19,850,350	8.8%
Contracting	23,619,586	10.9%	11,886,364	5.3%
Retail	114,909,610	53.0%	118,954,469	52.8%
Use Tax	6,853,801	3.2%	6,957,967	3.1%
Other Activities	86,757	0.0%	13,684	0.0%
Total (1)	\$ 216,892,432	100%	\$ 225,455,072	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
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
2017	211,247,606	59,868,118		210,351,828	293,000	18,789,417	9,926,500	510,476,469

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)
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
2017	535,541,471		189,437	11,444,063	547,174,971	1,057,651,440	2.74%	1,047.80

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
2008	(1)	\$ 279,850,223	\$ 13,842,695	\$ 263,007,528	\$ 26,219,680,375	1.00%	\$ 259.63
2009	(2)	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
2017		211,585,375	2,554,745	209,060,630	26,918,515,852	0.79%	212.66

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

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

CITY OF TUCSON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

TABLE XII

Overlapping Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt (2)
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 344,620,000	41.32%	\$ 142,396,984
Tucson Unified School District No. 1	168,855,000	76.00%	128,329,800
Flowing Wells Unified School District No. 8	16,080,000	6.02%	968,016
Amphitheater Unified School District No. 10	91,035,000	8.20%	7,464,870
Sunnyside Unified School District No. 12	65,960,000	13.13%	8,660,548
Tanque Verde Unified School District No. 13	11,210,000	5.40%	605,340
Vail Unified School District No. 20	58,960,000	13.42%	7,912,432
Sahuarita Unified School District No. 30	35,095,000	27.00%	9,475,650
Other Debt (1)			
Pima County Capital Leases	177,487,965	41.32%	73,338,027
Tucson Unified School District No. 1 Capital Leases	38,681,237	76.00%	29,397,740
Flowing Wells Unified School District No. 8 Capital Leases	2,259,096	6.02%	135,998
Sunnyside Unified School District No. 12 Capital Leases	1,791,975	13.13%	235,286
Subtotal, Overlapping Debt			408,920,691
City of Tucson, Arizona Direct Debt			510,476,469
Total Direct and Overlapping Debt			\$ 919,397,160

Source: State Report of Indebtedness and General Obligations, Series 2012-E (2017) Official Statement.

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

(2) State Report of Indebtedness for fiscal year 2017 is not available for the fiscal year 2016 CAFR. Figures are from the fiscal year 2015-2016.

CITY OF TUCSON
Legal Debt Margin Information
Last Ten Fiscal Years

TABLE XIII

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Primary Tax Rate (1)	\$ 0.3296	0.3231	0.3144	0.3289	0.4297	0.4125	0.5245	0.4829	0.5326	0.5348
Secondary Tax Rate	0.8025	0.6370	0.6200	0.6261	0.7324	0.8514	0.9059	0.9777	1.0634	1.0634
Total Property Tax Rate (2)	\$ 1.1321	0.9601	0.9344	0.9550	1.1621	1.2639	1.4304	1.4606	1.5960	1.5982
Secondary Assessed Value	\$ 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	3,403,761,338
6% Limitation (3)	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	201,270,680
Less: Direct G.O. Bonds Outstanding	9,145,000	660,000								
Legal Debt Margin	\$ 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	201,270,680
Legal Debt Margin as a Percentage of the Debt Limit	95.64%	99.72%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	\$ 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	680,752,267
Less: Direct G.O. Bonds Outstanding	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	200,270,000
Legal Debt Margin	\$ 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	480,482,267
Legal Debt Margin as a Percentage of the Debt Limit	62.78%	67.47%	69.15%	71.59%	70.03%	68.40%	65.92%	65.83%	67.85%	70.58%

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

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

(3) The Arizona Constitution and Arizona Revised Statutes limit the City's general obligation bonded debt capacity to certain percentages of the City's secondary assessed valuation and by the type of project to be constructed. For projects involving water, sewer, artificial lighting, parks, open space and recreational facility improvements, the City can issue general obligation bonds up to 20% of 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		
				2008	\$ 129,575,735	\$ 77,116,750	\$ 52,458,985		
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
2017	210,873,823	100,943,373	109,930,450	28,615,133	21,207,005	25,100,000	20,316,300	2.21	2.42

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	
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
2017	231,781	399,000	25,125	0.55	48,218,829	13,610,000	3,408,559	2.83

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
2008	1,013,000	\$ 33,117,770,000	\$ 32,693	4.7%
2009	1,017,800	32,873,000,000	32,298	7.9%
2010	1,035,700	34,958,100,000	33,753	8.6%
2011	974,000	35,187,500,000	36,127	9.1%
2012	991,000	36,864,000,000	37,199	7.2%
2013	996,800	37,031,000,000	37,150	7.0%
2014	996,046	37,587,700,000	37,737	6.6%
2015	1,007,200	38,272,000,000	37,998	5.7%
2016	1,009,400	38,606,000,000	38,246	5.7%
2017	1,013,100	40,182,115,000	39,663	4.9%

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 2017 contains data for the calendar year ending December 31, 2016.

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XVI

Employer	2008		Employer	2017	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	11,661	3.07%	University of Arizona	11,251	2.95%
Raytheon Missile Systems	11,182	2.94%	Raytheon Missile Systems	9,600	2.51%
Davis-Monthan Air Force Base	8,600	2.26%	State of Arizona	8,580	2.25%
Tucson Unified School District	7,440	1.96%	Davis-Monthan Air Force Base	8,406	2.20%
State of Arizona	7,236	1.91%	Pima County	7,060	1.85%
Pima County	6,700	1.76%	Tucson Unified School District No. 1	6,770	1.77%
U.S. Army Intelligence Center & Fort Huachuca	6,656	1.75%	Banner University Health Care	6,272	1.64%
City of Tucson	5,125	1.35%	Freeport-McMoRan Copper & Gold, Inc.	5,800	1.52%
Wal-Mart Stores, Inc.	4,850	1.28%	U.S. Customs and Border Patrol	5,739	1.50%
Carondelet Health Network	4,089	1.08%	Wal-Mart Stores, Inc.	5,530	1.45%
Total	73,539	19.36%		75,008	19.64%

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

TABLE XVII

Adopted Budget Full-time-Equivalent City Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elected and Official	\$ 253.50	250.00	247.50	214.50	207.50	209.50	223.00	206.50	212.50	183.50
Neighborhood Services	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	2,126.80
Operations and Development	577.50	563.50	456.00	450.00	1,159.25	594.00				
Strategic Initiatives	63.75	63.75								
Community Enrichment and Development							1,090.25	1,052.50	1,027.00	931.00
Support Services	702.16	702.16	676.66	644.50	303.00	301.50	524.00	518.00	522.50	489.50
Non-Departmental	4.00	4.00								
Pension Services						4.00	4.00	4.00	4.00	4.00
Utility Services-Environmental Services	264.00	263.00	248.00	241.00	241.00	237.00	222.00	216.00	214.00	241.00
Utility Services-Water	578.00	580.00	568.00	556.00	556.00	549.00	547.00	547.50	547.50	550.50
Golf Courses (3)	154.75	154.75	154.75	145.25	63.75	68.00	68.00			
Total	\$ 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	4,526.30

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police Facilities	8	9	9	13	13	13	13	9	9	9
Fire Stations	21	21	21	21	21	21	21	22	22	22
Parks & Recreation										
Recreation/Regional Centers	18	18	18	18	18	18	18	20	20	20
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	142	142	142	142	142	142	142	127	127	127
Playfields	231	231	231	231	231	231	231	225	225	231
Swimming Pools	27	27	27	27	27	27	27	45	45	41
Transportation (1)										
Residential (Miles)	1,378	1,384	1,384	1,384	1,604	1,604	1,629	1,645	1,328	1,328
Collectors (Miles)	101	101	101	101	101	101	101	101	85	85
Arterials (Miles)	287	287	287	287	316	316	371	381	310	310
Interstate (Miles)	80	80	80	80	80	80	80	80		
Transit										
Buses (Active Fleet)	203	230	241	240	237	252	240	252	252	246
Water										
Operable Wells	216	216	214	221	226	206	230	225	221	202
Miles of Water Mains	4,437	4,683	4,454	4,620	4,687	4,793	4,606	4,623	4,579	4,596

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Number of Construction Permits (Residential and Commercial)	3,994	2,802	2,921	2,984	2,430	2,295	1,932	2,094	2,164	2,532
Permit Revenue	\$10,509,526	\$7,227,251	\$6,769,166	\$8,278,724	\$8,179,531	\$8,909,982	\$6,870,350	\$8,644,604	\$12,784,997	\$24,091,020
Police										
Calls for Service	345,395	327,882	296,316	299,191	305,662	328,015	346,817	326,900	286,811	288,755
Calls for Service per Capita	0.62	0.60	0.54	0.57	0.56	0.62	0.66	0.62	0.54	0.54
Part I Crimes (% Cleared) (1)	19.39%	18.41%	20.43%	17.04%	17.13%	11.52%	14.73%	14.80%	12.34%	12.88%
Part II Crimes (% Cleared) (1)	94.14%	94.27%	97.90%	100.00%	93.02%	83.61%	79.22%	37.94%	65.51%	64.12%
Fire										
Emergency Responses	79,940	79,380	77,800	79,721	80,236	81,941	79,704	85,594	91,272	92,009
Inspections	3,028	7,825	8,712	8,301	8,319	6,293	7,199	5,471	5,140	5,810
Parks & Recreation										
KIDCO Registration	4,423	2,967	2,947	3,710	4,161	3,407	3,209	3,195	3,285	2,978
Class Enrollment-Other than KIDCO	10,531	19,865	7,412	18,304	19,418	17,607	16,949	16,724	16,248	15,615
Facility Rental	14,215	14,021	13,032	11,509	11,734	9,325	9,231	10,688	10,810	8,882
Zoo Visitors	504,528	529,010	514,269	524,701	585,583	549,929	568,028	618,357	519,829	485,074
Environmental Services										
Landfill Tons of Waste Collected	631,465	487,144	412,950	435,864	453,400	471,400	517,564	560,938	575,469	582,181
Tons of Material Recycled	46,096	44,480	44,622	43,534	39,000	38,000	38,623	39,506	39,792	39,344
Water										
Average Total Monthly Connections										
Potable	224,129	228,157	224,562	222,736	223,139	224,284	225,791	227,052	228,450	230,030
Reclaimed	1086	1053	1,061	1,087	1,087	1,082	1,086	1,076	1,056	1,047
New Connections										
Potable	2,295	1,064	1,064	1,127	1,018	1,459	1,186	1,258	1,398	1,580
Reclaimed	15	17	17	0	0	9	0	-10	-20	-9
Water Sales (1000 ccf)										
Potable	46,590	44,443	43,668	42,885	41,433	41,109	41,266	39,876	39,500	39,546
Reclaimed	6,617	7,151	6,913	6,872	6,285	6,483	7,154	6,188	5,981	6,269
Transportation										
Average Response Time (working days) to Complete										
Pothole Repairs	2 to 4 weeks	4 to 6 weeks	4 to 6 weeks	4 to 6 weeks	42	16	2 to 3 weeks	18	14	4
The % of Lane Miles Assessed as Satisfactory or Better (2)	80.0%	81%	81%	67%	43%	46%	23%	28%	26%	27%
Traffic Signal Expenditure per Repair	\$250.00	\$486.00	\$516.00	\$567.00	\$700.00	\$746.00	\$831.00	\$593.00	\$510.00	\$503.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$6.02	\$6.44	\$6.23	\$5.78	\$6.89	\$6.20	\$7.11	\$7.08	\$7.47	\$7.36
Sun Tran's Operating Expenses per Passenger Mile	\$0.68	\$0.59	\$0.69	\$0.74	\$0.70	\$0.64	\$0.73	\$0.68	\$0.94	\$0.73

Source: Various City Departments

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

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

(3) For 2017, 20% of the 39,344 was determined "contaminated/waste materials", this is also included in the landfill tons for this year.

Glossary



CITY OF TUCSON

ARIZONA

Glossary

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

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

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

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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