COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year July 1, 2017 - June 30, 2018

City of Tucson, Arizona

City of Tucson, Arizona

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

Prepared by: The Business Services Department

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TUCSON

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
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Introduction

CITY OF TUCSON

ARIZONA

CITY OF TUCSON

OFFICE OF THE CITY MANAGER

February 27, 2019

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

The Comprehensive Annual Financial Report (CAFR) of the City of Tucson, Arizona, (City) for the fiscal year ended June 30, 2018, is submitted as required by Chapter XXIX of the City Charter and Arizona Revised Statutes. Both require the City to issue an annual report on its financial position and activity and to have the report audited by certified public accountants independent of City government. The CAFR was prepared by the City's Accounting Division in accordance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

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

To comply with the City Charter requirement of obtaining an annual independent audit, we engaged Heinfeld, Meech, and Company, P.C. to express an opinion on the financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report, and the City received an unmodified opinion upon completion of the audit.

The letter of transmittal provides a non-technical summary of City finances, economic prospects, and achievements. The Management's Discussion and Analysis (MD&A), beginning on page 3, provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

City of Tucson Profile

Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. The City was incorporated on February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. Today, Tucson has a culturally diverse population of more than 529,000 and is Arizona's second largest city, with a metropolitan area exceeding 1.1 million people.

The City operates under a Council-Manager form of government. Council member candidates are nominated in primary elections in each of six wards, but are elected in citywide elections. The mayor is nominated and elected citywide. The Mayor and Council set policy and appoint a city manager to provide the general supervision and direction for city government operations. The City provides a full range of municipal services including police and fire protection, water and sanitation services, construction and maintenance of streets and recreational activities.

Budget System and Controls

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

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

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

Financial Policies

The City adopted a comprehensive set of financial policies that incorporate a wide range of topics including financial planning, budgetary planning, capital management, expenditure control, fund balance, revenues and collections, cash management and investments, financial reporting and debt management. The financial goals are broad and will help the City maintain an adequate financial base to sustain our service ability in spite of local or regional economic fluctuations, and ensure adherence to the highest accounting and management practices. The General Fund fund balance policy, adopted by Mayor and Council, states that the City will maintain a stabilization fund that represents no less than 10% of General Fund revenues as “Committed Fund Balance” with established restrictions on how it can be used. A minimum target of 7% of General Fund revenues will be “Unassigned” to help provide additional stability during cyclical changes in the economy. Currently, our unassigned fund balance represents 7% of General Fund revenues and the committed fund balance for the stabilization fund is 4.2%.

Local Economy

Tucson has a broad based economy that is anchored in tourism, higher education, retail, military, government and various high-tech and health care employers. The Arizona economy is set to carry significant momentum into the new year. State job growth hit 3.0% over the year in the third quarter, which was well above the national rate of 1.7% and was the fastest pace in two years. Construction activity led growth, with strong increases in jobs, permits, and prices. While most job gains were concentrated in Phoenix, Tucson generated rapid growth as well. During 2018, retail sales increased approximately 4.5%, while personal income increased 4.3%.

With 350 days of sunshine every year, tourism is a major economic engine for the Tucson community. Major world class attractions include Saguaro National Park, the Arizona-Sonora Desert Museum and the Pima Air and Space Museum. Thousands of visitors attend annual signature events, such as the Tucson Gem and Mineral Show, El Tour de

Tucson and the Tucson Rodeo and Parade (La Fiesta de los Vaqueros). These visitors generate sales in lodging, dining, retail, recreation and transportation and have an estimated local impact of $150 million dollars.

Long-Term Planning

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

Throughout FY 2017/18, the City's business privilege tax continued to grow particularly in the retail, restaurant, and construction categories. This is an indication of a strong economy and we think this trend will continue during FY 2018/19. However, since the upward trend was higher than anticipated, the City engaged the Economic and Business Research Center of the Eller College of Management at the University of Arizona to provide a long-term (30 year) revenue forecasting model. The model projects revenues based on the City's and Pima County's economic activity and national economic conditions. Three sets of forecasts were provided: a "most likely," an "optimistic," and a "pessimistic." The "most likely" scenario calls for continued, but slow, gains in the national and local economies. U.S. economic growth is higher under the "optimistic" assumption. The pessimistic scenario assumes a modest recession beginning in the third quarter of fiscal year 2020. The model indicates that our sales tax revenues will increase during the next 30 years. The trend is an acceleration of revenue growth from fiscal year 2018 through fiscal year 2019, but the growth will decelerate in 2020. The model provides a framework for us to use as we forecast in the future.

The City does use a long term financial model and anticipates continued challenges in balancing future revenue growth estimated to be outpaced by projected expenses. Arizona law requires cities to balance the total expenditures and other requirements to the total resources in their budgets. The fiscal year 2019 General Fund budget continues to be structurally balanced in that there is no use of one-time funds for recurring expenditures.

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

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

Major Initiatives

Economic Investment - Economic investment in the City's downtown continues to be strong. Over the past 8 years, there has been $439 million in private investment and $541 million in public investment in this area. Recently, eight projects totaling $34.5 million were completed. Current projects include 17 projects that total $305 million in

capital investment which include 530 housing units and 428,500 sq. ft. of new commercial space.

Gene C. Reid Park Zoo - Tucson voters approved a one-tenth of one cent increase to the sales tax rate for ten years, and all monies collected will be used for the operation and improvement of the City's Gene C. Reid Park Zoo. The Tucson Zoological Society, a non-profit group dedicated to supporting the Zoo, will act as the management company to run the daily operations of the zoo and oversee the capital improvements. We are working in partnership with the Zoological Society to improve the zoo and maximize its value to the public.

Tucson Police Department - The Police Department is restructuring in order to sustain and enhance key services. The focus is on providing full-service policing with an emphasis on patrol operations and improvement efficiencies. The Department is being rebuilt to meet the current and future needs of the community by adding police officers and community service officers to its current staffing levels.

Brush and Bulky Collection - In the upcoming year, the City of Tucson will be adding services to its Brush & Bulky Collection Program to help make our City and neighborhoods cleaner, more attractive and safer. This expansion of the existing program is being done in collaboration with City of Tucson Transportation, Police and Fire Departments in partnership with Tucson neighborhoods. Brush & Bulky will continue collecting materials left at the curb and in alleys PLUS provide additional services when collections occur. Those new services include removal of overgrowth and litter in rights-of-way, clean-up of illegal dumping, graffiti removal, street sign repairs or replacements, and street sweeping.

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, 2017 CAFR for the 36th consecutive year (fiscal years ended 1982 through 2017). A Certificate of Achievement is valid for a period of only one year and we believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Acknowledgments

The preparation of this report would not have been possible without the talent, effort, and dedication of the Business Services staff and a special thanks to the many employees of other departments who responded timely to the requests for detailed information that accompanies each annual audit, as well as the continued support of Mayor and Council and the City Manager's Office.

Respectfully submitted,

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

City of Tucson Officials

Mayor and Council

HONORABLE
JONATHAN ROTHSCHILD
Mayor

REGINA ROMERO
Ward One

PAUL CUNNINGHAM
Ward Two

PAUL DURHAM
Ward Three

SHIRLEY SCOTT
Ward Four

RICHARD FIMBRES
Ward Five

STEVE KOZACHIK
Ward Six

City Administration

MICHAEL J. ORTEGA, P.E.
City Manager

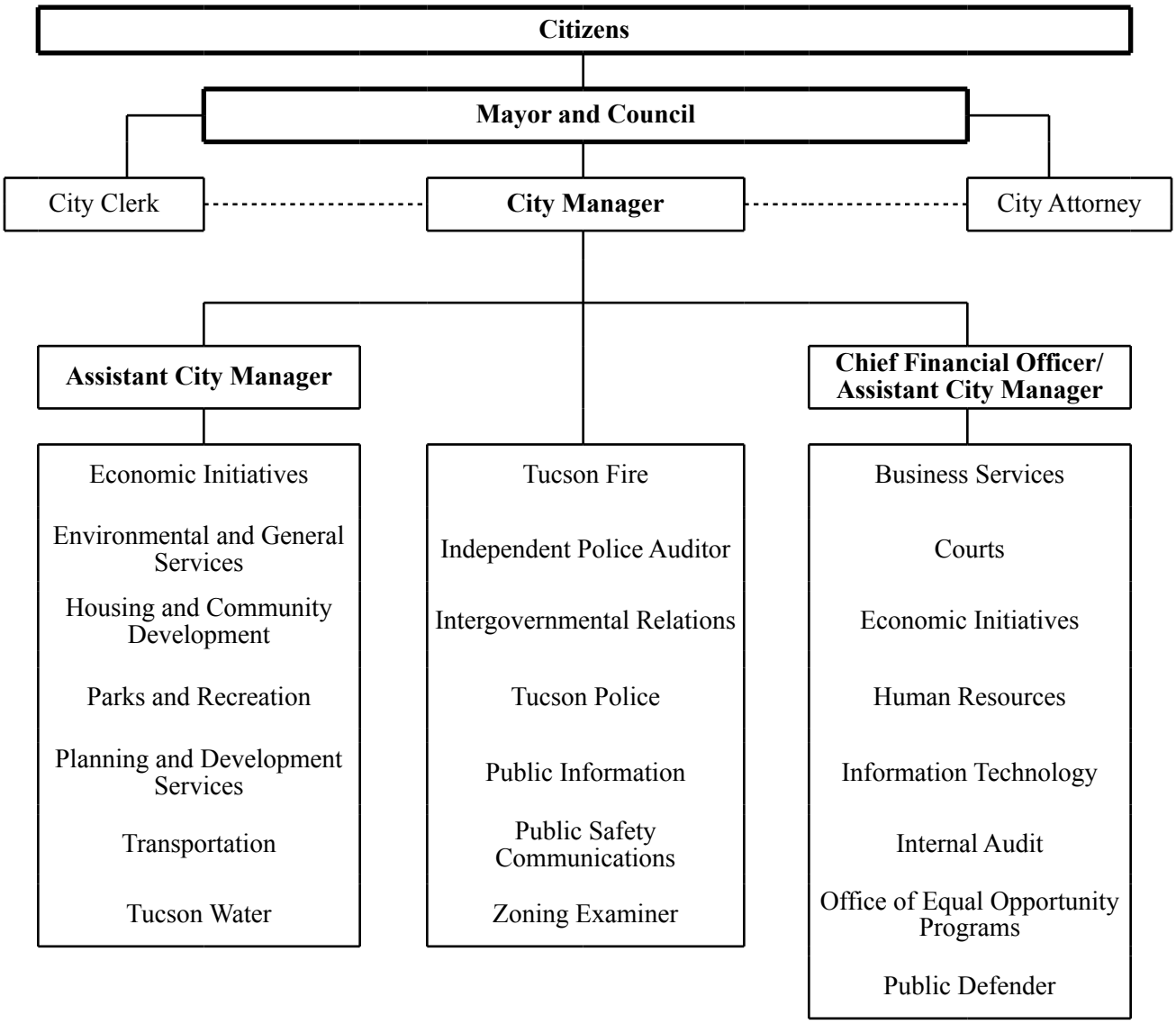
JOYCE GARLAND, CPA
Assistant City Manager
Chief Financial Officer

PETE SAXTON, CPA
Business Services Director

SILVIA NAVARRO
Finance Administrator

KIMBERLY BAKER
Finance Manager - Financial Reporting

CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2018



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, 2017

Christopher P. Morrill

Executive Director/CEO

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TUCSON

Financial Section

CITY OF TUCSON

ARIZONA

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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, 2018, 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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018, 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, 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 February 27, 2019, 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
February 27, 2019

Management Discussion And Analysis

CITY OF TUCSON

ARIZONA

INTRODUCTION

The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the City's financial performance during the fiscal year ended on June 30, 2018 and 2017. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the transmittal letter and other portions of this CAFR.

FINANCIAL HIGHLIGHTS

- On the Government-Wide Financial Statements, total assets plus deferred outflows of resources of the City exceeded its total liabilities plus deferred inflows of resources at the close of the fiscal year by $1.6 billion (net position). Although total Government net position decreased by $143.4 million, fiscal year 2018 operations resulted in an increase to net position for the City as a whole of $131.4 million. Governmental Activities accounted for $55.4 million or 42.2% of the total increase to net position and Business-Type Activities accounted for $76.0 or 57.8%. The implementation of GASB 75 resulted in a restatement of beginning net position, described in note 21.

- On the Government-Wide Financial Statements, the cash and cash equivalents for the governmental and business-type activities increased a combined total of $36.9 million over last fiscal year year from $278.0 million in fiscal year 2017 to $314.9 in fiscal year 2018. The increase is primarily due to the voter approved sales tax increases dedicated to zoo operations and capital improvements and public safety and road improvements. The City received the cash from these revenues but has not yet begun major spending on projects.

- As of June 30, 2018 and 2017, the City's governmental funds reported combined ending fund balance of $231.9 million and $200.4 million, respectively. Approximately 31.4% of the current amount ($72.9 million) is available for spending at the City's discretion.

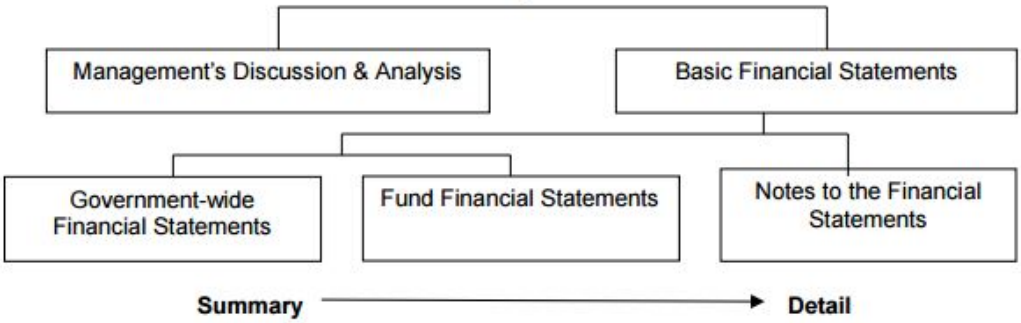
- At the end of the current fiscal year, unassigned fund balance for the General Fund is $38.0 million or approximately 7.0% of total General Fund revenues of $539.3 million meeting the adopted financial policy target. Revenues increased $38.5 million (7.6%) over the prior fiscal year amount of $500.8 million.

- The City's total long-term liabilities increased by $203.8 million to $2.57 billion during the current fiscal year. This increase is primarily due to the reporting of Post-employment Benefits Other Than Pensions in accordance with Governmental Standards Board Statement No. 75, which required a beginning net position restatement as described in note 21.

OVERVIEW OF THE FINANCIAL STATEMENTS

Required Components of Annual Financial Report

Figure 1



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

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

> The **statement of net position** presents financial information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
>
> The **statement of activities** presents financial information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that are expected to result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and earned but unused vacation and sick leave.

There are two types of activities in the government-wide financial statements. The first activity, governmental, represents most of the City's basic services such as police, fire, transportation, parks, streets, and general government. Business privilege taxes, property taxes, state revenue sharing, fines, customer service fees, grants and contributions from agencies finance most of these activities. The second activity, business-type, or enterprise funds, represents those areas in which the City charges fees to customers to cover the costs of certain services it provides. These activities include environmental services, water, golf, and public housing.

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

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds have specific funding sources and expenditures/expenses for particular programs. Some funds are required by state law or by bond covenants, while Mayor and Council establish other funds for management purposes. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund statements disclose how general government services, such as police, fire, transportation, and parks and recreation, were financed in the short-term as well as what remains for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities, reported in the government-wide financial statements, and governmental funds is provided in a reconciliation following the respective fund financial statements. Reconciling items include: converting fund capital expenditures to capital assets, reducing long-term debt by debt service principal expenditures, and establishing liabilities for issuing new debt such as bonds and capital leases.

Proprietary fund statements report revenues from fees charged to customers for services provided by the City and are reported in the same manner as the government-wide financial statements. Because both types of statements adhere to the full accrual basis of accounting standards, the total enterprise column on the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* for proprietary funds provides the same financial information as the business-type activity columns in the government-wide financial statements. In addition, a Statement of Cash Flows is provided. Internal service funds are combined into a single column on these statements, and they are reported as part of both the governmental and business-type activities in the government-wide financial statements.

Fiduciary fund statements represent funds for which the City acts as a trustee. Like the proprietary funds, they follow the standards for full accrual basis of accounting. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

On the Government-Wide Financial Statements, total assets plus deferred outflows of resources exceeded its total liabilities plus deferred inflows of resources. The combined net position for the City decreased by 8% over the course of the year to $1.6 billion; a decrease of $143.4 million. Governmental activities net position decreased $207.2 million and Business-type net position increased $63.8 million. The change in net position for governmental activities was primarily due to the reporting of Post-employment Benefits Other Than Pensions in accordance with Governmental Standards Board Statement No. 75, which required a beginning net position restatement as described in note 21. As shown in Figure 2, the largest component of net position represents the City's investment in capital assets, i.e., land, buildings, equipment and infrastructure, net of accumulated depreciation and related debt. The second largest component of net position represents restricted net position, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net position is unrestricted.

The total change in net position for business-type activities from the fiscal year 2017 amount of $891.3 million to the fiscal year 2018 amount of $955.1 is an increase of $63.8 million. The unrestricted deficit decreased by $5.1 million; net investment in capital assets increased by $51.2 million; and restricted net position increased by $7.4 million. The Water Utility net investment in capital assets increased by $49.3 million from the fiscal year 2017 amount of $799.6 million to the fiscal year 2018 amount of $848.9. The increase is due to improvements for distribution and collection systems, upgrades to well fields and related systems, and replacement of outdated meter systems. The Utility Fund's unrestricted net position decreased by $11.5 from $33.2 million in fiscal year 2017 to $21.7 million in fiscal year 2018. Contributing to this decrease is the recording of Post-employment Benefits Other Than Pensions in accordance with Governmental Standards Board Statement No. 75, which required a beginning net position restatement as described in note 21. In the Environmental Services Fund, net investment in capital assets increased by $3.6 million and unrestricted deficit increased by $3.4 million. The change to the Public Housing Fund's net position is minor with a total increase of $1.2 million from the fiscal year 2017 amount of $22.3 million to the fiscal year 2018 amount of $23.5 million.

Figure 2 is a comparative summary of the City's net position for fiscal years 2018 and 2017:

Net Position — **Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	$ 433,895,211	$ 418,655,629	$ 346,411,835	$ 278,723,758	$ 780,307,046	$ 697,379,387
Capital Assets	2,058,467,474	2,107,536,985	1,441,413,763	1,418,247,111	3,499,881,237	3,525,784,096
Total Assets	2,492,362,685	2,526,192,614	1,787,825,598	1,696,970,869	4,280,188,283	4,223,163,483
Deferred Outflows	242,017,704	220,697,940	26,528,492	27,418,228	268,546,196	248,116,168
Current and Other Liabilities	175,807,348	194,494,614	95,451,104	85,729,694	271,258,452	280,224,308
Long-term Liabilities	1,786,394,068	1,596,554,069	661,844,820	650,330,281	2,448,238,888	2,246,884,350
Total Liabilities	1,962,201,416	1,791,048,683	757,295,924	736,059,975	2,719,497,340	2,527,108,658
Deferred Inflows	87,093,478	63,646,164	101,986,451	97,003,465	189,079,929	160,649,629
Net Position:						
Net Investment in Capital Assets	1,626,663,395	1,609,405,372	928,965,511	877,797,240	2,555,628,906	2,487,202,612
Restricted	172,997,495	143,610,042	47,813,477	40,362,311	220,810,972	183,972,353
Unrestricted (Deficit)	(1,114,575,394)	(860,819,707)	(21,707,273)	(26,833,894)	(1,136,282,667)	(887,653,601)
Total net position	$ 685,085,496	$ 892,195,707	$ 955,071,715	$ 891,325,657	$ 1,640,157,211	$1,783,521,364

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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	$ 134,076,707	$ 116,875,968	$ 293,849,735	$ 270,149,109	$ 427,926,442	$ 387,025,077
Operating Grants and Contributions	128,237,145	124,837,969	6,629,928	5,882,512	134,867,073	130,720,481
Capital Grants and Contributions	62,699,881	70,476,919	8,371,840	14,373,302	71,071,721	84,850,221
Total Program Revenues	325,013,733	312,190,856	308,851,503	290,404,923	633,865,236	602,595,779
General Revenues:						
Taxes:						
Property	46,886,789	50,726,533			46,886,789	50,726,533
Business Privilege	280,883,697	208,573,221			280,883,697	208,573,221
Public Utility	26,220,025	23,786,210			26,220,025	23,786,210
Hotel/Motel Surcharge	19,961,452	18,626,692			19,961,452	18,626,692
Unrestricted Grants and Contributions	142,795,992	135,764,176			142,795,992	135,764,176
Investment Income (Loss)	2,486,914	676,098	2,402,465	1,635,722	4,889,379	2,311,820
Miscellaneous	7,286,229	25,482,001	631,258		7,917,487	25,482,001
Total General Revenues	526,521,098	463,634,931	3,033,723	1,635,722	529,554,821	465,270,653
Total Revenues	851,534,831	775,825,787	311,885,226	292,040,645	1,163,420,057	1,067,866,432
Expenses:						
Elected and Official	16,070,630	16,318,010			16,070,630	16,318,010
Support Services	82,468,649	62,550,523			82,468,649	62,550,523
Public Safety and Justice Services	343,844,545	363,576,231			343,844,545	363,576,231
Community Enrichment and Development	301,619,258	280,647,041			301,619,258	280,647,041
General Government	32,782,433	33,653,089			32,782,433	33,653,089
Interest on Long-term Debt	21,155,574	22,190,906			21,155,574	22,190,906
Fiscal Agent and Other Fees	27,100	459,539			27,100	459,539
Public Housing			9,342,251	9,681,933	9,342,251	9,681,933
Non-PHA Asset Management			2,620,748	3,009,448	2,620,748	3,009,448
Environmental Services			43,164,262	43,580,825	43,164,262	43,580,825
Tucson Golf Enterprise Fund			7,927,430	7,977,207	7,927,430	7,977,207
Water Utility			170,958,445	156,390,405	170,958,445	156,390,405
Total Expenses	797,968,189	779,395,339	234,013,136	220,639,818	1,031,981,325	1,000,035,157
Changes in Net Position before Transfers	53,566,642	(3,569,552)	77,872,090	71,400,827	131,438,732	67,831,275
Transfers	1,891,737	1,381,242	(1,891,737)	(1,381,242)		
Changes in Net Position	55,458,379	(2,188,310)	75,980,353	70,019,585	131,438,732	67,831,275
Net Position, Beginning of Year*	629,627,117	894,384,017	879,091,362	821,306,072	1,508,718,479	1,715,690,089
Net Position, End of Year	$ 685,085,496	$ 892,195,707	$ 955,071,715	$ 891,325,657	$1,640,157,211	$ 1,783,521,364

*(Beginning balance restated as described in Note 21.)

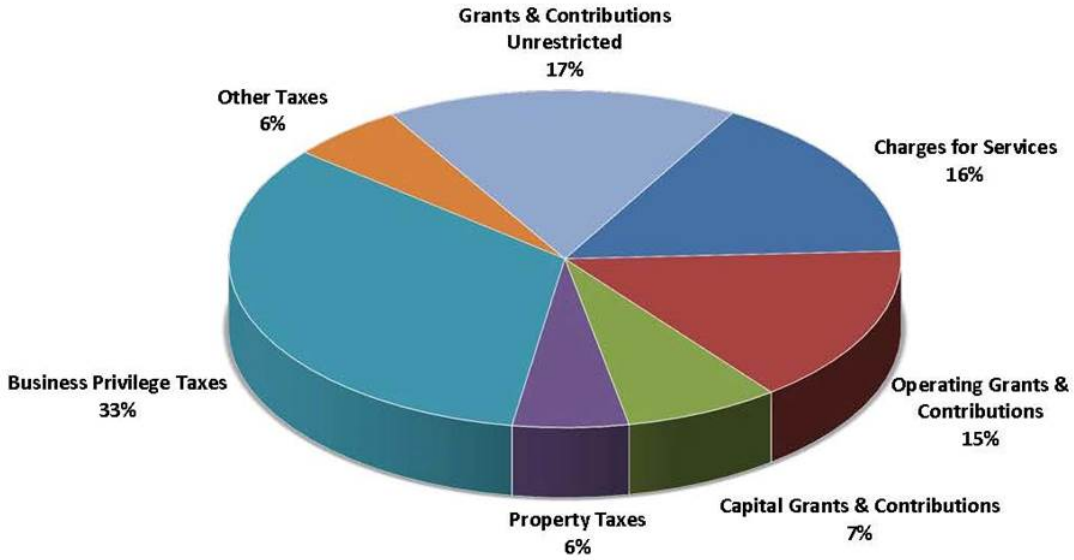
For Governmental Activities, total revenues increased $75.7 million and expenses increased by $18.6 million from fiscal year 2017. General revenue components include taxes, unrestricted grants and contributions, investment income (loss), and miscellaneous revenues. Total General revenues increased $62.9 million with significant increases in Business Privilege Taxes, $72.3 million, and Unrestricted Grants and Contributions, $7.0 million offset by a reduction in Miscellaneous, $18.2 million. Growth in Business Privilege Tax Revenue is due to a strong economy and the collection of two voter approved sales tax increases. One of the increases is one tenth of one cent dedicated to zoo operations and capital improvements and the other increase is one half of one cent dedicated to public safety capital and road improvements. The reduction in Miscellaneous Revenue is due to receipt of settlements related to dioxane remediation and an anti-trust lawsuit which occurred in fiscal year 2017. General revenues cover 66% of governmental costs.

Program revenues, including charges for services and operating/capital grants or contributions, covered 39.7% of costs. Program revenues increased $12.8 million in total, with an increase in charges for services of $17.2 million; an increase of $3.4 million in Operating Grants and Contributions and a decrease to Capital Grants and Contributions of $7.8 million. The charges for services increase is primarily due to the elimination of the General Services and Fleet Services internal service funds.

Expenses increased by $18.6 million from fiscal year's 2017 amount of $779.4 million to fiscal year's 2018 amount of $798 million. The increase to expenses can be attributed to the elimination of the General Services and Fleet Services internal service funds. The City also participated in a Housing and Urban Development (HUD) Section108 loan program which offers state and local governments the ability to transform a small portion of their Community Development Block Grant (CDBG) funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects capable of revitalizing entire neighborhoods. The loan was approximately $8.0 million.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2018:

Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2018

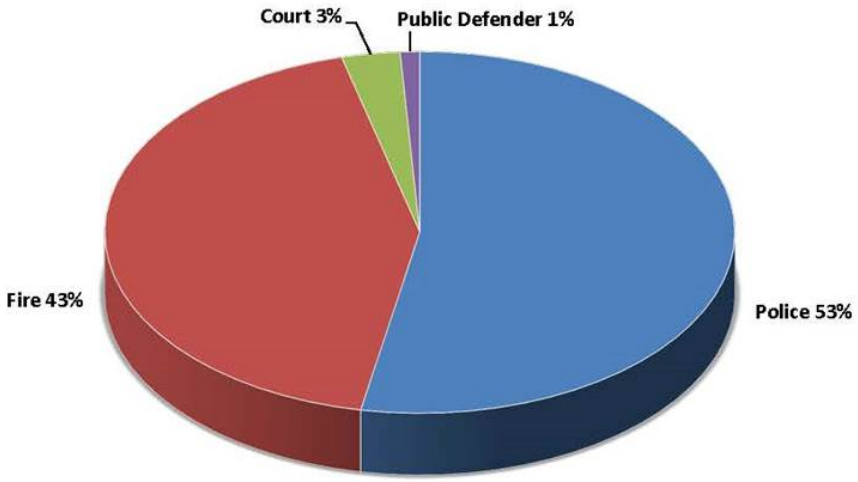


Net expenses (program revenues less expenses) generated from governmental activities are presented by function in Figure 4 below to illustrate how much support each function receives from the City's general revenues:

Net Expense/Revenue-Governmental Activities				Figure 4
	2018		2017	
Function	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage
Elected and Official	$ (15,361,720)	3%	$ (15,378,776)	3%
Support Services	(62,365,181)	13%	(61,029,542)	13%
Public Safety and Justice Services	(300,421,668)	64%	(315,278,427)	67%
Community Enrichment and Development	(77,608,463)	16%	(55,862,727)	12%
General Government	3,985,250	-1%	2,995,434	-1%
Interest	(21,155,574)	4%	(22,190,906)	5%
Fiscal Agent Fees and Other Fees	(27,100)	1%	(459,539)	1%
Total Net Expense	$ (472,954,456)	100%	$ (467,204,483)	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, 2018



For Business-type Activities net position increased $63.8 million or 7.2% from the fiscal year 2017 amount of $891.3 million to $955.1 million for fiscal year 2018. Net investment in capital assets increased $51.2 million, restricted net position increased $7.4 million and the unrestricted net position deficit decreased $5.1 million. The major change was an increase in the Water Utility Fund's net investment in capital assets for $49.3 million from the fiscal year 2017 amount of $799.6 million to the fiscal year 2018 amount of $848.9 million. The Water Utility Fund's unrestricted net position decreased by $11.5 million from the fiscal year 2017 amount of $33.2 million to the fiscal year 2018 amount of $21.7 million.

The Water Utility total operating revenues increased by $23.1 million to $228.8 million from the fiscal year 2017 amount of $205.7 million. The change in revenues can be contributed to a Mayor and Council approved 7% water revenue increase and to a 4.1% increase in water usage. During fiscal year 2018, $2.8 million

was received for storage credits. Total operating expenses were $152.2 million, an increase of $8.7 million from the fiscal year 2017 amount of $143.5 million. Personnel costs increased due to a 2.5% salary adjustment. A change to the method of extracting water from pumping centrally to a location farther away using natural gas engines increased costs and the cost for repaving streets due to main breaks rose from the prior year.

Environmental Services total operating revenues slightly increased by $0.5 million from the fiscal year 2017 amount of $51.3 million to the fiscal year 2018 amount of $51.8 million and continue to support operating expenses of $42.6 million.

Public Housing Asset Management Properties total operating revenues slightly increased by $0.9 million from the fiscal year 2017 amount of $9.5 million to the fiscal year 2018 amount of $10.4 million. Total operating expenses slightly decreased by $0.3 million from the fiscal year 2017 amount of $9.6 million to the fiscal year amount of $9.3 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

At the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $231.9 million, an increase of $31.5 million in comparison to the balance at June 30, 2017 of $200.4 million. Of this amount, $38.0 million constitutes unassigned fund balance with $34.9 million assigned for a specific purpose. The remainder of fund balance is either nonspendable, restricted, or committed to indicate that it is not available for new spending.

Revenues for governmental functions totaled $854.6 million in fiscal year 2018, an increase of approximately 13.2% ($99.9 million) from the previous year total of $754.7 million. The increase is due to consumer confidence as seen in business privilege tax growth in the categories of retail, restaurants, and construction. In addition, two voter-approved propositions increasing the City business privilege tax rate and restricting these additional funds for the purposes of zoo operations and capital and for public safety capital equipment and improvements were implemented during the fiscal year; and the elimination of the General Services and Fleet Services internal service funds transferring a portion of those revenues to the General Fund.

Expenditures for governmental functions totaled $829.0 million, an increase of 8.8% ($67.4 million) from the fiscal year 2017 total of $761.6 million. The increase is mainly due to the elimination of the General Services and Fleet Services internal service funds and recording those expenditures in the General Fund. For the

current fiscal year, expenditures exceeded revenues for governmental functions by $25.6 million mainly due to the unplanned increase in City taxes.

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

General Fund
The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unassigned fund balance of the General Fund was $38.0 million, while the total fund balance was $111.1 million; the unassigned and total fund balance at the end of fiscal year 2017 were $18.0 million and $106.7 million, respectively. The assigned fund balance decreased $12.5 million to $30.7 million from the fiscal year 2017 amount of $43.2 million. In fiscal year 2017, $18.8 million was assigned for public safety pension refunds to remit during fiscal year 2018.

In total, General Fund revenues increased $38.5 million to $539.3 million, or 7.7% from the fiscal year 2017 amount of $500.8 million. Tax revenues, representing 52.9% of total revenues, increased by $21.9 million to $285.4 million from the fiscal year 2017 amount of $263.5 million. The City's business privilege tax (sales tax) increased $4.5 million and use tax increased $3.3 million due to consumer confidence as seen by the growth in the categories of retail, restaurants, and construction. Other agency revenue, which include state shared and other intergovernmental agreement revenues represents 27.8% of the General Fund revenues. This revenue category increased by $6.4 million to $150.2 million from the fiscal year 2017 amount of $143.8 million mainly in higher state income and sales taxes. Charges for services increased from $41.9 million in fiscal year 2017 to $58.4 million primarily due to the elimination of the internal service funds with the charges for fuel and vehicle maintenance to enterprise and special revenues funds transferring to the General Fund. In fiscal year 2017 total miscellaneous revenues were $10.4 million which included one-time settlement proceeds of $8 million. For fiscal year 2018, miscellaneous revenues are $4.7 million; a change of $5.7 million.

General Fund expenditures increased 13.9% ($59.5 million) to $487.3 million from the fiscal year 2017 amount of $427.8 million. Attributing to the increase in expenditures is the elimination of the internal service funds which transferred the costs to the General Fund. The expenditures also includes wage adjustments of 2.5% to employees with two years or more service with the City and a police officer retention plan which also increased personnel costs along with the public safety pension refunds to eligible employees due to a lawsuit settlement with the Public Service Personnel Retirement System (PSPRS).

Mass Transit Fund
The Mass Transit Fund is where the financial transactions of the public transportation system (buses and vans) for the City are recorded. At the end of the fiscal year, the total fund balance was $5.8 million, reporting no change from fiscal year 2017 balance of $5.8 million. The non-spendable fund balance decreased from the fiscal year 2017 amount of $4.9 million to $2.9 million because the City received and used stock related to a contract settlement. This decrease is offset by an increase of $1.9 million to assigned fund balance from $0.3 million in fiscal year 2017 to $2.2 million in fiscal year 2018. Planned capital projects were delayed until fiscal year 2019.

Total revenues were relatively flat from the fiscal year 2017 amount of $36.3 million to the fiscal year 2018 amount of $36.5 million. Total expenditures increased $2.7 million in fiscal year 2018 to $79.3 million from the fiscal year 2017 amount of $76.6 million. The increase is mainly in operations due to wage adjustments.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City adopts an annual budget for its General Fund. A budgetary comparison statement is provided showing the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year.

General Fund revenues were $18.7 million greater than projected. The most significant differences between final estimated revenues and actual revenues were in the category of taxes. The growth was much greater than projected because of the strong economy and the economic development occurring in the downtown area. A portion of this increase is considered one-time revenue related to construction activity.

Total expenditures were $487.3 million, slightly more than the revised fiscal year 2018 budget of $487.1 million, but $4.2 million less than the original budget of $491.5 million. The changes from the original budget are due to vacancy savings due to turnover and costs for animal care services being less than anticipated.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's total capital assets net of depreciation for its governmental and business-type activities as of June 30, 2018 totaled $3.5 billion. This investment in capital assets includes land, buildings and improvements, equipment (i.e. vehicles, machinery and fixtures), infrastructure and water distribution and collection systems, construction in progress, and water rights.

Figure 5 provides details of the City's capital assets as of June 30, 2018 and 2017:

Capital Assets (Net of Depreciation) — **Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 799,005,445	$ 775,648,819	$ 71,579,723	$ 71,579,723	$ 870,585,168	$ 847,228,542
Buildings and Improvements	523,053,603	539,843,636	109,160,025	115,588,998	632,213,628	655,432,634
Equipment	101,768,106	108,874,806	28,815,970	29,034,537	130,584,076	137,909,343
Infrastructure/Distribution and Collections Systems	431,677,285	393,611,650	1,023,555,400	1,018,845,822	1,455,232,685	1,412,457,472
Construction in Progress	203,058,515	246,135,774	156,175,677	131,071,064	359,234,192	377,206,838
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	$ 2,058,562,954	$ 2,064,114,685	$ 1,441,413,763	$ 1,418,247,112	$ 3,499,976,717	$ 3,482,361,797

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

Governmental activities assets represent 58.8% of the City's total capital assets and had a net decrease of $5.5 million from fiscal year 2017.

- Land represents 38.8% of capital assets and had a net increase of $23.4 million from fiscal year 2017. This increase is due to acquisition of easements for $23.4 million in preparation of major road corridor projects.

- Buildings and Improvements represent 25.4% of capital assets and had a net decrease of $16.8 million from fiscal year 2017. The decrease represents normal depreciation of $26.9 million netted against a few small additions and sales.

- Construction in Progress represents 9.9% of capital assets, which decreased by $(43.1) million. This decrease is due to the capitalization of assets in the amount of $82.6 offset by new capital project costs of $39.5 million. The capitalization of assets resulted in a restatement of the fiscal year 2017 Buildings, Equipment, Construction in Progress and Governmental Activities net position. See note 21 for further information.

Business-type activities assets represent 41.2% of the City's capital assets. Business-type activities had a net increase of $23.2 million in capital assets during the fiscal year.

- Infrastructure represents 71.0% of capital assets. The Distribution and Collection System, which is included in these assets and recorded primarily in the Water Utility Fund, increased by $4.7 million.

- Buildings and Improvements represent 7.6% of capital assets, which decreased by a net of $(6.4) million.

Long-term Debt and Liabilities. Figure 6 illustrates the City's debt as of June 30, 2018 and 2017. Additional information regarding long-term debt can be found in Note 7.

Long-term Debt — **Figure 6**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Debt	$ 174,640,000	$ 200,270,000	$	$	$ 174,640,000	$ 200,270,000
Street & Highway Revenue Bonds	42,035,000	56,180,000			42,035,000	56,180,000
Certificates of Participation	180,706,467	198,693,881	9,803,533	10,041,119	190,510,000	208,735,000
Special Assessment Bonds	36,000	293,000			36,000	293,000
Clean Renewable Energy Bonds	8,577,200	9,926,500			8,577,200	9,926,500
Water Revenue Bonds			470,175,141	479,766,831	470,175,141	479,766,831
Unamortized Amount on Premiums and Discounts	20,328,844	26,323,671	52,378,619	57,177,584	72,707,463	83,501,255
Landfill Closure/Post Closure			43,408,425	43,546,832	43,408,425	43,546,832
Remediation	2,089,660	600,447	15,087,698	15,795,498	17,177,358	16,395,945
Capital Leases Payable	15,268,587	18,789,417	103,865	189,437	15,372,452	18,978,854
Other Long-term Debt	14,095,000	6,100,000	1,412,344	1,554,656	15,507,344	7,654,656
Other Post-employment Benefits	211,517,289	10,206,132	35,850,920	2,301,382	247,368,209	12,507,514
Pension	1,126,189,565	1,086,685,790	67,906,580	71,921,504	1,194,096,145	1,158,607,294
Compensated Absences	37,731,721	33,898,740	5,388,217	4,675,207	43,119,938	38,573,947
Claims and Judgments	39,354,500	35,358,500			39,354,500	35,358,500
Total	$1,872,569,833	$1,683,326,078	$701,515,342	$686,970,050	$2,574,085,175	$2,370,296,128

Outstanding debt for the City totaled $2.6 billion with 72.7% attributed to governmental activities and the remaining 27.3% attributed to business-type activities. One of the most significant changes effected both the governmental and business-type activities is the reporting of Post-employment Benefits Other Than Pensions in accordance with Governmental Standards Board Statement No. 75. The increase is offset by scheduled principal payments on its debt.

The other significant change is the issuance of Water System Revenue Obligation Bonds, Series 2018, with a par amount of $23.9 million for acquisition and construction of water system improvements and to pay costs related to the issuance of the bonds.

Bond Ratings

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

Bond Ratings — **Figure 7**

	Moody		Standard and Poor's		Fitch	
Type of Bond:	2018	2017	2018	2017	2018	2017
General Obligation Bonds	Aa3	Aa3	AA-	AA-	AA+	AA-
Street & Highway User Revenue Bonds						
Senior Lien	A1	A1	AA+	AA+	AA	AA
Junior Lien (2)		A2		AA		AA-
Water System Revenue Bonds						
Senior Lien	Aa2	Aa2	AA	AA	AA	AA
Certificates of Participation	A1	A1	A+(1)	A+	A+	A+

(1) S&P Insured Rating: AA

(2) Junior Lien bonds have been paid off as of 6/30/2018

REQUESTS FOR INFORMATION

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

Basic Financial Statements

CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION
JUNE 30. 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and Cash Equivalents	$ 170,869,604	$ 144,008,378	$ 314,877,982
Cash & Investments - Restricted		32,619,827	32,619,827
Cash & Investments with Fiscal Agent - Restricted	50,184,496	38,893,348	89,077,844
Taxes Receivable, Net	34,687,772		34,687,772
Accounts Receivable, Net	30,020,234	35,388,903	65,409,137
Special Assessments Receivable	11,691		11,691
Internal Balances	(2,212,632)	2,212,632	
Due from Other Agencies	60,962,765	298,260	61,261,025
Interest Receivable	477,893	424,527	902,420
Inventories	4,889,752	5,962,043	10,851,795
Other Assets	6,079,348	198,396	6,277,744
Total current assets	355,970,923	260,006,314	615,977,237
Noncurrent assets:			
Long Term Accounts Receivable	25,391,982	108,761	25,500,743
Long Term Notes Receivable	39,772,165	85,989,323	125,761,488
Long Term Investments	12,664,661		12,664,661
Restricted Receivable		307,437	307,437
Other Assets - Restricted	95,480		95,480
Land & Construction in Progress	1,002,132,771	227,755,397	1,229,888,168
Other Capital Assets, Net	1,056,334,703	1,161,531,398	2,217,866,101
Water Rights		52,126,968	52,126,968
Total noncurrent assets	2,136,391,762	1,527,819,284	3,664,211,046
Total assets	2,492,362,685	1,787,825,598	4,280,188,283
DEFERRED OUTFLOWS			
Loss on Refunding of Debt	9,685,439	16,692,147	26,377,586
Deferred Maintenance Rights	134,146		134,146
Pension & Other Post-employment Benefits Plans	232,198,119	9,836,345	242,034,464
Total deferred outflows	242,017,704	26,528,492	268,546,196
LIABILITIES			
Current liabilities:			
Accounts Payable	23,002,831	7,109,747	30,112,578
Accrued Payroll Liabilities	6,269,105	1,245,579	7,514,684
Accrued Interest Payable	6,536	5,049	11,585
Due to Other Agencies	10,188,007	2,625,352	12,813,359
Refundable Deposits	4,381,856	2,037,037	6,418,893
Customer Advances		100,398	100,398
Liabilities Payable from Restricted Assets	45,783,248	42,657,418	88,440,666
Current Portion of Long Term Liabilities	86,175,765	39,670,524	125,846,289
Total current liabilities	175,807,348	95,451,104	271,258,452
Noncurrent liabilities:			
Long Term Liabilities	1,786,394,068	661,844,820	2,448,238,888
Total non-current liabilities	1,786,394,068	661,844,820	2,448,238,888
Total liabilities	1,962,201,416	757,295,924	2,719,497,340
DEFERRED INFLOWS			
Advance Federal Project Grants	34,565		34,565
Deferred Revenue	8,713,860	85,760,054	94,473,914
Pension & Other Post-employment Benefits Plans	78,345,053	16,226,397	94,571,450
Total deferred inflows	87,093,478	101,986,451	189,079,929
NET POSITION			
Net Investment in Capital Assets	1,626,663,395	928,965,511	2,555,628,906
Restricted for:			
Debt Service	5,181,084	38,893,348	44,074,432
Capital Projects	44,446,389	2,741,497	47,187,886
Self-Insurance Mandates	22,114,438		22,114,438
Transportation	17,308,984		17,308,984
Grants and Entitlements	34,888,459	6,178,632	41,067,091
Other Purposes	49,058,141		49,058,141
Unrestricted	(1,114,575,394)	(21,707,273)	(1,136,282,667)
Total net position	$ 685,085,496	$ 955,071,715	$ 1,640,157,211

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, 2018

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	$ 16,070,630	$ 326,199	$ 373,315	$ 9,396
Support Services	82,468,649	19,129,630	973,838	
Public Safety and Justice Services	343,844,545	27,820,632	14,456,454	1,145,791
Community Enrichment and Development	301,619,258	51,025,649	111,440,452	61,544,694
General Government	32,782,433	35,774,597	993,086	
Interest	21,155,574			
Fiscal Agent Fees and Other	27,100			
Total governmental activities	797,968,189	134,076,707	128,237,145	62,699,881
Business-type activities:				
Public Housing	9,342,251	4,026,225	6,402,625	
Non-PHA Asset Management	2,620,748	1,841,195	227,303	
Environmental Services	43,164,262	51,751,334		166,397
Tucson Golf Enterprise Fund	7,927,430	7,408,870		
Water Utility	170,958,445	228,822,111		8,205,443
Total business-type activities	234,013,136	293,849,735	6,629,928	8,371,840
Total primary government	$ 1,031,981,325	$ 427,926,442	$ 134,867,073	$ 71,071,721

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, restated*

Net position, end of year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
$ (15,361,720)	$	$ (15,361,720)
(62,365,181)		(62,365,181)
(300,421,668)		(300,421,668)
(77,608,463)		(77,608,463)
3,985,250		3,985,250
(21,155,574)		(21,155,574)
(27,100)		(27,100)
(472,954,456)		(472,954,456)
	1,086,599	1,086,599
	(552,250)	(552,250)
	8,753,469	8,753,469
	(518,560)	(518,560)
	66,069,109	66,069,109
	74,838,367	74,838,367
(472,954,456)	74,838,367	(398,116,089)
46,886,789		46,886,789
280,883,697		280,883,697
26,220,025		26,220,025
19,961,452		19,961,452
142,795,992		142,795,992
2,486,914	2,402,465	4,889,379
7,286,229	631,258	7,917,487
1,891,737	(1,891,737)	
528,412,835	1,141,986	529,554,821
55,458,379	75,980,353	131,438,732
629,627,117	879,091,362	1,508,718,479
$ 685,085,496	$ 955,071,715	$ 1,640,157,211

(*Beginning balance restated as described in Note 21.)

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

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Assets:				
Cash and Cash Equivalents	$ 17,667,823	$ 793,900	$ 98,800,919	$ 117,262,642
Cash & Investments with Fiscal Agents	1,057,957	122,965	46,032,287	47,213,209
Cash & Investments with Fiscal Agents - Restricted			2,971,287	2,971,287
Taxes Receivable, Net	27,856,808		6,830,964	34,687,772
Accounts Receivable, Net	33,216,616	669,160	783,313	34,669,089
Special Assessments Receivable			11,691	11,691
Notes & Loans Receivable	1,433,186		36,926,634	38,359,820
Interfund Receivable	37,676,211		7,613	37,683,824
Due from Other Agencies	22,226,798	5,028,009	33,471,330	60,726,137
Grants & Entitlements Receivable		7,824,339	12,918,788	20,743,127
Interest Receivable	130,728		266,325	397,053
Inventories	1,179,417	2,906,315	804,020	4,889,752
Interfund Loans Receivable	1,412,345			1,412,345
Long Term Investments	12,664,661			12,664,661
Other Assets	173,242	16,026	5,479,834	5,669,102
Total assets	156,695,792	17,360,714	245,305,005	419,361,511
Deferred outflows:				
Deferred Settlement Proceeds			134,146	134,146
Total deferred outflows			134,146	134,146
Total assets and deferred outflows	$ 156,695,792	$ 17,360,714	$ 245,439,151	$ 419,495,657
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 9,035,855	$ 2,813,962	$ 10,853,244	$ 22,703,061
Accrued Payroll Liabilities	5,696,266	68,884	469,542	6,234,692
Interfund Payable		7,765,648	29,681,549	37,447,197
Due to Other Agencies	1,000,468	565,075	8,622,464	10,188,007
Refundable Deposits	3,417,481	165	964,210	4,381,856
Bonds & Interest Payable, including Special Assessments			45,024,988	45,024,988
Advances from Grantors			758,260	758,260
Total liabilities	19,150,070	11,213,734	96,374,257	126,738,061
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	26,410,684	313,193	34,052,064	60,775,941
Total deferred inflows	26,410,684	313,193	34,086,629	60,810,506
Fund balances:				
Nonspendable	5,149,702	2,922,341	755,895	8,827,938
Restricted	3,720,621	565,075	112,252,693	116,538,389
Committed	33,551,248	122,965	28,895	33,703,108
Assigned	30,743,763	2,223,406	1,940,782	34,907,951
Unassigned	37,969,704			37,969,704
Total fund balances	111,135,038	5,833,787	114,978,265	231,947,090
Total liabilities, deferred inflows and fund balances	$ 156,695,792	$ 17,360,714	$ 245,439,151	$ 419,495,657

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, 2018

Total Governmental Fund Balances (pg.18)		$ 231,947,090
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Capital Assets Net of Accumulated Depreciation		2,058,444,332
Deferred Inflows not recognized in the current period and, therefore, are not reported in the governmental funds		
Loss on Refunding of Debt		9,685,439
Liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities consist of:		
Bonds and Notes Payable	(245,617,045)	
Capital Leases	(195,975,053)	
Compensated Absences	(37,731,723)	
OPEB Liabilities	(211,517,289)	
Other Long-term Debt	(14,094,999)	
Total Long-term Liabilities		(704,936,109)
Interest payable on long-term debt is not reported in governmental funds.		(6,536)
Unavailable revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.		52,062,081
The internal service fund is used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Position.		10,225,698
Pension related items are not reported in the governmental fund financial statements since they are not related to current financial resources. The pension related items included in governmental activities (excluding internal service funds) consist of:		
Net Pension Liability	(1,126,189,565)	
Deferred Inflow of Resources	(78,345,053)	
Deferred Outflow of Resources	232,198,119	
		(972,336,499)
Net Position of Governmental Activities		$ 685,085,496

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, 2018

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 285,447,575	$	$ 88,019,919	$ 373,467,494
Licenses and Permits	30,519,870		1,842,753	32,362,623
Fines and Forfeitures	8,720,894		935,013	9,655,907
Developer Fees			9,291,985	9,291,985
Use of Money and Property	1,156,875	781,469	1,822,749	3,761,093
Federal Grants and Contributions	120,673	9,140,198	69,148,316	78,409,187
Other Agencies	150,208,063	13,413,490	79,644,017	243,265,570
Charges for Services	58,422,071	12,764,544	13,409,767	84,596,382
Special Assessments			68,779	68,779
Contributions from Outside Sources			11,223,594	11,223,594
Miscellaneous	4,740,301	358,442	3,377,322	8,476,065
Total revenues	539,336,322	36,458,143	278,784,214	854,578,679
Expenditures:				
Current -				
Elected and Official	16,684,106		379,554	17,063,660
Support Services	78,960,906			78,960,906
Public Safety and Justice Services	290,966,053		14,305,028	305,271,081
Community Enrichment and Development	34,758,672	77,097,960	127,652,885	239,509,517
General Government	31,057,431		1,681,893	32,739,324
Capital Outlay	5,955,426	1,270,642	9,280,010	16,506,078
Capital Projects	2,217,385	921,878	51,700,424	54,839,687
Debt service -				
Principal	18,032,086		44,857,458	62,889,544
Interest	8,649,831		12,522,896	21,172,727
Fiscal Agent Fees	17,500		9,600	27,100
Total expenditures	487,299,396	79,290,480	262,389,748	828,979,624
Excess (deficiency) of revenues over expenditures	52,036,926	(42,832,337)	16,394,466	25,599,055
Other financing sources (uses):				
Transfers In	2,801,348	42,884,254	17,579,660	63,265,262
Transfers Out	(50,439,068)		(10,925,694)	(61,364,762)
Total other financing sources (uses)	(47,637,720)	42,884,254	6,653,966	1,900,500
Changes in fund balances	4,399,206	51,917	23,048,432	27,499,555
Fund balances, beginning of year, restated*	106,735,832	5,781,870	91,929,833	204,447,535
Fund balances, end of year	$ 111,135,038	$ 5,833,787	$ 114,978,265	$ 231,947,090

(*Beginning balance of General Fund restated as described in Note 21.)

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, 2018

Net Change in Fund Balances - Total Governmental Funds (pg. 20)		$ 27,499,555
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Expenditures	71,255,926	
Depreciation Expense	(83,378,135)	
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.		(12,122,209)
Proceeds on the sale of an asset	(1,414,264)	
Gain on the sale of an asset	785,352	
Loss on the sale of an asset	(34,558)	
		(663,470)
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.		(2,745,184)
Obligations to pay claims and judgments that are due and paid as of fiscal year end are reported as expenditures in the governmental funds, but are not recognized in the Statement of Activities.		15,350,192
Transfer of Assets to Enterprise Funds		(8,763)
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:		
Repayment of Debt Principal	62,889,544	
		62,889,544
Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Position.		
Extinguishment of Debt		(536,667)
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:		
Accrued Interest Expense	188,779	
Amortization of Premium/Discount on Debt	3,689,500	
		3,878,279
Expenses in the Statement of Activities that do not use current financial resources are not reported as expenditures in the funds.		
Change in Compensated Absences Liability		(3,832,983)
Change in OPEB Liability		(866,459)
Change in Pension Liability		(30,886,204)
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.		(2,497,252)
Change in Net Position of Governmental Activities		$ 55,458,379

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, 2018

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Fund Risk Management
ASSETS						
Current assets:						
Cash and Cash Equivalents	$ 40,589,456	$ 89,637,539	$ 11,900,534	$ 1,880,849	$ 144,008,378	$ 53,599,863
Cash & Investments - Restricted		32,619,827			32,619,827	
Cash & Investments with Fiscal Agent - Restricted		38,893,348			38,893,348	
Accounts Receivable, Net	3,229,288	31,810,031	51,115	298,469	35,388,903	
Due from Other Agencies	127,271		170,989		298,260	
Interest Receivable	108,455	280,501	30,229	5,342	424,527	80,840
Inventories		5,723,566		238,477	5,962,043	
Other Assets		114,736		83,660	198,396	410,246
Total current assets	44,054,470	199,079,548	12,152,867	2,506,797	257,793,682	54,090,949
Noncurrent assets:						
Long Term Accounts Receivable		108,761			108,761	
Long Term Notes Receivable			85,571,561	417,762	85,989,323	
Restricted Receivable		307,437			307,437	
Land & Construction in Progress	19,412,418	193,798,750	8,395,006	6,149,223	227,755,397	30,242
Other Capital Assets, Net	28,162,904	1,104,194,852	10,006,164	19,167,478	1,161,531,398	95,480
Water Rights		52,126,968			52,126,968	
Total noncurrent assets	47,575,322	1,350,536,768	103,972,731	25,734,463	1,527,819,284	125,722
Total assets	91,629,792	1,549,616,316	116,125,598	28,241,260	1,785,612,966	54,216,671
DEFERRED OUTFLOWS						
Loss on Refunding of Debt	1,057,313	15,634,834			16,692,147	
Pension & Other Post-employment Benefits Plans	2,492,154	6,750,421	521,876	71,894	9,836,345	
Total deferred outflows	3,549,467	22,385,255	521,876	71,894	26,528,492	
LIABILITIES						
Current liabilities:						
Accounts Payable	1,574,829	4,764,303	505,303	265,311	7,109,746	299,769
Accrued Payroll Liabilities	269,821	804,599	93,423	77,736	1,245,579	34,413
Accrued Interest Payable				5,049	5,049	
Due to Other Agencies		2,591,871	21	33,460	2,625,352	
Refundable Deposits	119,935	1,258,775	505,600	152,727	2,037,037	
Current Portion of Bonds Payable		35,753,943			35,753,943	
Current Portion of Contracts Payable	241,129			88,841	329,970	
Claims Payable						8,849,384
Remediation Obligations						223,740
Current Portion of Compensated Absences	615,456	2,009,472	152,676	14,507	2,792,111	
Liabilities Payable from Restricted Assets		42,657,418			42,657,418	
Customer Advances				100,397	100,397	
Current Portion of Long Term Liabilities	794,500				794,500	
Total current liabilities	3,615,670	89,840,381	1,257,023	738,028	95,451,102	9,407,306
Noncurrent liabilities:						
Bonds Payable		485,513,965			485,513,965	
Contracts Payable	10,848,257			15,024	10,863,281	
Interfund Loans Payable				1,412,345	1,412,345	
Claims Payable						30,505,116
Remediation Obligations						1,865,920
Compensated Absences	616,469	1,858,902	103,828	16,908	2,596,107	
Pension Liability	16,263,090	45,796,220	5,139,266	708,004	67,906,580	
Other Post-employment Benefits	10,250,562	25,600,359			35,850,921	
Long Term Liabilities	57,701,621				57,701,621	
Total non-current liabilities	95,679,999	558,769,446	5,243,094	2,152,281	661,844,820	32,371,036
Total liabilities	99,295,669	648,609,827	6,500,117	2,890,309	757,295,922	41,778,342

CITY OF TUCSON, ARIZONA
STATEMENT OF NET POSITION (continued)
PROPRIETARY FUNDS
June 30, 2018

DEFERRED INFLOWS						
Deferred Revenue		99,937	85,612,336	47,781	85,760,054	
Pension & Other Post-employment Benefits Plans	4,015,277	11,054,072	1,016,953	140,095	16,226,397	
Total deferred inflows	4,015,277	11,154,009	86,629,289	187,876	101,986,451	
NET POSITION						
Net Investment in Capital Assets	36,485,937	848,865,569	18,401,170	25,212,835	928,965,511	125,721
Restricted for Debt Service		38,893,348			38,893,348	
Restricted for Capital		2,741,497			2,741,497	
Restricted for Self Insurance Mandates						22,114,438
Restricted for Grants and Entitlements			5,116,898	1,061,734	6,178,632	
Unrestricted	(44,617,624)	21,737,320		(1,039,601)	(23,919,905)	(9,801,830)
Total net position	$ (8,131,687)	$ 912,237,734	$ 23,518,068	$ 25,234,968	$ 952,859,083	$ 12,438,329
Reconciliation to Government-Wide Statement of Net Position						
Adjustment to consolidate internal service activities	679,472	1,533,160			2,212,632	
Total Net Position - Business Type	$ (7,452,215)	$ 913,770,894	$ 23,518,068	$ 25,234,968	$ 955,071,715	

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, 2018

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Fund Risk Management
Operating revenues:						
Charges for Services	$ 50,696,690	$ 220,339,117	$ 4,007,780	$ 9,227,601	$ 284,271,188	$ 14,271,942
Federal Grants and Contributions			6,402,625	227,303	6,629,928	
Miscellaneous	1,054,644	8,482,994	18,445	22,464	9,578,547	20,753
Total operating revenues	51,751,334	228,822,111	10,428,850	9,477,368	300,479,663	14,292,695
Operating expenses:						
Salaries, Wages and Benefits	14,601,297	30,095,098	3,953,030	659,295	49,308,720	1,400,304
Contractual Services	18,329,397	77,486,380	3,760,570	6,842,620	106,418,967	6,369,534
Commodities	3,280,147	7,663,173	845,506	1,383,210	13,172,036	65,098
Cost of Goods Sold				573,653	573,653	
Benefits and Claims						10,402,368
Depreciation	6,344,729	36,980,284	720,895	1,068,952	45,114,860	11,941
Total operating expenses	42,555,570	152,224,935	9,280,001	10,527,730	214,588,236	18,249,245
Operating income (loss)	9,195,764	76,597,176	1,148,849	(1,050,362)	85,891,427	(3,956,550)
Nonoperating revenues (expenses):						
Property Taxes						288,649
Investment Income	455,778	1,726,134	126,171	94,382	2,402,465	578,266
Gain (loss) on Sale of Property/Equipment	171,711	456,971	2,576		631,258	
Federal Grants and Contributions	166,397				166,397	
Non-Grant Contributions		784,666			784,666	
Interest Expense	(421,547)	(16,734,150)	(62,250)	(20,448)	(17,238,395)	(171,627)
Debt Issuance Costs		(988,239)			(988,239)	
Other Non-operating Income (Expense)		(434,256)			(434,256)	
Total nonoperating revenues (expenses)	372,339	(15,188,874)	66,497	73,934	(14,676,104)	695,288
Income (loss) before capital contributions and transfers	9,568,103	61,408,302	1,215,346	(976,428)	71,215,323	(3,261,262)
Capital Contributions		7,429,540			7,429,540	
Transfers Out		(1,900,500)			(1,900,500)	
Changes in net position	9,568,103	66,937,342	1,215,346	(976,428)	76,744,363	(3,261,262)
Total net position, beginning of year, restated*	(17,699,790)	845,300,392	22,302,722	26,211,396	876,114,720	15,699,591
Total net position, end of year	$ (8,131,687)	$ 912,237,734	$ 23,518,068	$ 25,234,968	$ 952,859,083	$ 12,438,329
Reconciliation to government-wide Statement of Activities						
Changes in net position	9,568,103	66,937,342	1,215,346	(976,428)	76,744,363	
Adjustment to consolidate internal service activities	(187,145)	(576,865)			(764,010)	
Changes in net position - Business-type activities	$ 9,380,958	$ 66,360,477	$ 1,215,346	$ (976,428)	$ 75,980,353	

(*Beginning balance restated for Environmental Services and Water as described in Note 21.)

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, 2018

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Fund Risk Management
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 50,956,264	$226,501,982	$ 4,008,304	$ 9,204,889	$290,671,439	$ 14,361,929
Cash Payments to Suppliers for Goods and Services	(21,657,220)	(82,852,614)	(4,522,157)	(8,776,628)	(117,808,619)	(4,760,688)
Cash Payments to Employees for Services	(14,903,694)	(38,879,533)	(4,640,398)	(714,126)	(59,137,751)	(1,390,235)
Subsidy from Federal Grant			6,309,692	227,303	6,536,995	
Other Operating Revenues	961,199				961,199	
Cash from Settlements						(6,406,368)
Net Cash Provided (Used) by Operating Activities	15,356,549	104,769,835	1,155,441	(58,562)	121,223,263	1,804,638
Cash Flows from Noncapital Financing Activities						
Property Taxes						253,906
Interfund Transfers		(1,900,000)		(142,311)	(2,042,311)	
Other Agencies		44,000				
Subsidy from Federal Grant	42,198	740,166			782,364	
Interest Paid on Advances				(15,594)	(15,594)	
Net Cash Provided (Used) by Noncapital Financing Activities	42,198	(1,115,834)		(157,905)	(1,275,541)	253,906
Cash Flows from Capital and Related Financing Activities						
Capital Leasing Activities				(85,572)	(85,572)	
Bond Issuance		23,935,000			23,935,000	
Premium on Bonds		1,409,864			1,409,864	
Acquisition and Construction of Capital Assets	(10,369,759)	(39,714,958)	(2,576)	(32,000)	(50,119,293)	(29,567)
Principal Paid on Capital Debt	(237,586)	(33,526,690)			(33,764,276)	
Interest Paid on Capital Debt	(442,519)	(23,783,976)	(62,250)	(3,770)	(24,292,515)	
Fiscal Agent Fees Paid on Capital Debt		(988,239)			(988,239)	
Capital Contributions-System Equity fee		2,840,508			2,840,508	
Proceeds from Sale of Assets/Equipment	479,835	453,494	5,152		938,481	
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,570,029)	(69,374,997)	(59,674)	(121,342)	(80,126,042)	(29,567)
Cash Flows from Investing Activities:						
Interest on Investments	404,773	1,557,152	113,364	92,710	2,167,999	487,039
Proceeds from Sale of Investments						21,836,689
Net Cash Provided (Used) by Investing Activities	404,773	1,557,152	113,364	92,710	2,167,999	22,323,728
Net Increase (Decrease) in Cash and Cash Equivalents	5,233,491	35,836,156	1,209,131	(245,099)	42,033,679	24,352,705
Cash and Cash Equivalents - July 1	35,355,965	125,314,558	10,691,403	2,125,948	173,487,874	29,247,158
Cash and Cash Equivalents - June 30	$ 40,589,456	$161,150,714	$ 11,900,534	$ 1,880,849	$215,521,553	$ 53,599,863

CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities					Governmental Activities
	Environmental Services	Water Utility	Public Housing	Non-Major Enterprise Funds	Total	Internal Service Fund Risk Management
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	$ 9,195,764	$ 76,597,176	$ 1,148,849	$ (1,050,362)	$ 85,891,427	$ (3,956,550)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:						
Depreciation and Amortization	6,344,729	36,980,284	720,895	1,068,952	45,114,860	11,941
Provision for Landfill Closure	(608,621)				(608,621)	
Other Adjustments:						
Decrease (Increase) in Assets / Deferred Outflows:						
Accounts Receivable	246,316	(5,653,303)	(19,220)	(78,637)	(5,504,844)	69,235
Pension Plans & Other Post Employment Benefits	156,078	498,854	164,294	18,462	837,688	
Capitalized Labor Costs		(5,533,660)			(5,533,660)	
Inventory and Prepaids		2,088,077		(26,975)	2,061,102	(27,848)
Due from Other Agencies	(124,199)		(92,933)		(217,132)	
Other Assets	366,448	2,383,959			2,750,407	
Increase (Decrease) in Liabilities / Deferred Inflows:						
Accounts Payable	798,742	(55,011)	82,603	46,114	872,448	212,747
Accrued Payroll Liabilities	(24,087)	92,026	5,823	4,536	78,298	10,069
Accrued Compensated Absences	245,113	420,793	43,671	3,434	713,011	
Pension Plans & Other Post Employment Benefits	84,576	20,762	(296,797)	(32,904)	(224,363)	
Pension Liability	(921,636)	(2,440,569)	(604,359)	(48,359)	(4,014,923)	
Accrued Other Post-Employment Benefits	(415,123)	(1,037,323)			(1,452,446)	
Deferred Revenue			(26,479)	13,572	(12,907)	
Customer/Refundable Deposits	12,661	143,896	29,098	19,378	205,033	
Claims and Judgments Payable						3,996,000
Remediation Obligation						1,489,213
Due to Other Agencies	(212)	263,874	(4)	1,295	264,953	(169)
Other Operating Liabilities				2,932	2,932	
Net Cash Provided (Used) by Operating Activities	$ 15,356,549	$ 104,769,835	$ 1,155,441	$ (58,562)	$ 121,223,263	$ 1,804,638
Noncash Investing, Capital, and Financing Activities:						
Contributions of capital assets	$	$ 4,357,023	$	$	$ 4,357,023	$
Total Noncash Investing, Capital, and Financing Activities:	$	$ 4,357,023	$	$	$ 4,357,023	$

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, 2018

	Pension Trust	Agency
ASSETS		
Cash and Cash Equivalents	$	$ 538,263
Accounts Receivable, Net		13,934,524
Employer Contributions Receivable		
Employee Contributions Receivable		
Interest & Dividends Receivable	2,025,147	
Due from Brokers	1,327,828	
Short Term Investments	21,825,206	
Securities Lending Cash Collateral	35,243,677	
U.S. Treasuries, Agencies & Other Governmental Bonds	104,795,239	
Bonds and Preferred Stock	49,818,739	
U.S. Equity	280,855,925	
International Bonds & Other Fixed Income Instrument	38,165,576	
International Equity & Comingled Equity Funds	214,019,103	
Real Estate & Comingled Real Estate Funds	77,026,533	
Infrastructure Investment Funds	35,376,363	
Total assets	860,479,336	14,472,787
LIABILITIES		
Accounts Payable	211,362	3,175,074
Accrued Payroll Liabilities	6,731	
Due to Other Agencies		11,297,713
Due to Other Funds	236,627	
Due to Securities Borrowers	35,243,677	
Due to Brokers	1,147,421	
Refundable Deposits		
Total liabilities	36,845,818	14,472,787
NET POSITION		
Restricted for Pensions	$ 823,633,518	$

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, 2018

	Pension Trust
Additions:	
Employer Contributions	$ 31,795,197
Employee Contributions	8,561,747
Net Increase (Decrease) in Fair Value of investment	65,251,196
Interest, Dividends and Other Income	12,847,813
Securities Lending Income	136,768
Less: Investment Activity Expense	(8,596,792)
Less: Securities Lending Expense	(54,675)
Miscellaneous Additions	113,278
Total additions	110,054,532
Deductions:	
Payments to Participants	72,445,792
Refunds and Transfers to Other Plans	3,172,406
Administrative Expense	745,753
Miscellaneous Deductions	
Total deductions	76,363,951
Changes in net position	33,690,581
Net position, beginning of year	789,942,937
Net position, end of year	$ 823,633,518

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

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.

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, as amended by GASB Statement No. 85, Omnibus 2017. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other post-employment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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*

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

Net Position, and this represents resources that generally can be used for any purpose. However, they are not necessarily in a spendable form, such as cash.

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

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

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 2018 of $42,884,254.

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.

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

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 of the activity; 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges; or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

Major Funds:

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

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

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

Non-major Funds:

The Tucson Golf Enterprise Fund accounts for the financing and operation of the City's golf courses, driving ranges, pro shops and clubhouses. Since the Golf Fund is a segment accounted for within an individual fund, no further segment information is presented in these notes.

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

3. Internal Service Fund

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

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

4. Fiduciary Funds

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

D. Basis of Accounting

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

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).

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

E. Reserve for Loss and Loss Adjustment Expenses

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

F. Budgetary Information

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

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

1. The City Charter requires the City Manager to prepare a written estimate of the funds required to conduct the business and affairs of the City. The estimate, which is the recommended budget, is due on or before the first Monday in May of each year or on such date fixed by the Mayor and Council. The recommended budget may be increased or decreased until tentatively adopted by Mayor and Council.

2. Public hearings are conducted on the recommended budget.

3. State statutes require the City to prepare a full and complete statement of the estimated expenditures and revenues for the fiscal year. Mayor and Council tentatively adopt the budget for the following fiscal year. After the adoption of the tentative budget, total appropriations cannot be increased.

4. A public hearing is held on the budget as tentatively adopted and on the proposed property tax levy.

5. Prior to July 1, Mayor and Council legally enact the budget through passage of a resolution. Legal control over the budget derives from State statutes that prohibit the City from exceeding its adopted budget by purpose. Purpose is defined as a series of departments/offices as follows: Elected Officials, Public Safety and Justice Services, Community Enrichment and Development, Support Services, Public Utilities and General Government. Transfers between purposes, such as General Government and Support Services, can be made upon Mayor and Council approval.

6. All appropriations lapse at year-end.

7. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2018.

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

G. Cash and Cash Equivalents

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

H. Method used to Value Investments

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

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

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

I. Accounts/Notes Receivable

The Water Utility Funds' assets and revenues include $14,233,674 for water sales delivered, but unbilled at June 30, 2018.

General Fund accounts receivables of $33,216,616 are net of allowance for doubtful accounts of $37,867. The Water Utility and Environmental Services accounts receivable of $31,810,031 and $3,229,288, respectively, are net of allowance for doubtful accounts of $808,755 and $271,775, respectively.

The Housing and Community Development Department provides many loans to homeowners through Housing and Urban Development financing. The loans are placed on each homeowner's title as a lien against the property naming the City as the lien holder. Dependent upon the homeowner's qualification, an affordability period (from 5 to 20 years) is determined. Each lien is forgiven evenly over the determined affordability period. The City only receives a payoff if a property is sold prior to the end of the affordability period (some sales do not result in payment to the City). Less than 10% of these liens have resulted in payoffs to the City in the past 5 years. As of June 30, 2018, these loans, called forgivable loans, totaled $5,574,071. 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/Prepaids

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

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

cost method, which is not in excess of market. At the time inventories/prepaids are consumed, expenditures are recorded in the governmental funds and expenses are recorded in the enterprise funds. In the governmental funds, a nonspendable fund balance account is established for the inventory amount. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. A nonspendable fund balance account is established for prepaid items that are material.

K. Restricted Assets/Liabilities

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

L. Capital Assets

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

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

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

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

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

The 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 $383,269. Interest on general government capital projects is not capitalized.

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

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

M. Water Rights

The City does not place a limitation on the useful life of the water rights. 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, 2018.

N. Compensated Absences

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

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

O. Long-term Obligations

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

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

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

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

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

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

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 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, 2018, this fund is at approximately four percent (4.2%) of General Fund revenues, less than the ten percent (10%) target goal included in the City's comprehensive financial policies (Resolution No. 22319). These policies were first adopted in January 2011, by Mayor and Council, post the 2008-2009 Great Recession, with the goal to restore fund balance within five years of revenue stabilization. The Stabilization fund may only be used if specific action is taken by Mayor and Council after the Unassigned fund balance is depleted.

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

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

Mayor and Council established a Community Banking Program on May 29, 2013. The City participates in a Certificate of Deposit Account Registry Service (CDARS) program. This is a reciprocal program whereby funds are placed in CDs of various banks across the country up to amounts insured by the Federal Deposit Insurance Corporation. All funds deposited are reciprocally deposited back to the Bank to be used locally. CDARS is a viable source of deposit placement for public funds under ARS 35-323.01 and allowed in the City's investment policy. The City now holds $10.1 million of the Stabilization Fund in a two-year CDARS investment with Alliance Bank and Commerce Bank of Arizona.

A target of a minimum of seven percent (7%) of General Fund revenues will be "Unassigned/contingency", with the intention to provide additional stability to the General Fund recognizing the cyclical nature of

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

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, 2018, the fund balance details by classification are listed on the next page:

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	$ 1,179,417	$	$	$ 1,179,417
Long-Term Investment	2,557,940			2,557,940
Golf Long-Term Loan	1,412,345			1,412,345
Inventory - Bus and Streetcar Parts		2,906,315	755,895	3,662,210
Prepaid Expenditures		16,026		16,026
Total Nonspendable	5,149,702	2,922,341	755,895	8,827,938
Restricted:				
Crime Prevention, Investigation and Education	3,720,621			3,720,621
Debt Service			2,420,333	2,420,333
Streets, Sidewalks, Drainage and Signage			38,141,793	38,141,793
Streets Resurfacing			23,256,216	23,256,216
Building and Infrastructure Improvements			696,987	696,987
Parks and Recreation Improvements			8,311,169	8,311,169
Zoo Improvement & Operation			3,672,994	3,672,994
General Equipment and Improvements			2,194,418	2,194,418
Neighborhood/Housing Improvements			663,099	663,099
Low Income Housing Loans			3,763,173	3,763,173
Police and Fire Buildings and Improvements			5,897,766	5,897,766
Police and Fire Equipment and Improvements			19,976,981	19,976,981
Housing Choice Vouchers			2,924,088	2,924,088
Federal Transit Administration Programs		565,075		565,075
Affordable Housing Programs			333,676	333,676
Total Restricted	3,720,621	565,075	112,252,693	116,538,389
Committed:				
Litter Clean Up	445,450			445,450
City Court Case Processing	1,243,923			1,243,923
Business Development Loans	947,468			947,468
Land Annexation - Raytheon Buffer	4,035,138			4,035,138
Business Development Agreements	17,843			17,843
Housing Trust Fund	132,820			132,820
Zoo Expansion Projects	2,036,707			2,036,707
Parks and Recreation Projects	1,441,354			1,441,354
Campaign Finance	24,900			24,900
Stabilization Fund	22,836,507			22,836,507
National Service Warranty Program	389,138			389,138
Property Management		122,965	18,491	141,456
Marketing for Civic Contributions Fund			10,404	10,404
Total Committed	33,551,248	122,965	28,895	33,703,108

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

	General Fund	Mass Transit	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances (cont.):				
Assigned:				
Management Contingency	8,000,000			8,000,000
Fuel Contingency	3,200,000			3,200,000
Operating Contingency	2,600,000			2,600,000
Energy Efficiency Contracts	2,500,000			2,500,000
Fire Recruit Class	1,087,080			1,087,080
Software and System Upgrades	3,623,000			3,623,000
Vehicle Replacement	3,065,860			3,065,860
Building Maintenance	1,909,500			1,909,500
Disbursement to Employees	4,000,000			4,000,000
Parking Operations			1,562,136	1,562,136
SunLink Operations			354,146	354,146
Other	758,323	2,223,406	24,500	3,006,229
Total Assigned	30,743,763	2,223,406	1,940,782	34,907,951
Unassigned:	37,969,704			37,969,704
Total Fund Balances	$ 111,135,038	$ 5,833,787	$ 114,978,265	$ 231,947,090

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

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

of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Note 2 - PROPERTY TAX:

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

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

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

The primary property tax levy is limited to an increase of 2% over the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. Even if the City does not adopt the maximum allowable levy from year to year, the 2% allowable increase will be based on the prior year's "maximum allowable levy." The "net new property" factor is included in the calculation 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, 2018, the following funds had deficit fund balances or net position:

Environmental Services	$ (8,131,687)

The deficit in the Environmental Services fund is primarily due to the remediation obligations and pension liabilities. This fund has revenue from collections fees, and the rate is reviewed by the Mayor and Council as needed.

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

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

custodian holds all assets of the investment pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

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

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2018:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	$ 359,778,893	$ (33,864,353)	$ 325,914,540
Investments	891,905,455		891,905,455
Total	$ 1,251,684,348	$ (33,864,353)	$ 1,217,819,995

	Government-wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Cash and Cash Equivalents	$ 314,870,883	$ 538,263	$ 315,409,146
Noncurrent Investments	12,664,661	857,126,361	869,791,022
Cash & Investments Restricted	32,619,827		32,619,827
Total	$ 360,155,371	$ 857,664,624	$ 1,217,819,995

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.

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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

These deposits and investments are held by the City or its agents in the City's name and are either insured, registered or collateralized (if applicable). A portion of these investments are subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk which are all discussed in the sections that follow.

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

The City's deposits and investments for all funds at fiscal year-end are listed below at fair value net of accruals. The City categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. The City has the following recurring fair value measurements as of June 30, 2018:

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Investments	Fair Value	Level 1	Level 2	Level 3
U.S. Issues not on Securities Loan:				
U.S. Treasuries, Agencies, Governmental Bonds & Commingled U.S. Debt	$ 264,821,349	$ 116,368,678	$ 44,940,401	$ 103,512,270
Corporate Bonds & Other Fixed Income Instruments	93,051,616		87,717,192	5,334,424
U.S. Equity & Commingled Equity Funds	257,508,015	163,782,858	588,622	93,136,535
International Bonds & Other Fixed Income Instruments	37,988,486		36,788,805	1,199,681
International Equity & Commingled Equity Funds	203,640,190	78,045,599		125,594,591
Subtotal	857,009,656	358,197,135	170,035,020	328,777,501
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:				
U.S. Corporate Bonds & Other Fixed Income Instruments	549,640		549,640	
U.S. Equity	33,215,843	33,215,843		
International Bonds & Other Fixed Income Instruments	177,090		177,090	
International Equity	510,979	510,979		
Subtotal	34,453,552	33,726,822	726,730	
Securities Lending Short-Term Collateral Investment Pool	35,243,677			35,243,677
Money Market Funds/Short-Term Investments	212,574,567	180,642,643	28,227,788	3,704,136
Real Estate & Commingled Real Estate Funds	77,026,533			77,026,533
Infrastructure Investment Funds	35,376,363			35,376,363
Subtotal	360,221,140	180,642,643	28,227,788	151,350,709
Total Deposits and Investments	$ 1,251,684,348	$ 572,566,600	$ 198,989,538	$ 480,128,210

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

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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

C. Credit Risk

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

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

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

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following credit risk structure as of June 30, 2018:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash & Cash Equivalents:				
Wells Fargo Large Balance Public Institutional Bank Deposit Account	2	Aaa	$ 164,566,890	47.88%
U.S. Treasury Notes	16	Aaa	92,971,271	27.05%
U.S. Agency & Municipal Bonds	17	Aaa	42,382,462	12.33%
Negotiable Certificates of Deposit	11	A1	15,523,543	4.52%
U.S. Corporate Bonds	34	A2	28,258,973	8.22%
TOTAL	80		$ 343,703,139	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, 2018, these funds consisted of: an investment account at Wells Fargo invested in overnight repurchases with a fair market value of $22,114,438 a U.S. Agency Bond with a fair market value of $2,557,939 and various other operational accounts totaling $16,075,753. The City of Tucson banking policy for these cash accounts is consistent with the investment pool account policy described above.

The City participates in a Community Banking Deposit program. The objective of the program is to help spur local economic activity by depositing funds with "local" financial institutions to be subsequently lent out locally for new consumer and small business loans. After completion of solicitations for offers from local institutions, the City deposited $10,106,722 in a two-year FDIC insured-type Certificate of Deposit Account Registry Service (CDARS) investment product in 2018.

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.

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS pension fund had the following credit risk structure as of June 30, 2018:

Investment Type	Holdings	Average Credit Rating (1)	Fair Value	Percent of Total
Cash & Short Term Investment Funds:				
Cash and Cash Equivalents	42	Aa1	$ 21,205,280	
Futures	2	Aaa	205,656	
Fixed Income Swaps & Options	6	Aa1	414,270	
Subtotal	50		21,825,206	10.17%
U.S. Agency & Other Governmental				
Municipal Bonds	6	B3	1,282,969	
BlackRock U.S. Debt Fund	1	Aaa	103,512,270	
Subtotal	7		104,795,239	48.83%
U.S. Corporate Bonds & Other Fixed Income Instruments:				
Retail & Leisure	4	Ba2	579,678	
Collateralized Mortgage Obligations	5	Aa1	302,580	
Fixed Income Swaps & Options	23	Aa2	(185,427) **(2)**	
Banking & Finance	22	Ba2	5,590,803	
Health Care	1	Ba1	934,317	
Oil, Gas & Chemicals	13	Baa3	3,176,982	
Communications	5	Ba1	1,107,581	
Utilities	5	Baa3	764,235	
Other Corporate Issues	43	Ba2	14,343,583	
PIMCO Private Mortgage Sector Fund	2	Aa1	22,663,347	
Real Estate	5	Ba2	541,061	
Subtotal	128		49,818,740	23.21%
International Bonds & Other Fixed Income Instruments:				
Banking & Finance	18	Baa1	7,927,705	
Fixed Income Swaps & Options	26	A3	(312,251) **(2)**	
Government Bonds	30	Baa3	10,203,565	
Health Care	7	Ba2	741,436	
Communications	7	B1	2,181,248	
Oil, Gas & Chemicals	6	Ba2	2,994,804	
Utilities	2	B1	648,602	
Other Corporate Issues	48	Baa2	13,780,467	
Subtotal	144		38,165,576	17.79%
TOTAL	329		$214,604,76	100.00%

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.

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, 2018:

Maturity Structure

Investment Type/Maturity	Fair Value	Percent of Total
Cash & Cash Equivalents		
Wells Fargo Large Balance Public Institutional Bank Deposit Account	$ 164,566,890	
	164,566,890	47.88%
Less Than 1 Year		
U.S. Treasury Notes	7,456,950	
U.S. Corporate Bonds	6,183,581	
Negotiable Certificates of Deposit	3,482,080	
U.S. Agencies	5,844,514	
	22,967,125	6.68%
Between 1 to 2 Years		
U.S. Treasury Notes	45,545,645	
U.S. Agencies	29,255,773	
Negotiable Certificates of Deposit	9,615,156	
U.S. Corporate Bonds	10,747,253	
	95,163,827	27.69%
Between 2 to 3 Years		
U.S. Treasury Notes	39,968,676	
Negotiable Certificates of Deposit	2,426,307	
U.S. Agencies	6,065,208	
U.S. Corporate Bonds	10,122,012	
	58,582,203	17.04%
Between 3 to 5 Years		
U.S. Agencies	1,216,968	
U.S. Corporate Bonds	1,206,126	
	2,423,094	0.71%
TOTAL	$ 343,703,139	100.00%

Effective Duration: 1.81 Years

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, 2018:

	Maturity Structure				
	Investment Maturities (in Years)				
Investment Type	Less Than 1	1 - 5	6 - 10	More Than 10	Fair Value
Cash & Short Term Investment Fund	$ 21,825,206	$	$	$	$ 21,825,206
U.S. Agency & Other Governmental Obligations				1,282,969	1,282,969
BlackRock U.S. Debt Fund			103,512,270		103,512,270
U.S. Corporate & Other Fixed Income Instruments	23,729,786	13,742,169	9,723,626	2,623,159	49,818,740
International Bonds & Other Fixed Income Instruments	1,511,704	16,527,683	12,889,592	7,236,597	38,165,576
TOTAL	$ 47,066,696	$ 30,269,852	$ 126,125,488	$ 11,142,725	$ 214,604,761

Effective Duration:	
Active Account	4.06 years
Passive Account	5.83 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.

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2018:

Foreign Currency Risk Exposure

Currency Type	Cash & Cash Equivalents (1)	Fixed Income (1)	Equity	Real Estate	Futures Contracts	Private Equity	Fair Value	Percent of Total
Argentina Peso	$207,514	$1,933,321	$	$	$	$	$2,140,835	0.260%
Australian Dollar	(30,506)		706,967				676,461	0.082%
Bermuda Dollar		295,059	2,030,865				2,325,924	0.283%
Brazil Real	26,197						26,197	0.003%
British Virgin Island Dollar			29,371				29,371	0.004%
Canadian Dollar	6,580	175,566	6,981,308				7,163,454	0.872%
Cayman Islands Dollar		815,624	2,431,548				3,247,172	0.395%
Chinese Yuan Renminbi	49						49	0.001%
Croatia Kuna		525,750					525,750	0.064%
Curacao Guilder		392,182	277,370				669,552	0.081%
Ecuador Dollar		372,880					372,880	0.045%
Egypt Pound		211,764					211,764	0.026%
Euro Currency Unit	334,748	(269,555)	2,123				67,316	0.008%
France Franc		1,195,629	2,657,337				3,852,966	0.469%
Germany Mark		1,064,607	8,353,976				9,418,583	1.146%
Greece Euro	927,624						927,624	0.113%
Guernsey Pound		432,797					432,797	0.053%
Indonesia Rupiah		1,577,538					1,577,538	0.192%
Ireland Euro		499,910	1,264,282				1,764,192	0.215%
Italy Lire		3,528,267	1,855,922				5,384,189	0.655%
Japanese Yen	95,545	(17,565)	8,643,171				8,721,151	1.061%
Jersey Pound		1,630,003	825,424				2,455,427	0.299%
Liberia Dollar			52,732				52,732	0.006%
Luxembourg Franc		2,918,184					2,918,184	0.355%
Marshall Islands Dollar		175,732	98,400				274,132	0.033%
Mexican Peso	18	1,619,943					1,619,961	0.197%
Netherlands Gulden		3,761,592	4,608,765				8,370,357	1.018%
Oman Rial		179,008					179,008	0.022%
Panama Balboa		367,500	69,345				436,845	0.053%
Polish Zloty	12,340						12,340	0.002%
Portugal Escudo		249,244					249,244	0.030%
Puerto Rico Peso			137,655				137,655	0.017%
Qatar Riyals		401,230					401,230	0.049%
Romania Lei		233,331					233,331	0.028%
Saudi Arabia Riyals		590,404					590,404	0.071%
Senegal Franc		108,769					108,769	0.012%
Singapore Dollar	708						708	0.001%
S. African Comm Rand	9,098						9,098	0.001%

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

Spain Peseta		1,717,210	847,533				2,564,743	0.312%
Sweden Krona			151,263				151,263	0.018%
Swiss Franc	300,054	1,959,298	7,427,997				9,687,349	1.179%
Turkey Lirasi	1,532	1,378,335					1,379,867	0.168%
Ukraine Hryvnia		895,690					895,690	0.109%
United Kingdom Pound Sterling	153,414	7,246,332	20,160,714			9,494,183	37,054,643	4.509%
Currency Subtotals	2,044,915	38,165,579	69,614,068			9,494,183	119,318,745	14.518%
U.S. Dollar	19,574,633	154,613,978	425,260,960	77,026,533	205,656	25,882,179	702,563,939	85.482%
TOTAL	$21,619,548	$192,779,557	$494,875,028	$77,026,533	$205,656	$35,376,362	$821,882,684	100%
	2.630%	*23.456%*	*60.212%*	*9.372%*	*0.025%*	*4.304%*	*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, 2018, the carrying amount and fair value of securities on loan was $34,453,552. 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 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, 2018, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

Note 4 - DEPOSITS AND INVESTMENTS (Continued):

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, 2018. Changes in Fair Value is included as part of the overall Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Pension, Fiduciary Fund - Pension Trust. Fair Value is included as part of investments listed under Corporate Bonds & Other Fixed Income Instruments in the Statement of Fiduciary Funds Net Pension, Pension Trust column.

Derivatives

Investment Derivative Instrument	Notional Amount (1)	Changes in Fair Value	Fair Value (2)	Principal Risk
Government Futures	$ 22,700,000	$ 2,465,607	$ 28,385,063	Interest Rate
Options	$ (12,843,056)	$ 20,879	$ (24,504)	Credit
Credit Default Swaps	$ (17,807,306)	$ (17,364,605)	$ 31,711,469	Credit
Interest Rate Swaps	$ (30,335,923)	$ (3,905,758)	$ (30,545,710)	Interest Rate

Footnotes:

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

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

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, 2018. 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	$ 37,676,211	$
Mass Transit Fund		7,765,648
Other Non-major Governmental Funds	7,613	29,681,549
Total Governmental Funds	37,683,824	37,447,197
Fiduciary Funds		
Pension Trust Fund		236,627
Total Fiduciary Funds		236,627
Total All Funds	$ 37,683,824	$ 37,683,824

Note 5 - INTERFUND BALANCES AND TRANSFERS (Continued):

The Due from/to Other Agencies balances at June 30, 2018 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	$ 22,226,798	$ 1,000,468
Mass Transit Fund	5,028,009	565,075
Other Non-major Governmental Funds	33,471,330	8,622,464
Total Governmental Funds	60,726,137	10,188,007
Internal Service Funds:		
Fleet Services		
Self Insurance		
General Services		
Total Internal Service Funds		
Enterprise Funds:		
Environmental Services	127,271	
Water Utility		2,591,871
Public Housing	170,989	21
Other Non-major Enterprise Funds		33,460
Total Enterprise Funds	298,260	2,625,352
Fiduciary Funds:		
High-Intensity Drug Trafficking (HIDTA)		69,392
Sewer User Fee Fund		11,228,321
Total Fiduciary Funds		11,297,713
Total All Funds	$ 61,024,397	$ 24,111,072

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

Transfers made during the year ended June 30, 2018, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 2,801,348	$ (50,439,068)
Mass Transit Fund	42,884,254	
Other Non-major Governmental Funds	17,579,660	(10,925,694)
Total Governmental Funds	63,265,262	(61,364,762)
Enterprise Funds:		
Water Utility		(1,900,500)
Total Enterprise Funds		(1,900,500)
Total All Funds	$ 63,265,262	$ (63,265,262)

Note 6 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	$ 775,648,819	$ 23,356,626		$ 799,005,445
Construction-in-Progress	246,135,774	39,480,843	(82,558,102)	203,058,515
Capital Assets being Depreciated:				
Buildings and Improvements	882,254,668	10,142,270	(70,117)	892,326,821
Equipment	343,223,273	17,322,402	(7,534,832)	353,010,843
Infrastructure	984,412,431	70,334,883		1,054,747,314
Totals at Historical Cost	3,231,674,965	160,637,024	(90,163,051)	3,302,148,938
Less Accumulated Depreciation for:				
Buildings and Improvements	342,411,032	26,930,540	(68,354)	369,273,218
Equipment	234,348,467	24,190,289	(7,296,019)	251,242,737
Infrastructure	590,800,781	32,269,248		623,070,029
Total Accumulated Depreciation	1,167,560,280	83,390,077	(7,364,373)	1,243,585,984
Governmental Activities Capital Assets, Net*	$ 2,064,114,685	$ 77,246,947	$ (82,798,678)	$ 2,058,562,954
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				$ 188,689
Public Safety and Justice Services				7,932,948
Community Enrichment and Development				66,609,142
Support Services				6,523,583
Non-Departmental				2,135,715
Total Depreciation Expense				$ 83,390,077
Business-Type Activities:				
Non-depreciated Assets				
Land	$ 71,579,723	$		$ 71,579,723
Construction-in-Progress	131,071,064	59,136,520	(34,031,907)	156,175,677
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	258,787,086	680,361		259,467,447
Equipment	92,812,833	8,189,206	(4,976,244)	96,025,795
Distribution and Collection Systems	1,508,125,436	34,669,597	(16,483)	1,542,778,550
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	2,115,690,448	102,675,684	(39,024,634)	2,179,341,498
Less Accumulated Depreciation for:				
Buildings and Improvements	143,198,088	7,109,334		150,307,422
Equipment	63,778,296	8,057,838	(4,626,309)	67,209,825
Distribution and Collective Systems	489,279,614	29,943,536		519,223,150
Goodwill	1,187,338			1,187,338
Total Accumulated Depreciation	697,443,336	45,110,708	(4,626,309)	737,927,735
Business-Type Activities Capital Assets, Net	$ 1,418,247,112	$ 57,564,976	$ (34,398,325)	$ 1,441,413,763

*(Beginning balance restated as described in Note 21.)

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

The following is a summary of changes in long-term debt as of June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	$ 200,270,000		$ (25,630,000)	$ 174,640,000	$ 26,495,000
Street & Highway Revenue Bonds	56,180,000		(14,145,000)	42,035,000	10,130,000
Certificates of Participation	198,693,881		(17,987,414)	180,706,467	18,718,871
Special Assessment Bonds	293,000		(257,000)	36,000	36,000
Clean Renewable Energy Bonds	9,926,500		(1,349,300)	8,577,200	1,364,300
Unamortized Amount:					
on Premiums	26,661,440		(6,021,157)	20,640,283	
on Discounts	(337,769)		26,330	(311,439)	
Total Bonds and Notes Payable	491,687,052		(65,363,541)	426,323,511	56,744,171
Other Liabilities:					
Capital Leases	18,789,417		(3,520,830)	15,268,587	1,668,820
Other Long-term Debt	6,100,000	7,995,000		14,095,000	444,000
Other Post Employment Benefits*	217,535,174	13,788,836	(19,806,721)	211,517,289	
Compensated Absences	33,898,740	20,614,361	(16,781,380)	37,731,721	18,245,650
Pension	1,086,685,790	51,879,735	(12,375,960)	1,126,189,565	
Remediation	600,447	1,595,013	(105,800)	2,089,660	223,740
Claims and Judgments	35,358,500	3,996,000		39,354,500	8,849,384
Total Other Liabilities	1,398,968,068	99,868,945	(52,590,691)	1,446,246,322	29,431,594
Governmental Activities Long Term Liabilities	$ 1,890,655,120	$ 99,868,945	$ (117,954,232)	$ 1,872,569,833	$ 86,175,765
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	$ 479,766,831	$ 23,935,000	$ (33,526,690)	$ 470,175,141	$ 35,753,943
Certificate of Participation	10,041,119		(237,586)	9,803,533	241,129
Unamortized Amount:					
Bond Premiums	57,177,584	1,409,864	(6,208,829)	52,378,619	
	546,985,534	25,344,864	(39,973,105)	532,357,293	35,995,072
Other Liabilities:					
Landfill Closure/Post Closure Costs	43,546,832	516,496	(654,903)	43,408,425	794,500
Remediation	15,795,498		(707,800)	15,087,698	
Capital Leases	189,437	1026	(86,598)	103,865	88,841
Other Post Employment Benefits*	35,221,462	629,458		35,850,920	
Compensation Absences	4,675,207	746,786	(33,776)	5,388,217	2,792,111
Pension	71,921,504		(4,014,924)	67,906,580	
Loans Payable	1,554,656	908	(143,218)	1,412,346	
Total Other Liabilities	172,904,596	1,894,674	(5,641,219)	169,158,051	3,675,452
Business-type Activities Long Term Liabilities	$ 719,890,130	$ 27,239,538	$ (45,614,324)	$ 701,515,344	$ 39,670,524

*(Beginning balances restated as described in Note 21.)

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, 2018.

Years ending June 30,	Governmental Activities	Business-Type Activities
2019	$ 29,558,109	$ 764,420
2020	28,044,541	1,090,575
2021	26,131,267	1,257,968
2022	25,950,125	1,368,020
2023	25,823,851	1,331,274
2024-2028	94,221,881	5,834,218
2029-2033	21,930,967	1,027,941
2034	1,509,566	
Total Minimum Lease Payments	253,170,307	12,674,416
Less: Amount Representing Interest (interest rates range: 1.682% to 6.52%)	57,195,253	2,767,018
Present Value of Net Minimum Lease Payments	$ 195,975,054	$ 9,907,398

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 $1,835,836. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2018, were as follows:

Years ending June 30,	
2019	1,508,280
2020	1,514,049
2021	1,517,054
2022	1,502,675
2023	4,320,386
2024-2028	484,576
2029-2033	481,382
2033-2037	471,264
2038-2042	483,046
2043-2046	
Total Minimum Future Lease Payments	$ 12,282,712

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, 2018 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, 2018 to July 1, 2022. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2018 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rate	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2018
1998 Refunding	5.38-5.50	2021	$ 26,470,000	$ 14,970,000
2006 Series Refunding	5.00	2021	50,525,000	13,445,000
2012-A Series Refunding	3.00-5.00	2021	11,745,000	11,745,000
2012-B Series Refunding	2.14-3.22	2020	11,315,000	2,000,000
2012-A Series (2013)	4.00-5.00	2026	20,000,000	20,000,000
2012-B Series (2014)	3.00-5.00	2027	20,000,000	20,000,000
2012-C Series (2015)	2.00-3.00	2023	20,000,000	18,500,000
2015 Series Refunding	3.00-5.00	2023	36,535,000	20,870,000
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	13,185,000
2012-E Series (2017)	0.00-5.00	2025	17,265,000	16,165,000
2017 Series Refunding	2.00-5.00	2019	8,610,000	3,760,000
Total			$ 265,485,000	$ 174,640,000

Street and Highway Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Par Amount	Balance Outstanding June 30, 2018
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	10,615,000
Total			$ 65,920,000	$ 42,035,000

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, 2018
2009 Refunding	5.00	2019	2,815,000	620,000
2005 Series C (2008)	4.00 - 5.00	2026	20,425,000	750,000
Water System Revenue Obligations 2009	5.00	2029	35,635,000	5,245,000
Water System Revenue Obligations 2010	5.79-5.94	2030	38,510,000	38,510,000
Water System Revenue Obligations 2011	3.00 - 5.00	2032	30,965,000	4,320,000
Water System Revenue Obligations 2012	3.63 - 4.00	2033	31,555,000	11,605,000
2013A Refunding	2.00 - 5.00	2025	34,280,000	22,955,000
2013B Refunding	1.8 - 2.75	2022	18,825,000	11,575,000
Water System Revenue Obligation, Series 2013	2.00 - 5.00	2030	21,065,000	19,065,000
Water System Revenue Obligation, Series 2014	3.00 - 5.00	2033	35,630,000	34,130,000
Water System Revenue Obligation, Series 2015	2.00 - 5.00	2033	20,570,000	19,370,000
2015 Refunding	3.00 - 5.00	2032	46,640,000	46,640,000
2016 Refunding	2.00 - 5.00	2024	71,805,000	66,045,000
Water System Revenue Obligation, Series 2016	3.00 - 5.00	2035	17,215,000	16,845,000
Series 2017 Obligation & Refunding	5.00	2035	106,970,000	106,720,000
Series 2018 Obligation	3.00 - 5.00	2036	23,935,000	23,935,000
Series 2012 WIFA Refunding	1.90	2021	15,245,000	3,825,000
2003 Water Infrastructure Finance Authority (WIF4)	3.44	2022	8,300,000	2,215,650
2004 Water Infrastructure Finance Authority (WIF5)	3.15 - 3.15	2023	3,000,000	821,145
2004 Water Infrastructure Finance Authority (WIF6)	3.26	2023	2,500,000	967,613
2005 Water Infrastructure Finance Authority (WIF7)	3.11	2024	2,997,000	1,143,512
2006 Water Infrastructure Finance Authority (WIF8)	3.42	2026	2,500,000	1,204,665
2006 Water Infrastructure Finance Authority (WIF9)	3.21	2026	2,000,000	953,618
2007 Water Infrastructure Finance Authority (WIF10)	3.21	2026	6,500,000	3,099,297
2008 Water Infrastructure Finance Authority (WIF11)	3.55	2027	17,800,000	9,550,080
2009A Water Infrastructure Finance Authority (WIF13)	3.38	2028	2,500,000	1,527,143
2009B Water Infrastructure Finance Authority (WIF12)	3.6	2028	1,000,000	587,508
2010 Water Infrastructure Finance Authority (WIF14)	2.93	2030	2,750,000	1,835,584
2011 Water Infrastructure Finance Authority (WIF15)	2.80	2031	16,000,000	11,092,059
2012 Water Infrastructure Finance Authority (WIF16)	2.80	2032	4,000,000	3,022,267
Total			$ 643,932,000	$ 470,175,141

Note 9 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2018 is $36,000 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 $221,293 in the Special Assessment Bond & Interest Fund at June 30, 2018 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

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

E. Annual Principal and Interest Requirements

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

	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
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	19,980,000	2,646,000				
2024-2028	52,915,000	3,999,000				
Totals	$ 174,640,000	$ 27,013,726	$ 42,035,000	$ 5,272,000	$ 36,000	$ 946

	Governmental Activities		Business-type Activities	
	Clean Renewable Energy Bonds		Water Utility Revenue Bonds	
Years Ending June 30,	Principal	Interest	Principal	Interest
2019	1,364,300	343,356	35,753,943	21,162,053
2020	1,379,300	298,910	36,955,012	19,788,659
2021	1,399,300	253,470	37,495,023	18,216,463
2022	1,409,300	207,036	37,854,105	16,512,291
2023	845,000	159,892	38,910,678	14,830,403
2024-2028	2,180,000	186,872	157,866,198	48,607,045
2029-2033			109,240,182	15,502,931
2034-2036			16,100,000	984,064
Totals	$ 8,577,200	$ 1,449,536	$ 470,175,141	$ 155,603,909

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 $60,650,000, and Certificates of Participation $20,180,000.

Note 11 - LANDFILLS:

The U.S. Environmental Protection Agency ruling "Solid Waste Disposal Facility Criteria" requires the City to incur specified landfill closure and post-closure care costs. Closure requirements have been established for municipal landfills that received solid waste after October 9, 1991. Additional thirty-year post-closure monitoring and maintenance functions are required of landfills that accepted solid waste after October 9, 1993. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City records a liability for these required costs based upon each landfill's percentage of capacity used through 2018. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2018. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

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

Landfill Site	Landfill Capacity Used as of 6/30/2018	Estimated Closure/Post-Closure Costs	Liability Recognized at 6/30/2018	Estimated Remaining Life in Years
Los Reales	100%	$ 35,408,232	$ 35,408,232	30
Harrison	100%	3,263,822	3,263,822	
Irvington	100%	2,224,369	2,224,369	
Mullins	100%	2,512,000	2,512,000	
Totals		$ 43,408,423	$ 43,408,423	

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 $10,918,107 and construction of new landfill cells $14,446,600.

The June 30, 2018, liability for closure and post-closure costs is $43,408,423 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, 2018, 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	$ 1,126,189,565	$ 67,906,580	$ 1,194,096,145
Deferred outflows of resources	232,198,119	9,836,345	242,034,464
Deferred inflows of resources	78,345,053	16,226,397	94,571,450
Pension expense	136,727,405	(1,687,690)	135,039,715

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.

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, 2018 is as follows:

Active Plan Participants	
Active plan members	2,455
Inactive plan members (or their beneficiaries) currently receiving benefits	3,031
Inactive plan members entitled to but not yet receiving benefits	402
Total active plan participants	5,888

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

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

included in the member's service period and is substituted for an equal number of hours at the beginning of the 36 month period for determining the average final salary calculation.

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

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

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

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

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

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

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

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.

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, 2018, 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, 2018, consisted of the following components:

Reserved for employee contributions	$	138,420,705
Reserved for retirement benefits		716,751,118
Unreserved net position (deficit)		(31,538,305)
Net Position	$	823,633,518

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

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, 2018.

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

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

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

E. Liability, Expense and Deferred Outflows/Inflows

The components of the net pension liability at June 30, 2018 are as follows:

Total Pension Liability	$ 1,053,987,024
Plan's Fiduciary Net Position	823,633,518
Net Pension Liability	$ 230,353,506
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.14%

Pension Expense and Deferred Outflows/Inflows of Resources-For the year ended June 30, 2018, the City recognized pension expense for TSRS of $10,633,937. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	5,178,196	$ 5,415,717
Assumption changes		1,708,857
Net Difference between projected and actual earnings on pension plan investments	18,213,667	38,457,904
Total	$ 23,391,863	$ 45,582,478

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		
2019	$	(4,270,465)
2020		(4,995,846)
2021		(10,223,320)
2022		(2,700,984)
Total	$	(22,190,615)

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

F. Change in Net Pension Liability

The City's net pension liability was measured as of June 30, 2018, 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 6/30/17	$ 1,036,687,317	$ 789,942,937	$ 246,744,380
Changes for the year:			
Service Cost	13,104,720		13,104,720
Interest	72,893,717		72,893,717
Differences between expected and actual	6,919,468		6,919,468
Contributions - employer		31,795,197	(31,795,197)
Contributions - member		8,561,747	(8,561,747)
Net investment income		69,478,468	(69,478,468)
Benefits and refund payments	(75,618,198)	(75,618,198)	
Administrative expense		(745,754)	745,754
Other changes		219,121	(219,121)
Net changes	17,299,707	33,690,581	(16,390,874)
Balances at 6/30/18	$ 1,053,987,024	$ 823,633,518	$ 230,353,506

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 Repost available online at: www.tucsonaz.gov/finance/comprehensive-annual-financial-reports-cafr

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

G. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2018 valuation covering the plan year July 1, 2017 through June 30, 2018 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, 2018:

Asset Class	Target	Expected Return Arithmetic
Large Cap U.S. Equities	26%	5.80%
Small/Mid Cap U.S. 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%	
Weighted Average Arithmetic Returns, in proportion to asset allocation		4.67%

Note 12 - TUCSON SUPPLEMENTAL RETIREMENT SYSTEM PENSION PLAN:

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 3.62%; 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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	$ 335,594,193	$ 230,353,506	$ 140,345,904

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, 2018.

For the year ended June 30, 2018, the annual money-weighted rate of return on the Plan's investments, net of pension plan investment expenses, was 8.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 13 – PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM:

A. Plan Description

City public safety employees (Tucson Police and Tucson Fire) who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

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

B. Benefits Provided

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

	Retirement Initial membership date	
	Tier I	Tier 2
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age. 15 years of service, age 62	25 years, or 15 years of credited service and age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
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%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Survivor benefit:		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from $150 per month to $260 per month depending on the age of the member and dependents.

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

C. Membership and Contributions

At June 30, 2018, the following employees were covered by the agent pension plan's benefit terms:

Plan Participants	Police Pension	Police Health	Fire Pension	Fire Health
Active plan members	813	813	579	579
Retirees and beneficiaries	951	951	583	583
Inactive, non-retired members	139	45	47	29
Total plan participants	1,903	1,809	1,209	1,191

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the fiscal year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Tucson Police	Tucson Fire
Active members - pension	7.65% to 14.65%	7.65% to 14.65%
City:		
Pension	69.57% to 80.88%	64.24% to 74.83%
Health Insurance	0.76% to 0.99%	0.55% to 0.71%

The City's contributions to the pension and OPEB plans for the year ended June 30, 2018, were:

	Tucson Police	Tucson Fire
	Pension	Pension
Pension	$ 48,259,555	$ 32,235,164
Health Insurance	611,796	333,507
Total	$ 48,871,351	$ 32,568,671

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

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

D. Pension and OPEB assets and liabilities

At June 30, 2018, the City reported the following net pension liabilities:

	Tucson Police	Tucson Fire
Total Pension Liability	$ 881,567,019	$ 546,546,385
Plan's Fiduciary Net Position	294,497,389	172,062,321
Net Pension Liability	$ 587,069,630	$ 374,484,064
Total OPEB Liability	$ 21,531,147	$ 13,761,845
Fiduciary Net Position	16,019,760	10,829,173
Net OPEB Liability	$ 5,511,387	$ 2,932,672

The net pension and OPEB assets/liability were measured as of June 30, 2017. The total liability used to calculate the liability was determined by an actuarial valuation as of that date. The total liability as of June 30, 2017, reflects changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5% to 7.4%, and updating mortality, withdrawal, disability, and retirement assumptions.

E. Actuarial Assumptions

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

	Pension	OPEB (Health Insurance)
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Investment Rate of Return	7.4%	7.4%
Projected Salary Increases	3.50% to 7.50%	3.50% to 7.50%
Wage Inflation	3.50%	3.50%
Permanent benefit increase	N/A	N/A
Mortality rates	RP-2014 mortality tables using MP-2016 improvement scale with adjustments to march current experience	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table). Future mortality improvmeents are asumed each year using 75% of scale MP-2016.
Health Care Trend rates	Not applicable	None

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40%. This rate is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table below:

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

Discount Rate. At June 30,2017, the discount rate used to measure the total pension and OPEB liability was 7.4%, which was a decrease from the discount rate used as of June 30, 2016.

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

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

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

	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
Tucson Police	Total (Assets) Liability (a)	Plan Fiduciary Net Position (b)	Net (Assets) Liability (a) - (b)	Total (Assets) Liability (a)	Plan Fiduciary Net Position (b)	Net (Assets) Liability (a) - (b)
Balances at June 30, 2017	$ 818,357,817	$267,388,721	$ 550,969,096	$ 21,931,804	$ 15,335,129	$ 6,596,675
Changes for the year:						
Service cost	14,015,744		14,015,744	228,828		228,828
Interest on the total pension liability	60,046,963		60,046,963	1,594,853		1,594,853
Changes of benefit terms	8,792,051		8,792,051	33,852		33,852
Differences between the expected and actual experience in the measurement of the pension liability	(3,781,994)		(3,781,994)	(484,718)		(484,718)
Changes of assumptions	33,615,459		33,615,459	(210,460)		(210,460)
Contributions--employer		37,364,988	(37,364,988)		512,380	(512,380)
Contributions--employee		7,711,279	(7,711,279)			
Net investment income		32,061,276	(32,061,276)		1,750,756	(1,750,756)
Benefits payments, including refunds of employee contributions	(49,479,021)	(49,479,021)		(1,563,012)	(1,563,012)	
Pension Plan Administrative Expense		(284,088)	284,088		(15,493)	15,493
Other changes		(265,766)	265,766			
Net changes	63,209,202	27,108,668	36,100,534	(400,657)	684,631	(1,085,288)
Balances at June 30, 2018	$ 881,567,019	$294,497,389	$ 587,069,630	$ 21,531,147	$ 16,019,760	$ 5,511,387

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

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

	Pension Increase (Decrease)			Health Insurance Increase (Decrease)		
Tucson Fire	Total (Assets) Liability (a)	Plan Fiduciary Net Position (b)	Net (Assets) Liability (a) - (b)	Total (Assets) Liability (a)	Plan Fiduciary Net Position (b)	Net (Assets) Liability (a) - (b)
Balances at June 30, 2017	$512,224,147	$152,953,894	$359,270,253	$13,735,806	$10,511,911	$3,223,895
Changes for the year:						
Service cost	9,848,803		9,848,803	134,971		134,971
Interest on the total pension liability	37,603,512		37,603,512	997,383		997,383
Changes of benefit terms	5,007,792		5,007,792	12,995		12,995
Differences between the expected and actual experience in the measurement of the pension liability	(11,548,340)		(11,548,340)	(277,360)		(277,360)
Changes of assumptions	24,947,334		24,947,334	167,748		167,748
Contributions--employer		27,383,515	(27,383,515)		146,333	(146,333)
Contributions--employee		5,103,020	(5,103,020)			
Net investment income		18,533,184	(18,533,184)		1,191,166	(1,191,166)
Benefits payments, including refunds of employee contributions	(31,536,773)	(31,536,773)		(1,009,698)	(1,009,698)	
Pension Plan Administrative Expense		(164,387)	164,387		(10,539)	10,539
Other changes		(210,132)	210,132			
Net changes	34,322,328	19,108,427	15,213,901	26,039	317,262	(291,223)
Balances at June 30, 2018	$546,546,475	$172,062,321	$374,484,154	$13,761,845	$10,829,173	$2,932,672

Sensitivity of the net liabilities (for Pension and OPEB) to changes in the discount rate. The following table presents the City's net pension and OPEB assets (liability) calculated using the discount rates noted above, as well as what the City's net assets (liability) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.40%	7.40%	8.40%
Net Pension liability	$ 698,777,768	$ 587,069,630	$ 495,206,349
Net OPEB liability	7,738,599	5,511,387	3,634,102
Tucson Fire			
Rate	6.40%	7.40%	8.40%
Net Pension liability	$ 442,895,881	$ 374,484,064	$ 318,092,342
Net OPEB liability	4,372,402	2,932,672	1,719,383

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

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

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

For the year ended June 30, 2018, the City recognized the following as pension and OPEB expense:

	Tucson - Police	Tucson - Fire
Pension	$ 78,905,810	$ 48,319,613
OPEB	503,739	296,617

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

Tucson Police	Pension Deferred Outflows of Resources	Pension Deferred Inflows of Resources	Health Ins Deferred Outflows of Resources	Health Ins Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 14,964,296	$	$ 393,369
Assumption changes	65,748,399			170,797
Net Difference between projected and actual earnings on pension plan investments	4,041,450			512,481
City contributions subsequent to measurement date	48,871,351		396,076	
Total	$118,661,200	$ 14,964,296	$ 396,076	$ 1,076,647

Tucson Fire	Deferred Outflows of Resources	Deferred Inflows of Resources	Health Ins Deferred Outflows of Resources	Health Ins Deferred Inflows of Resources
Differences between expected and actual experience	$ 176,037	$ 13,687,189	$	$ 235,507
Assumption changes	45,081,652		142,435	
Net Difference between projected and actual earnings on pension plan investments	2,516,453			348,435
City contributions subsequent to measurement date	32,568,671		209,472	
Total	$ 80,342,813	$ 13,687,189	$ 351,907	$ 583,942

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

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

	PSPRS - Police Pension	PSPRS - Police OPEB Health Ins	PSPRS - Fire Pension	PSPRS - Fire OPEB Health Ins
Year ended June 30,				
2019	$ 23,080,910	$ (259,132)	$ 12,081,121	$ (103,649)
2020	16,885,743	(259,132)	11,300,503	(103,649)
2021	10,219,732	(259,132)	5,233,757	(103,649)
2022	4,241,198	(259,132)	2,326,513	(103,648)
2023	397,970	(40,118)	2,050,769	(16,540)
Thereafter			1,094,290	(10,372)
Total	$ 54,825,553	$ (1,076,646)	$ 34,086,953	$ (441,507)

Note 14 – ELECTED OFFICALS RETIREMENT PLAN:

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

Note 15 – OTHER POST EMPLOYMENT BENEFITS:

A. Plan Description

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

B. Benefits Provided

The plan provides postretirement insurance (health, dental and life) benefits for eligible retirees up to age 65. To be eligible for City-paid benefits, a retiree must have attained eligibility for early retirement under the Tucson Supplemental Retirement System (TSRS) or the Public Safety Personnel Retirement System (PSPRS); and who have reached age 55 with 20 years of experience. Eligible retirees may participate in the Plan and receive a City contribution towards coverage under the Plan. If eligible for a subsidy from the PSPRS, the retiree must designate the City as the recipient of the PSPRS Retiree Premium Benefit. In addition, the City pays for the cost of $7,500 of term life insurance for each retiree.

C. Contributions

Depending upon the date of retirement, the City contributes between 75% and 100% of the medical insurance premiums and retirees agree to pay the remaining portion of the premium. For the current fiscal year, the City contributed $9,105,756 for these benefits, which was net of $2,516,364 of retiree contributions. The City's regular insurance providers underwrite the retiree policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. A separate financial report is not issued for the Plan.

D. Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	4,398
Active employees	3,690
Total	8,088

E. Total OPEB Liability

The City's total OPEB liability of $238,924,151 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Measurement date	June 30, 2017
Actuarial valuation date	June 30, 2017
Interest rate	3.58%
Inflation rate	N/A
Projected salary increases	N/A
Health care cost trend rate	
Medical and Prescription Drug	8.00% graded down to an ultimate rate of 4.50% over 14 years
Retiree contribution increase	Consistent with medical/drug trends
TSRS subsidy increases	None
Cost of living adjustments	N/A

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

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

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

G. Changes in the Total OPEB Liability

At June 30, 2018, the City had the following total liability and associated changes:

Total OPEB Liability - July 1, 2017	$	248,600,675
Changes for the year:		
Service cost		10,746,774
Interest		7,196,692
Differences between expected and actual experience		(20,411,157)
Changes in assumptions or other inputs		6,668,600
Benefit payments		(13,874,433)
Net changes		(9,673,524)
Total OPEB Liability - June 30, 2018	$	238,927,151

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total OPEB liability	$ 262,045,225	$ 238,924,151	$ 218,614,632

Note 15 – OTHER POST EMPLOYMENT BENEFITS (Continued)

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

	1% Decrease (7.00% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Total OPEB liability	$ 215,486,642	$ 238,924,151	$ 268,619,944

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

For the year ended June 30, 2018, the City recognized OPEB expense of $15,251,120. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 16,416,801
Changes of assumptions or other inputs	5,363,590	
Contributions subsequent to the measurement date	14,231,637	
Total	$ 19,595,227	$ 16,416,801

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

Year Ending June 30,	Amount
2019	(2,689,346)
2020	(2,689,346)
2021	(2,689,346)
2022	(2,689,346)
2023	(295,827)
Thereafter	
	(11,053,211)

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.

NOTE 16 - SELF INSURANCE PROGRAM (Continued):

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

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

Changes in the Risk Management Fund's aggregate claims liabilities for the fiscal years ended June 30, 2018 and 2017, are as follows:

	2018	2017
Beginning of fiscal year liability	$ 35,358,500	$ 39,941,000
Current year claims and changes in estimates	10,402,368	4,112,316
Claim Payments	(6,406,368)	(8,694,816)
Balance at fiscal year end	$ 39,354,500	$ 35,358,500

Note 17 – PLEDGED REVENUES:

The City has pledged future Water utility revenues, net of specified operating expenses, to repay $470,175,143 in utility system revenue outstanding bonds and obligations. Proceeds from the bonds provided financing for the construction of various utility related projects including new water pipelines and water treatment plants. The bonds are payable solely from utility customer net revenues and are payable through June 2036. Annual principal and interest payments on the bonds are expected to require less than 43 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $625,779,052. Principal and interest paid for the current year and total customer net revenues were $54,624,892 and $127,201,956, respectively.

The City has pledged future Highway User Tax (H.U.R.F.) Revenues distributed from the State to repay $42,035,000 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 2018 annual principal and interest payments on the bonds required 35.9% of H.U.R.F. revenues. The total principal and interest remaining to be paid on the bonds is $47,307,000. Principal and interest paid for the current year and total H.U.R.F. revenues were $16,902,450 and $46,992,296, 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

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 $6,488,595. 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 $18,954,789.

C. Construction and Other Commitments

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

D. Federal and State Grants

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

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies and low-income housing tax credits from the State of Arizona. Notes and interest receivables have been established for: the sales price, certain construction costs paid by the City, and accrued interest due on the notes at 7.5%. The note balance, with accrued interest at 7.5% thereon, totaled $38,554,360 at June 30, 2018.

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.

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 $33,344,973 at June 30, 2018.

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

G. Financing of South Park Low-income Housing

On December 2, 2002 and as amended on September 1, 2003, the City entered into a capital lease with South Park Development Partners LLLP (South Park), whereby the City leased various properties to South Park for 75 years. Under the terms of the lease, South Park will develop and operate the properties solely as low-income residential housing facilities. South Park is financing this development through low-income housing tax credits from the State of Arizona, and through a line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest at various rates, was $4,031,966 at June 30, 2018.

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 $2,534,125 at June 30, 2018.

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.

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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 though 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 $7,075,230 at June 30, 2018.

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 $1,235,000 at June 30, 2018.

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 $1,495,000 at June 30, 2018.

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

Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):

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, 2018, 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, 2018, the City intended to honor $20,148,747 of outstanding encumbrances in the new year.

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

Note 19 - REMEDIATION LIABILITY:

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

Note 20 – CREDIT CARD PAYMENTS BY THE CITY OF TUCSON:

The City of Tucson requires some vendors to accept payment only through credit cards. In such cases Arizona Revised Statutes requires the City to disclose the requirement during the bid process or amend the contract under a mutual agreement with the vendor. The statute also requires disclosure of the incentive received by the City resulting from credit card payments. For fiscal year 2018 the City received rebate revenues of $527,982.

Note 21 – RESTATEMENT OF BEGINNING BALANCES:

For fiscal year 2018, the City implemented GASB Statement Number 75 - Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This statement established standards for accounting and financial reporting by governments which offer other post-employment benefit (OPEB) plans. To establish beginning balances for the net OPEB liability, the fiscal year 2017 ending net positions for the City's governmental activities and certain proprietary funds have been restated, as documented in the tables below.

For fiscal year 2018, the City changed accounting fund type for two funds, Fleet Services and General Services. The change converted the two funds from Internal Service funds (IS) to functions within the General Fund. To account for the change, the amounts presented as ending fund balance for the General Fund and ending net position of the City's governmental activities and certain proprietary funds have been restated as documented in the following tables.

Note 21 – RESTATEMENT OF BEGINNING BALANCES (Continued):

For fiscal year 2018, the City wrote off prior year(s) construction in progress previously reported as an asset, but not yet capitalized for depreciation purposes. The City also capitalized completed construction in progress placed in service prior to July 1, 2018. To account for the changes in assets and related depreciation, the amount presented as ending net position for the City's governmental activities has been restated as documented in the tables below.

The following table displays the change to total net position attributable to the three changes noted above for the net position of the primary government:

Government-Wide Financial Statements

	Governmental Activities	Business-Type Activities	Total
Net position previously reported	$ 892,195,707	$ 891,325,657	$ 1,783,521,364
Prior year capital assets & depreciation ADJ	(43,422,300)		(43,422,300)
Change in fund type (IS to Gen)	(20,685,786)	20,685,786	
Net OPEB Liability	(198,460,504)	(32,920,081)	(231,380,585)
Net position as restated:	$ 629,627,117	$ 879,091,362	$ 1,508,718,479

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

Fund Financial Statements

	Governmental Fund	Proprietary Funds		
	General Fund	Environmental Services	Water Utility	Internal Service Funds
Ending balance as previously reported	$ 102,660,251	$ (8,317,271)	$ 868,837,954	$ 28,060,969
Change in fund type (IS to Gen)	4,075,581			(12,361,468)
Net OPEB Liability		(9,382,519)	(23,537,562)	
Ending balances restated	$ 106,735,832	$ (17,699,790)	$ 845,300,392	$ 15,699,501

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, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 266,982,330	$ 266,982,330	$ 285,447,575	$ 18,465,245
Licenses and Permits	29,918,310	29,918,310	30,519,870	601,560
Fines and Forfeitures	10,502,020	10,502,020	8,720,894	(1,781,126)
Use of Money and Property	470,870	470,870	1,156,875	686,005
Federal Grants and Contributions			120,673	120,673
Other Agencies	148,033,340	148,033,340	150,208,063	2,174,723
Charges for Services	63,345,570	63,345,570	58,422,071	(4,923,499)
Miscellaneous	3,909,230	1,409,230	4,740,301	3,331,071
Total revenues	523,161,670	520,661,670	539,336,322	18,674,652
Expenditures:				
Current -				
Elected and Official	18,102,800	18,034,950	16,684,106	1,350,844
Support Services	89,284,680	81,593,440	78,960,906	2,632,534
Public Safety/Justice Services	272,205,210	288,104,500	290,966,053	(2,861,553)
Community Enrichment and Development	41,269,530	35,174,670	34,758,672	415,998
General Government	35,244,330	29,327,640	31,057,431	(1,729,791)
Capital Outlay	6,110,650	6,247,840	5,955,426	292,414
Capital Projects	2,525,000	2,307,250	2,217,385	89,865
Debt service -				
Principal	18,032,080	18,032,080	18,032,086	(6)
Interest	8,634,560	8,247,470	8,649,831	(402,361)
Fiscal Agent Fees	60,000	60,000	17,500	42,500
Total expenditures	491,468,840	487,129,840	487,299,396	(169,556)
Excess (deficiency) of revenues over expenditures	31,692,830	33,531,830	52,036,926	18,505,096
Other financing sources (uses):				
Lease Proceeds	4,000,000			
Transfers In	5,638,060	2,138,060	2,801,348	663,288
Transfers Out	(51,629,370)	(51,629,370)	(50,439,068)	1,190,302
Total other financing sources (uses)	(41,991,310)	(49,491,310)	(47,637,720)	1,853,590
Change in fund balances	$ (10,298,480)	$ (15,959,480)	4,399,206	$ 20,358,686
Fund balance, beginning of year, restated*			106,735,832	
Fund balance, end of year			$ 111,135,038	

(Beginning balance restated as described in Note 21.)

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, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Use of Money and Property	$ 480,000	$ 480,000	$ 781,469	$ 301,469
Federal Grants and Contributions	14,540,670	14,540,670	9,140,198	(5,400,472)
Other Agencies	13,598,080	13,598,080	13,413,490	(184,590)
Charges for Services	13,812,950	13,812,950	12,764,544	(1,048,406)
Miscellaneous	455,250	455,250	358,442	(96,808)
Total revenues	42,886,950	42,886,950	36,458,143	(6,428,807)
Expenditures:				
Current -				
Community Enrichment and Development	78,300,780	78,080,870	77,097,960	982,910
Capital Outlay	110,000	827,010	1,270,642	(443,632)
Capital Projects	8,131,910	8,069,790	921,878	7,147,912
Total expenditures	86,542,690	86,977,670	79,290,480	7,687,190
Excess (deficiency) of revenues over expenditures	(43,655,740)	(44,090,720)	(42,832,337)	1,258,383
Other financing sources (uses):				
Transfers In	43,655,740	43,655,740	42,884,254	(771,486)
Total other financing sources (uses)	43,655,740	43,655,740	42,884,254	(771,486)
Changes in fund balances		(434,980)	51,917	$ 486,897
Fund balance, beginning of year			5,781,870	
Fund balance, end of year	$	$	$ 5,833,787	

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

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.

Expenditures in the general fund exceeded final budget due in part to a one-time payout as determined by the Hall-Parker case pertaining to public safety pension expense. Because this was a lawsuit judgment, the over expenditure does not result in a violation of state statute or city charter.

CITY OF

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TUCSON

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)

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

CITY OF TUCSON, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TUCSON SUPPLEMENTAL RETIREMENT SYSTEM (TSRS) NET POSITION LIABILITY

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

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

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

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

Valuation Date:	June 30, 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)

	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return,					
Net of Investment Expense	8.84%	14.26%	2.38%	4.17%	19.11%

CITY OF TUCSON, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)

Last 10 Fiscal Years (Built Prospectively)

	TUCSON POLICE			
	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability				
Service Cost	$ 14,015,744	$ 12,024,132	$ 11,668,152	$ 11,720,855
Interest	60,046,963	58,552,864	58,577,435	49,886,649
Changes of Benefit Terms	8,792,051	21,480,741		17,350,937
Differences Between Expected and Actual Experience	(3,781,994)	(10,074,554)	(12,033,376)	(1,845,566)
Changes of Assumptions	33,615,459	28,166,832		82,969,636
Benefit Payments, Including Refunds of Member Contributions	(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
Net Change in Total Pension Liability	63,209,202	46,797,032	4,158,795	115,444,890
Total Pension Liability - Beginning	818,357,817	771,560,785	767,401,990	651,957,100
Total Pension Liability - Ending	$ 881,567,019	$ 818,357,817	$ 771,560,785	$ 767,401,990
Plan Fiduciary Net Position				
Contributions - Employer	$ 37,364,988	$ 34,353,830	$ 26,978,551	$ 25,050,303
Contributions - Member	7,711,279	8,187,736	7,096,010	6,411,220
Net Investment Income	32,061,276	1,658,844	10,553,615	36,646,985
Benefit Payments, Including Refunds of Member Contributions	(49,479,021)	(63,352,983)	(54,053,416)	(44,637,621)
Pension Plan Administrative Expense	(284,088)	(239,099)	(257,865)	
Other (Net Transfer)	(265,766)	(438,656)	(418,057)	(14,311,889)
Net Change in Plan Fiduciary Net Position	27,108,668	(19,830,328)	(10,101,162)	9,158,998
Plan Fiduciary Net Position - Beginning	267,388,721	287,219,049	297,320,211	288,161,213
Plan Fiduciary Net Position - Ending	$ 294,497,389	$ 267,388,721	$ 287,219,049	$ 297,320,211
City's Net Position Liability - Ending	$ 587,069,630	$ 550,969,096	$ 484,341,736	$ 470,081,779
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.41%	32.67%	37.23%	38.74%
Covered-Employee Payroll	$ 57,207,120	$ 59,290,594	$ 58,837,806	$ 57,677,943
City's Net Position Liability as a Percentage of Covered Employee Payroll	1,026.22%	929.27%	823.18%	815.01%

CITY OF TUCSON, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS)

Last 10 Fiscal Years (Built Prospectively)

	TUCSON FIRE			
	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Reporting Fiscal Year (Measurement Date) 2017 (2016)	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total Pension Liability				
Service Cost	$ 9,848,803	$ 8,490,888	$ 7,103,326	$ 7,175,895
Interest	37,603,512	36,150,578	36,501,680	31,594,819
Changes of Benefit Terms	5,007,792	18,630,092		9,902,338
Differences Between Expected and Actual Experience	(11,548,340)	229,638	(8,410,285)	99,733
Changes of Assumptions	24,947,334	17,131,550		44,213,488
Benefit Payments, Including Refunds of Member Contributions	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Net Change in Total Pension Liability	34,322,328	31,272,605	3,832,587	63,463,981
Total Pension Liability - Beginning	512,224,147	480,951,542	477,118,955	413,654,974
Total Pension Liability - Ending	$ 546,546,475	$ 512,224,147	$ 480,951,542	$ 477,118,955
Plan Fiduciary Net Position				
Contributions - Employer	$ 27,383,515	$ 22,701,968	$ 17,186,603	$ 15,972,870
Contributions - Member	5,103,020	5,209,851	4,092,378	3,849,878
Net Investment Income	18,533,184	978,548	6,307,289	22,057,153
Benefit Payments, Including Refunds of Member Contributions	(31,536,773)	(49,360,141)	(31,362,134)	(29,522,292)
Pension Plan Administrative Expense	(164,387)	(141,207)	(154,261)	
Other	(210,132)	78,270	(132,475)	(9,649,798)
Net Change in Plan Fiduciary Net Position	19,108,427	(20,532,711)	(4,062,600)	2,707,811
Plan Fiduciary Net Position - Beginning	152,953,894	173,486,605	177,549,205	174,841,394
Plan Fiduciary Net Position - Ending	$ 172,062,321	$ 152,953,894	$ 173,486,605	$ 177,549,205
City's Net Position Liability - Ending	$ 374,484,154	$ 359,270,253	$ 307,464,937	$ 299,569,750
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.48%	29.86%	36.07%	37.21%
Covered-Employee Payroll	$ 40,900,346	$ 42,306,370	$ 35,256,316	$ 35,105,468
City's Net Position Liability as a Percentage of Covered Employee Payroll	915.60%	849.21%	872.08%	853.34%

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

TUCSON POLICE

Valuation Date	Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll at Val Date	Actual Contribution as a % of Covered Employee Payroll
2017	2018	$ 37,364,988	$ 37,364,988		$ 57,207,120	65.32%
2016	2017	34,353,830	34,353,830		59,290,594	57.94%
2015	2016	26,978,551	26,978,551		58,837,806	45.85%
2014	2015	25,050,303	25,050,303		57,677,943	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
2017	2018	$ 27,383,515	$ 27,383,515		$ 40,900,346	66.95%
2016	2017	22,701,968	22,701,968		42,306,370	53.66%
2015	2016	17,186,603	17,186,603		35,256,316	48.75%
2014	2015	15,972,870	15,972,870		35,105,468	45.50%

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

Valuation Date:	June 30, 2017
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 2017 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

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

	TUCSON POLICE		TUCSON FIRE	
	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Prior Years Not Available	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Prior Years Not Available
Total OPEB Liability				
Service Cost	$ 228,828	$	$ 134,971	$
Interest	1,594,853		997,383	
Changes of Benefit Terms	33,852		12,995	
Differences Between Expected and Actual Experience	(484,718)		(277,360)	
Changes of Assumptions	(210,460)		167,748	
Benefit Payments	(1,563,012)		(1,009,698)	
Net Change in Total OPEB	(400,657)		26,039	
Total OPEB Liability - Beginning	21,931,804		13,735,806	
Total OPEB Liability - Ending	$ 21,531,147	$	$ 13,761,845	$
Plan Fiduciary Net Position				
Contributions - Employer	$ 512,380	$	$ 146,333	$
Contributions - Member				
Net Investment Income	1,750,756		1,191,166	
Benefit Payments	(1,563,012)		(1,009,698)	
Administrative Expense	(15,493)		(10,539)	
Other (Net Transfer)				
Net Change in Plan Fiduciary Net Position	684,631		317,262	
Plan Fiduciary Net Position - Beginning	15,335,129		10,511,911	
Plan Fiduciary Net Position - Ending	$ 16,019,760	$	$ 10,829,173	$
City's Net OPEB Liability - Ending	$ 5,511,387	$	$ 2,932,672	$
Plan Fiduciary Net Position as a Percentage of the Total OPEB	74.40%		78.69%	
Covered-Employee Payroll	$ 57,207,120	$	$ 40,900,346	$
City's Net OPEB Liability as a Percentage of Covered Employee Payroll	9.63%		7.17%	

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

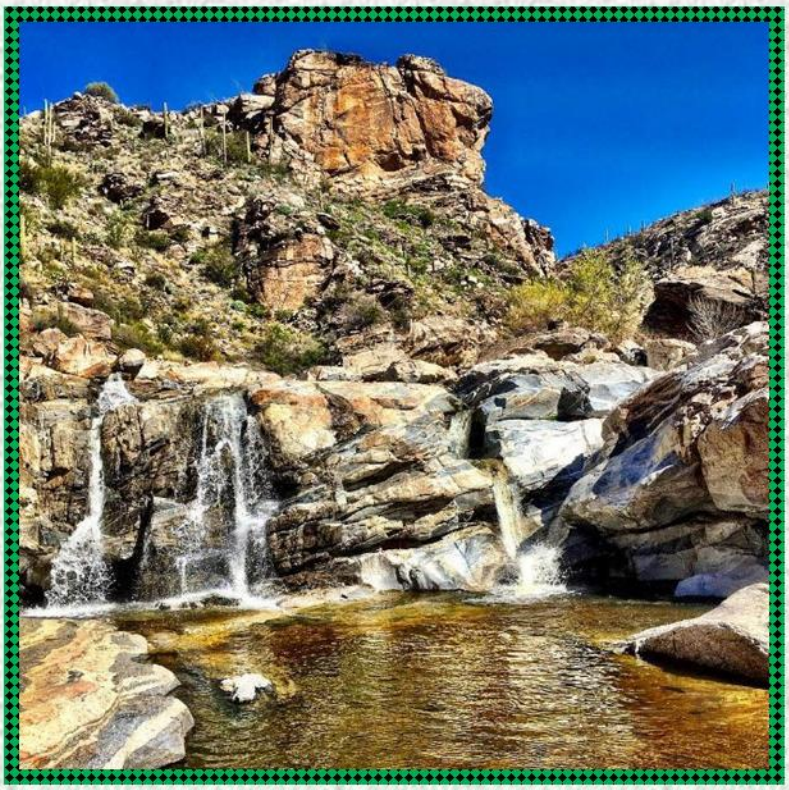
	TUCSON POLICE		TUCSON FIRE	
	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017
Actuarially Determined Contribution	$ 611,796	$ 512,380	$ 333,507	$ 146,333
City Contribution	611,796	512,380	333,507	146,333
Excess/ (Deficiency)	$	$	$	$
City's Covered Payroll	$ 57,207,120	$ 59,290,594	$ 40,900,346	$ 42,306,370
Contributions as a Percentage of Covered Payroll	1.07%	0.86%	0.82%	0.35%

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

	City of Tucson OPEB	
	Reporting Fiscal Year (Measurement Date) 2018 (2017)	Prior Years Not Available
Total OPEB Liability		
Service Cost	$ 10,746,774	$
Interest	7,196,692	
Actual Experience	(20,411,157)	
Changes of Assumptions	6,668,600	
Benefit Payments	(13,874,433)	
Net Change in Total OPEB	(9,673,524)	
Total OPEB Liability - Beginning	248,600,675	
Total OPEB Liability - Ending	$ 238,927,151	$
Plan Fiduciary Net Position		
Contributions - Employer	$ 13,874,433	$
Benefit Payments	(13,874,433)	
Net Change in Plan Fiduciary Net Position		
Plan Fiduciary Net Position - Beginning		
Plan Fiduciary Net Position - Ending		
City's Net OPEB Liability - Ending	$ 238,927,151	$
Plan Fiduciary Net Position as a Percentage of the Total OPEB		

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

Combining Statements And Individual Fund Statements and Schedules



CITY OF TUCSON

ARIZONA

CITY OF TUCSON, ARIZONA

COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

June 30, 2018

	Special Revenue	Debt Service	Capital Project	Total Non-Major Governmental Funds
ASSETS AND DEFERRED OUTFLOWS				
Assets:				
Cash and Cash Equivalents	$ 50,721,461	$ 2,418,610	$ 45,660,848	$ 98,800,919
Cash & Investments with Fiscal Agents	1,007,299	45,024,988		46,032,287
Cash & Investments with Fiscal Agents - Restricted			2,971,287	2,971,287
Taxes Receivable, Net	6,830,964			6,830,964
Accounts Receivable, Net	775,924		7,389	783,313
Special Assessments Receivable		11,691		11,691
Notes & Loans Receivable	36,926,634			36,926,634
Interfund Receivable	7,613			7,613
Due from Other Agencies	4,728,199		28,743,131	33,471,330
Grants & Entitlements Receivable	12,918,788			12,918,788
Interest Receivable	119,769	9,676	136,880	266,325
Inventories	804,020			804,020
Other Assets	5,479,834			5,479,834
Total assets	120,320,505	47,464,965	77,519,535	245,305,005
Deferred outflows:				
Deferred Settlement Proceeds	134,146			134,146
Total deferred outflows	134,146			134,146
Total assets and deferred outflows	$ 120,454,651	$ 47,464,965	$ 77,519,535	$ 245,439,151
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 4,793,459	$	$ 6,059,785	$ 10,853,244
Accrued Payroll Liabilities	450,803		18,739	469,542
Interfund Payable	10,459,932	7,613	19,214,004	29,681,549
Due to Other Agencies	82,509		8,539,955	8,622,464
Refundable Deposits	963,902	308		964,210
Bonds & Interest Payable, including Special Assessments		45,024,988		45,024,988
Advances from Grantors	758,260			758,260
Total liabilities	17,508,865	45,032,909	33,832,483	96,374,257
Deferred inflows:				
Advance Federal Project Grants			34,565	34,565
Deferred Revenues	34,040,341	11,723		34,052,064
Total deferred inflows	34,040,341	11,723	34,565	34,086,629
Fund balances:				
Nonspendable	755,895			755,895
Restricted	66,179,873	2,420,333	43,652,487	112,252,693
Committed	28,895			28,895
Assigned	1,940,782			1,940,782
Total fund balances	68,905,445	2,420,333	43,652,487	114,978,265
Total liabilities, deferred inflows and fund balances	$ 120,454,651	$ 47,464,965	$ 77,519,535	$ 245,439,151

CITY OF TUCSON, ARIZONA

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

	Park Tucson	Convention Center	HURF
ASSETS AND DEFERRED OUTFLOWS			
Assets:			
Cash and Cash Equivalents	$ 1,435,353	$ 2,005,684	$ 9,639,607
Cash & Investments with Fiscal Agents	18,491		602,936
Taxes Receivable, Net			
Accounts Receivable, Net	285,801	157,569	332,554
Notes & Loans Receivable			
Interfund Receivable			7,613
Due from Other Agencies			3,639,006
Grants & Entitlements Receivable			
Interest Receivable	7,815		46,983
Inventories		48,125	
Other Assets	55,825	18,110	633,373
Total assets	1,803,285	2,229,488	14,902,072
Deferred outflows:			
Deferred Settlement Proceeds			
Total deferred outflows			
Total assets and deferred outflows	$ 1,803,285	$ 2,229,488	$ 14,902,072
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 141,732	$ 991,151	$ 1,026,125
Accrued Payroll Liabilities	19,028	1,073	323,970
Interfund Payable			
Due to Other Agencies	61,898	11,697	1,379
Refundable Deposits			716,426
Advances from Grantors			
Total liabilities	222,658	1,003,921	2,067,900
Deferred inflows:			
Deferred Revenues		876,922	
Total deferred inflows		876,922	
Fund balances:			
Nonspendable			
Restricted		324,145	12,834,172
Committed	18,491		
Assigned	1,562,136	24,500	
Total fund balances	1,580,627	348,645	12,834,172
Total liabilities, deferred inflows and fund balances	$ 1,803,285	$ 2,229,488	$ 14,902,072

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing Grants	Other Federal Grants
$ 485,915	$ 1,735	$	$ 3,221,571	$ 97,033	$ 385,872
	13,417,985			23,508,649	
474,419					
	952,684	1,951,952		261,983	3,701,410
1,153					
961,487	14,372,404	1,951,952	3,221,571	23,867,665	4,087,282
$ 961,487	$ 14,372,404	$ 1,951,952	$ 3,221,571	$ 23,867,665	$ 4,087,282
$ 87,183	$ 215,232	$ 694,318	$ 15,135	$ 21,015	$ 63,326
	14,068	12,844	34,855	4,325	27,626
	37,586	1,244,768			3,636,863
	43		138		6,755
		22	247,355		99
	24,433				352,613
87,183	291,362	1,951,952	297,483	25,340	4,087,282
	9,654,770			23,508,649	
	9,654,770			23,508,649	
863,900	4,426,272		2,924,088	333,676	
10,404					
874,304	4,426,272		2,924,088	333,676	
$ 961,487	$ 14,372,404	$ 1,951,952	$ 3,221,571	$ 23,867,665	$ 4,087,282

(Continued)

CITY OF TUCSON, ARIZONA

COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link	Better Streets Improvement Fund
ASSETS AND DEFERRED OUTFLOWS				
Assets:				
Cash and Cash Equivalents	$	$	$ 557,767	$ 18,630,359
Cash & Investments with Fiscal Agents				
Taxes Receivable, Net				2,284,890
Accounts Receivable, Net				
Notes & Loans Receivable				
Interfund Receivable				
Due from Other Agencies	614,774			
Grants & Entitlements Receivable		6,050,759		
Interest Receivable				34,782
Inventories			755,895	
Other Assets				
Total assets	614,774	6,050,759	1,313,662	20,950,031
Deferred outflows:				
Deferred Settlement Proceeds			134,146	
Total deferred outflows			134,146	
Total assets and deferred outlows	$ 614,774	$ 6,050,759	$ 1,447,808	$ 20,950,031
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 128,672	$ 601,918	$ 337,767	$ 126,386
Accrued Payroll Liabilities	4,574	8,440		
Interfund Payable	100,314	5,440,401		
Due to Other Agencies				
Refundable Deposits				
Advances from Grantors	381,214			
Total liabilities	614,774	6,050,759	337,767	126,386
Deferred inflows:				
Deferred Revenues				
Total deferred inflows				
Fund balances:				
Nonspendable			755,895	
Restricted				20,823,645
Committed				
Assigned			354,146	
Total fund balances			1,110,041	20,823,645
Total liabilities, deferred inflows and fund balances	$ 614,774	$ 6,050,759	$ 1,447,808	$ 20,950,031

Safer City Improvement Fund	Zoo Improvement Fund	Totals
$ 12,094,344	$ 2,552,093	$ 50,721,461
		1,007,299
3,427,335	1,118,739	6,830,964
		775,924
		36,926,634
		7,613
		4,728,199
		12,918,788
26,874	2,162	119,769
		804,020
4,772,526		5,479,834
20,321,079	3,672,994	120,320,505
		134,146
		134,146
$ 20,321,079	$ 3,672,994	$ 120,454,651
$ 343,499	$	$ 4,793,459
		450,803
		10,459,932
599		82,509
		963,902
		758,260
344,098		17,508,865
		34,040,341
		34,040,341
		755,895
19,976,981	3,672,994	66,179,873
		28,895
		1,940,782
19,976,981	3,672,994	68,905,445
$ 20,321,079	$ 3,672,994	$ 120,454,651

CITY OF TUCSON, ARIZONA

COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS

June 30, 2018

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
ASSETS				
Cash and Cash Equivalents	$ 219,570	$ 2,199,040	$	$ 2,418,610
Cash & Investments with Fiscal Agents	946	29,500,317	15,523,725	45,024,988
Special Assessments Receivable	11,691			11,691
Interest Receivable	2,063		7,613	9,676
Total assets	$ 234,270	$ 31,699,357	$ 15,531,338	$ 47,464,965
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
Liabilities:				
Accounts Payable	$	$	$	$
Interfund Payable			7,613	7,613
Refundable Deposits	308			308
Bonds & Interest Payable, including Special Assessments	946	29,500,317	15,523,725	45,024,988
Total liabilities	1,254	29,500,317	15,531,338	45,032,909
Deferred inflows:				
Deferred revenues	11,723			11,723
Total deferred inflows	11,723			11,723
Fund balances:				
Restricted	221,293	2,199,040		2,420,333
Total fund balances	221,293	2,199,040		2,420,333
Total liabilities, deferred inflows and fund balances	$ 234,270	$ 31,699,357	$ 15,531,338	$ 47,464,965

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CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2018

	2012 General Obligation Streets Improvements	Capital Improvements	Development Fees
ASSETS			
Cash and Cash Equivalents	$ 5,818,054	$	$ 39,842,794
Cash & Investments with Fiscal Agents - Restricted		2,971,287	
Accounts Receivable, Net			
Due from Other Agencies		11,606,028	
Interest Receivable	29,858		107,022
Total assets	$ 5,847,912	$ 14,577,315	$ 39,949,816
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 3,415,341	$ 710,848	$ 554,231
Accrued Payroll Liabilities		3,589	
Interfund Payable		5,855,471	
Due to Other Agencies		7,600,000	
Refundable Deposits			
Total liabilities	3,415,341	14,169,908	554,231
Deferred Inflows:			
Advance Federal Project Grants		34,565	
Deferred Revenue			
Total fund balances		34,565	
Fund balances:			
Restricted	2,432,571	372,842	39,395,585
Total fund balances	2,432,571	372,842	39,395,585
Total liabilities, deferred inflows and fund balances	$ 5,847,912	$ 14,577,315	$ 39,949,816

Regional Transportation Authority Fund	Totals
$	$ 45,660,848
	2,971,287
7,389	7,389
17,137,103	28,743,131
	136,880
$ 17,144,492	$ 77,519,535
$ 1,379,365	$ 6,059,785
15,150	18,739
13,358,533	19,214,004
939,955	8,539,955
15,693,003	33,832,483
	34,565
	34,565
1,451,489	43,652,487
1,451,489	43,652,487
$ 17,144,492	$ 77,519,535

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, 2018

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
Revenues:				
Taxes	$ 56,152,859	$ 31,867,060	$	$ 88,019,919
Licenses and Permits	1,842,753			1,842,753
Fines and Forfeitures	934,909	104		935,013
Developer Fees			9,291,985	9,291,985
Use of Money and Property	1,110,335	13,087	699,327	1,822,749
Federal Grants and Contributions	69,148,316			69,148,316
Other Agencies	44,723,904	8,602,648	26,317,465	79,644,017
Charges for Services	13,409,767			13,409,767
Special Assessments		68,779		68,779
Contributions from Outside Sources	11,223,594			11,223,594
Miscellaneous	2,900,341	21,328	455,653	3,377,322
Total revenues	201,446,778	40,573,006	36,764,430	278,784,214
Expenditures:				
Current -				
Elected and Official	379,554			379,554
Public Safety and Justice Services	14,305,028			14,305,028
Community Enrichment and Development	107,252,479		20,400,406	127,652,885
Support Services				
General Government	1,681,893			1,681,893
Capital Outlay	9,280,010			9,280,010
Capital Projects	15,637,513		36,062,911	51,700,424
Debt service -				
Principal	4,465,563	40,032,000	359,895	44,857,458
Interest	1,999,894	10,515,460	7,542	12,522,896
Fiscal Agent Fees		9,600		9,600
Total expenditures	155,001,934	50,557,060	56,830,754	262,389,748
Excess (deficiency) of revenues over expenditures	46,444,844	(9,984,054)	(20,066,324)	16,394,466
Other financing sources (uses):				
Transfers In	7,313,997	9,461,144	804,519	17,579,660
Transfers Out	(9,263,189)	(500,000)	(1,162,505)	(10,925,694)
Total other financing sources (uses)	(1,949,192)	8,961,144	(357,986)	6,653,966
Change in fund balances	44,495,652	(1,022,910)	(20,424,310)	23,048,432
Fund balances, beginning of year	24,409,793	3,443,243	64,076,797	91,929,833
Fund balances, end of year	$ 68,905,445	$ 2,420,333	$ 43,652,487	$ 114,978,265

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CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018

	Park Tucson	Convention Center	HURF
Revenues:			
Taxes	$	$	$
Licenses and Permits			1,842,753
Fines and Forfeitures	934,909		
Use of Money and Property	151,467	50,290	748,248
Federal Grants and Contributions			
Other Agencies			41,662,465
Charges for Services	4,794,477	7,696,529	107,213
Contributions from Outside Sources			
Miscellaneous	35,099		2,631,617
Total revenues	5,915,952	7,746,819	46,992,296
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	3,928,295	10,314,512	32,284,396
General Government		1,319,212	362,681
Capital Outlay	91,895	182,333	362,228
Capital Projects	60,787		2,511,464
Debt service -			
Principal	1,324,485		2,725,973
Interest	649,302		511,342
Total expenditures	6,054,764	11,816,057	38,758,084
Excess (deficiency) of revenues over expenditures	(138,812)	(4,069,238)	8,234,212
Other financing sources (uses):			
Transfers In		4,232,841	159,246
Transfers Out	(360,686)		(8,817,132)
Total other financing sources (uses)	(360,686)	4,232,841	(8,657,886)
Change in fund balances	(499,498)	163,603	(423,674)
Fund balances (deficits), beginning of year	2,080,125	185,042	13,257,846
Fund balances (deficits), end of year	$ 1,580,627	$ 348,645	$ 12,834,172

Civic Contributions	Community Development Block Grants	Miscellaneous Housing Grants	Public Housing Section 8	HOME Affordable Housing	Other Federal Grants
$	$	$	$	$	$
2,930	1,239				5,638
	5,300,069	4,968,839	38,115,040	2,636,633	10,143,123
			3,811		
2,778,514	8,445,080				
			14,315		
2,781,444	13,746,388	4,968,839	38,133,166	2,636,633	10,148,761
37,630					161,548
16,372					9,418,954
105,892	10,274,660	4,968,839	37,698,382	1,926,782	357,196
	2,299,013				211,063
2,477,282	598,494			800,000	
	103,003				
2,637,176	13,275,170	4,968,839	37,698,382	2,726,782	10,148,761
144,268	471,218		434,784	(90,149)	
					(85,371)
					(85,371)
144,268	471,218		434,784	(90,149)	(85,371)
730,036	3,955,054		2,489,304	423,825	85,371
$ 874,304	$ 4,426,272	$	$ 2,924,088	$ 333,676	$

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018
(Concluded)

	Non-Federal Grants	Federal Highway Grant	Sun Link
Revenues:			
Taxes	$	$	$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property			117
Federal Grants and Contributions		7,984,612	
Other Agencies	1,861,439		1,200,000
Charges for Services			807,737
Contributions from Outside Sources			
Miscellaneous			219,310
Total revenues	1,861,439	7,984,612	2,227,164
Expenditures:			
Current -			
Elected and Official	180,376		
Public Safety and Justice Services	1,503,497		
Community Enrichment and Development	127,019	1,175,635	4,090,871
General Government			
Capital Outlay	37,849		
Capital Projects	12,698	6,808,977	
Debt service -			
Principal			415,105
Interest			736,247
Total expenditures	1,861,439	7,984,612	5,242,223
Excess (deficiency) of revenues over expenditures			(3,015,059)
Other financing sources (uses):			
Transfers In			2,921,910
Transfers Out			
Total other financing sources (uses)			2,921,910
Change in fund balances			(93,149)
Fund balances (deficits), beginning of year			1,203,190
Fund balances (deficits), end of year	$	$	$ 1,110,041

Better Streets Improvement Fund	Safer City Improvement Fund	Zoo Improvement Fund	Totals
$ 20,993,079	$ 31,489,618	$ 3,670,162	$ 56,152,859
			1,842,753
			934,909
76,597	70,977	2,832	1,110,335
			69,148,316
			44,723,904
			13,409,767
			11,223,594
			2,900,341
21,069,676	31,560,595	3,672,994	201,446,778
			379,554
246,031	3,120,174		14,305,028
			107,252,479
			1,681,893
	6,095,629		9,280,010
	2,367,811		15,637,513
			4,465,563
			1,999,894
246,031	11,583,614		155,001,934
20,823,645	19,976,981	3,672,994	46,444,844
			7,313,997
			(9,263,189)
			(1,949,192)
20,823,645	19,976,981	3,672,994	44,495,652
			24,409,793
$ 20,823,645	$ 19,976,981	$ 3,672,994	$ 68,905,445

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2018

	Special Assessment Bond & Interest	General Obligation Bond & Interest	Street & Highway Bond & Interest	Totals
Revenues:				
Taxes	$	$ 31,867,060	$	$ 31,867,060
Fines and Forfeitures	104			104
Use of Money and Property	9,924		3,163	13,087
Other Agencies			8,602,648	8,602,648
Special Assessments	68,779			68,779
Miscellaneous	21,328			21,328
Total revenues	100,135	31,867,060	8,605,811	40,573,006
Expenditures:				
Debt service -				
Principal	257,000	25,630,000	14,145,000	40,032,000
Interest	8,340	7,749,670	2,757,450	10,515,460
Fiscal Agent Fees	2,000	5,600	2,000	9,600
Total expenditures	267,340	33,385,270	16,904,450	50,557,060
Excess (deficiency) of revenues over expenditures	(167,205)	(1,518,210)	(8,298,639)	(9,984,054)
Other financing sources (uses):				
Transfers In		1,162,505	8,298,639	9,461,144
Transfers Out	(500,000)			(500,000)
Total other financing sources (uses)	(500,000)	1,162,505	8,298,639	8,961,144
Change in fund balances	(667,205)	(355,705)		(1,022,910)
Fund balances, beginning of year	888,498	2,554,745		3,443,243
Fund balances (deficits), end of year	$ 221,293	$ 2,199,040	$	$ 2,420,333

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CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2018

	Capital Improvements	2012 General Obligation Streets Improvements
Revenues:		
Developer Fees	$	$
Use of Money and Property	36,266	171,552
Other Agencies	7,775,794	
Miscellaneous		
Total revenues	7,812,060	171,552
Expenditures:		
Current -		
Community Enrichment and Development	231,863	19,800,208
Capital Projects	7,543,932	
Debt service -		
Principal	359,895	
Interest	7,542	
Total expenditures	8,143,232	19,800,208
Excess (deficiency) of revenues over expenditures	(331,172)	(19,628,656)
Other financing sources (uses):		
Transfers In		
Transfers Out		(1,162,505)
Total other financing sources (uses)		(1,162,505)
Change in fund balances	(331,172)	(20,791,161)
Fund balances, beginning of year	704,014	23,223,732
Fund balances, end of year	$ 372,842	$ 2,432,571

Development Fee	Regional Transportation Authority	Totals
$ 9,291,985	$	$ 9,291,985
465,469	26,040	699,327
	18,541,671	26,317,465
	455,653	455,653
9,757,454	19,023,364	36,764,430
42,557	325,778	20,400,406
10,277,046	18,241,933	36,062,911
		359,895
		7,542
10,319,603	18,567,711	56,830,754
(562,149)	455,653	(20,066,324)
804,519		804,519
		(1,162,505)
804,519		(357,986)
242,370	455,653	(20,424,310)
39,153,215	995,836	64,076,797
$ 39,395,585	$ 1,451,489	$ 43,652,487

CITY OF TUCSON, ARIZONA

COMBINING STATEMENT OF NET POSITION - ALL NON-MAJOR ENTERPRISE FUNDS

June 30, 2018

	Tucson Golf	Non-PHA Asset Management	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents	$ 8,400	$ 1,872,449	$ 1,880,849
Accounts Receivable, Net		298,469	298,469
Interest Receivable		5,342	5,342
Inventories	238,477		238,477
Other Assets	83,660		83,660
Total current assets	330,537	2,176,260	2,506,797
Noncurrent assets:			
Long Term Notes Receivable	417,762		417,762
Land & Construction in Progress	2,701,865	3,447,358	6,149,223
Other Capital Assets, Net	10,719,825	8,447,653	19,167,478
Total noncurrent assets	13,839,452	11,895,011	25,734,463
Total assets	14,169,989	14,071,271	28,241,260
DEFERRED OUTFLOWS			
Pension Plans		71,894	71,894
Total deferred outflows		71,894	71,894
LIABILITIES			
Current liabilities:			
Accounts Payable	173,473	91,838	265,311
Accrued Payroll Liabilities	63,831	13,905	77,736
Accrued Interest Payable	4,565	484	5,049
Due to Other Agencies	33,289	171	33,460
Refundable Deposits		152,727	152,727
Current Portion of Contracts Payable	88,841		88,841
Current Portion of Compensated Absences		14,507	14,507
Customer Advances	100,397		100,397
Total current liabilities	464,396	273,632	738,028
Noncurrent liabilities:			
Long Term Contracts Payable	15,024		15,024
Interfund Loans Payable	1,412,345		1,412,345
Compensated Absences		16,908	16,908
Pension Liability		708,004	708,004
Total non-current liabilities	1,427,369	724,912	2,152,281
Total liabilities	1,891,765	998,544	2,890,309
DEFERRED INFLOWS			
Deferred Revenue		47,781	47,781
Pension Plans		140,095	140,095
Total deferred inflows		187,876	187,876
NET POSITION			
Net Investment in Capital Assets	13,317,824	11,895,011	25,212,835
Restricted for Grants and Entitlements		1,061,734	1,061,734
Unrestricted	(1,039,601)		(1,039,601)
Total net position	$ 12,278,223	$ 12,956,745	$ 25,234,968

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, 2018

	Tucson Golf	Non-PHA Asset Management	Totals
Operating revenues:			
Charges for Services	$ 7,408,870	$ 1,818,731	$ 9,227,601
Federal Grants and Contributions		227,303	227,303
Miscellaneous		22,464	22,464
Total operating revenues	7,408,870	2,068,498	9,477,368
Operating expenses:			
Salaries, Wages and Benefits	51,708	607,587	659,295
Contractual Services	5,412,809	1,429,811	6,842,620
Commodities	1,169,941	213,269	1,383,210
Cost of Goods Sold	573,653		573,653
Depreciation	698,871	370,081	1,068,952
Total operating expenses	7,906,982	2,620,748	10,527,730
Operating loss	(498,112)	(552,250)	(1,050,362)
Nonoperating revenues (expenses):			
Investment Income		94,382	94,382
Interest Expense	(20,448)		(20,448)
Total nonoperating revenues (expense)	(20,448)	94,382	73,934
Change in net position	(518,560)	(457,868)	(976,428)
Total net position, beginning of year	12,796,783	13,414,613	26,211,396
Total net position, end of year	$ 12,278,223	$ 12,956,745	$ 25,234,968

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Tucson Golf	Non-PHA Asset Management	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 7,411,802	$ 1,793,087	$ 9,204,889
Cash Payments to Suppliers for Goods and Services	(7,084,062)	(1,692,566)	(8,776,628)
Cash Payments to Employees for Services	(48,493)	(665,633)	(714,126)
Subsidy from Federal Grant		227,303	227,303
Net Cash Provided (Used) by Operating Activities	279,247	(337,809)	(58,562)
Cash Flows from Noncapital Financing Activities			
Interfund Transfers	(142,311)		(142,311)
Interest Paid on Advances	(15,594)		(15,594)
Net Cash Provided (Used) by Noncapital Financing Activities	(157,905)		(157,905)
Cash Flows from Capital and Related Financing Activities:			
Capital Leasing Activities	(85,572)		(85,572)
Acquisition and Construction of Capital Assets	(32,000)		(32,000)
Interest Paid on Capital Debt	(3,770)		(3,770)
Net Cash Provided (Used) by Capital and Related Financing Activities	(121,342)		(121,342)
Cash Flows from Investing Activities:			
Interest on Investments		92,710	92,710
Net Cash Provided (Used) by Investing Activities		92,710	92,710
Net Increase (Decrease) in Cash and Cash Equivalents		(245,099)	(245,099)
Cash and Cash Equivalents - July 1	8,400	2,117,548	2,125,948
Cash and Cash Equivalents - June 30	$ 8,400	$ 1,872,449	$ 1,880,849
Reconciliation of Operating Income to Net Cash Provided (Used)by Operating Activities:			
Operating Income (Loss)	$ (498,112)	$ (552,250)	$ (1,050,362)
Adjustments to Reconcile Operating Income to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	698,871	370,081	1,068,952
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable		(78,637)	(78,637)
Deferred Outflow of Resources - Pension Plan		18,462	18,462
Inventory and Prepaids	(26,975)		(26,975)
Increase (Decrease) in Liabilities:			
Accounts Payable	95,447	(49,333)	46,114
Accrued Payroll Liabilities	3,215	1,321	4,536
Accrued Compensated Absences		3,434	3,434
Deferred Inflow of Resources - Pension Plan		(32,904)	(32,904)
Pension Liability		(48,359)	(48,359)
Deferred Revenue		13,572	13,572
Customer/Refundable Deposits	2,632	16,746	19,378
Due to Other Agencies	1,237	58	1,295
Other Operating Liabilities	2,932		2,932
Net Cash Provided (Used) by Operating Activities	$ 279,247	$ (337,809)	$ (58,562)

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
June 30, 2018

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Sewer User Fee				
Assets				
Cash and Cash Equivalents	$ 3,284,309	$ 278,436,859	$ 281,532,698	$ 188,470
Accounts Receivable, Net	10,966,873	143,317,076	140,349,425	13,934,524
Total assets	$ 14,251,182	$ 421,753,935	$ 421,882,123	$ 14,122,994
Liabilities				
Accounts Payable	$ 2,867,520	$ 139,041,333	$ 139,014,180	$ 2,894,673
Due to Other Agencies	11,383,662	143,416,013	143,571,354	11,228,321
Total liabilities	$ 14,251,182	$ 282,457,346	$ 282,585,534	$ 14,122,994
Employee Prepaid Insurance				
Assets				
Cash and Cash Equivalents	$ 75,101	$ 65,475,810	$ 65,270,510	$ 280,401
Accounts Receivable, Net	3,436,417		3,436,417	
Total assets	$ 3,511,518	$ 65,475,810	$ 68,706,927	$ 280,401
Liabilities				
Accounts Payable	$ 1,236,022	$ 94,161,162	$ 95,116,783	$ 280,401
Due to Other Funds	2,275,496		2,275,496	
Total liabilities	$ 3,511,518	$ 94,161,162	$ 97,392,279	$ 280,401
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Cash and Cash Equivalents	$ 393,143	$ 7,432,482	$ 7,756,233	$ 69,392
Total assets	$ 393,143	$ 7,432,482	$ 7,756,233	$ 69,392
Liabilities				
Due to Other Agencies	$ 393,143	$ 7,432,482	$ 7,756,233	$ 69,392
Total liabilities	$ 393,143	$ 7,432,482	$ 7,756,233	$ 69,392
Totals				
Assets				
Cash and Cash Equivalents	$ 3,752,553	$ 351,345,151	$ 354,559,441	$ 538,263
Accounts Receivable, Net	14,403,290	143,317,076	143,785,842	13,934,524
Total assets	$ 18,155,843	$ 494,662,227	$ 498,345,283	$ 14,472,787
Liabilities				
Accounts Payable	$ 4,103,542	$ 233,202,495	$ 234,130,963	$ 3,175,074
Due to Other Agencies	11,776,805	150,848,495	151,327,587	11,297,713
Due to Other Funds	2,275,496		2,275,496	
Total liabilities	$ 18,155,843	$ 384,050,990	$ 387,734,046	$ 14,472,787

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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, 2018

	Park Tucson		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$	$	$
Licenses and Permits			
Fines and Forfeitures	807,000	934,909	127,909
Use of Money and Property	108,840	151,467	42,627
Federal Grants and Contributions			
Other Agencies			
Charges for Services	4,846,150	4,794,477	(51,673)
Contributions from Outside Sources			
Miscellaneous		35,099	35,099
Total revenues	5,761,990	5,915,952	153,962
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	3,948,200	3,928,295	19,905
General Government			
Capital Outlay	101,900	91,895	10,005
Capital Projects	60,790	60,787	3
Debt service -			
Principal	1,324,410	1,324,485	(75)
Interest	650,430	649,302	1,128
Debt Issuance Costs			
Total expenditures	6,085,730	6,054,764	30,966
Excess (deficiency) of revenues over expenditures	(323,740)	(138,812)	184,928
Other financing sources (uses):			
Transfers In			
Transfers Out	(200,000)	(360,686)	(160,686)
Total other financing sources (uses)	(200,000)	(360,686)	(160,686)
Change in fund balances	$ (523,740)	(499,498)	$ 24,242
Fund balances, beginning of year		2,080,125	
Fund balances (deficits), end of year		$ 1,580,627	

Convention Center			HURF		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$	$
			620,000	1,842,753	1,222,753
	50,290	50,290	180,000	748,248	568,248
			41,050,000	41,662,465	612,465
6,760,660	7,696,529	935,869	24,800	107,213	82,413
			1,780,000	2,631,617	851,617
6,760,660	7,746,819	986,159	43,654,800	46,992,296	3,337,496
9,424,410	10,314,512	(890,102)	35,985,700	32,284,396	3,701,304
1,311,720	1,319,212	(7,492)	130,580	362,681	(232,101)
489,460	182,333	307,127	2,787,660	362,228	2,425,432
			1,715,210	2,511,464	(796,254)
			2,726,050	2,725,973	77
			511,360	511,342	18
11,225,590	11,816,057	(590,467)	43,856,560	38,758,084	5,098,476
(4,464,930)	(4,069,238)	395,692	(201,760)	8,234,212	8,435,972
4,464,930	4,232,841	(232,089)		159,246	159,246
			(9,428,200)	(8,817,132)	611,068
4,464,930	4,232,841	(232,089)	(9,428,200)	(8,657,886)	770,314
$	163,603	$ 163,603	$ (9,629,960)	(423,674)	$ 9,206,286
	185,042			13,257,846	
	$ 348,645			$ 12,834,172	

(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, 2018
(Continued)

	Civic Contributions		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$	$	$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property		2,930	2,930
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources	2,151,000	2,778,514	627,514
Miscellaneous			
Total revenues	2,151,000	2,781,444	630,444
Expenditures:			
Current -			
Elected and Official	78,700	37,630	41,070
Public Safety and Justice Services	53,470	16,372	37,098
Community Enrichment and Development	580,100	105,892	474,208
General Government			
Capital Outlay	10,000		10,000
Capital Projects	2,707,070	2,477,282	229,788
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	3,429,340	2,637,176	792,164
Excess (deficiency) of revenues over expenditures	(1,278,340)	144,268	1,422,608
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	$ (1,278,340)	144,268	$ 1,422,608
Fund balances, beginning of year		730,036	
Fund balances (deficits), end of year		$ 874,304	

Community Development Block Grants			Miscellaneous Housing Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$	$
	1,239	1,239			
13,783,650	5,300,069	(8,483,581)	5,488,440	4,968,839	(519,601)
	8,445,080				
52,000		(52,000)			
13,835,650	13,746,388	(8,534,342)	5,488,440	4,968,839	(519,601)
10,635,300	10,274,660	360,640	5,486,900	4,968,839	518,061
2,304,870	2,299,013	5,857			
895,480	598,494	296,986			
15,280	103,003				
13,850,930	13,275,170	663,483	5,486,900	4,968,839	518,061
(15,280)	471,218	(7,870,859)	1,540		(1,540)
$ (15,280)	471,218	$ (7,870,859)	$ 1,540		$ (1,540)
	3,955,054				
	$ 4,426,272			$	

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018
(Continued)

	Public Housing Section 8		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$	$	$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property	20,000		(20,000)
Federal Grants and Contributions	38,937,000	38,115,040	(821,960)
Other Agencies			
Charges for Services		3,811	3,811
Contributions from Outside Sources			
Miscellaneous	12,000	14,315	2,315
Total revenues	38,969,000	38,133,166	(835,834)
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services			
Community Enrichment and Development	39,111,360	37,698,382	1,412,978
General Government			
Capital Outlay	23,480		23,480
Capital Projects			
Debt service -			
Principal			
Interest			
Debt Issuance Costs			
Total expenditures	39,134,840	37,698,382	1,436,458
Excess (deficiency) of revenues over expenditures	(165,840)	434,784	600,624
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	$ (165,840)	434,784	$ 600,624
Fund balances, beginning of year		2,489,304	
Fund balances (deficits), end of year		$ 2,924,088	

HOME Affordable Housing			Other Federal Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$	$
				5,638	5,638
7,570,290	2,636,633	(4,933,657)	17,589,510	10,143,123	(7,446,387)
7,570,290	2,636,633	(4,933,657)	17,589,510	10,148,761	(7,440,749)
			201,820	161,548	40,272
			16,789,940	9,418,954	7,370,986
6,538,370	1,926,782	4,611,588	578,720	357,196	221,524
			270,860	211,063	59,797
800,000	800,000				
7,338,370	2,726,782	4,611,588	17,841,340	10,148,761	7,692,579
231,920	(90,149)	(322,069)	(251,830)		251,830
16,000		(16,000)			
				(85,371)	(85,371)
16,000		(16,000)		(85,371)	(85,371)
$ 247,920	(90,149)	$ (338,069)	$ (251,830)	(85,371)	$ 166,459
	423,825			85,371	
	$ 333,676			$	

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, 2018
(Continued)

	Non-Federal Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$	$	$
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	3,775,950	1,861,439	(1,914,511)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	3,775,950	1,861,439	(1,914,511)
Expenditures:			
Current -			
Elected and Official	122,200	180,376	(58,176)
Public Safety and Justice Services	2,869,700	1,503,497	1,366,203
Community Enrichment and Development	194,910	127,019	67,891
General Government			
Capital Outlay	64,180	37,849	26,331
Capital Projects	41,300	12,698	28,602
Debt service -			
Principal			
Interest			
Total expenditures	3,292,290	1,861,439	1,430,851
Excess (deficiency) of revenues over expenditures	483,660		(483,660)
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	$ 483,660		$ (483,660)
Fund balances, beginning of year			
Fund balances (deficits), end of year		$	

Federal Highway Grant			Sun Link		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$	$
				117	117
15,296,980	7,984,612	(7,312,368)			
			1,200,000	1,200,000	
			886,680	807,737	(78,943)
			30,000	219,310	189,310
15,296,980	7,984,612	(7,312,368)	2,116,680	2,227,164	110,484
1,774,220	1,175,635	598,585	3,821,410	4,090,871	(269,461)
13,830,450	6,808,977	7,021,473			
			775,000	415,105	359,895
			736,250	736,247	3
15,604,670	7,984,612	7,620,058	5,332,660	5,242,223	90,437
(307,690)		307,690	(3,215,980)	(3,015,059)	200,921
			3,030,080	2,921,910	(108,170)
			3,030,080	2,921,910	(108,170)
$ (307,690)		$ 307,690	$ (185,900)	(93,149)	$ 92,751
				1,203,190	
	$			$ 1,110,041	

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, 2018
(Continued)

	Better Streets Improvement Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$ 20,000,000	$ 20,993,079	$ 993,079
Licenses and Permits			
Fines and Forfeitures			
Use of Money and Property		76,597	76,597
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	20,000,000	21,069,676	1,069,676
Expenditures:			
Current -			
Elected and Official			
Public Safety and Justice Services	20,000,000	246,031	19,753,969
Community Enrichment and Development			
General Government			
Capital Outlay			
Capital Projects			
Debt service -			
Principal			
Interest			
Total expenditures	20,000,000	246,031	19,753,969
Excess (deficiency) of revenues over expenditures		20,823,645	20,823,645
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	$	20,823,645	$ 20,823,645
Fund balances, beginning of year			
Fund balances (deficits), end of year		$ 20,823,645	

Safer City Improvement Fund			Zoo Improvement Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$ 30,000,000	$ 31,489,618	$ 1,489,618	$	$ 3,670,162	$ 3,670,162
	70,977	70,977		2,832	2,832
30,000,000	31,560,595	1,560,595		3,672,994	3,672,994
5,450,790	3,120,174	2,330,616			
16,189,410	6,095,629	10,093,781			
3,649,800	2,367,811	1,281,989			
25,290,000	11,583,614	13,706,386			
4,710,000	19,976,981	15,266,981		3,672,994	3,672,994
$ 4,710,000	19,976,981	$ 15,266,981		3,672,994	$ 3,672,994
	$ 19,976,981			$ 3,672,994	

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		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$ 50,000,000	$ 56,152,859	$ 6,152,859
Licenses and Permits	620,000	1,842,753	1,222,753
Fines and Forfeitures	807,000	934,909	127,909
Use of Money and Property	308,840	1,110,335	801,495
Federal Grants and Contributions	98,665,870	69,148,316	(29,517,554)
Other Agencies	46,025,950	44,723,904	(1,302,046)
Charges for Services	12,518,290	13,409,767	891,477
Contributions from Outside Sources	2,151,000	11,223,594	9,072,594
Miscellaneous	1,874,000	2,900,341	1,026,341
Total revenues	212,970,950	201,446,778	(11,524,172)
Expenditures:			
Current -			
Elected and Official	402,720	379,554	23,166
Public Safety and Justice Services	45,163,900	14,305,028	30,858,872
Community Enrichment and Development	118,079,600	107,252,479	10,827,121
General Government	1,442,300	1,681,893	(239,593)
Capital Outlay	22,241,820	9,280,010	12,961,810
Capital Projects	23,700,100	15,637,513	8,062,587
Debt service -			
Principal	4,825,460	4,465,563	359,897
Interest	1,913,320	1,999,894	(86,574)
Total expenditures	217,769,220	155,001,934	62,767,286
Excess (deficiency) of revenues over expenditures	(4,798,270)	46,444,844	51,243,114
Other financing sources (uses):			
Transfers In	7,511,010	7,313,997	(197,013)
Transfers Out	(9,628,200)	(9,263,189)	365,011
Total other financing sources (uses)	(2,117,190)	(1,949,192)	167,998
Change in fund balances	$ (6,915,460)	44,495,652	$ 51,411,112
Fund balances, beginning of year		24,409,793	
Fund balances (deficits), end of year		$ 68,905,445	

CITY OF

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TUCSON

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, 2018

	Special Assessment Bond & Interest Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$	$	$
Fines and Forfeitures	3,100	104	(2,996)
Use of Money and Property		9,924	9,924
Other Agencies			
Special Assessments	80,380	68,779	(11,601)
Miscellaneous		21,328	21,328
Total revenues	83,480	100,135	16,655
Expenditures:			
Debt service -			
Principal	257,000	257,000	
Interest	8,340	8,340	
Fiscal Agent Fees	1,500	2,000	
Total expenditures	266,840	267,340	
Excess (deficiency) of revenues over expenditures	(183,360)	(167,205)	16,655
Other financing sources (uses):			
Transfers In			
Transfers Out		(500,000)	(500,000)
Total other financing sources (uses)		(500,000)	(500,000)
Change in fund balances	$ (183,360)	(667,205)	$ (483,345)
Fund balances, beginning of year		888,498	
Fund balances (deficits), end of year		$ 221,293	

General Obligation Bond & Interest Fund			Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$ 31,632,200	$ 31,867,060	$ 234,860	$	$	$
				3,163	3,163
			7,900,000	8,602,648	702,648
31,632,200	31,867,060	234,860	7,900,000	8,605,811	705,811
24,570,000	25,630,000	(1,060,000)	14,145,000	14,145,000	
7,087,890	7,749,670	(661,780)	2,757,450	2,757,450	
2,900	5,600	(2,700)		2,000	(2,000)
31,660,790	33,385,270	(1,724,480)	16,902,450	16,904,450	(2,000)
(28,590)	(1,518,210)	(1,489,620)	(9,002,450)	(8,298,639)	703,811
	1,162,505	1,162,505	9,002,450	8,298,639	(703,811)
	1,162,505	1,162,505	9,002,450	8,298,639	(703,811)
$ (28,590)	(355,705)	$ (327,115)	$		$
	2,554,745				
	$ 2,199,040			$	

(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, 2018
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	$ 31,632,200	$ 31,867,060	$ 234,860
Fines and Forfeitures	3,100	104	(2,996)
Use of Money and Property		13,087	13,087
Other Agencies	7,900,000	8,602,648	702,648
Special Assessments	80,380	68,779	(11,601)
Miscellaneous		21,328	21,328
Total revenues	39,615,680	40,573,006	957,326
Expenditures:			
Debt service -			
Principal	38,972,000	40,032,000	(1,060,000)
Interest	9,853,680	10,515,460	(661,780)
Fiscal Agent Fees	4,400	9,600	(5,200)
Total expenditures	48,830,080	50,557,060	(1,726,980)
Excess (deficiency) of revenues over expenditures	(9,214,400)	(9,984,054)	(769,654)
Other financing sources (uses):			
Transfers In	9,002,450	9,461,144	458,694
Transfers Out		(500,000)	(500,000)
Total other financing sources (uses)	9,002,450	8,961,144	(41,306)
Change in fund balances	$ (211,950)	(1,022,910)	$ 810,960
Fund balances, beginning of year		3,443,243	
Fund balances (deficits), end of year		$ 2,420,333	

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TUCSON

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, 2018

	Capital Improvements		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	$	$	$
Use of Money and Property		36,266	36,266
Other Agencies	36,442,100	7,775,794	(28,666,306)
Miscellaneous			
Total revenues	36,442,100	7,812,060	(28,630,040)
Expenditures:			
Current -			
Community Enrichment and Development	533,900	231,863	302,037
Capital Projects	32,369,400	7,543,932	24,825,468
Debt Service -			
Principal		359,895	(359,895)
Interest		7,542	(7,542)
Total expenditures	32,903,300	8,143,232	24,760,068
Excess (deficiency) of revenues over expenditures	3,538,800	(331,172)	(3,869,972)
Other financing sources (uses):			
Transfers In			
Total other financing sources (uses)			
Change in fund balances	$ 3,538,800	(331,172)	$ (3,869,972)
Fund balances, beginning of year		704,014	
Fund balances (deficits), end of year		$ 372,842	

Regional Transportation Authority			2012 General Obligation Streets Improvements		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
$	$	$	$	$	$
	26,040	26,040		171,552	171,552
51,728,900	18,541,671	(33,187,229)			
	455,653	455,653			
51,728,900	19,023,364	(32,705,536)		171,552	171,552
1,089,540	325,778	763,762	24,649,300	19,800,208	4,849,092
30,468,790	18,241,933	12,226,857			
31,558,330	18,567,711	12,990,619	24,649,300	19,800,208	4,849,092
20,170,570	455,653	(19,714,917)	(24,649,300)	(19,628,656)	5,020,644
				(1,162,505)	(1,162,505)
				(1,162,505)	(1,162,505)
$ 20,170,570	455,653	$ (19,714,917)	$ (24,649,300)	(20,791,161)	$ 3,858,139
	995,836			23,223,732	
	$ 1,451,489			$ 2,432,571	

(Continued)

CITY OF TUCSON, ARIZONA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS

YEAR ENDED JUNE 30, 2018

(Concluded)

	Development Fee		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Developer Fees	$ 14,135,550	$ 9,291,985	$ (4,843,565)
Use of Money and Property	2,676,290	465,469	(2,210,821)
Other Agencies			
Miscellaneous			
Total revenues	16,811,840	9,757,454	(7,054,386)
Expenditures:			
Current -			
Community Enrichment and Development	359,300	42,557	316,743
Capital Projects	16,119,070	10,277,046	5,842,024
Debt Service -			
Principal			
Interest			
Total expenditures	16,478,370	10,319,603	6,158,767
Excess (deficiency) of revenues over expenditures	333,470	(562,149)	(895,619)
Other financing sources (uses):			
Transfers In	904,370	804,519	(99,851)
Total other financing sources (uses)	904,370	804,519	(99,851)
Change in fund balances	$ 1,237,840	242,370	$ (995,470)
Fund balances, beginning of year		39,153,215	
Fund balances (deficits), end of year		$ 39,395,585	

Totals		
Budget	Actual	Variance - Positive (Negative)
$ 14,135,550	$ 9,291,985	$ (4,843,565)
2,676,290	699,327	(1,976,963)
88,171,000	26,317,465	(61,853,535)
	455,653	455,653
104,982,840	36,764,430	(68,218,410)
26,632,040	20,400,406	6,231,634
78,957,260	36,062,911	42,894,349
	359,895	(359,895)
	7,542	(7,542)
105,589,300	56,830,754	48,758,546
(606,460)	(20,066,324)	(19,459,864)
904,370	(357,986)	(1,262,356)
904,370	(357,986)	(1,262,356)
$ 297,910	(20,424,310)	$ (20,722,220)
	64,076,797	
	$ 43,652,487	

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, 2018

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	$ 48,522,800	$ 50,696,690	$ 2,173,890
Miscellaneous	940,000	1,054,644	114,644
Total operating revenues	49,462,800	51,751,334	2,288,534
Operating expenses:			
Salaries, Wages and Benefits	16,426,360	14,601,297	1,825,063
Contractual Services	20,656,360	18,329,397	2,326,963
Commodities	4,179,350	3,280,147	899,203
Depreciation		6,344,729	(6,344,729)
Total operating expenses	41,262,070	42,555,570	(1,293,500)
Operating Income (Loss)	8,200,730	9,195,764	995,034
Nonoperating revenues (expenses):			
Investment Income	126,000	455,778	329,778
Gain (Loss) on Sale of Property/Equipment	150,000	171,711	21,711
Federal Grants and Contributions	125,000	166,397	41,397
Interest Expense	(454,500)	(421,547)	32,953
Other Nonoperating Income (Expenses)	(329,000)		329,000
Total nonoperating revenues (expenses)	(382,500)	372,339	754,839
Income (Loss) before transfers	7,818,230	9,568,103	1,749,873
Capital Contributions			
Changes in net Position	$ 7,818,230	9,568,103	$ 1,749,873
Total net position, beginning of year, restated*		(17,699,790)	
Total net position, end of year		$ (8,131,687)	

*(Beginning balance restated as described in Note 21.)

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, 2018

	Tucson Golf Enterprise Fund		
	Budget	Actual	Variance - Positive/ (Negative)
Operating revenues:			
Charges for Services	$ 8,454,280	$ 7,408,870	$ (1,045,410)
Miscellaneous Revenue			
Total operating revenues	8,454,280	7,408,870	(1,045,410)
Operating expenses:			
Salaries, Wages and Benefits	51,460	51,708	(248)
Contractual Services	5,896,120	5,412,809	483,311
Commodities	1,330,977	1,169,941	161,036
Cost of Goods Sold	573,653	573,653	
Depreciation		698,871	(698,871)
Total operating expenses	7,852,210	7,906,982	(54,772)
Operating income (loss)	602,070	(498,112)	(1,100,182)
Nonoperating revenues (expenses):			
Interest Expense	(32,110)	(20,448)	11,662
Total nonoperating revenues (expenses)	(32,110)	(20,448)	11,662
Income (loss) before capital contributions and transfers	569,960	(518,560)	(1,088,520)
Capital Contributions			
Changes in net position	$ 569,960	(518,560)	$ (1,088,520)
Total net position, beginning of year		12,796,783	
Total net position, end of year		$ 12,278,223	

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, 2018

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	$ 6,439,440	$ 4,007,780	$ (2,431,660)
Federal Grants and Contributions	6,657,590	6,402,625	(254,965)
Miscellaneous	12,400	18,445	6,045
Total operating revenues	13,109,430	10,428,850	(2,680,580)
Operating expenses:			
Salaries, Wages and Benefits	4,923,980	3,953,030	970,950
Contractual Services	7,142,320	3,760,570	3,381,750
Commodities	1,000,880	845,506	155,374
Depreciation		720,895	(720,895)
Total operating expenses	13,067,180	9,280,001	3,787,179
Operating Income (Loss)	42,250	1,148,849	1,106,599
Nonoperating revenues (expenses):			
Investment Income	34,820	126,171	91,351
Gain (Loss) on Sale of Property/Equipment		2,576	2,576
Other Nonoperating Income (Expenses)	(68,590)	(62,250)	6,340
Total nonoperating revenues (expenses)	(33,770)	66,497	100,267
Income (Loss) before capital contributions and transfers	8,480	1,215,346	1,206,866
Capital Contributions			
Transfers In	22,310		(22,310)
Transfers Out	(22,310)		22,310
Changes in net position	$ 8,480	1,215,346	$ 1,206,866
Total net position, beginning of year		22,302,722	
Total net position, end of year		$ 23,518,068	

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, 2018

	HCD Non-PHA Asset Management Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	$ 2,502,830	$ 1,818,731	$ (684,099)
Federal Grants and Contributions	227,000	227,303	303
Miscellaneous		22,464	22,464
Total operating revenues	2,729,830	2,068,498	(661,332)
Operating expenses:			
Salaries, Wages and Benefits	622,570	607,587	14,983
Contractual Services	1,901,530	1,429,811	471,719
Commodities	430,860	213,269	217,591
Depreciation		370,081	(370,081)
Total operating expenses	2,954,960	2,620,748	334,212
Operating Income (Loss)	(225,130)	(552,250)	(327,120)
Nonoperating revenues (expenses):			
Investment Income	139,280	94,382	(44,898)
Gain (loss) on Sale of Property/Equipment			
Total nonoperating revenues (expenses)	139,280	94,382	(44,898)
Income (Loss) before capital contributions and transfers	(85,850)	(457,868)	(372,018)
Capital Contributions			
Transfers In			
Transfers Out	(68,000)		68,000
Changes in net position	$ (153,850)	(457,868)	$ (304,018)
Total net position, beginning of year		13,414,613	
Total net position, end of year		$ 12,956,745	

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, 2018

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	$ 196,040,000	$ 220,339,117	$ 24,299,117
Miscellaneous	2,000,000	8,482,994	6,482,994
Total operating revenues	198,040,000	228,822,111	30,782,111
Operating expenses:			
Salaries, Wages and Benefits	37,244,340	30,095,098	7,149,242
Contractual Services	81,281,648	77,486,380	3,795,268
Commodities	10,478,312	7,663,173	2,815,139
Depreciation		36,980,284	(36,980,284)
Total operating expenses	129,004,300	152,224,935	(23,220,635)
Operating Income (Loss)	69,035,700	76,597,176	7,561,476
Nonoperating revenues (expenses):			
Investment Income	385,000	1,726,134	1,341,134
Gain (Loss) on Sale of Property/Equipment		456,971	456,971
Federal Grants and Contributions	865,000	784,666	(80,334)
Interest Expense	(20,230,450)	(16,734,150)	3,496,300
Debt Issuance Costs	(750,000)	(988,239)	(238,239)
Other Nonoperating Income (Expenses)		(434,256)	(434,256)
Total nonoperating revenues (expenses)	(19,730,450)	(15,188,874)	4,541,576
Income (Loss) before capital contributions and transfers	49,305,250	61,408,302	12,103,052
Capital Contributions	2,810,000	7,429,540	4,619,540
Transfers Out	(3,500,000)	(1,900,500)	1,599,500
Changes in net position	$ 48,615,250	66,937,342	$ 18,322,092
Total net position, beginning of year, restated*		845,300,392	
Total net position, end of year		$ 912,237,734	

*(Beginning balance restated as described in Note 21.)

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TUCSON

CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2018

Revenues:		
Sale of Water:		
Potable Water Sales		$ 170,781,995
Reclaimed Water Sales		9,160,682
Central Arizona Project Charge		27,117,449
Connection Fees		2,065,349
Environmental and Sewer Billing Services		4,644,395
TCE Clean Up Reimbursement		1,430,725
Plan Review and Inspection Fees		569,017
Other		13,052,499
Non-Operating Income:		
Impact Fees	$ 3,136,190	
Investment Earnings - Operating Fund	1,230,241	
Investment Earnings - Debt Service	129,823	
Federal Non-Grant Contributions (BABS)	740,166	
Proceeds from Sale of Property/Equipment	453,494	
Proceeds from Property Equipment Rental	366,069	
Total Non-Operating Income		6,055,983
Total Revenues		234,878,094
Operation and Maintenance Expenses:		
Director's Office		8,426,796
Business Services		4,690,448
Customer Services		8,935,238
Water Operations		28,654,001
Planning and Engineering		8,071,216
Quality Management		9,588,709
Power - Potable System		14,224,538
Power - Reclaimed System		2,180,337
CAP Water Purchases:		
Commodity	18,954,789	
Capital Charges	6,488,595	
Total CAP Water Purchases		25,443,384
General Expenses		2,906,270
Capitalized Operation and Maintenance Expense		(5,444,799)
Total Operation and Maintenance Expense		107,676,138
Net Revenue Available After Operations (2)		$ 127,201,956

CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2018

Bond Debt Service:		
Senior Liens		
Principal	$	28,360,000
Interest		20,303,593
Total Debt Service for Water Revenue Bonds		48,663,593
Junior Liens (Water Infrastructure Finance Authority)		
Principal		5,166,690
Interest		794,609
Total Debt Service for Water Infrastructure Finance Authority		5,961,299
Combined Senior and Junior Liens		
Principal		33,526,690
Interest		21,098,202
Total Debt Service		54,624,892
Net Revenue Available After Operations Bond Debt Service for Senior Liens	$	78,538,363
Net Revenue Available After Operations and Bond Debt Service for Combined Liens	$	72,577,064

(1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financial statements are presented on a GAAP basis.

(2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement of $48,361,487. 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, 2018, maximum future annual debt service coverage of senior lien debt is 263%.

(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, 2018, the debt coverage on Senior Lien Annual Debt Service Requirement was 261%.

(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, 2018, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 1317%.

(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, 2018, is 233%. The maximum future debt service coverage is 231%.

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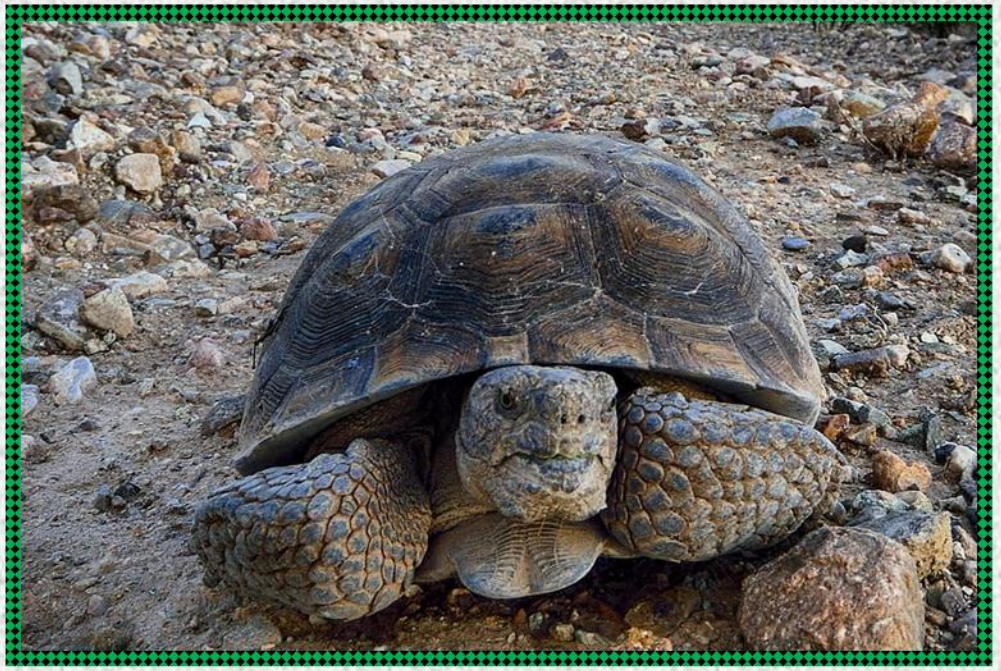
TUCSON

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

	Page
Financial Trends	159
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	166
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	169
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	174
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	176
These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	

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

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CITY OF TUCSON **TABLE I**

Net Position by Component

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Governmental Activities										
Net Investment in Capital Assets	$ 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	$ 1,626,663,395
Restricted	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	172,997,495
Unrestricted	(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)	(1,114,575,394)
Total Net position	$ 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	$ 685,085,496
Business-type Activities										
Net Investment in Capital Assets	$ 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	$ 928,965,511
Restricted	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	47,813,477
Unrestricted	(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)	(21,707,273)
Total Net position	$ 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	$ 955,071,715
Primary Government										
Net Investment in Capital Assets	$ 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	$ 2,555,628,906
Restricted	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	220,810,972
Unrestricted	(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)	(1,136,282,667)
Total Net position	$ 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	$ 1,640,157,211

Notes:

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

CITY OF TUCSON **TABLE II**

Changes in Net Position

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Expenses										
Governmental Activities										
Elected and Official	$ 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	$ 16,070,630
Support Services	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	82,468,649
Neighborhood Services	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	343,844,545
Public Safety/ Neighborhood Services (4)					373,619,042					
Operations and Development (4)	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	301,619,258
Strategic Initiatives	6,517,311	5,538,870								
General Government	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	32,782,433
Interest on Long-term Debt	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	21,155,574
Fiscal Agent Fees and Other	327,635	801,342	1,803,136	58,676	2,419,872	1,868,185	1,880,263	1,059,217	459,539	27,100
Total Governmental Activities	$ 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	$ 797,968,189
Business-type Activities										
Public Housing (1)	$ 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	$ 9,342,251
Non-PHA Asset Management (2)				1,120,698	1,409,258	1,383,356	2,267,351	2,765,473	3,009,448	2,620,748
Environmental Services	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	43,164,262
Tucson Golf Enterprise Fund	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	7,927,430
Water Utility	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	170,958,445
Total Business-type Activities	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	234,013,136
Total Primary Government Expenses	$ 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	$ 1,031,981,325
Program Revenues										
Governmental Activities:										
Charges for Services:										
Permits/Review fees	$ 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	$ 11,535,549
Recreation Fees	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	5,109,593
Paramedic Services Fees	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	11,296,826
Transit Fees	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	13,572,281
Other Charges for Service	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	92,562,458
Operating Grants & Contributions	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	128,237,145
Capital Grants and Contributions	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	62,699,881
Total Governmental Activities Program	$ 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	$ 325,013,733
Business-type Activities:										
Charges for Services:										
Public Housing (1)	$ 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	$ 4,026,225
Non-PHA Asset Management (2)				728,920	1,093,525	1,008,228	1,084,595	1,627,855	1,789,259	1,841,195
Environmental Services	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	51,751,334
Tucson Golf Enterprise Fund	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	7,408,870
Water Utility	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	228,822,111
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	6,629,928
Capital Grants and Contributions	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	8,371,840
Total Business-type Activities Program Rev	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	308,851,503
Total Primary Government Program Revenues	$ 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	$ 633,865,236

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expenses) Revenue										
Governmental Activities	$ (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)	$ (472,954,456)
Business-type Activities	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	74,838,367
Total Primary Government Net Expense	$ (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)	$ (398,116,089)
General Revenues and Other Changes in Net										
Governmental Activities:										
Taxes										
Property Taxes	$ 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	$ 46,886,789
Business Privilege Taxes	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	280,883,697
Public Utility Taxes	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	26,220,025
Hotel/Motel Surcharge (6)	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	19,961,452
Occupational Taxes (5)	86,868	127,851	86,091	84,690	102,558	87,846				
Liquor Taxes (5)	702,523	732,622	760,615	743,322	749,028	750,481				
Unrestricted Grants and Contributions	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	142,795,992
Investment Income (Loss)	2,505,708	1,086,559	718,308	916,820	227,689	1,127,524	988,190	2,088,982	676,098	2,486,914
Miscellaneous	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	7,286,229
Transfers	(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	1,891,737
Total Governmental Activities	$ 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	$ 528,412,835
Business-type Activities:										
Investment Income (Loss)	$ 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	$ 2,402,465
Miscellaneous										631,258
Transfers	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)	(1,891,737)
Total Business-type Activities	$ 2,783,462	$ 5,960,096	$ 194,663	$ 10,967,338	$ 2,636,239	$ 1,122,182	$ (24,266)	$ 4,457,443	$ 254,480	$ 1,141,986
Total Primary Government	$ 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	$ 529,554,821
Change in Net Position (3)										
Governmental Activities	$ 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)	$ 55,458,379
Business-type Activities	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	75,980,353
Total Primary Government	$ 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	$ 131,438,732

Notes:

(1) Conventional Public Housing accounting moved from governmental funds to enterprise funds.

(2) This fund is used to manage non-public housing assets that were moved from governmental funds.

(3) The implementation of GASB Statements 63 and 65 added the new balance sheet components of deferred inflows/outflows, changed Net Assets to Net Position, and changed the name of the Capital Asset component of Net Position.

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

(5) Beginning in fiscal year 2015, liquor and occupational fees are categorized as a charge for service as they are permits, not taxes.

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

CITY OF TUCSON **TABLE III**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
General Fund										
Reserved	$ 22,727,163	$	$	$	$	$	$	$	$	$
Unreserved	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	5,149,702
Restricted		4,288,438	5,477,328	4,875,762	4,337,530	5,401,397	4,876,013	3,379,729	3,581,948	3,720,621
Committed		5,412,146	28,162,175	28,074,273	27,692,762	28,356,051	29,635,059	31,306,965	33,312,757	33,551,248
Assigned		11,523,823	13,264,761	18,056,275	1,680,900	6,464,860	4,285,870	8,458,874	43,196,713	30,743,763
Unassigned		22,836,507	11,107,980	8,668,230	12,765,747	15,991,136	15,736,784	28,269,669	18,022,572	37,969,704
Total General Fund	$ 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	$111,135,038
All Other Governmental Funds										
Reserved	$103,582,644	$	$	$	$	$	$	$	$	$
Unreserved, Reported In:										
Special Revenue Funds	1,099,433									
Capital Project Funds										
Debt Service Funds										
Total Unreserved	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	3,678,236
Restricted		68,556,717	85,453,622	59,880,453	76,975,091	93,614,555	89,416,493	96,748,168	89,075,997	112,817,768
Committed		3,284,544	3,360,321	3,142,812	5,187,925	1,611,378	104,954	1,628,147	402,142	151,860
Assigned		13,779,239	18,901,488	9,861,655	9,559,070	15,359,731	4,498,593	7,496,550	2,580,576	4,164,188
Unassigned		(1,540,527)	(177,479)	(421,037)	(96,591)					
Total All Other Governmental Funds	$104,682,077	$ 89,094,008	$111,723,956	$ 72,463,883	$ 95,741,410	$115,090,914	$ 99,851,248	$108,984,618	$ 97,441,703	$120,812,052

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 IV**

Tax and Other Agency Revenues, General Fund

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Tax Revenues										
Property Taxes (2)	$ 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	$ 14,710,170
Public Utility Taxes (1)	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	26,220,025
Local Use Taxes	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	10,838,598
Business Privilege Taxes	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	213,375,580
Transient Occupancy Taxes	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	12,355,878
Other Taxes	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	7,947,324
Total Tax Revenues	$ 208,541,321	$ 215,668,210	$ 225,486,157	$ 229,797,614	$ 239,677,853	$ 237,975,331	$ 243,058,369	$ 251,930,389	$ 263,456,937	$ 285,447,575
Other Agency Revenues										
State Auto Lieu Taxes	$ 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	$ 23,677,715
State Sales Tax	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	53,529,411
State Urban Revenue Sharing	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	65,588,866
Contributions and Agency Billings (2)	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	6,617,690
Total Other Agency Revenue	$ 142,752,341	$ 126,282,205	$ 114,430,126	$ 110,843,737	$ 120,279,479	$ 128,735,527	$ 136,956,086	$ 140,226,478	$ 143,794,949	$ 149,413,682

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

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

CITY OF TUCSON **TABLE V**

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Revenues										
Taxes	$ 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	$ 373,467,494
Licenses and Permits	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	32,362,623
Fines and Forfeitures	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	9,655,907
Developer Fees	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	9,291,985
Use of Money and Property	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	3,761,093
Federal Grants and Contributions	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	78,409,187
Other Agencies	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	243,265,570
Charges for Services	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	84,596,382
Special Assessments	1,155,596	652,683	598,613	523,362	390,049	355,263	323,164	270,738	227,596	68,779
Contributions from Outside Services									1,392,085	11,223,594
Miscellaneous	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	8,476,065
Total Revenues	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	854,578,679
Expenditures										
Current										
Elected and Official	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	17,063,660
Support Services	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	78,960,906
Neighborhood Services	355,353,344	334,874,173	328,579,562	446,212,801						
Environment and Development	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	305,271,081
Operations and Development					133,123,134					
Community Enrichment and Development						223,217,451	247,138,055	240,994,849	226,207,082	239,509,517
Strategic Initiatives	6,298,094	5,378,320								
General Government	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	32,739,324
Capital Outlay	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	16,506,078
Capital Projects	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	54,839,687
Debt Service										
Principal	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	62,889,544
Interest	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	21,172,727
Fiscal Agent Fees	49,197	209,780	31,250	40,800	6,138	37,850	23,625	91,914	45,150	27,100
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	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	828,979,624
Excess of Revenues Over (Under) Expenditures	$ (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)	$ 25,599,055

(Continued)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Bond Issuance	$ 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	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	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	63,265,262
Transfers Out	(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)	(61,364,762)
Total Other Financing Sources (Uses)	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	1,900,500
Net Change in Fund Balances	$ (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	$ 27,499,555
Debt Service as a % of Noncapital Expenditures (1)	8.8%	9.3%	8.5%	11.5%	9.1%	9.2%	11.1%	11.2%	11.2%	11.1%

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

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

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

CITY OF TUCSON **TABLE VI**

Taxable Sales by Category
Last Ten Fiscal Years

	Fiscal Year									
Activity (1)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Utilities (2)	$ 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	$ 848,786,259
Communications	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	169,803,092
Publishing & Printing	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	40,173,943
Restaurants	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	1,254,106,028
Amusements	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	107,192,937
Rentals	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	1,038,329,369
Contracting	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	708,684,759
Retail	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	6,351,368,840
Use Tax	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	495,634,302
Other	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	3,071,768
Total Business Privilege Activity	$ 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	$11,017,151,297
City's Tax Rate (3)	2%	2%	2%	2%	2%	2%	2%	2%	2%	2.6%

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

(2) Utility is only based on 2%/2.5%/2.6% utility tax. It does not include either of the public utility taxes. In fiscal year 2012, the calculation of the utility revenue base was changed because the various tax rates apply to the same revenue base. In previous years an average rate was used, which resulted in using a calculated revenue base.

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

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

CITY OF TUCSON **TABLE VII**

Business Privilege Taxes

Overlapping Tax Rates

Last Ten Fiscal Years

Fiscal Year	City's Rate (1)	State's Rate (2)	County's Rate - RTA (3)
2009	2.0%	5.6%	0.5%
2010	2.0%	5.6%	0.5%
2011	2.0%	6.6%	0.5%
2012	2.0%	6.6%	0.5%
2013	2.0%	6.6%	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%
2018	2.6%	5.6%	0.5%

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

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

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

CITY OF TUCSON **TABLE VIII**

Principal Business Privilege Tax Remitters By Activity

Current Year and Nine Years Ago

	Fiscal Year 2009		Fiscal Year 2018	
Business Sector	**Tax Paid**	**% of Total**	**Tax Paid**	**% of Total**
Utility	$ 14,414,184	7.6%	$ 20,653,641	7.0%
Public Utility	6,000,712	3.2%	24,844,300	8.4%
Public Utility (Right of Way)	734,075	0.4%	584,138	0.2%
Communications	4,688,549	2.5%	4,162,148	1.4%
Publishing & Printing	883,051	0.5%	989,467	0.3%
Restaurants	18,183,318	9.6%	30,813,979	10.4%
Amusements	1,130,406	0.6%	2,612,336	0.9%
Rentals	19,349,209	10.2%	25,540,495	8.7%
Contracting	18,536,771	9.7%	16,358,311	5.5%
Retail	97,655,123	51.3%	156,115,734	52.9%
Use Tax	8,747,960	4.6%	12,202,556	4.1%
Other Activities	69,186	0.0%	62,120	0.0%
Total (1)	$ 190,392,544	100%	$ 294,939,225	100%

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

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

CITY OF TUCSON **TABLE IX**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	Governmental Activities							
Fiscal Year	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	Total Governmental Activities
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
2018	183,531,175	44,211,118		189,968,018	36,000	15,268,587	8,577,200	441,592,098

	Business-type Activities						
Fiscal Year	Water System Revenue Bonds	Capital Leases	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personnel Income (1)	Per Capita (1)
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
2018	521,267,908	103,865	11,089,386	532,461,159	974,053,256	2.29%	949.28

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

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

CITY OF TUCSON **TABLE X**

Ratios of Net General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Estimated Net Full Cash Value	Percentage of Actual Property Value	Per Capita
2009	$ 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%	233.80
2012	215,939,228		215,939,228	26,361,320,625	0.82%	217.90
2013	220,197,706		220,197,706	25,277,236,323	0.87%	220.90
2014	221,448,585		221,448,585	23,573,852,432	0.94%	222.33
2015	221,866,839		221,866,839	23,621,125,299	0.94%	220.28
2016	218,709,143	2,205,248	216,503,895	24,914,786,731	0.87%	214.96
2017	211,585,375	2,554,745	209,060,630	26,918,515,852	0.79%	212.66
2018	183,531,175	2,199,040	181,332,135	28,316,305,308	0.79%	224.55

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

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

CITY OF TUCSON **TABLE XI**

Direct and Overlapping Governmental Activities Debt

As of June 30, 2018

Overlapping Jurisdiction	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Paid with Property Taxes			
Pima County, Arizona	$ 275,990,000	41.19%	$ 113,680,281
Tucson Unified School District No. 1	134,135,000	75.79%	101,660,917
Flowing Wells Unified School District No. 8	26,380,000	31.84%	8,399,392
Amphitheater Unified School District No. 10	82,070,000	17.86%	14,657,702
Sunnyside Unified School District No. 12	58,215,000	73.23%	42,630,845
Tanque Verde Unified School District No. 13	9,910,000	1.84%	182,344
Vail Unified School District No. 20	61,605,000	0.02%	12,321
Sahuarita Unified School District No. 30			
Other Debt (1)			
Pima County Capital Leases	163,375,150	41.19%	67,294,224
Tucson Unified School District No. 1 Capital Leases	27,130,857	75.79%	20,562,477
Flowing Wells Unified School District No. 8 Capital Leases	9,692,650	31.84%	3,086,140
Sunnyside Unified School District No. 12 Capital Leases	10,746,053	73.23%	7,869,335
Vail Unified School District No. 20	3,138,310	44.98%	1,411,612
Sahuarita Unified School District No. 30	769,969	0.02%	154
Subtotal, Overlapping Debt			381,447,744
City of Tucson, Arizona Direct Debt			441,592,098
Total Direct and Overlapping Debt			$ 823,039,842

Source: State Report of Indebtedness and Water Revenue Obligations, Series 2018 Official Statement.

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

CITY OF TUCSON **TABLE XII**

Legal Debt Margin Information

Last Ten Fiscal Years

	Fiscal Year									
	2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Primary Tax Rate (1)	0.3231	0.3144	0.3289	0.4297	0.4125	0.5245	0.4829	0.5326	0.5348	0.4581
Secondary Tax Rate	0.6370	0.6200	0.6261	0.7324	0.8514	0.9059	0.9777	1.0634	1.0634	0.9761
Total Property Tax Rate (2)	0.9601	0.9344	0.9550	1.1621	1.2639	1.4304	1.4606	1.5960	1.5982	1.4342
Secondary Assessed Value	$ 3,895,581,900	$ 3,862,655,420	$ 3,914,105,239	$ 3,487,959,628	$ 3,377,401,416	$ 3,151,042,287	$ 3,151,042,287	$ 3,248,105,418	$ 3,403,761,338	$ 3,824,846,552
6% Limitation (3)	233,734,914	231,759,325	210,076,018	209,277,578	202,644,085	189,062,537	189,062,537	194,886,325	201,270,680	229,490,793
Less: Direct G.O. Bonds Outstanding	660,000									
Legal Debt Margin	$ 233,074,914	$ 231,759,325	$ 210,076,018	$ 209,277,578	$ 202,644,085	$ 189,062,537	$ 189,062,537	$ 194,886,325	$ 201,270,680	$ 229,490,793
Legal Debt Margin as a Percentage of the Debt Limit	99.72%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
20% Limitation (3)	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	764,969,310
Less: Direct G.O. Bonds Outstanding	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	174,640,000
Legal Debt Margin	$ 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	$ 590,329,310
Legal Debt Margin as a Percentage of the Debt Limit	67.47%	69.15%	71.59%	70.03%	68.40%	65.92%	65.83%	67.85%	70.58%	77.17%

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 XIII**

Pledged Revenue Coverage

For the Last Ten Fiscal Years

	Water System Revenue Bonds								
				Combined Debt Service		Senior Lien Debt Service			
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Principal	Interest	Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio (1)
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
2018	234,878,094	107,676,138	127,201,956	33,526,690	21,098,202	28,360,000	20,303,593	2.33	2.61

	Special Assessments				Highway User Fees (HURF)			
		Debt Service				Debt Service		
Fiscal Year	Special Assessments Collections	Principal	Interest	Coverage	HURF Revenues	Principal	Interest	Coverage
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
2018	68,779	257,000	8,340	0.26	49,000,113	14,145,000	2,757,450	2.90

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 **TABLE XIV**

Demographic and Economic Statistics

Last Ten Fiscal Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
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%
2018	1,026,100	42,585,356,000	41,637	4.6%

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

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

(2) Data is for the calendar year that ends during that fiscal year. For example, fiscal year 2018 contains data for the calendar year ending December 31,2017.

CITY OF TUCSON **TABLE XV**

Principal Employers

Current Year and Nine Years Ago

	2009			2018	
Employer	**Employees**	**Percentage of Total Tucson Statistical Area Employment**	**Employer**	**Employees**	**Percentage of Total Tucson Statistical Area Employment**
Raytheon Missile Systems	11,539	3.18%	University of Arizona	11,251	2.47%
University of Arizona	10,575	2.92%	Raytheon Missile Systems	9,600	2.10%
State of Arizona	9,329	2.57%	State of Arizona	8,580	1.88%
Davis-Monthan Air Force Base	7,509	2.07%	Davis-Monthan Air Force Base	8,406	1.84%
Tucson Unified School District	7,227	1.99%	Pima County	7,060	1.55%
Wal-Mart Stores, Inc.	6,715	1.85%	Tucson Unified School District No. 1	6,770	1.48%
U.S. Army Intelligence Center & Fort Huachuca	6,463	1.78%	Banner University Health Care	6,272	1.37%
Pima County	6,235	1.72%	U.S. Customs and Border Patrol	5,739	1.26%
Freeport-McMoRan Copper & Gold Mine	5,987	1.65%	Freeport-McMoRan Copper & Gold Mine	5,530	1.21%
City of Tucson	5,635	1.56%	Wal-Mart Stores, Inc.	5,500	1.21%
Total	77,214	21.29%		74,708	16.37%

Source: Sun Corridor/Arizona Star
U.S. Bureau of Labor Statistics

City of Tucson **TABLE XVI**

Adopted Budget Full-time-Equivalent City Employees by Function

Last Ten Fiscal Years

	Fiscal Year									
Function	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Elected and Official	250.00	247.50	214.50	207.50	209.50	223.00	206.50	212.50	183.50	184.50
Neighborhood Services	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	2,116.80
Operations and Development	563.50	456.00	450.00	1,159.25	594.00					
Strategic Initiatives (3)	63.75									
Community Enrichment and Development						1,090.25	1,052.50	1,027.00	931.00	929.00
Support Services	702.16	676.66	644.50	303.00	301.50	524.00	518.00	522.50	489.50	480.00
General Government	4.00									
Pension Services (4)					4.00	4.00	4.00	4.00	4.00	4.00
Utility Services-Environmental Services	263.00	248.00	241.00	241.00	237.00	222.00	216.00	214.00	241.00	236.00
Utility Services-Water	580.00	568.00	556.00	556.00	549.00	547.00	547.50	547.50	550.50	554.50
Golf Courses (5)	154.75	154.75	145.25	63.75	68.00	68.00				
Total	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	4,504.80

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 2010, Strategic Initiatives was reported in Operations and Development.

(4) Beginning in fiscal year 2013, the City began to report Pension Services separately. Prior to FY13 it was reported in Support Services.

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

City of Tucson **TABLE XVII**

Capital Asset Statistics by Function

Last Ten Fiscal Years

	Fiscal Year									
Function	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Police Facilities	9	9	13	13	13	13	9	9	9	9
Fire Stations	21	21	21	21	21	21	22	22	22	22
Parks & Recreation										
Recreation/Regional Centers	18	18	18	18	18	18	20	20	20	20
Golf Courses	5	5	5	5	5	5	5	5	5	5
Parks	142	142	142	142	142	142	127	127	127	127
Play Fields	231	231	231	231	231	231	225	225	231	225
Swimming Pools (2)	27	27	27	27	27	27	45	45	41	25
Transportation (1)										
Residential (Miles)	1,384	1,384	1,384	1,604	1,604	1,629	1,645	1,328	1,328	1,347
Collectors (Miles)	101	101	101	101	101	101	101	85	85	85
Arterials (Miles)	287	287	287	316	316	371	381	310	310	310
Interstate (Miles)	80	80	80	80	80	80	80			
Transit										
Buses (Active Fleet)	230	241	240	237	252	240	252	252	246	246
Water										
Operable Wells	216	214	221	226	206	230	225	221	202	216
Miles of Water Mains	4,683	4,454	4,620	4,687	4,793	4,606	4,623	4,579	4,596	4,650

Source: Various City Departments

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

(2) Prior to 2018, stand-alone splash pads inside pool grounds were included. For 2018, these splash pads have been excluded.

CITY OF TUCSON **TABLE XVIII**

Operating Indicators by Function

Last Ten Fiscal Years

Function	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Number of Construction Permits (Residential and Commercial)	2,802	2,921	2,984	2,430	2,295	1,932	2,094	2,164	2,532	2,558
Permit Revenue	$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	$17,959,189
Police										
Calls for Service	327,882	296,316	299,191	305,662	328,015	346,817	326,900	286,811	288,755	310,396
Calls for Service per Capita	0.60	0.54	0.57	0.56	0.62	0.66	0.62	0.54	0.54	0.58
Part I Crimes (% Cleared) (1)	18.41%	20.43%	17.04%	17.13%	11.52%	14.73%	14.80%	12.34%	12.88%	15.21%
Part II Crimes (% Cleared) (1)	94.27%	97.90%	100.00%	93.02%	83.61%	79.22%	37.94%	65.51%	64.12%	76.65%
Fire										
Emergency Responses	79,380	77,800	79,721	80,236	81,941	79,704	85,594	91,272	92,009	90,966
Inspections	7,825	8,712	8,301	8,319	6,293	7,199	5,471	5,140	5,810	6,368
Parks & Recreation										
KIDCO Registration	2,967	2,947	3,710	4,161	3,407	3,209	3,195	3,285	2,978	2,785
Class Enrollment-Other than KIDCO	19,865	7,412	18,304	19,418	17,607	16,949	16,724	16,248	15,615	15,427
Facility Rental	14,021	13,032	11,509	11,734	9,325	9,231	10,688	10,810	8,882	10,544
Zoo Visitors	529,010	514,269	524,701	585,583	549,929	568,028	618,357	519,829	485,074	505,238
Environmental Services										
Landfill Tons of Waste Collected (3)	487,144	412,950	435,864	453,400	471,400	517,564	560,938	575,469	582,181	948,481
Tons of Material Recycled (3)	44,480	44,622	43,534	39,000	38,000	38,623	39,506	39,792	39,344	29,247
Water										
Average Total Monthly Connections										
Potable	228,157	224,562	222,736	223,139	224,284	225,791	227,052	228,450	230,030	231,927
Reclaimed	1053	1,061	1,087	1,087	1,082	1,086	1,076	1,056	1,047	1,043
New Connections										
Potable	1,064	1,064	1,127	1,018	1,459	1,186	1,258	1,398	1,580	1,897
Reclaimed	17	17	0	0	9	0	-10	-20	-9	-4
Water Sales (1000 ccf)										
Potable	44,443	43,668	42,885	41,433	41,109	41,266	39,876	39,500	39,546	39,700
Reclaimed	7,151	6,913	6,872	6,285	6,483	7,154	6,188	5,981	6,269	6,694
Transportation										
Average Response Time (working days) to Complete Pothole Repairs	4 to 6 weeks	4 to 6 weeks	4 to 6 weeks	42	16	2 to 3 weeks	18	14	4	9
The % of Lane Miles Assessed as Satisfactory or Better (2)	81%	81%	67%	43%	46%	23%	28%	26%	27%	30%
Traffic Signal Expenditure per Repair	$486.00	$516.00	$567.00	$700.00	$746.00	$831.00	$593.00	$510.00	$503.00	$649.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	$6.44	$6.23	$5.78	$6.89	$6.20	$7.11	$7.08	$7.47	$7.36	$7.07
Sun Tran's Operating Expenses per Passenger Mile	$0.59	$0.69	$0.74	$0.70	$0.64	$0.73	$0.68	$0.94	$0.73	$0.80

Source: Various City Departments

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

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

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

Glossary

CITY OF TUCSON

ARIZONA

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed

another way, designations reflect a government's self- imposed limitations on the use of otherwise available financial resources in governmental funds. After fiscal year 2010, this terminology is no longer used. See Assigned Fund Balance.

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

Encumbrance. Commitments related to unperformed (executory) contracts for goods or services.

Enterprise fund. Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services.

Expenditure. Decreases in net financial resources under the current financial resources measurement focus not properly classified as *other financing uses*.

Fiduciary funds. Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

Financial reporting entity. A primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The nucleus of a financial reporting entity usually is a primary government. However, a governmental organization other than a primary government (such as a component unit, a joint venture, a jointly governed organization, or other stand-alone government) serves as the nucleus for its own reporting entity when it issues separate financial statements.

Financial resources. Resources that are or will become available for spending. Financial resources include cash and resources ordinarily expected to be converted to cash (e.g., receivables, investments). Financial resources also may include inventories and prepaids (because they obviate the need to expend current available financial resources).

Financial section . One of the three basic sections of a comprehensive annual financial report. The financial section is used to present the independent auditor's report on the financial statements, the basic financial statements (including the notes to the financial statements), required supplementary information, combining statements, individual fund statements and schedules, and supplementary information, as needed.

Fund. A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Fund balance. The difference between assets and liabilities reported in a governmental fund. Fund balance can be divided in to the following components: nonspendable, restricted, committed, assigned and unassigned.

Fund classifications. One of the three categories (governmental, proprietary, and fiduciary) used to classify fund types.

Fund type. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund

types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

General fund. The general fund is one of five governmental fund types and typically serves as the chief operating fund of a government. The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Generally accepted accounting principles (GAAP). The conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements. The various sources of GAAP for state and local government are set forth by SAS No. 69, *The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles" in the Independent Auditor's Report.*

Government Finance Officers Association (GFOA). An association of public finance professionals founded in 1906 as the Municipal Finance Officers Association. The GFOA has played a major role in the development and promotion of GAAP for state and local government since its inception and has sponsored the Certificate of Achievement for Excellence in Financial Reporting Program since 1946.

Governmental Accounting Standards Board (GASB). The ultimate authoritative accounting and financial reporting standard-setting body for state and local governments. The GASB was established in June 1984 to replace the NCGA.

Governmental funds. Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

HURF. Highway User Revenue Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

Operating revenues and expenses. Term used in connection with the proprietary fund statement of revenues, expenses, and changes in net assets. The term is not defined as such in the authoritative accounting and financial reporting standards, although financial statement preparers are advised to consider the definition of *operating activities* for cash flows reporting in establishing their own definition. [SGAS 34]

Other financing source. An increase in current financial resources that is reported separately from revenues to avoid distorting revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

Other financing use. A decrease in current financial resources that is reported separately from expenditures to avoid distorting expenditure trends. The use of the *other financing uses* category is limited to items so classified by GAAP.

Other post-retirement healthcare benefits (OPEB). Medical, dental, vision, and other health-related benefits provided to retired employees, dependents, and beneficiaries. [SGAS 26]

Overlapping debt. Proportionate share that property within a government must bear the debts of other local governments located wholly or in part within the geographic boundaries of the reporting government. Except for special assessment debt, the amount of debt of each unit applicable to the reporting unit is arrived at by (1) determining what percentage of the total assessed value of the overlapping jurisdiction lies within the limits of the reporting unit, and (2) applying this percentage to the total debt of the overlapping jurisdiction. Special assessment debt is allocated on the basis of the ratio of assessments receivable in each jurisdiction, which will be used wholly or in part to pay off the debt, to total assessments receivable, which will be used wholly or in part for this purpose.

Pension (and other employee benefit) trust funds. A fiduciary fund type used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

Permanent Funds. A fiduciary fund type used to report resources that are legally restricted to the extent that only earnings, and not principal may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Proprietary funds. Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.

Refunding. The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding).

Required supplementary information. Statements, schedules, statistical data, or other information that the GASB has determined to be necessary to supplement, although not required to be a part of, the basic statements. [SGAS 5]

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

Restricted fund balance. The portion of fund balance that reflects resources that are subject to externally enforceable legal restrictions. Such restrictions are imposed by parties altogether outside the City, such as creditors, grantors (federal/state), laws and regulations of other governments.

Special revenue fund. A governmental fund type used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for a specified purpose.

Statistical section. The third of three essential components of any comprehensive annual financial report. The statistical section provides a broad range of trend data covering key financial indicators from the past 10 fiscal years (e.g., general government revenues and expenditures, property tax collections, debt burden). It also contains demographic and miscellaneous data useful in assessing a government's financial condition. The contents of the statistical section normally fall outside the scope of the independent audit of the financial statements.

Unassigned fund balance. The surplus in the general fund that is left over if resources are not constrained by nonspendable, committed, restricted, and assigned. Only the general fund can have unassigned fund balance. The other governmental funds, special revenue, debt service, and capital project funds, due to the constraints on these resources can not have a positive unassigned, but can have a negative unassigned balance.

City of Tucson, Arizona

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