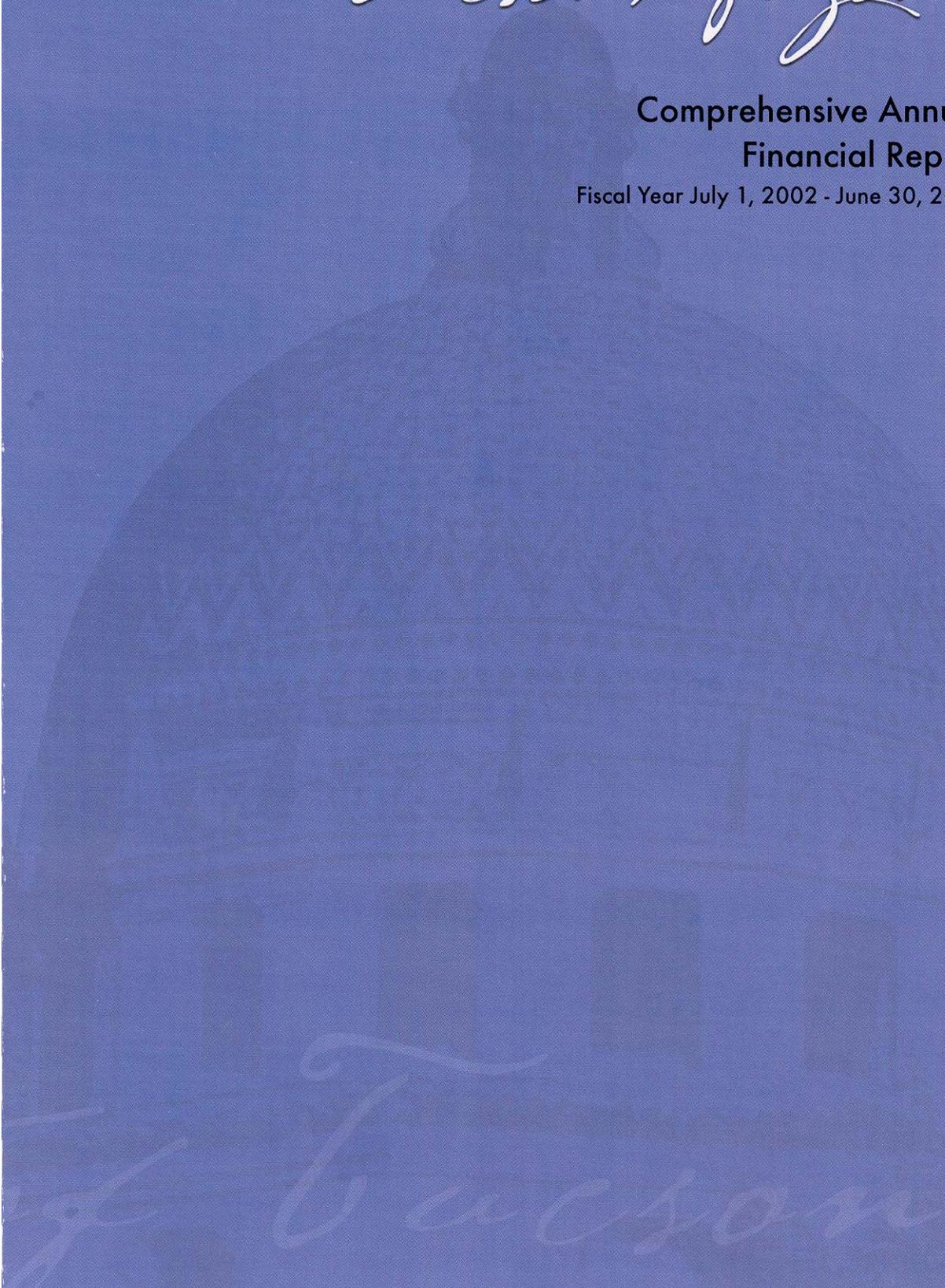
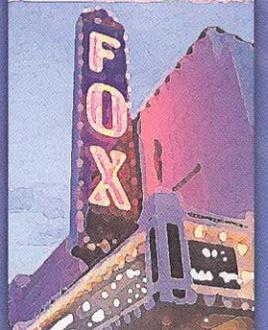
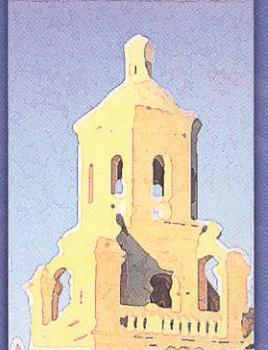
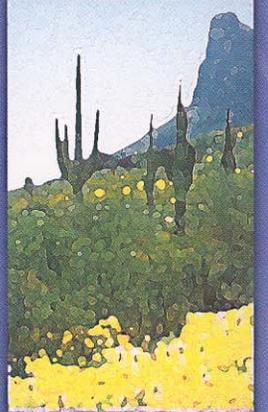
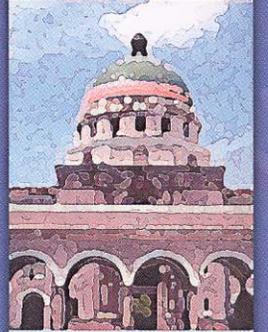
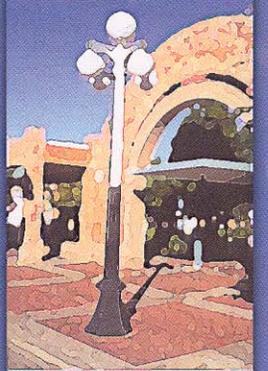


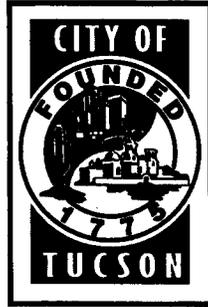
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*City of  
Tucson, Arizona*

Comprehensive Annual  
Financial Report

Fiscal Year July 1, 2002 - June 30, 2003



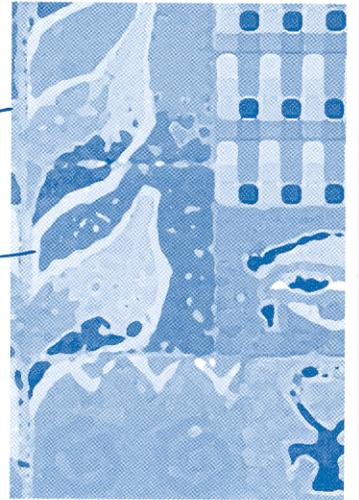


City of Tucson, Arizona  
Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2003

Prepared by: The Department of Finance,  
Accounting Division



*Introductory  
Section*



*Jackson*

**CITY OF TUCSON, ARIZONA**  
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CITY OF  
TUCSON

FINANCE DEPARTMENT  
ADMINISTRATION

December 10, 2003

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2003, as required by Chapter XXIX of the City Charter. The report was prepared by the City's Accounting Division in accordance with accounting principles generally accepted in the United States of America.

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

The City was incorporated February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. All funds and entities related to the City that are controlled by the Mayor and Council are included in the basic financial statements. This control is determined on the basis of, among other factors, budget adoption, taxing authority, and the ability to issue debt either collateralized by revenues or as general obligation of the City. The funds and entities provide a full range of services including General Government, Police, Fire, Solid Waste Management, Transportation, Library, Parks and Recreation, Golf and Water.

The City Charter requires an annual independent audit. The City engaged Heinfeld, Meech, and Company, P.C. to express an opinion on the financial statements based on their audit. 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. Heinfeld, Meech, and Company, P.C. also audited the City's federal financial assistance program, complying with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, the City's organizational chart and this transmittal letter. The financial section includes the independent auditor's report, the management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and combining statements and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

This report includes financial statements on a government-wide and fund basis for the City (the primary government), as well as its component units. A component unit is a separate legal entity that is included in the reporting entity due to the significance of its financial or operational relationships with the City. Additional information concerning the City's component units is provided in the notes to the basic financial statements.

Local Economy: Tucson is not alone in having to deal with this country's most serious fiscal crisis since World War II. Studies have put Arizona among the states with the most constricted finances. The effect of very tight budgets at the federal, state, and local levels have put the City of Tucson in challenging times that may extend through Fiscal Year 2006.

The City of Tucson is one of the most financially at-risk cities in the State. Tucson has structural deficits, driven by unique local factors, which slowed the recovery of this economic downturn. They are: the City-County fragmentation issue, the pattern of regional growth, the growing socio-economic divide between the City and the unincorporated County, our undiversified revenue system, our backlog of infrastructure and service needs stretching back many years, and demanding and challenging demographics.

Long-term Financial Planning: The care and effort applied to planning for future growth will determine not only the quality of our community, but how we will pay for needed services. This is why future budgets are focused on planning in keeping with the Council's strategic plan direction, which focuses on downtown development, managing growth, neighborhood development, transportation, economic development and good government. The following are some of the key projects:

**Downtown Development:** The Rio Nuevo downtown revitalization project is gaining momentum. A comprehensive economic feasibility study concluded that the proposed University of Arizona Science Center, a \$72 million project, would be a successful, self-sustaining destination attraction for the Rio Nuevo Multipurpose Facilities District. Other projects include the development and leasing of the intermodal center known as the Historic Downtown Depot and the remodeling of the Joel D. Valdez Main Library.

**Managing Growth:** The Mayor and Council have taken action on two projects: Development and Impact Fee Study and the Houghton Area Master Plan. The Development and Impact Fee Study will analyze the cost of providing municipal services through the use of a Development Impact Fee program. The Houghton Area Master Plan will address approximately 9,000 acres on the City's eastern edge that is underdeveloped and is expected to experience tremendous growth in the near future.

**Neighborhood Development:** Construction will begin on two new fire stations to serve growing areas of the City. Library expansion projects will take place at the new Quincie Douglas and the Miller-Golf Links branches.

**Transportation:** The Pima Association of Governments will continue to lead local jurisdictions in developing the Regional Transportation Plan (RTP). The RTP is a detailed, multi-modal, long-range plan for future transportation investments throughout eastern Pima County. The plan will integrate the policies, land-use implications, and transportation plans of local jurisdictions, and it will also include a funding component identifying funding needs and revenue sources available to implement the plan.

**Economic Development:** A key project in this area is the Davis-Monthan Joint Land use study which will preserve the long-term mission of Davis-Monthan AFB, ensure the safety of the community by assuring land-use compatibility by the base, and would preserve the mission of one of Tucson's largest employers. Another project deals with the coordination between the City and the Metropolitan Tucson Convention and Visitor's Bureau on a plan for development of Mexican tourism for Tucson.

**Good Government:** The City staff has worked hard to improve communication with our citizens. New, web-based computer programs will streamline the process of sending e-mail and voice messages to the City staff and the Mayor and Council for quicker responses. A number of City departments are working on programs that will allow citizens to do business with the City online, including Tucson Water which is working to allow bill payments through the Internet.

**Budgeting Controls:** Tucson, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets out limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-80 adjusted to reflect subsequent inflation and population growth. Items excluded from this limit are bond proceeds, related debt service, interest earnings, certain Highway User Revenue funds, Federal funding, monies received pursuant to intergovernmental agreements, and State grants which are to be used for specific purposes.

On November 3, 1987, in accordance with State Statutes, the voters of Tucson passed a \$46.9 million increase in the expenditure base used to calculate the City's expenditure limitation. The effect is a permanent increase in the City's expenditure limitation, which the City uses for purposes of improved police, recreational, water, transportation, and fire protection services.

Chapter XIII, Sections 3 and 4 of the Tucson Charter require that on or before the first Monday in May, the City Manager submit to the Mayor and Council an estimate of the revenues required for the next fiscal year, and that on or before the first Monday in June, the City Manager submit his recommended budget for the fiscal year beginning July 1. Beginning July 1 of each fiscal year, the adopted budget is implemented, monitored, and changed within the limits of the law, as necessary. The Budget and Research and Finance Departments are charged with this responsibility.

The Mayor and Council adopted the Fiscal Year 2003 and Fiscal Year 2004 Biennial Budget but appropriated only the budget for Fiscal Year 2003. Fiscal Year 2004 is included to reduce the amount of redundant budget work departments do each year, free-up time for program evaluation and analysis to improve service, and to provide context and a planning framework beyond a single-year horizon.

Cash Management: The Treasury Division of the Finance Department manages an investment program with the objectives of safe, efficient, and profitable use of cash resources.

The City Charter and State Statutes authorize the City to invest in obligations of the U.S. Government, its agencies and instrumentalities, money market funds consisting of the above, repurchase agreements, bank certificates of deposit, commercial paper rated A-1/P-1, corporate bonds and notes rated AAA or AA, and the State of Arizona Local Government Investment Pool.

The deferred compensation fund is governed by a Management Board of Trustees, which authorizes investments in U.S. Government obligations and agency issues, corporate bonds and money market funds. The Tucson Supplemental Retirement System Fund (TSRS) is governed by a Board of Trustees, which is authorized by City Code to make investments in accordance with the “prudent person rule.” The TSRS Board contracts with Mellon Bank NA, professional money managers, for fund investment in domestic and international equity, fixed income and real estate; in addition the Treasury Division manages a portion of the fixed income domestic portfolio.

Risk Management: The City maintains a self insurance program for liability claims, unemployment compensation and workers’ compensation. The liability insurance program is largely self-funded for liability claims and lawsuits, settlements and expenses. Third-party liability claims against the City and subrogation efforts by the City are handled internally by licensed claim adjusters. The property and casualty insurance program combines commercial and self insurance to cover standard risks associated with City structures, equipment and vehicles. Casualty coverages include crime insurance (theft, disappearance and destruction, and faithful performance coverage), public official bonds and auto liability on vehicles. The workers’ compensation program is a self-insured program with Employer’s Liability Insurance at the \$1,000,000 limit. A third-party administrator handled claims through fiscal year 2002-03. In addition, the City’s Risk Management Division of the Finance Department employs various risk control techniques, such as employee accident prevention training and inspection of City property and facilities, to minimize accident-related losses.

Certificate of Achievement: The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its CAFR for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily-readable and efficiently-organized CAFR, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has received a Certificate of Achievement for the last 21 consecutive years (fiscal years ended 1982 through 2002). We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgments: A special word of appreciation is due to Mike Mason, CPA, Accounting Administrator, and to the entire Accounting staff who prepared this CAFR:

Joyce H. Plouffé, CPA, CGFM  
Jeff Alford, CPA, CGFM  
Joyce K. Garland, CPA  
Karen L. Saunders, CPA, CMA  
Silvia A. Navarro  
John Behrens  
Mario Fontana, CPA, CGFM  
Sally Menninga, CPA, CGFM  
Amy Purdy  
Mario Reyes  
Steve Ritter  
Marsha Schlanger  
George Triplett

Acknowledgment should also be made for the helpful suggestions received from members of the Mayor and Council, the office of the City Manager, and the willing cooperation of the other operating and staff departments of the City.

Respectfully submitted,



Scott Douthitt  
Finance Director



# City of Tucson Officials



HONORABLE  
ROBERT E. WALKUP  
MAYOR



JOSE J. IBARRA  
WARD 1



CAROL W. WEST  
WARD 2



KATHLEEN DUNBAR  
WARD 3



SHIRLEY C. SCOTT  
WARD 4



STEVE LEAL  
WARD 5



FRED RONSTADT  
WARD 6



JAMES KEENE  
CITY MANAGER

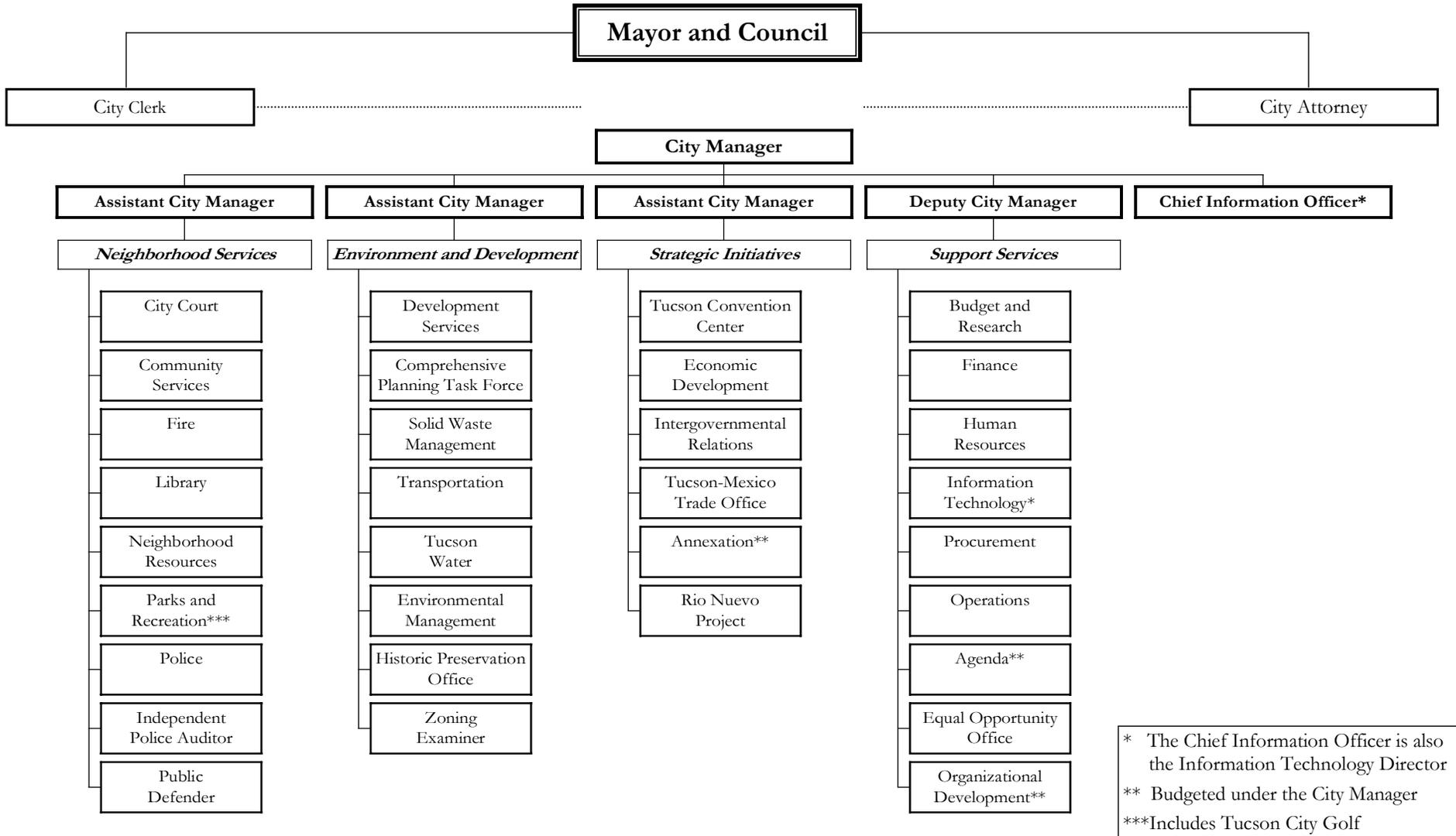
Director of Finance  
J. Scott Douthitt

Acting Deputy Director of Finance  
Joe Ladenburg

Accounting Administrator  
Michael Mason



**CITY OF TUCSON  
ORGANIZATION CHART  
FISCAL YEARS 2003 and 2004**



# 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, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



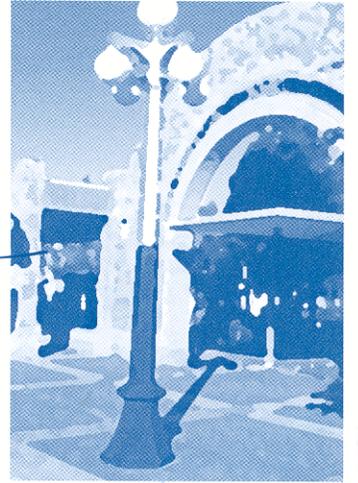
President

Executive Director



*Financial*

*Section*



*W. C. C.*  
*1908*

*Tucson*



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona (the "City") as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tucson, Arizona, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 14 and the budgetary comparison information and pension disclosures on pages 63 through 70 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

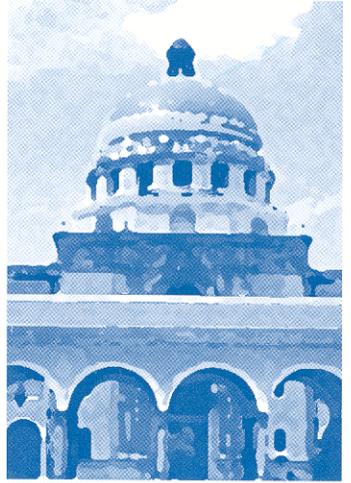
In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Heinfeld, Meech & Co., P.C.*

HEINFELD, MEECH & CO., P.C.  
Certified Public Accountants

December 10, 2003

*Management's  
Discussion  
and Analysis*



*Jacson*

**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

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This section of the City's annual financial report presents discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2003. Please read it in conjunction with the transmittal letter at the front of the report and the City's financial statements, which immediately follow this section. The MD&A includes a description of the basic financial statements for government, condensed financial information along with analyses of balances and financial position, descriptions of significant asset and debt activity, discussions of budgetary matters and significant issues affecting financial position.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide**

- The assets of the City exceeded its liabilities by \$1.6 billion (reported as net assets), an increase of \$23.4 million from last year. Governmental activities contributed to \$7.1 million of this increase, while \$16.3 million came from business-type activities.

### **Fund Level**

- The City's governmental funds reported a combined fund balance of \$144.9 million, a decrease of \$37.7 million from last fiscal year. Within the combined fund balance total, \$24.6 million is unreserved, while \$120.3 million is reserved for specific purposes. Most of the unreserved fund balance (\$20.6 million) originates from one of the City's special revenue funds, Highway User Revenue Fund (H.U.R.F.). The Arizona Constitution requires that H.U.R.F. funds be used solely for highway and street purposes.
- The General Fund reported a fund balance of \$56.2 million, which represents a \$25.1 million decrease from last year. The unreserved/undesignated balance is \$3.5 million. This represents 1% of total general fund expenditures for the fiscal year.
- On a current financial resource basis, revenues raised during the year were \$55.9 million less than budgeted for the General Fund, while expenditures were \$45.5 million less than budget.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole (government-wide financial statements) and present a longer-term view of the City's finances. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

### **Basic Financial Statements**

The basic financial statements present two types of statements that reflect different views of the City. The first two statements represent the government-wide financial statements, and they provide short and long-term information about the City's overall financial status. Regular users of this report will be more familiar with the remaining statements, the fund financial statements. These statements focus on individual parts of the City's operations in more detail than the government-wide financial statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Additionally, the statements are followed by a section of Required Supplementary Information that provides a major fund budgetary analysis and pension information. The Combining and Individual Fund Schedules show combining statements for nonmajor governmental funds and internal service funds, along with budget to actual comparisons on individual funds.

**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

Figure A below summarizes the structure and contents of the financial statements:

Figure A Major Features of the City's Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial statements	Statement of Net Assets  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Assets  Statement of Revenues, Expenses, and Changes in Net Assets  Statement of Cash Flows	Statement of Fiduciary Net Assets  Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

## Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (pg 15) includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities (pg 16) regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure financial health, or position. Increasing net assets show improvement in position, while decreasing net assets indicate deterioration. 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, should be considered.

Two activities exist in the government-wide financial statements. The first activity, governmental, represents most of the City's basic services such as police, fire, transportation or parks. Business privilege taxes, property taxes, state revenue sharing, and grants finance most of these activities. The second activity, business-type, represents those areas in which the City charges fees to customers to help cover the costs of certain services it provides. The City's enterprise funds, Tucson Water Utility and Golf Course, are considered business-type activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds by focusing on the most significant or "major" funds rather than the City as a whole. Funds are accounting entities that the City uses to track specific funding sources and expenditures/expenses for particular programs. Some funds are required by State law or by bond covenants, while other funds are set up by Mayor and Council for management purposes.

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

- *Governmental funds statements* disclose how general government services, such as police 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 funds 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 increasing long-term debt by bond/lease proceeds.
- *Proprietary funds statements* contain funds 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 utilize the full accrual basis of accounting, the total enterprise column on the Statement of Net Assets and the Statement of Changes in Net Assets provides the same, but more detailed, 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 governmental activities in the government-wide financial statements.
- *Fiduciary funds statements* represent funds for which the City acts as a trustee, and like the proprietary funds, they also use the 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.

**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The combined net assets for the primary government increased 1.5% over the course of the year to \$1.6 billion. Governmental activities contributed to 30.2% of this increase, while business-type activities contributed 69.8%. As shown in Table B-1 below, the largest component of net assets 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 assets represents restricted net assets, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net assets is unrestricted. The City has a deficit balance in Governmental Activities, primarily due to incurring liabilities with no corresponding asset. Such liabilities include compensated absences, environmental and solid waste mandates, arbitrage, and claims and judgments.

Table B-1  
City of Tucson  
Statement of Net Assets as of June 30, 2003 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	Restated 2002	2003	Restated 2002	2003	Restated 2002
Current and Other Assets	\$ 275,905	\$ 299,043	\$ 69,861	\$ 92,282	\$ 343,193	\$ 389,335
Capital Assets	1,404,210	1,348,490	888,751	849,443	2,292,961	2,197,933
Total Assets	<u>1,680,115</u>	<u>1,647,533</u>	<u>958,612</u>	<u>941,725</u>	<u>2,636,154</u>	<u>2,587,268</u>
Current and Other Liabilities	77,193	72,615	31,794	30,195	106,414	100,820
Long-term Debt Outstanding	580,971	560,034	340,640	341,699	921,611	901,733
Total Liabilities	<u>658,164</u>	<u>632,649</u>	<u>372,434</u>	<u>371,894</u>	<u>1,028,025</u>	<u>1,002,553</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	984,378	903,284	552,151	533,162	1,536,529	1,436,446
Restricted	74,485	155,080	484	6,145	74,969	161,225
Unrestricted (Deficit)	<u>(36,912)</u>	<u>(43,480)</u>	<u>33,543</u>	<u>30,524</u>	<u>(3,369)</u>	<u>(12,956)</u>
Total net assets	<u>\$ 1,021,951</u>	<u>\$ 1,014,884</u>	<u>\$ 586,178</u>	<u>\$ 569,831</u>	<u>\$ 1,608,129</u>	<u>\$ 1,584,715</u>

(Continued)

Table B-2, below, shows condensed financial information derived from the government-wide Statement of Activities (pg 16) and reflects how the City's net assets changed during the course of the fiscal year:

Table B-2  
City of Tucson  
Change in Net Assets for Fiscal Year Ending June 30, 2003  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 75,855	\$ 72,463	\$ 119,174	\$ 122,414	\$ 195,029	\$ 194,877
Operating Grants and Contributions	129,445	127,254		1	129,445	127,255
Capital Grants and Contributions	17,063	23,666	10,172	9,972	27,235	33,638
Total Program Revenues	<u>222,363</u>	<u>223,383</u>	<u>129,346</u>	<u>132,387</u>	<u>351,709</u>	<u>355,770</u>
General Revenues:						
Taxes:						
Property Taxes	25,069	24,306			25,069	24,306
Public Utility Taxes	9,267	7,853			9,267	7,853
Business Privilege Taxes	167,589	159,525			167,589	159,525
Occupational Taxes	2,115	1,941			2,115	1,941
Liquor Taxes	731	746			731	746
Transient Occupancy Taxes	6,395	6,339			6,395	6,339
Grants and Contributions Unrestricted	108,437	107,524			108,437	107,524
Investment Earnings	3,737	6,467	1,630	1,958	5,367	8,425
Miscellaneous	5,253	7,916	211	114	5,464	8,030
Total General Revenues	<u>328,593</u>	<u>322,617</u>	<u>1,841</u>	<u>2,072</u>	<u>330,434</u>	<u>324,689</u>
Total Revenues	<u>550,956</u>	<u>546,000</u>	<u>131,187</u>	<u>134,459</u>	<u>682,143</u>	<u>680,459</u>
<b>Expenses</b>						
Elected and Official	14,457	16,780			14,457	16,780
Support Services	45,314	51,768			45,314	51,768
Neighborhood Services	292,322	274,536			292,322	274,536
Environment and Development	142,322	115,901			142,322	115,901
Strategic Initiatives	14,303	29,073			14,303	29,073
Non-Departmental	13,196	18,899			13,196	18,899
Interest on Long-term Debt	21,975	26,619			21,975	26,619
Water			105,200	106,731	105,200	106,731
Golf			9,640	10,082	9,640	10,082
Total Expenses	<u>543,889</u>	<u>533,576</u>	<u>114,840</u>	<u>116,813</u>	<u>658,729</u>	<u>650,389</u>
Excess (Deficiency) Before Contributions to Term and Permanent Endowments	7,067	12,424	16,347	17,646	23,414	30,070
Contributions to Term and Permanent Endowments		5				5
Increase (Decrease) in Net Assets	<u>\$ 7,067</u>	<u>\$ 12,429</u>	<u>\$ 16,347</u>	<u>\$ 17,646</u>	<u>\$ 23,414</u>	<u>\$ 30,075</u>

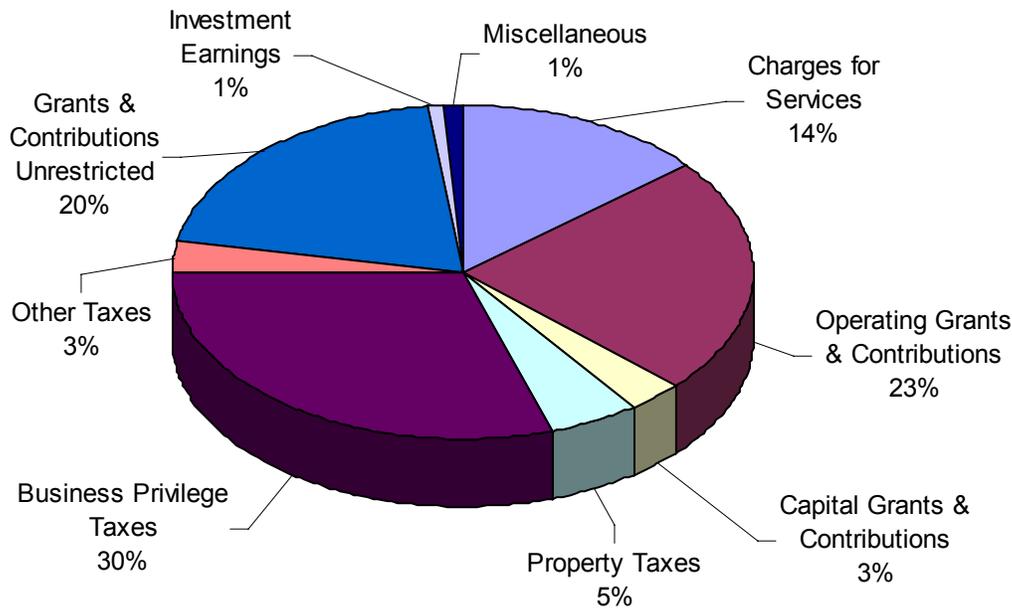
**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

**Governmental Activities**

Total expenses for governmental activities for Fiscal Year 2003 were \$543.9 million. Program revenues, including charges for services and restricted grants or contributions, covered 40.9% of these costs. General revenues covered the remaining 59.1% of governmental costs. Components of general revenues primarily include business privilege taxes, unrestricted grants and contributions, property taxes and investment earnings.

The following chart depicts both program and general revenues generated by governmental activities for Fiscal Year 2003:

**Governmental Activities-Revenue Sources  
For the Fiscal Year Ended June 30, 2003**



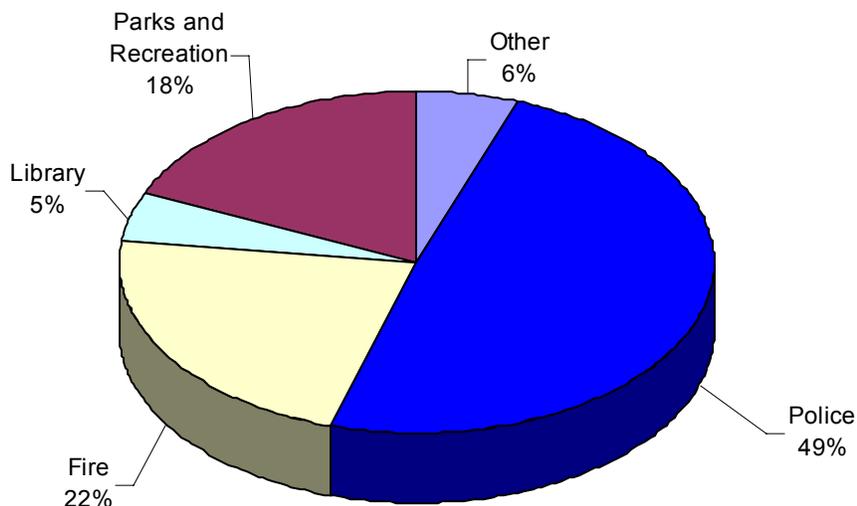
Net expenses, program revenues less expenses, generated from governmental activities are presented by function in Table B-3 below to illustrate how much support each function receives from the City's general revenues:

Table B-3  
City of Tucson  
Net Expense-Governmental Activities  
For the Fiscal Year Ending June 30, 2003  
(in thousands)

Function	2003		2002	
	Net Expense	Percentage	Net Expense	Percentage
Elected and Official	\$ (13,889)	4%	\$ (16,244)	5%
Support Services	(28,490)	9%	(36,025)	12%
Neighborhood Services	(193,504)	60%	(182,081)	59%
Environment and Development	(41,417)	13%	(5,964)	2%
Strategic Initiatives	(10,772)	3%	(26,075)	8%
Non-Departmental	(11,479)	4%	(17,185)	5%
Interest on Long-term Debt	(21,975)	7%	(26,619)	9%
<b>Total Net Expense</b>	<b>\$ (321,526)</b>	<b>100%</b>	<b>\$ (310,193)</b>	<b>100%</b>

Neighborhood Services represents a significant portion (60%) of the total net expense for governmental activities. The following chart illustrates the departmental composition of net expense for Neighborhood Services:

**Neighborhood Services-Net Expenses by Department  
For Fiscal Year ended June 30, 2003**



Police, Fire, Parks and Recreation, and Library are major governmental activities within the Neighborhood Services function that are being funded by City general revenues.

### **Business-type Activities**

Net assets for business-type activities increased by \$16.3 million during the fiscal year. The Water Utility Fund and the Golf Course Fund are the City's business-type activities. The Water Utility Fund is a major fund for the City and has a major impact on the change in net assets for this activity.

### **Water Revenues**

- New water rates went into effect in the first quarter of Fiscal Year 2003. Overall Tucson water rates increased by 4.3%.
- Despite the increase in water rates, the total revenues decreased. The major factor contributing to the decrease in Water revenues is the one-time \$5.4 million settlement in Fiscal Year 2002 of a legal issue between the City and the Town of Oro Valley.

**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

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**Water Expenses**

Water expenses increased due to the following:

- The Tucson Water Department implemented three new programs to increase efficiency in operations and to reduce risks. The Maintenance Management Program targets preventive maintenance through improved procedures, organization, and staffing. The Five Star Safety Systems were put into action to reduce risk through world-class safety and loss control practices. The Reengineering Program's objective is to involve employees in identifying more efficient work practices throughout the department. The initial impact of these new programs increases expenses; however in future years, the programs will ultimately reduce expenses.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City had one major governmental fund in Fiscal Year 2003, the General Fund. General Fund expenditures increased 7.7% from last fiscal year while revenues increased 3.3%. These factors contributed to an overall decrease in the General Fund balance from \$81.3 million to \$56.2 million, while the unreserved portion of fund balance decreased 73.1% during the fiscal year from \$15.9 million to \$4.2 million.

**General Fund Revenues**

- Business privilege taxes, a major revenue source for the City, increased by \$8.1 million. The growth in this revenue source from the prior fiscal year shows an upturn in the economy and is expected to increase in the last half of Fiscal Year 2004 as the nationwide economy improves.
- Property tax revenue increased \$1.6 million due to a primary tax rate increase from .1403 to .2089 per \$100 assessed value. Additionally, primary valuations increased with new developments and annexations during the fiscal year.
- Public Utility and Cable TV License revenue increased mainly from settlements with Cox Cable and Qwest Communications. Cox agreed to pay the City for restricted use for a limited time. Qwest began paying an additional 1.5% in public utility taxes.
- Court fines increased \$1.5 million due to a more aggressive collection process.
- Revenue received from the state decreased 1% for the fiscal year. The City's share of state revenue is based on population. Revenues are continuing to decline because of the slow down in the City's growth rate.

**General Fund Expenditures**

Personal services increased \$18.9 million, and represents the majority of the total increase in General Fund expenditures for the fiscal year. Factors contributing to this increase include:

- The Police Department added 138 positions over the past several years under the Universal Hiring Grant, a federal grant awarded by the United States Department of Justice. In Fiscal Year 2003, 50 fewer officers were not being funded by this grant. The City is obligated to cover all other costs and ultimately maintain the positions, which increases recurring expenditures in the General Fund.
- The City implemented a comprehensive classification and compensation study for all City employees.
- Routine merit increases, cost of living adjustments, and increased health care and pension costs also contributed to the increase in personal services.

(Continued)

- The City offered two retirement incentives that included an early retirement option for members whose age and years of creditable service totaled 75 or more. A total of 291 employees retired during the incentive period. As compared to Fiscal Year 2002, the General Fund paid out an additional \$1.3 million in unused sick leave in Fiscal Year 2003 because of the incentive.

### General Fund Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The budgetary comparison schedule for the General Fund (pg 63) shows the original budget, the final budget, and actual revenues and expenditures for the fiscal year.

For Fiscal Year 2003, the City projected a deficit and \$20 million in reductions were necessary to balance the Budget. Deferring some planned capital and equipment replacements and maintenance eliminated certain expenditures. Over 90 full-time equivalent vacant positions were not replaced.

Even after adopting the budget reductions in Fiscal Year 2003, the City continues to project an additional \$43 million deficit for the Fiscal Year 2004. In order to balance the Budget more reductions are necessary. The City decided to eliminate an additional 33.5 full-time equivalent positions, most of which were vacancies due to a hiring freeze in Fiscal Year 2002. The City also put into place a one-year freeze on salary increases and other General Fund expenditures were reduced. New revenue sources are being implemented beginning in Fiscal Year 2004: a 2% Use Tax, a 2% Bed Tax and a monthly fee for brush and bulky garbage collection.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

The following table provides details regarding capital assets as of June 30, 2003. Additional information regarding capital assets can be found in Note 7 on page 48.

Table B-4  
City of Tucson  
Capital Assets Net of Accumulated Depreciation  
As of June 30, 2003  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	Restated 2002	2003	Restated 2002	2003	Restated 2002
Land	\$ 604,310	\$ 597,232	\$ 50,879	\$ 50,905	\$ 655,189	\$ 648,137
Buildings and Improvements	218,930	198,031	101,488	98,821	320,418	296,852
Equipment	79,619	81,987	9,778	9,866	89,397	91,853
Infrastructure	351,564	326,173	611,361	593,742	962,925	919,915
Construction in Progress	149,787	142,990	115,245	96,109	265,032	239,099
Total Capital Assets	<u>\$ 1,404,210</u>	<u>\$ 1,346,413</u>	<u>\$ 888,751</u>	<u>\$ 849,443</u>	<u>\$ 2,292,961</u>	<u>\$ 2,195,856</u>

**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

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**Governmental Activities**

Significant capital asset additions for governmental activities for the fiscal year include:

- Additions in public infrastructure improvements totaled \$38.3 million. Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage.
- Construction continued on the Midtown Service Center with a total of \$8.5 million expended for fiscal year 2003.
- Community Services purchased \$6.9 million in properties to be used for low-income housing.
- Property was purchased for \$5.3 million to construct a West Side police sub-station.
- The Department of Solid Waste Management invested \$5.2 million for over 142,000 blue barrel recycle containers.
- The Arizona Department of Transportation abandoned to the City a portion of the Aviation Corridor Highway from Broadway Blvd. to Palo Verde. The estimated fair market value for the land and infrastructure is \$5.1 million.
- Improvements in the amount of \$4.7 million were made to the Los Reales Landfill.

**Business-type Activities**

Business-type activities had a net increase of \$39.3 million in capital assets during the fiscal year; most of this increase originates from the Water Utility Fund. Tucson Water has a five-year capital program, which provides for the construction, expansion, and replacement of both potable and reclaimed water systems. During the fiscal year, most of the capital expenses were incurred in the potable water system program, which includes the following projects:

- Capital expenses of \$15.8 million were incurred at the Clearwater Renewable Resource Facility. This project is designed to increase utilization of Colorado River water as the City's renewable water resource.
- Capital expenses totaled \$3.4 million in road improvement main replacements. Tucson Water installs water mains during road improvement projects to increase system capacity, thereby realizing savings on the cost of pavement removal and replacement.
- The potable storage program consists of reservoirs and related capital improvements to enhance operational reliability and flexibility in water delivery. In Fiscal Year 2003, \$2.8 million was expended on the Wilmot D-Zone Reservoir and Booster project. When completed this project will supply 10 million gallons of water per day at the booster station and provide gravity fire protection for the area in the vicinity of the airport and will also supply additional water for southeast area customers.

(Continued)

## Long-term Debt

The following table illustrates the City's long-term debt as of June 30, 2003. Additional information regarding long-term debt can be found in Note 8 on page 49.

Table B-5  
City of Tucson  
Long-term Debt As of June 30, 2003  
(in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
General Obligation Debt	\$ 266,989	\$ 243,099	\$	\$	\$ 266,989	\$ 243,099
Street & Highway Revenue Bonds	153,545	155,695			153,545	155,695
Federal Highway Loan	2,900	3,700			2,900	3,700
Special Assessment Bonds	4,555	3,567			4,555	3,567
Water Revenue Bonds			333,665	334,999	333,665	334,999
Deferred Amount on Refundings and Premiums	1,097	639	(1,715)	(2,596)	(618)	(1,957)
Landfill Closure/Post Closure Costs	45,784	44,000			45,784	44,000
Arbitrage Rebate Tax Payable	80	517		110	80	627
Contracts/Capital Leases Payable	34,928	40,911	5,475	5,832	40,403	46,743
Compensated Absences	26,634	26,654	3,215	3,354	29,849	30,008
Claims and Judgments	44,459	41,252			44,459	41,252
Total	<u>\$ 580,971</u>	<u>\$ 560,034</u>	<u>\$ 340,640</u>	<u>\$ 341,699</u>	<u>\$ 921,611</u>	<u>\$ 901,733</u>

As shown in Table B-5, outstanding debt for the City totaled \$921.6 million with 63% attributed to governmental activities and the remaining 37% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year:

- In governmental activities, the City issued \$29.8 million in general obligation bonds and \$5 million in street and highway user revenue bonds during Fiscal Year 2003. The general obligation bonds will fund improvements for parks, libraries, street lighting, sidewalks, drainage facilities, and public safety. The street and highway user revenue bonds will be used to improve, construct, and maintain City streets.
- In business-type activities, the Water Infrastructure Finance Authority of Arizona (WIFA) approved a new \$8.3 million low-interest loan for Tucson Water projects. WIFA funding is used to finance improvements to the drinking water systems that would normally be funded by selling water revenue bonds at market rates. The interest rate on the WIFA loan is estimated to be 3.48%, or 75% of the current market rate, saving Tucson Water ratepayers approximately \$1.4 million in interest payments over the life of the loan. This loan is included in the City's 1994 and 2000 bond authorization, which was approved by Tucson voters.
- The City took advantage of lower interest rates during the fiscal year with several refundings. In governmental activities, the 1993 and 1994-A general obligation series were partially retired with a \$22.5 million dollar refunding, saving the City \$1.6 million in gross debt service obligation. The City also partially retired 1993 and 1994 senior and junior lien street and highway user revenue bonds, saving the City \$4.1 million in gross debt service obligation.

**CITY OF TUCSON, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2003

- In business-type activities, Tucson Water partially retired their 1993 revenue bonds with a \$12 million dollar refunding, saving \$1.5 million in gross debt service obligation.

**Bond Ratings**

Table B-6 illustrates previous and current bond ratings for Fiscal Year 2003:

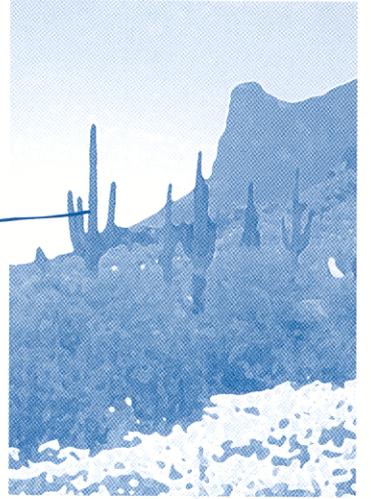
Table B-6  
City of Tucson  
Fiscal Year 2003 Bond Ratings

Type of Bond:	Moody's Rating		Standard and Poors Rating	
	Previous	Current	Previous	Current
General Obligation Bonds	Aa2	Aa2	AA	AA
Street & Highway User Revenue Bonds				
Senior Lien	Aa3	Aa3	A+	A+
Junior Lien	A1	A1	A	A
Water System Revenue Bonds				
Senior Lien	Aa3	Aa3	A+	A+
Junior Lien	N/R	N/R	N/R	N/R
Certificates of Participation	A1	A1	AA	AA-

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# Basic Financial Statements



**CITY OF TUCSON, ARIZONA**

**Statement of Net Assets**

June 30, 2003

(in thousands)

**Statement A1**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rio Nuevo
<b>Assets</b>				
Pooled Cash and Investments	\$ 86,743	\$ 24,040	\$ 110,783	\$
Taxes Receivable-Net	34,413		34,413	
Accounts Receivable-Net	15,067	16,990	32,057	8
Grants and Entitlements Receivable-Net	16,975		16,975	
Notes Receivable-Net	25,673		25,673	
Other Receivables-Net	12,638	526	13,164	
Internal Receivable	2,563	10		
Due from Other Agencies	21,325	17	21,342	
Inventories	3,491	336	3,827	
Other Current Assets	22		22	
Prepaid Expenses	2,317	9	2,326	
Deferred Charges	1,540	1,790	3,330	462
Restricted Assets	48,413	20,963	69,376	108
Other Noncurrent Assets	4,725	4,957	9,682	
Capital Assets (Note 7):				
Land and Construction-in-Progress	754,097	166,124	920,221	10,499
Other Capital Assets, Net of Depreciation	650,113	722,627	1,372,740	27,817
Goodwill, Net of Accumulated Amortization		223	223	
Total Assets	<u>1,680,115</u>	<u>958,612</u>	<u>2,636,154</u>	<u>38,894</u>
<b>Liabilities</b>				
Accounts Payable	21,368	6,109	27,477	197
Accrued Payroll Liabilities	4,271	455	4,726	2
Accrued Interest Payable	87	83	170	26
Internal Payable	10	2,563		
Due to Other Agencies	1,101	478	1,579	11,083
Refundable Deposits and Unredeemed Warrants	12,566	1,038	13,604	
Deferred Revenue	15,082	35	15,117	
Liabilities Payable from Restricted Assets	22,708	21,033	43,741	
Long-term Liabilities (Note 8):				
Due Within One Year	51,942	10,945	62,887	3,405
Due in More Than One Year	529,029	329,695	858,724	24,845
Total Liabilities	<u>658,164</u>	<u>372,434</u>	<u>1,028,025</u>	<u>39,558</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	984,378	552,151	1,536,529	10,529
Restricted for:				
Capital Projects	2,405	443	2,848	108
Debt Service	11,097	41	11,138	
Housing Programs	19,279		19,279	
Other Purposes	41,548		41,548	
Permanent Endowments:				
Expendable	14		14	
Nonexpendable	142		142	
Unrestricted (deficit)	(36,912)	33,543	(3,369)	(11,301)
Total Net Assets (Deficit)	<u>\$ 1,021,951</u>	<u>\$ 586,178</u>	<u>\$ 1,608,129</u>	<u>\$ (664)</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Statement of Activities**  
Year Ended June 30, 2003  
(in thousands)

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
Elected and Official Support Services	\$ 14,457	\$ 161	\$ 407	\$ 18
Neighborhood Services	45,314	16,573	233	411
Environment and Development Strategic Initiatives	292,322	23,069	75,338	15,020
Non-Departmental	142,322	33,016	52,869	
Interest on Long-term Debt	14,303	3,036	495	
	13,196		103	1,614
	21,975			
<b>Total Governmental Activities</b>	<u>543,889</u>	<u>75,855</u>	<u>129,445</u>	<u>17,063</u>
<b>Business-type Activities:</b>				
Water	105,200	109,405		10,172
Golf	9,640	9,769		
<b>Total Business-type Activities</b>	<u>114,840</u>	<u>119,174</u>		<u>10,172</u>
<b>Total Primary Government</b>	<u>\$ 658,729</u>	<u>\$ 195,029</u>	<u>\$ 129,445</u>	<u>\$ 27,235</u>
<b>Component Unit:</b>				
Rio Nuevo	<u>\$ 4,046</u>	<u>\$ 4,756</u>		

General Revenues:

- Taxes:
  - Property Taxes
  - Public Utility Taxes
  - Business Privilege Taxes
  - Occupational Taxes
  - Liquor Taxes
  - Transient Occupancy Taxes
- Unrestricted Grants and Contributions
- Investment Earnings
- Miscellaneous
- Total General Revenues, Special Items and Transfers
- Change in Net Assets
- Net Assets - July 1 (Deficit)
- Prior Period Adjustment (Note 2)
- Net Assets Restated - July 1
- Net Assets - June 30 (Deficit)

See Accompanying Notes to Basic Financial Statements

<b>Net Revenue (Expense) &amp; Changes in Net Assets</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Rio Nuevo</b>
\$ (13,889)		\$ (13,889)	
(28,490)		(28,490)	
(193,504)		(193,504)	
(41,417)		(41,417)	
(10,772)		(10,772)	
(11,479)		(11,479)	
(21,975)		(21,975)	
<u>(321,526)</u>		<u>(321,526)</u>	
	\$ 14,377	14,377	
	129	129	
	<u>14,506</u>	<u>14,506</u>	
\$ <u>(321,526)</u>	\$ <u>14,506</u>	\$ <u>(307,020)</u>	
			\$ <u>710</u>
25,069		25,069	
9,267		9,267	
167,589		167,589	
2,115		2,115	
731		731	
6,395		6,395	
108,437		108,437	
3,737	1,630	5,367	6
5,253	211	5,464	
<u>328,593</u>	<u>1,841</u>	<u>330,434</u>	<u>6</u>
<u>7,067</u>	<u>16,347</u>	<u>23,414</u>	<u>716</u>
514,529	566,620	1,081,149	(1,380)
500,355	3,211	503,566	
<u>1,014,884</u>	<u>569,831</u>	<u>1,584,715</u>	<u>(1,380)</u>
\$ <u>1,021,951</u>	\$ <u>586,178</u>	\$ <u>1,608,129</u>	\$ <u>(664)</u>

**CITY OF TUCSON, ARIZONA**

**Balance Sheet  
Governmental Funds**

June 30, 2003  
(in thousands)

**Statement B1**

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Pooled Cash and Investments	\$	\$ 71,590	\$ 71,590
Cash/Investments with Fiscal Agents	9,310	22,745	32,055
Prepaid Expenditures	87	2,218	2,305
Taxes Receivable - Current	32,553		32,553
Taxes Receivable - Delinquent	1,860		1,860
Accounts Receivable (Net)	12,938	1,643	14,581
Interest Receivable	469	286	755
Grants and Entitlements Receivable	18	16,956	16,974
Special Assessment Receivables		4,975	4,975
Advances to Other Funds	3,532		3,532
Notes and Other Receivables	2,409	9,828	12,237
Interfund Receivables	21,492	857	22,349
Due from Other Agencies	4,948	15,365	20,313
Inventories	3,491		3,491
Other Assets	22		22
Notes and Other Receivables-Partnerships		25,265	25,265
Total Assets	<u>\$ 93,129</u>	<u>\$ 171,728</u>	<u>\$ 264,857</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 10,451	\$ 8,579	\$ 19,030
Accrued Payroll Liabilities	3,239	962	4,201
Advances from Other Funds		3,532	3,532
Interfund Payables	644	20,605	21,249
Due to Other Agencies	137	963	1,100
Bonds and Interest Payable, Including Special Assessments		22,774	22,774
Refundable Deposits and Unredeemed Warrants	11,478	1,352	12,830
Deferred Revenue	10,952	24,263	35,215
Total Liabilities	<u>36,901</u>	<u>83,030</u>	<u>119,931</u>
<b>Fund Balances:</b>			
Reserved for:			
Debt Service	664	5,445	6,109
Encumbrances	9,608	10,767	20,375
Capital	2,325	31,612	33,937
Advances and Deposits	10,457	12	10,469
Inventories	3,491		3,491
Environmental and Solid Waste Mandates	22,296		22,296
Other Purposes	3,125	20,482	23,607
Unreserved, Designated	781		781
Unreserved, Undesignated:			
General Fund	3,481		3,481
Special Revenue Funds		18,738	18,738
Capital Project Funds		1,642	1,642
Total Fund Balances	<u>56,228</u>	<u>88,698</u>	<u>144,926</u>
Total Liabilities and Fund Balances	<u>\$ 93,129</u>	<u>\$ 171,728</u>	<u>\$ 264,857</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Reconciliation of the Balance Sheet for**  
**Governmental Funds to the Statement of**  
**Net Assets**

**Statement B2**

Year Ended June 30, 2003  
(in thousands)

Total Governmental Fund Balances ( <a href="#">page 18</a> )		\$ 144,926
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. These assets consist of:</p>		
Land and Construction-in-Progress	\$ 754,067	
Other Capital Assets, Net of Accumulated Depreciation	<u>617,217</u>	
Capital Assets, Net of Accumulated Depreciation		1,371,284
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.</p>		
		1,540
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. These liabilities consist of:</p>		
Bonds and Notes Payable	\$ (429,086)	
Landfill Closure and Post-Closure Costs	(45,784)	
Arbitrage Rebate Tax Payable	(80)	
Capital Leases	(32,120)	
Compensated Absences	<u>(26,634)</u>	
Total Long-term Liabilities		(533,704)
<p>Interest payable on long-term debt is not reported in the governmental funds.</p>		
		(13)
<p>Revenue has been deferred in the governmental funds since it will not be available as a current financial resource. However, this revenue is recognized in the government-wide statements if it has been earned.</p>		
		20,134
<p>Internal service funds' assets and liabilities are included in the Statement of Net Assets since they primarily support the governmental activities. This amount is net of entity-wide eliminations.</p>		
Net Assets of Governmental Activities ( <a href="#">page 15</a> )		<u>17,784</u>
		<u>\$ 1,021,951</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2003  
(in thousands)

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	\$ 183,056	\$ 20,675	\$ 203,731
Licenses and Permits	16,915	173	17,088
Fines, Forfeitures and Penalties	10,017	636	10,653
Use of Money and Property	2,953	2,116	5,069
Grants and Contributions on Federal Programs		71,867	71,867
Other Agencies	116,474	62,184	178,658
Charges for Current Services	21,240	21,452	42,692
Special Assessments		1,559	1,559
Miscellaneous Revenue	1,749	1,756	3,505
Total Revenues	<u>352,404</u>	<u>182,418</u>	<u>534,822</u>
<b>Expenditures:</b>			
Current:			
Elected and Official	14,026	331	14,357
Support Services:			
Finance	7,238		7,238
Budget and Research	1,910		1,910
Procurement	3,297		3,297
Information Technology	9,750		9,750
Human Resources	2,909		2,909
Operations	16,409	121	16,530
City Manager Support Services	765		765
Total Support Services	<u>42,278</u>	<u>121</u>	<u>42,399</u>
Neighborhood Services:			
Community Services	4,621	47,940	52,561
City Court	9,462	108	9,570
Public Defender	2,232		2,232
Police	102,777	7,099	109,876
Fire	45,285	1,604	46,889
Library		19,158	19,158
Parks and Recreation	35,623	535	36,158
City Manager Neighborhood Services	2,875	418	3,293
Total Neighborhood Services	<u>202,875</u>	<u>76,862</u>	<u>279,737</u>
Environment and Development:			
Planning	3,136	123	3,259
Development Services	7,348		7,348
Solid Waste Management		27,785	27,785
Transportation	4,209	70,744	74,953
City Manager Environment and Development	2,054	915	2,969
Total Environment and Development	<u>16,747</u>	<u>99,567</u>	<u>116,314</u>
Strategic Initiatives:			
Convention Center		10,748	10,748
City Manager Strategic Initiatives	2,421	428	2,849
Total Strategic Initiatives	<u>2,421</u>	<u>11,176</u>	<u>13,597</u>
Non-Departmental	10,118	431	10,549
Debt Service	5,329	38,832	44,161
Lease Purchases-Capital	121	797	918
Capital Outlay	2,238	7,863	10,101
Capital Projects	17,593	61,209	78,802
Total Expenditures	<u>313,746</u>	<u>297,189</u>	<u>610,935</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>38,658</u>	<u>(114,771)</u>	<u>(76,113)</u>

Statement B3

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales	\$	\$ 145,701	\$ 145,701
Lease Purchases and Contract Proceeds	121	797	918
Transfers from Other Funds	1,207	72,214	73,421
Transfers to Other Funds	(65,064)	(8,764)	(73,828)
Payment to Refunded Bond Escrow Agent		(107,773)	(107,773)
Total Other Financial Sources (Uses)	<u>(63,736)</u>	<u>102,175</u>	<u>38,439</u>
Net Change in Fund Balance	<u>(25,078)</u>	<u>(12,596)</u>	<u>(37,674)</u>
Fund Balance - July 1	<u>74,525</u>	<u>99,217</u>	<u>173,742</u>
Prior Period Adjustment (Note 2)	<u>6,781</u>	<u>2,077</u>	<u>8,858</u>
Fund Balance Restated - July 1	<u>81,306</u>	<u>101,294</u>	<u>182,600</u>
Fund Balance - June 30	<u>\$ 56,228</u>	<u>\$ 88,698</u>	<u>\$ 144,926</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Reconciliation Between Change in**  
**Governmental Fund Balances and Change**  
**in Governmental Activities Net Assets**  
Year Ended June 30, 2003  
(in thousands)

**Statement B4**

Net Change in Fund Balances - Total Governmental Funds ( <a href="#">page 21</a> )	\$	(37,674)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.</p>		
Capital Expenditures	\$	87,745
Depreciation Expense		<u>(33,779)</u>
		53,966
<p>Only gains or losses on sale of capital assets are reported in the Statement of Activities, whereas total proceeds are recorded in the governmental funds. The change in net assets differs by the book value of the assets sold.</p>		
		(1,607)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
		14,756
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds exceeded repayments:</p>		
Debt Proceeds	\$	(146,619)
Repayment of Debt Principal		<u>21,079</u>
		(125,540)
<p>Refunding of debt is an expenditure in the governmental funds. However, these expenditures represent a reduction of a liability on the Statement of Net Assets.</p>		
		107,774
<p>Issuance costs are deferred in the Statement of Net Assets and amortized over the life of the debt. In the governmental funds, they represent an expenditure. The following amount represents the amount by which issuance costs exceeded amortization expenses:</p>		
Issuance Costs	\$	1,186
Amortization of Issuance Costs		<u>(58)</u>
		1,128
<p>Accrued interest expense is not recorded in the governmental funds. The following amount represents the amount by which amortization of premium and refundings on debt exceeded accrued interest expense:</p>		
Amortization of Premium and Refundings on Debt	\$	43
Accrued Interest Expense		<u>(6)</u>
		37
<p>Governmental funds do not recognize the changes in long-term debt, which consist of:</p>		
Change in Arbitrage Liability	\$	437
Change in Landfill Liability		(1,784)
Change in Compensated Absences Liability		<u>20</u>
		(1,327)
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. The net revenue (expense) of the internal service funds is reported within governmental activities. This amount is net of entity-wide eliminations.</p>		
		<u>(4,446)</u>
Change in Net Assets of Governmental Activities ( <a href="#">page 17</a> )	\$	<u><u>7,067</u></u>

See Accompanying Notes to Basic Financial Statements



**CITY OF TUCSON, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
June 30, 2003  
(in thousands)

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
<b>Assets</b>				
<b>Current Assets:</b>				
Pooled Cash and Investments	\$ 23,369	\$ 671	\$ 24,040	\$ 15,929
Accounts Receivable:				
Billed Accounts Receivable	10,027	66	10,093	82
Less Allowance for Doubtful Accounts	(390)		(390)	
Unbilled Accounts Receivable	7,287		7,287	
Interest Receivable	525	1	526	54
Advance Receivable				155
Internal Receivable	10		10	
Due from Other Agencies	17		17	33
Inventories	52	284	336	
Prepaid Expenses	9		9	12
Total Current Assets	<u>40,906</u>	<u>1,022</u>	<u>41,928</u>	<u>16,265</u>
<b>Restricted Assets:</b>				
Cash and Investments				
with Fiscal Agent - Debt Service	15,255	2	15,257	
Cash and Investments				
with Fiscal Agent - Construction	1,256	382	1,638	
Pooled Cash and Investments for Construction	2,377		2,377	
Investments for Debt Service	41		41	
Accounts Receivable for Construction	1,591		1,591	
Accrued Interest Receivable for Construction	59		59	
Other Restricted Assets				15,582
Total Restricted Assets	<u>20,579</u>	<u>384</u>	<u>20,963</u>	<u>15,582</u>
<b>Noncurrent Assets:</b>				
Investments for Contract Payments	965		965	
Long-term Accounts Receivable	3,992		3,992	
Deferred Charges	1,480	310	1,790	
Capital Assets:				
Land	45,119	5,760	50,879	30
Buildings	108,490	7,064	115,554	129
Improvements Other than Buildings		11,802	11,802	52
Transmission and Distribution System (Mains)	608,625		608,625	
Wells and Reservoirs	198,236		198,236	
Machinery and Equipment	20,845	2,976	23,821	79,372
Less Accumulated Depreciation	(225,830)	(9,581)	(235,411)	(46,657)
Construction-in-Progress	115,199	46	115,245	
Total Property, Plant and Equipment	<u>870,684</u>	<u>18,067</u>	<u>888,751</u>	<u>32,926</u>
Goodwill, Net of Accumulated Amortization	215	8	223	
Total Noncurrent Assets	<u>877,336</u>	<u>18,385</u>	<u>895,721</u>	<u>32,926</u>
Total Assets	\$ <u>938,821</u>	\$ <u>19,791</u>	\$ <u>958,612</u>	\$ <u>64,773</u>

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 5,977	\$ 132	\$ 6,109	\$ 2,074
Accrued Payroll Liabilities	1,957	105	2,062	70
Internal Payable-Unrestricted				127
Due to Other Agencies	462	16	478	
Accrued Interest Payable	83		83	8
Refundable Deposits and Unredeemed Warrants	1,038		1,038	2
Current Portion of Contracts/Capital Leases Payable	450		450	1,220
Current Portion of Revenue Bonds and Certificates Payable	8,888		8,888	
Current Portion of Claims and Judgments Payable				7,677
Deferred Revenue	5	30	35	
Total Current Liabilities	<u>18,860</u>	<u>283</u>	<u>19,143</u>	<u>11,178</u>
<b>Liabilities Payable from Restricted Assets:</b>				
Accounts Payable - Construction Assets	5,778		5,778	
Internal Payable-Restricted	4		4	
Matured Bonds/Certificates and Interest Payable	15,255		15,255	
Total Liabilities Payable from Restricted Assets	<u>21,037</u>		<u>21,037</u>	
<b>Noncurrent Liabilities, Net of Portion Classified as Current Liabilities:</b>				
Accrued Compensated Absences	1,489	119	1,608	
Certificates and Revenue Bonds Payable	323,062		323,062	
Contracts/Capital Leases Payable	400	4,625	5,025	1,588
Claims and Judgments Payable				36,782
Total Noncurrent Liabilities	<u>324,951</u>	<u>4,744</u>	<u>329,695</u>	<u>38,370</u>
Total Liabilities	<u>364,848</u>	<u>5,027</u>	<u>369,875</u>	<u>49,548</u>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	538,391	13,760	552,151	30,118
Restricted for:				
Debt Service	41		41	
Capital	59	384	443	78
Other Purposes				15,504
Unrestricted (Deficit)	35,482	620	36,102	(30,475)
Total Net Assets	<u>\$ 573,973</u>	<u>\$ 14,764</u>	<u>588,737</u>	<u>\$ 15,225</u>

Some amounts reported for Business-type activities in the Statement of Net Assets are different because certain internal service fund assets and liabilities are included with Business-type activities.

Net Assets of Business-type Activities

(2,559)  
\$ 586,178

See Accompanying Notes to Basic Financial Statements



**CITY OF TUCSON, ARIZONA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
Year Ended June 30, 2003  
(in thousands)

**Statement C2**

	<b>Enterprise Funds</b>			<b>Internal Service Funds</b>
	<b>Water Utility Fund</b>	<b>Golf Fund (Nonmajor)</b>	<b>Total</b>	
<b>Operating Revenues:</b>				
Charges for Services	\$ 104,361	\$ 9,429	\$ 113,790	\$ 34,451
Miscellaneous	5,044	340	5,384	121
Total Operating Revenues	<u>109,405</u>	<u>9,769</u>	<u>119,174</u>	<u>34,572</u>
<b>Operating Expenses:</b>				
Personal Services	26,338	4,492	30,830	6,428
Contractual Services	34,047	1,983	36,030	6,630
Commodities	6,543	1,631	8,174	7,794
Cost of Goods Sold		359	359	
Benefits and Claims				11,786
Depreciation	19,719	814	20,533	9,444
Amortization of Goodwill	28	1	29	
Total Operating Expenses	<u>86,675</u>	<u>9,280</u>	<u>95,955</u>	<u>42,082</u>
Net Operating Income (Loss)	<u>22,730</u>	<u>489</u>	<u>23,219</u>	<u>(7,510)</u>
<b>Nonoperating Income (Expenses):</b>				
Investment Income	1,620	10	1,630	1,005
Interest Expense	(17,071)	(280)	(17,351)	(170)
Gain (Loss) on Sale of Property/Equipment	143	3	146	342
Amortization of Cost of Issuance	(80)	(5)	(85)	
Other Nonoperating Income (Expenses)	(462)	(8)	(470)	548
Total Nonoperating Income (Expenses)	<u>(15,850)</u>	<u>(280)</u>	<u>(16,130)</u>	<u>1,725</u>
Net Income (Loss) Before Contributions and Transfers	<u>6,880</u>	<u>209</u>	<u>7,089</u>	<u>(5,785)</u>
Capital Contributions	10,172		10,172	18
Transfers In				857
Transfers Out				(450)
Change in Net Assets	<u>17,052</u>	<u>209</u>	<u>17,261</u>	<u>(5,360)</u>
Net Assets - July 1	553,710	14,555		20,585
Prior Period Adjustment (Note 2)	3,211			
Net Assets Restated - July 1	<u>556,921</u>	<u>14,555</u>		<u>20,585</u>
Net Assets - June 30	<u>\$ 573,973</u>	<u>\$ 14,764</u>		<u>\$ 15,225</u>

Some amounts reported for Business-type activities in the Statement of Activities are different because the net revenue/expense of certain internal service funds is reported with Business-type activities.

Change in net assets of Business-type Activities

(914)  
\$ 16,347

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
Year Ended June 30, 2003  
(in thousands)

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Water Utility Fund</u>	<u>Golf Fund (Nonmajor)</u>	<u>Total</u>	
<b>Cash Flows from Operating Activities:</b>				
Cash Received from Customers	\$ 110,558	\$ 9,840	\$ 120,398	\$ 34,528
Cash Payments to Suppliers for Goods and Services	(40,964)	(4,289)	(45,253)	(21,894)
Cash Payments to Employees for Services	(27,403)	(4,634)	(32,037)	(6,587)
Other Operating Revenues		3	3	123
Net Cash Provided (Used) by Operating Activities	<u>42,191</u>	<u>920</u>	<u>43,111</u>	<u>6,170</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Interest Paid on Investment Pool Borrowings		<u>(6)</u>	<u>(6)</u>	
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Bond Proceeds	10,971		10,971	
Acquisition and Construction of Capital Assets	(50,077)	(10)	(50,087)	(5,875)
Principal Paid on Capital Debt	(8,441)		(8,441)	(1,780)
Interest Paid on Capital Debt	(17,136)	(243)	(17,379)	(170)
Fiscal Agent Fees Paid on Capital Debt	(331)		(331)	
Proceeds from Sale of Property/Equipment	143	3	146	731
Proceeds from Sale of Certificates of Participation		<u>2</u>	<u>2</u>	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(64,871)</u>	<u>(248)</u>	<u>(65,119)</u>	<u>(7,094)</u>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	1,926	5	1,931	952
Proceeds from Sale of Investments				13,698
Purchase of Investments				<u>(15,679)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,926</u>	<u>5</u>	<u>1,931</u>	<u>(1,029)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(20,754)</u>	<u>671</u>	<u>(20,083)</u>	<u>(1,953)</u>
Cash and Cash Equivalents - July 1	<u>46,500</u>		<u>46,500</u>	<u>17,882</u>
Cash and Cash Equivalents - June 30	<u>\$ 25,746</u>	<u>\$ 671</u>	<u>\$ 26,417</u>	<u>\$ 15,929</u>

	Enterprise Funds			Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income(Loss)	\$ 22,730	489	\$ 23,219	\$ (7,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation/Goodwill Amortization	19,747	815	20,562	9,444
Decrease (Increase) in Assets:				
Accounts Receivable	516	44	560	(23)
Internal Receivable	(10)		(10)	
Due from Other Agencies	(17)		(17)	
Inventories	36	(21)	15	
Prepaid Expenses	3	2	5	
Long-term Accounts Receivable	335		335	
(Decrease) Increase in Liabilities:				
Accounts Payable	17	32	49	1,139
Accrued Payroll Liabilities	(1,127)	(125)	(1,252)	(159)
Internal Payable-Unrestricted		(345)	(345)	102
Due to Other Agencies	(413)	16	(397)	(25)
Customer/Refundable Deposits	307		307	(6)
Deferred Revenue	5	30	35	
Accrued Compensated Absences	62	(17)	45	
Claims and Judgments Payable - Short-term				642
Claims and Judgments Payable - Long-term				2,566
Net Cash Provided (Used) by Operating Activities	\$ <u>42,191</u>	\$ <u>920</u>	\$ <u>43,111</u>	\$ <u>6,170</u>

Noncash investing, capital financing activities:

In the Water Utility Fund, developers contributed water systems valued at \$9,809 and contributed securities in place of contract retainage in the amount of \$1,202.

In the Water Utility Fund, other noncash transactions included: \$3,211 for prior year adjustment to Capital Assets and \$153 accrued interest on a legal settlement.

In the Fleet Service Internal Service Fund, City funds contributed vehicles and equipment with a net book value of \$857. Non-City sources contributed one vehicle with a net book value of \$18. Solid Waste vehicles were acquired via capital leasing in the amount of \$483.

In the Self Insurance Internal Service fund, \$72 of capital assets were transferred to other City funds.

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
June 30, 2003  
(in thousands)

**Statement D1**

	<u>Pension Funds</u>	<u>Agency Funds</u>
<b><u>Assets</u></b>		
Pooled Cash	\$ 2,333	\$ 1,360
Accounts Receivable:		
City Contributions	1,044	
Employee Contributions	668	
Interest and Dividends	2,033	8
Due from Brokers	4,106	
Miscellaneous		4,545
Total Accounts Receivable	<u>7,851</u>	<u>4,553</u>
Investments, at Fair Value:		
Short-term Investments	15,596	
Securities Lending Cash Collateral	42,735	
U.S. Government Obligations	77,947	
Corporate Bonds	49,671	
Common Stocks	233,387	
Preferred Stocks	886	
International Bonds	3,113	
International Equity Group Trust	57,067	
Mortgage Bonds Mutual Fund	62,191	
Real Estate	23,083	
Total Investments	<u>565,676</u>	
Capital Assets - Net of Accumulated Depreciation	5	
Total Assets	<u>575,865</u>	<u>5,913</u>
<b><u>Liabilities</u></b>		
Accounts Payable	626	790
Due to Other Agencies		5,123
Due to Securities Borrowers	42,746	
Due to Brokers	21,484	
Accrued Payroll Liabilities	32	
Total Liabilities	<u>64,888</u>	<u>5,913</u>
<b><u>Net Assets</u></b>		
Held in Trust for:		
Employees' Pension/Retirement Benefits	510,977	
Total Net Assets	<u>\$ 510,977</u>	<u>\$ 0</u>

See Accompanying Notes to Basic Financial Statements

**CITY OF TUCSON, ARIZONA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
Year Ended June 30, 2003  
(in thousands)

**Statement D2**

	<b>Pension Funds</b>
<b>Additions:</b>	
Contributions:	
Employees	\$ 18,486
Employer	12,772
Other Plans	526
Total Contributions	<u>31,784</u>
Investment Income:	
Net Increase (Decrease) in Fair Value of Investments	5,912
Interest, Dividends and Other Income	13,524
Real Estate Income	406
Securities Lending Income	500
Total Investment Income	<u>20,342</u>
Less: Investment Activity Expense	1,864
Less: Securities Lending Expense	388
Net Investment Income	<u>18,090</u>
Miscellaneous	25
Total Additions	<u>49,899</u>
<b>Deductions:</b>	
Payments to Participants	25,942
Refunds and Transfers to Other Plans	3,750
Administrative Expense	476
Total Deductions	<u>30,168</u>
Change in Net Assets	19,731
Net Assets - July 1	491,246
Net Assets - June 30	<u>\$ 510,977</u>

See Accompanying Notes to Basic Financial Statements



**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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

**A. Reporting Entity**

These financial statements represent the City and its component units. The component units of the City are discussed below:

The Rio Nuevo Multipurpose Facilities District (District) was created in July 1999 to take advantage of a State law under which the State will provide incremental tax financing to help develop multipurpose facilities in the downtown Tucson area. The District is governed by a Board of Directors appointed by the Mayors and Councils of the Cities of Tucson and South Tucson. Through a weighted-average voting system, the City maintains control of the District. The governing body of the District is not substantially the same as the governing body of the City, and the District will provide revitalization and economic development opportunities in the downtown area of the City. Therefore, the District is included within these basic financial statements as a discretely presented component unit. Separately issued financial statements are not prepared.

The Tucson Supplemental Retirement System (System or TSRS) 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 and presents separate financial statements, 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.

**B. Government-wide and Fund Financial Statements**

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

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

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

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

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

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

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Nonmajor Funds:

Special Revenue Funds - These funds and certain other governmental funds are used to account for the proceeds of specific revenue sources (other than proprietary and fiduciary functions) that are restricted to expenditures for specified purposes. This includes federal grants and various City functions such as Solid Waste Management and Library.

Debt Service Funds - These funds and certain other governmental funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs for General Obligation, Street and Highway, and Special Assessment Bonds.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by General, Special Revenue, or Proprietary Funds) using proceeds from the sale of General Obligation, Street and Highway, and Special Assessment Bonds.

Permanent Fund - This fund is used to account for non-City contributions legally restricted so that only earnings, and not principal, may be used to finance City programs.

2. Enterprise Funds

These funds 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.

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

The City has two enterprise funds:

Major Fund:

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.

Nonmajor Fund:

The Golf Course 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.

3. Internal Service Funds

These funds are used to account for the financing of self insurance and motor pool (fleet) services provided to City departments on a cost-reimbursement basis. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column on the government-wide Statement of Net Assets. The costs of the internal service fund services are spread to the appropriate functions on the government-wide Statement of Activities, and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any "doubling-up" effect of these revenues and expenses.

4. Fiduciary Funds

These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Pension Trust and Agency Funds. The Pension Trust Funds are accounted for in essentially the same manner as proprietary funds. Agency Funds 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 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, claims and judgments, and landfill closure and postclosure care expenditures are recorded when payment is due. In general, only matured assets and liabilities are shown on the balance sheets, and unreserved fund balance is considered a measure of "available spendable resources."

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

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

Major revenue sources susceptible to accrual are property taxes and special assessments when an enforceable legal claim has arisen, grants and similar items when all eligibility requirements are met, and privilege and other taxes. 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 reserve accounts.

The City's proprietary funds apply all applicable Financial Accounting Standards Board (FASB) Statements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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, established at an amount necessary to recover related costs, are recorded as operating revenues.

The City does not currently employ an indirect cost allocation system. The general fund and certain other funds charge service fees to other operating funds to support general services used by the operating funds (like accounting and maintenance). These fees are shown as expenditure credits to prevent the "doubling-up" effect within the funds.

**E. 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. Certain expenditures are held to be excludable. The limitation is set by the State Economic Estimates Commission prior to April 1 of each year for the following fiscal year.

The City, therefore, formulates its annual 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. On or before the first Monday in June of each year, the City Manager submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed operating and capital expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. 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 in total, and from the resolution itself that limits expenditures by fund and by departmental groupings. Transfers of sums within a specific fund or departmental group may be made upon City Manager approval.
4. All appropriations lapse at year-end.
5. Supplementary budgetary appropriations would require approval of Mayor and Council; none were necessary during the fiscal year ended June 30, 2003.

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

**F. Encumbrances**

Encumbrances outstanding at year-end are reported as reservations of fund balance in the General Fund and other governmental funds and are not recognized as expenditures for budgetary or generally accepted accounting principle purposes.

No reservation of fund balance is made for Special Revenue grant funds that are funded on a reimbursable basis. At June 30, 2003, these balances were as follows:

<u>Fund</u>	<u>Encumbered at June 30, 2003</u>
Human and Community Development Fund	\$ 2,759
Public Housing Fund	23
Miscellaneous Housing Grant Fund	3,713
Other Federal Grants Fund	908
Non-Federal Grants Fund	108
Mass Transit Fund	<u>4,522</u>
	<u>\$ 12,033</u>

**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 3 months or less when purchased are considered to be cash equivalents.

**H. 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.

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

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2003  
(dollar amounts expressed in thousands)

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

**I. Accounts/Notes Receivable**

Accounts Receivable of the major and nonmajor governmental and proprietary funds and fiduciary funds as of June 30, 2003, are reported in the accompanying basic financial statements net of allowance for doubtful accounts, as follows:

	General Fund	Other Nonmajor Governmental Funds	Water Utility Fund	Nonmajor Golf Course Fund	Fiduciary Funds
Accounts Receivable	\$ 13,612	\$ 1,844	\$ 18,905	\$ 66	\$ 12,404
Less: Allowance for Doubtful Accounts	<u>674</u>	<u>201</u>	<u>390</u>	<u>        </u>	<u>        </u>
	<u>\$ 12,938</u>	<u>\$ 1,643</u>	<u>\$ 18,515</u>	<u>\$ 66</u>	<u>\$ 12,404</u>

The Enterprise Funds' assets and revenues include \$7,287 for water sales delivered, but unbilled at June 30, 2003.

The Community Services 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 lienholder. 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 and have totaled approximately 5% of the original loans. As of June 30, 2003, these loans totaled \$6,755. Due to the immateriality and infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

**J. Inventories/Prepays**

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

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

**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. No capital assets or depreciation are shown in the governmental fund financial statements.

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

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 of capital assets and improvements is capitalized when the project is completed.

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

	<u>Estimated Useful Life (Years)</u>
Buildings and Building Improvements	20-40
Improvements Other Than Buildings	10-40
Wells, Tanks and Improvements	40-100
Machinery and Equipment	2-20

The City's policy is to capitalize interest on proprietary fund capital projects if it is material, based upon the weighted-average interest method. No interest costs have been capitalized during the fiscal year in the Water Utility or Golf Course Funds as the amounts were not material. Interest on general government capital projects is not capitalized.

Neither the Water Utility Fund nor the Golf Course Fund levies special assessments to construct or purchase capital assets.

**M. Goodwill**

Enterprise fund goodwill is recorded upon acquisition of water companies or golf courses and represents the excess of cost over the fair market value at the time of acquisition. Goodwill is being amortized over forty (40) years on the straight-line method. The total goodwill and the amount amortized at June 30, 2003, were \$1,122/\$907 and \$65/\$57 for the Water Utility Fund and Golf Course Fund, respectively.

**N. 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 in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs and 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. Bonds payable are reported net of the applicable bond premium or discount.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

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

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.

Compensated absences and landfill closure/postclosure costs are recognized as fund liabilities to the extent the liabilities mature or come due for payment each period in the governmental fund statements. These costs are accrued and reported as liabilities in the Statement of Net Assets.

**O. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties to use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

1. In addition to the reserves for inventories and encumbrances, the City has established other reservations of fund balances as follows:

Reserved for Debt Service represents amounts maintained under the provisions of various bond ordinances or amounts reserved for future debt service requirements.

Reserved for Capital represents the following: proceeds from capital lease agreements to be used for various capital projects and other various construction projects in the General Fund (\$2,325); funds reserved for equipment purchases and construction projects (\$540) in the Special Revenue Funds; and bond proceeds reserved for construction projects (\$31,072) in the Capital Project Funds.

Reserved for Advances and Deposits represent amounts the City has advanced to or deposited with outside agencies or other funds.

Reserved for Employees' Retirement Benefits represents the equity of the Tucson Supplemental Retirement System (\$445,904) and the Deferred Compensation Fund (\$65,073), which are reserved for future payments to their respective members.

Reserved for Environmental and Solid Waste mandates represents amounts to cover landfill closure/postclosure costs.

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

Reserved for Other Purposes represents amounts reserved for purposes designated by contributors in the special revenue and permanent funds; reserves for grant compliance purposes; reserves for prepaid expenditures in various special revenue funds; and reserves for the following purposes in the General Fund:

Parking Program	\$	753
City Courts Projects		660
Police Projects		600
Parks Foundation		436
Low Income Housing Maintenance		359
Community Resources Center		236
Communications 911		65
GLBT Commission		12
COPS Issuance Costs		4
Total General Fund Reserved for Other Purposes	\$	<u>3,125</u>

2. The City had the following designations of unreserved fund balance in the General Fund as of June 30, 2003:

Deferred Maintenance	\$	549
Cable License		<u>232</u>
Total General Fund Designated	\$	<u>781</u>

**P. 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 Assets as Internal Receivables/Payables. 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.

**Q. Donor-Restricted Endowments**

The City receives gifts and donations from individuals/organizations to support various City functions. The net appreciation of investments was \$49 and is included in restricted net assets as Expendable Permanent Endowments (\$4) and as Restricted for Other Purposes (\$45). Investment income is expended based on restrictions conveyed in the endowment agreements. If agreements do not stipulate the use of investment income, it is used to cover administrative costs. There are no state laws governing the expenditure of investment income for City donations.

**R. Use of Estimates**

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

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

**Note 2 - ACCOUNTING RESTATEMENTS:**

**A. Governmental Activities**

The City estimated the beginning value of its annexed and donated right-of-way properties as \$476,334 in the current year; the City's previous land values only included those right-of-way properties purchased outright. Procedures have been put in place to allow for current recognition of annexed and donated right-of-way properties each year. In addition, the sale of a significant City property to its component unit last year erroneously omitted the corresponding reduction of \$15,163 to accumulated depreciation of this property. Both these prior period adjustments increase the Invested in Capital Assets, Net of Related Debt.

During the year, a Cash with Fiscal Agent account was identified in the amount of \$6,781 as being previously available for use in Restricted for Capital. In a 1998 bond refunding of an unrelated non-profit organization, the reserve requirement that had been backed by the City was no longer needed since insurance was provided in lieu of the reserve. This account was then available for the City to use for other capital and development projects; this account was used in the current year for the acquisition and renovation of the Midtown Service Center in the General Fund. Also, the Transportation Department reallocated previously-spent capital improvement expenditures in the Special Assessment Capital Project Fund to be covered by other applicable bond issues in other Capital Project Funds and by the Highway User Revenue Special Revenue Fund. Due to the immateriality to the other various funds, the effect of the adjustments was run through their respective operations in the current year. However the material total of \$2,077 was reported as a prior period adjustment to the Special Assessment Capital Project Fund, ultimately increasing the Invested in Capital Assets, Net of Related Debt.

**B. Business-type Activities**

During a reconciliation of the capital assets within the Water Utility Enterprise Fund, adjustments were required to correct prior year capitalization errors. This resulted in a prior period adjustment to Invested in Capital Assets, Net of Related Debt, in the amount of \$3,211.

The impact of all the accounting restatements discussed above is summarized below:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>July 1</u>	<u>Restated July 1</u>	<u>July 1</u>	<u>Restated July 1</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	\$ 409,710	\$ 903,284	\$ 529,951	\$ 533,162
Restricted for:				
Capital Projects	55,998	62,779	6,047	6,047
Debt Service	10,281	10,281	98	98
Housing Programs	19,352	19,352		
Other Purposes	62,508	62,508		
Permanent Endowments:				
Expendable	18	18		
Nonexpendable	142	142		
Unrestricted (Deficit)	(43,480)	(43,480)	30,524	30,524
Total Net Assets	<u>\$ 514,529</u>	<u>\$ 1,014,884</u>	<u>\$ 566,620</u>	<u>\$ 569,831</u>

**Note 3 - 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 days of November and May, respectively, and a lien against the assessed property attaches if payments are not received by those dates.

**Note 3 - PROPERTY TAX (Continued):**

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

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

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

**Note 4 - INDIVIDUAL FUND DISCLOSURES:**

At June 30, 2003, the following funds had deficit fund balances/net assets:

Mass Transit Fund	\$ (1,856)
Special Assessment Construction Fund	\$ (3,532)
Self Insurance Fund	\$ (18,875)

The deficit in the Mass Transit Special Revenue Fund is due to the reimbursement of expenditures relating to the City's grant from the Federal Transit Authority (FTA) not being available for reimbursement by FTA until after the grant is approved in the following fiscal year. This approval process is according to FTA standards. The deficit in the Special Assessment Construction Capital Projects Fund is due to the project expenditures being incurred prior to the sale of the bonds. The deficit in the Self Insurance Internal Service Fund will be funded by increases to user charges in future years.

**Note 5 - 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 "Pooled Cash and Investments." A single master custodian holds all assets of the investment pool. In addition, certain cash and investments are also held separately by various City funds.

The majority of deposits and investments of the Tucson Supplemental Retirement System Fund and the Deferred Compensation Fund are held separately from those of other City funds by a master custodian. However, biweekly contributions to these two funds are held in the investment pool to cover recurring expenditures.

**A. Deposits**

At year-end, the book balance of the City's cash and deposits was \$808 and the bank balance was \$2,312. The difference of \$1,504 represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2003. This total bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name.

Cash with fiscal agents in the General Fund (\$9,310), the other nonmajor governmental funds (\$22,745), and the enterprise funds (\$16,895) on June 30, 2003, were covered by collateral held in the fiscal agents' trust departments but not in the City's name. Each trust department pledges a pool of collateral against all trust deposits it holds.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

**Note 5 - DEPOSITS AND INVESTMENTS (Continued):**

**B. Investments**

For the City investment pool, the City Charter and State Statutes authorize the City to invest in obligations of the U.S. Government, its agencies and instrumentalities, money market funds consisting of the above, repurchase agreements, bank certificates of deposit, commercial paper rated A-1/P-1, corporate bonds and notes rated AAA or AA, and the State of Arizona Local Government Investment Pool. Operating and capital project funds may be invested for a maximum of 3 years based on projected construction schedules.

The Tucson Supplemental Retirement System and the Deferred Compensation Fund are trusts each governed by separate management boards. The City Code provides that these boards will make investments in accordance with the "prudent person rule" and each board has approved investment policies. The Deferred Compensation Board authorizes investments in U.S. government obligations and agency issues, corporate bonds, real estate, and money market funds. The Tucson Supplemental Retirement System Board authorizes domestic and foreign investments including U.S. government obligations and agency issues, corporate bonds, stocks, real estate, and money market funds. The investment policy also establishes the asset mix and target allocations for each asset class permitted.

Short-term investments may be made up of commercial paper, time deposits, guaranteed investment contracts, money market funds or any other short-term investment vehicle permitted.

The City's investments at year-end are categorized below to give an indication of the level of custodial credit risk assumed. Category 1 includes investments that are held by the City or its agent in the City's name or are insured or registered. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterpart's trust department or agent in the City's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparts, or by its trust department or agent, but not in the City's name.

	Category			Fair Value
	1	2	3	
U.S. Issues:				
Government and Agency Securities				
not on Securities Loan	\$ 156,697	\$	\$	\$ 156,697
Corporate Bonds not on Securities Loan	54,595			54,595
Corporate Stock not on Securities Loan	224,061			224,061
Non-U.S. Issues:				
International Bonds not on Securities Loan	3,113			3,113
International Stock not on Securities Loan	49,733			49,733
	\$ 488,199	\$ 0	\$ 0	488,199
Investments - Not Categorized:				
Investments Held by Broker-Dealers Under				
Securities Loans with Cash Collateral:				
U.S. Government and Agency Securities				17,940
U.S. Corporate Bonds				5,888
U.S. Stock				9,782
International Stock				7,765
Securities Lending Short-term Collateral Investment Pool				42,735
Money Market Funds/Short-term Investments				56,586
Mortgage Bonds Mutual Fund				62,191
Real Estate				23,083
Total Investments				\$ 714,169

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**Note 5 - DEPOSITS AND INVESTMENTS (Continued):**

There were no situations that occurred during the year which posed greater custodial credit risk than at June 30, 2003.

**C. Securities Lending**

The City Code, the Board of Trustees for the Tucson Supplemental Retirement System and the Board of Trustees for the Deferred Compensation Fund permit the custodian bank, Mellon Trust, 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 market value plus any accrued interest. Non-U.S. securities are loaned for collateral initially valued at 105% of the market value of the securities plus any accrued interest. Collateral is marked-to-market daily. If the market 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. Mellon Trust'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, 2003, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

**D. Derivatives**

The Tucson Supplemental Retirement System permits the use of foreign exchange contracts by its international equity and fixed-income managers. Derivatives are also permitted in the portfolio, including financial futures and options on fixed-income securities and foreign currency.

Forward foreign exchange contracts for the purchase or sale of foreign currency were entered into for investment and hedging purposes, to modify the foreign currency exposure of international securities held. The duration of these contracts was three months or less and represented a net value of (\$3,652) as of June 30, 2003.

During this period, the portfolio was exposed to counterparty risk through the use of forward foreign exchange contracts, which could give rise to a loss if foreign exchange rates move in an adverse fashion. This risk is controlled through dealing with a number of different counterparties of high credit standing which have been approved by the manager through a stringent screening process.

The System also permits the use of financial futures and options by its external fixed-income manager to reduce or eliminate undesirable/unintended risks, to maintain desirable risks so as to improve the portfolio's return patterns, and to enhance portfolio liquidity, flexibility and/or efficiency. The external fixed-income manager used long and short positions in exchange-traded U.S. Treasury futures during the year to modify exposure to various parts of the yield curve and to modify the risk characteristics of the portfolio that were open as of June 30, 2003. The government futures positions were fully supported by cash and cash equivalents.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003  
(dollar amounts expressed in thousands)

**Note 5 - DEPOSITS AND INVESTMENTS (Continued):**

The net market exposure as of June 30, 2003, was \$39. As of the same date, the portfolio contained net market exposure to put options of (\$2).

Interest rate swaps are used to provide high-grade agency/corporate exposure. Swaps also provide an effective and inexpensive means by which to quickly adjust portfolio duration, maturity mix and sector exposure. Swaps are over-the-counter transactions as opposed to being traded on an organized exchange. Counterparty risk is limited by execution under standardized International Swap and Derivatives Association Agreements. These standardized contracts reduce legal risk and increase speed of execution that, in turn, improves liquidity. A swaption is simply an option on a swap and is used for the same purposes as options and swaps. Credit default swaps provide attractive means of hedging event risk and increasing/decreasing credit exposure. These securities are backed by high-grade liquid securities and are subject to the System's minimum quality and issuer limits.

Additionally, the portfolio held the following net market exposure in swaps, put swaptions, call swaptions and credit default swaps of \$12,889, (\$35), (\$203), and \$15, respectively.

**Note 6 - INTERFUND BALANCES AND TRANSFERS:**

Interfund balances and transfers include interfund receivables/payables, advances receivables/payables, and transfers. The interfund receivables/payables are short-term loans to cover temporary cash deficits in various funds and are expected to be repaid within one year. Interfund receivables/payables at June 30, 2003, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 20,513	\$ 644
Other Nonmajor Governmental Funds	<u>857</u>	<u>20,605</u>
Total Governmental Funds	<u>21,370</u>	<u>21,249</u>
Internal Service Funds:		
Fleet Services Fund		27
Self Insurance Fund		<u>100</u>
Total Internal Service Funds		<u>127</u>
Enterprise Fund:		
Water Utility Fund	<u>10</u>	<u>4</u>
Total All Funds	<u>\$ 21,380</u>	<u>\$ 21,380</u>

The above governmental interfund receivables/payables are eliminated in the consolidation of the fund statements and government-wide financial statements. The enterprise due from/to other funds balance is included as Internal Receivable/Payable on the government-wide Statement of Net Assets. There are interfund receivables/payables classified as Due from/to Other Agencies as listed below that are not included on the government-wide financial statements (Fiduciary Funds) on the Statement of Net Assets.

**Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):**

The Due from/to Other Agencies balances at June 30, 2003, were as follows:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
General Fund	\$ <u>979</u>	\$ _____
Total Governmental Funds	<u>979</u>	<u>_____</u>
Fiduciary Funds		<u>979</u>
Total All Funds	\$ <u><u>979</u></u>	\$ <u><u>979</u></u>

The Advances to/from Other Funds are long-term loans for capital expenditures, which have not been reimbursed, between the General Fund and the Special Assessment Capital Project Fund. These balances are eliminated in the consolidation of the government-wide financial statements.

Advances to/from Other Funds balances at June 30, 2003, were as follows:

<u>Fund</u>	<u>Advances to</u>	<u>Advances from</u>
Governmental Funds:		
General Fund	\$ 3,532	\$ _____
Special Assessment Construction Fund		<u>3,532</u>
Total Governmental Funds	\$ <u><u>3,532</u></u>	\$ <u><u>3,532</u></u>

Transfers are primarily: 1) to move receipts restricted to debt service from the funds collecting the receipts to the debt service funds when payment is due, 2) capital assets purchased by one fund for another fund, and 3) operational subsidies from the General Fund to various funds. All transfers are consistent with the operation of the governmental funds. Transfers made during the year ended June 30, 2003, were as follows:

<u>Fund</u>	<u>Transfers to</u>	<u>Transfers from</u>
Governmental Funds:		
General Fund	\$ 65,064	\$ 1,207
Other Nonmajor Governmental Funds	<u>8,764</u>	<u>72,214</u>
Total Governmental Funds	<u>73,828</u>	<u>73,421</u>
Internal Service Funds	<u>450</u>	<u>857</u>
Total All Funds	\$ <u><u>74,278</u></u>	\$ <u><u>74,278</u></u>

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

**Note 7 - CAPITAL ASSETS:**

The following is a summary of changes in capital assets as of June 30, 2003:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 597,232	\$ 31,599	\$ (24,521)	\$ 604,310
Construction-in-Progress	142,990	57,639	(50,842)	149,787
Capital Assets being Depreciated:				
Buildings and Improvements	314,999	34,750	(3,076)	346,673
Equipment	188,904	17,780	(10,558)	196,126
Infrastructure	592,912	38,280	(30)	631,162
Totals at Historical Cost	<u>1,837,037</u>	<u>180,048</u>	<u>(89,027)</u>	<u>1,928,058</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	116,968	10,963	(188)	127,743
Equipment	106,917	19,401	(9,811)	116,507
Infrastructure	266,739	12,859		279,598
Total Accumulated Depreciation	<u>490,624</u>	<u>43,223</u>	<u>(9,999)</u>	<u>523,848</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,346,413</u>	<u>\$ 136,825</u>	<u>\$ (79,028)</u>	<u>\$ 1,404,210</u>
<b>Business-Type Activities:</b>				
Land	\$ 50,905	\$	\$ (26)	\$ 50,879
Construction-in-Progress	96,109	48,184	(29,048)	115,245
Capital Assets being Depreciated:				
Buildings and Equipment	142,997	9,824	(1,644)	151,177
Distribution and Collection Systems	779,642	35,623	(8,404)	806,861
Totals at Historical Cost	<u>1,069,653</u>	<u>93,631</u>	<u>(39,122)</u>	<u>1,124,162</u>
Less Accumulated Depreciation for:				
Buildings and Equipment	34,310	9,352	(3,751)	39,911
Distribution and Collective Systems	185,900	11,181	(1,581)	195,500
Total Accumulated Depreciation	<u>220,210</u>	<u>20,533</u>	<u>(5,332)</u>	<u>235,411</u>
Business-Type Activities Capital Assets, Net	<u>\$ 849,443</u>	<u>\$ 73,098</u>	<u>\$ (33,790)</u>	<u>\$ 888,751</u>
Depreciation expense was charged to governmental functions as follows:				
Elected and Official			\$	81
Support Services				10,170
Neighborhood Services				10,499
Environment and Development				21,548
Strategic Initiatives				538
Non-Departmental				387
Total Depreciation Expense			<u>\$</u>	<u>43,223</u>

(Continued)

**Note 8 - CHANGES IN LONG-TERM DEBT:**

The following is a summary of changes in long-term debt as of June 30, 2003:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Yr.</u>
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General Obligation Debt	\$ 243,099	\$ 52,305	\$ (28,415)	\$ 266,989	\$ 8,045
Street & Highway Revenue Bonds	155,695	84,480	(86,630)	153,545	5,570
Federal Highway Loan	3,700		(800)	2,900	800
Special Assessment Bonds	3,567	1,657	(669)	4,555	526
Deferred Amount:					
on Premiums	1,662	7,259	(298)	8,623	
on Refundings	(1,023)	(6,759)	256	(7,526)	
Total Bonds and Notes Payable	<u>406,700</u>	<u>138,942</u>	<u>(116,556)</u>	<u>429,086</u>	<u>14,941</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	44,000	4,858	(3,074)	45,784	10,094
Arbitrage Rebate Tax Payable	517		(437)	80	
Capital Leases	40,911	1,400	(7,383)	34,928	4,718
Compensated Absences	26,654	15,671	(15,691)	26,634	14,512
Claims and Judgments	41,252	11,786	(8,579)	44,459	7,677
Total Other Liabilities	<u>153,334</u>	<u>33,715</u>	<u>(35,164)</u>	<u>151,885</u>	<u>37,001</u>
Governmental Activities Long Term Liabilities	<u>\$ 560,034</u>	<u>\$ 172,657</u>	<u>\$ (151,720)</u>	<u>\$ 580,971</u>	<u>\$ 51,942</u>
<b>Business-type Activities:</b>					
Enterprise Bonds	\$ 334,999	\$ 7,228	\$ (8,562)	\$ 333,665	\$ 8,888
Deferred Amount:					
on Refundings	(7,187)	(775)	453	(7,509)	
on Premiums	4,591	1,482	(279)	5,794	
Total Bonds and Notes Payable	<u>332,403</u>	<u>7,935</u>	<u>(8,388)</u>	<u>331,950</u>	<u>8,888</u>
Compensated Absences	3,354	1,459	(1,598)	3,215	1,607
Contracts Payable	5,832		(357)	5,475	450
Arbitrage Rebate Tax Payable	110		(110)		
Business-type Activities Long Term Liabilities	<u>\$ 341,699</u>	<u>\$ 9,394</u>	<u>\$ (10,453)</u>	<u>\$ 340,640</u>	<u>\$ 10,945</u>

Landfill Closure/Postclosure Costs, Arbitrage Rebate Tax and Compensated Absences have typically been liquidated in the general and other governmental funds. Compensated Absences have also been liquidated in proprietary funds. Claims and Judgments have typically been liquidated in the internal service funds.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

**Note 9 - LEASE OBLIGATIONS:**

**A. 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, 2003.

Years ending June 30,	General City Funds
2004	\$ 6,341
2005	5,905
2006	5,822
2007	4,575
2008	4,295
2009-2013	13,253
2014-2018	2,645
2019-2020	727
Total Minimum Lease Payments	<u>43,563</u>
Less: Amount Representing Interest (interest rates range from 3.85% to 12.00%)	8,635
Present Value of Net Minimum Lease Payments	\$ <u><u>34,928</u></u>

Assets purchased through capital leases include buildings (\$8,686), improvements other than buildings (\$46), equipment (\$17,387) and land (\$9,950).

**B. Operating Leases**

Operating lease expenditures for the fiscal year were \$9,158. Minimum future lease payments on non-cancelable operating leases at June 30, 2003, were as follows:

Years ending June 30,	
2004	\$ 6,759
2005	4,951
2006	4,651
2007	4,439
2008	4,105
2009-2013	15,771
2014-2018	921
2019-2024	881
Total Minimum Future Lease Payments	\$ <u><u>42,478</u></u>

**Note 10 - CONTRACTS PAYABLE:**

Long-term Contracts Payable for the Enterprise Funds as of June 30, 2003, were:

	<u>Water</u>	<u>Golf</u>
Contracts to Purchase Water Companies	\$ 850	\$
Equipment Contracts		4,625
Less Current Portion	<u>450</u>	
Long-Term Contracts Payable	<u>\$ 400</u>	<u>\$ 4,625</u>

Water and Golf contracts bear interest rates of up to 7.0% and 5.7%, respectively. These contracts mature through June 2016, with varying payment terms.

The City purchased the Metropolitan Water Company, an Arizona limited partnership, on October 1, 1992, for \$14,176. A down payment of \$5,176 was made, and a 13-year note at 7% annual interest was executed for the \$9,000 balance. Also on October 1, 1992, the City sold these assets and miscellaneous improvements to the Metropolitan Water Improvement District and the Oro Valley Domestic Water Improvement District for \$14,497 in cash. Adequate sales proceeds were invested in U.S. Treasury Strips with maturities scheduled to meet all future payment obligations by the City to the previous owners of the Metropolitan Water Company. These investments are reported as restricted assets of the Water Utility Fund.

As of June 30, 2003, principal payments of \$8,150 have been made on the Metropolitan Water Company purchase. The remaining principal is payable as follows:

January 1, 2004	\$ 450
January 1, 2005	<u>400</u>
Total Long-term Contracts Payable	<u>\$ 850</u>

As of June 30, 2003, principal payments of \$515 have been made on the K & V Water Company purchase. The final principal payment of \$39 was paid on January 3, 2003.

**Note 11 - BOND ISSUES:**

**A. Enterprise Funds**

Water Revenue Bonds will provide funds to improve the potable and reclaimed water systems and ensure compliance with water quality requirements of the Environment Protection Agency and the Arizona Department of Environmental Quality.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

**Note 11 - BOND ISSUES (Continued):**

At June 30, 2003, the long-term portion of bonds payable was:

Water Utility Revenue Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2003
1984 Series D (1991)	9.75 %	2010	\$ 48,000	\$ 4,000
1992 April (Refunding)	6.2-6.35	2004	13,030	55
1993 March (Refunding)	5.25-5.50	2018	35,360	22,150
1994 Series A (1996)	6.0-8.0	2018	33,000	3,000
1994 Series B (1997)	4.50-6.25	2012	11,700	9,000
1997 July (Refunding)	4.20-5.125	2021	32,980	32,405
1998A Water Infrastructure Finance Authority (WIFA) Subsidized	3.425	2017	6,000	4,962
1994 Series C (1999)	4.75-6.75	2016	33,400	33,200
1999A Refunding	5.00	2010	14,045	12,895
1994 Series D (2000)	5.25-7.25	2024	23,740	23,740
2000 Water Infrastructure Finance Authority (WIFA) Subsidized	4.125	2020	5,120	4,747
2000 Water Infrastructure Finance Authority (WIFA) Unsubsidized	5.00	2020	7,780	7,257
2000 Series A (2001)	5.0-7.5	2023	37,800	37,800
2001A April (Refunding)	5.00	2016	40,850	35,500
2001 Water Infrastructure Finance Authority (WIFA) Subsidized	3.43	2021	8,800	8,464
2002 Refunding	5.50	2018	57,820	57,820
2000 Series B (2002)	3.5-5.125	2021	18,900	18,900
2003 Water Infrastructure Finance Authority (WIFA) Subsidized	3.48	2022	5,770	5,770 (1)
2003 Refunding	5.00	2018	12,000	12,000
Total			<u>\$ 446,095</u>	<u>\$ 333,665</u>

(1) Balance of issue (\$2,530) will be recognized when proceeds are received.

**Note 11 - BOND ISSUES (Continued):****B. General City 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 and library improvements and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2004 to July 1, 2021. 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 annually from July 1, 2004 to July 1, 2018. All General Obligation Bonds are payable from property taxes, and all Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

On June 1, 2003, the City issued \$29,840 General Obligation Bonds. The bonds represent the third installment of bonds to be issued pursuant to the May 16, 2000, authorization.

On June 1, 2003, the City issued \$5,000 Junior Lien Street and Highway User Revenue Bonds. The bonds represent the second installment of bonds to be issued pursuant to the May 16, 2000, authorization.

At June 30, 2003, bonds payable were:

General Obligation Bonds Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2003
1991 Refunding	6.20-7.50 %	2008	\$ 21,555	\$ 9,030
1984 Series E and F	6.17	2012	25,000	2,143
1992 Refunding	6.40-6.5	2012	51,550	14,195
1993 Refunding	4.40-4.90	2013	17,006	1,326
1984 Series G (1994)	7.625	2014	21,540	3,140
1995 Refunding	5.38-6.75	2012	34,575	24,050
1994 Series A (1995)	5.38-7.38	2020	23,600	6,600
1994 Series B (1996)	7.63	2015	24,745	3,745
1994 Series C (1997)	5.00-7.00	2021	10,510	10,510
1997 Refunding	4.40-5.25	2019	20,170	19,780
1998 Refunding	4.25-5.50	2021	26,470	26,390
1994 Series D (1998)	4.25-6.25	2018	11,010	11,010
1994 Series E (1999)	4.50-7.00	2019	13,855	13,545
2000 Series A (2000)	5.25-7.25	2020	18,840	18,840
2000 Series B (2001)	4.625-5.75	2020	26,680	26,680
2002 Refunding	5.00	2012	25,035	23,700
2000 Series C (2003)	2.50-4.50	2021	29,840	29,840
2003 Refunding	2.25-5.00	2020	22,465	22,465
Total			<u>\$ 424,446</u>	<u>\$ 266,989</u>

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003  
(dollar amounts expressed in thousands)

**Note 11 - BOND ISSUES (Continued):**

At June 30, 2003, bonds payable were:

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2003
1992 Refunding	5.80-6.00 %	2004	\$ 15,150	\$ 960
1994 Series A (1995)	5.00-7.00	2015	10,900	3,900
1996 Refunding	4.20-6.00	2010	7,425	7,355
1994 Series B (1996)	5.50-7.50	2016	10,025	2,275
1994 Series C (1997)	5.00-7.00	2016	5,000	5,000
1994 Series D (1998)	4.75-6.60	2018	14,675	14,675
1994 Series E (2000)	5.00-7.00	2018	19,400	19,400
1994 Series F (2001)	4.75-6.00	2018	10,000	10,000
2000 Series A (2001)	4.75-6.00	2018	5,500	5,500
2003 Refunding	4.50	2009	33,760	33,760
2003 Refunding	4.50	2012	30,665	30,665
2003 Series A Refunding	2.50-5.00	2016	15,055	15,055
2003 Series B (2003)	3.375-3.50	2015	5,000	5,000
Total			<u>\$ 182,555</u>	<u>\$ 153,545</u>

**C. Special Assessments**

Special assessments on City-owned property were \$127 of the \$4,555 total assessment. The remaining assessments of \$4,428 represent a contingent liability for all other special assessment issues. The City has a contingent liability to the extent that prepaid assessments and proceeds from liens foreclosed against properties within the special assessment districts are insufficient to retire outstanding bonds.

**D. Annual Principal and Interest Requirements**

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

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 8,045	\$ 14,057	\$ 5,570	\$ 7,819	\$ 527	\$ 213
2005	8,600	13,337	8,380	7,415	453	187
2006	9,040	12,882	9,250	7,037	442	165
2007	8,428	13,999	9,600	6,621	393	143
2008	11,120	11,935	10,000	6,189	347	125
2009-2013	62,186	55,362	55,600	22,918	1,438	403
2014-2018	92,830	29,655	55,145	8,544	955	125
2019-2021	66,740	6,218				
Total	<u>\$ 266,989</u>	<u>\$ 157,445</u>	<u>\$ 153,545</u>	<u>\$ 66,543</u>	<u>\$ 4,555</u>	<u>\$ 1,361</u>

**Note 11 - BOND ISSUES (Continued):**

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

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Federal Highway Expansion & Extension Loan		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2004	\$ 800	\$ 73	\$ 8,888	\$ 17,394
2005	800	49	9,595	16,829
2006	1,300	19	10,228	16,321
2007			12,184	15,774
2008			13,307	15,115
2009-2013			85,549	63,383
2014-2018			100,822	38,838
2019-2023			90,392	13,321
2024			2,700	142
Total	\$ <u>2,900</u>	\$ <u>141</u>	\$ <u>333,665</u>	\$ <u>197,117</u>

**Note 12 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:**

On May 1, 2003, the City issued \$22,465 General Obligation Refunding Bonds to refund a portion of General Obligation Refunding Bonds, Series 1993 and General Obligation Bonds, Series 1994-A (1995) and to pay costs relating to the issuance of the bonds. The interest rate on the bonds ranges from 2.25% to 5.00% with the final maturity due July 1, 2020. Debt service payments are scheduled semi-annually at amounts that range from \$135-\$5,115. The economic gain resulting from this refunding is \$1,605 (based upon NPV from delivery date). The difference in cash flow requirements to service the old debt (\$37,263) and the cash flows to service the new debt (\$34,019) is \$3,244.

On April 3, 2003, the City issued \$33,760 Senior Lien Street and Highway User Revenue Refunding Bonds to refund a portion of Senior Lien Street and Highway User Revenue Refunding Bonds, Series 1993 and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 4.50% with the final maturity due July 1, 2009. Debt service payments are scheduled semi-annually at amounts that range from \$2,950-\$6,900. The economic gain resulting from this refunding is \$1,704 (based upon NPV from delivery date). The difference in cash flow requirements to service the old debt (\$41,718) and the cash flows to service the new debt (\$39,976) is \$1,742.

On April 3, 2003, the City issued \$30,665 Junior Lien Street and Highway User Revenue Refunding Bonds to refund a portion of Senior Lien Street and Highway User Revenue Refunding Bonds, Series 1993 and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 4.50% with the final maturity due July 1, 2012. Debt service payments are scheduled semi-annually at amounts that range from \$1,645-\$4,210. The economic gain resulting from this refunding is \$1,847 (based upon NPV from delivery date). The difference in cash flow requirements to service the old debt (\$40,465) and the cash flows to service the new debt (\$38,560) is \$1,905.

On May 1, 2003, the City issued \$15,055 Junior Lien Street and Highway User Revenue Refunding Bonds to refund a portion of Senior Lien Street and Highway User Revenue Bonds, Series 1994-A, a portion of Senior Lien Street and Highway User Revenue Bonds, Series 1994-B and to pay costs relating to the issuance of the bonds. The interest rate on the bonds ranges from 2.50% to 5.00% with the final maturity due July 1, 2016. Debt service payments are scheduled semi-annually at amounts that range from \$25-\$4,015. The economic gain resulting from this refunding is \$536 (based upon NPV from delivery date). The difference in cash flow requirements to service the old debt (\$24,316) and the cash flows to service the new debt (\$23,824) is \$492.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003  
(dollar amounts expressed in thousands)

**Note 12 - ADVANCE REFUNDING/DEFEASANCE OF DEBT (Continued):**

On May 1, 2003, the City issued \$12,000 Water Revenue Refunding Bonds to refund a portion of Water Revenue Bonds, Series 1993 and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5.00% with the final maturity due July 1, 2018. Debt service payments are scheduled semi-annually at amounts that range from \$1,700-\$6,450. The economic gain resulting from this refunding is \$1,503 (based upon NPV from delivery date). The difference in cash flow requirements to service the old debt (\$21,998) and the cash flows to service the new debt (\$20,559) is \$1,439.

In prior years, the City has defeased various bond issues by creating irrevocable trusts. The proceeds from the advance refundings 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 is Water Utility debt of \$137,975 and General Obligation and Street and Highway debt of \$66,612 and \$17,250, respectively.

**Note 13 - LANDFILLS:**

The U.S. Environmental Protection Agency ruling "Solid Waste Disposal Facility Criteria" requires the City to incur specified landfill closure and post-closure care costs. Closure requirements have been established for municipal landfills that received solid waste after October 9, 1991. Additional thirty-year post-closure monitoring and maintenance functions are required of landfills that accepted solid waste after October 9, 1993. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City records a liability for these required costs based upon each landfill's percentage of capacity used through June 30, 2003. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2003. 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 6/30/03	Estimated Closure/Post- Closure Costs	Liability Recognized at 6/30/03	Estimated Closure/ Postclosure Cost to be Recognized in Future Years	Estimated Remaining Life in Years
Los Reales	80 %	\$ 32,958	\$ 24,886	\$ 8,072	5
Harrison	100 %	8,082	8,082		
Irvington	100 %	2,729	2,729		
Vincent Mullins	100 %	8,907	8,907		
Silverbell	100 %	1,180	1,180		
Totals		\$ <u>53,856</u>	\$ <u>45,784</u>	\$ <u>8,072</u>	

A reservation of fund balance of \$22,296 has been established in the General Fund to help cover these closure/post-closure costs. Revised estimates of closure and post-closure costs are made annually.

The operation of the landfills is a function of the City's Solid Waste Management Department that is accounted for as a special revenue fund. The June 30, 2003, liability for closure and post-closure costs is \$45,784, which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

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**Note 14 - DEFERRED COMPENSATION PLAN:**

The City offers its employees an internally administered Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits the employees to defer a portion of their salaries until future years. The amount deferred is not available to employees until termination, retirement, death, or unforeseeable emergency.

Federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries; therefore, the internally-administered Deferred Compensation Plan is reported as a Trust Fund.

**Note 15 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS:**

**A. Description of Plans**

1. Tucson Supplemental Retirement System The Tucson Supplemental Retirement System (System or TSRS) is a single-employer defined benefit plan for 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 consisting of: a chairman who is appointed by the Mayor and Council, the City's Directors of Human Resources and Finance, two members elected by the membership of the System, an ex-officio retired member, and a vacant member who is appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Directors and must be approved by Mayor and Council. The TSRS issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 255 W. Alameda Street, Tucson, AZ 85701.
2. Arizona Public Safety Personnel Retirement System The City contributes to the Arizona Public Safety Personnel Retirement System (System or APSPRS), an agent multiple-employer public employee retirement system established by the Arizona Revised Statutes. All commissioned Police and Fire employees of the City participate in the System. The Fund Manager and 181 Local Boards jointly administer the System. The Fund Manager is a five-member board. The governor appoints three members, and two members are appointed by the state legislature. Each eligible group participating in the System has a five-member Local Board. Three members are appointed by the chief elected official of the organization, and two members are elected by the active members of the eligible group. The Fund Manager is responsible for the investment of the System's assets. The Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, timing of benefit payments, and the amount of benefits for its eligible group of employees. APSPRS issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 1020 East Missouri Avenue, Phoenix, AZ 85014.
3. Arizona Elected Officials' Retirement Plan The City contributes to the Arizona Elected Officials' Retirement Plan (Plan or AEORP), a cost-sharing, multiple-employer public employee retirement plan. At June 30, 2003, the City had 7 covered officials. Covered payroll for the year then ended was \$186 (out of the total City payroll of \$259,311). All elected officials of the City are members of the Plan.

State statutes require that the total contribution for an elected official be sufficient to meet the actuarially-determined normal cost, plus the amount needed to amortize any unfunded liability. At the City, covered officials are required to contribute 7% of their salary to the Plan. The City contributes the remaining amounts necessary to finance benefits. The City's contribution for the year was \$13, and elected officials contributed \$13; contributions include amounts for current officials as well as for past officials permitted to join the plan pursuant to 1987 legislation.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

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**Note 15 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS (Continued):**

No additional disclosures regarding AEORP are provided due to its immateriality to these financial statements as a whole. Financial statements for the Plan are available by contacting Arizona Elected Officials' Retirement System at 1020 East Missouri Ave., Phoenix, AZ 85014.

**B. Funding Policy**

1. Tucson Supplemental Retirement System Currently, employee contributions are 5% of their annual covered payroll and are made through payroll deductions. A reserve is established for contributions and earnings allocations, less amounts transferred to reserves for retirement and disability and amounts reserved for terminated employees. If an employee leaves covered employment before attaining five years' service credit (eight years' service credit if the member dies), the accumulated contributions plus interest are refunded to the employee or his designated beneficiary. The City contributes the remaining amounts necessary to finance employee participation in the System and to fund the costs of administering the System. The City's contribution rate for the year ended June 30, 2003, was 8.41%.
2. Arizona Public Safety Personnel Retirement System Employees covered by APSPRS are required by State statutes to contribute 5% of their salary to the System. The System's funding policy provides for actuarially determined employer contribution rates which will provide assets sufficient to pay benefits when due. For the fiscal year ended June 30, 2003, the required employer contribution rates were 5.46% and 5.03%, respectively, for Police and Fire.

If a member leaves covered employment or dies and no benefit is payable, accumulated member contributions are refunded to the member or designated beneficiary.

**C. Summary of Significant Accounting Policies**

1. Tucson Supplemental Retirement System The System's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the System.

At June 30, 2003, there were no individual investments, other than those issued or guaranteed by the United States government, that represented 5% or more of System net assets, and there were no long-term contracts for contributions to the System.

2. Arizona Public Safety Personnel Retirement System The System's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Investment income, net of administrative and investment expenses, is allocated to each employer group based on the average relative fund size for each employer group for that year.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Equity securities are valued at the last reported sales price. Fixed-income securities are valued using the last reported sales price or the estimated fair market value as determined by fixed-income broker/dealers. Investment income is recognized as earned. Realized gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

At June 30, 2003, there were no individual investments, other than those issued or guaranteed by the United States government, that represented 5% or more of System net assets, and there were no long-term contracts for contributions to the System.

**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 Property Insurance, Public Employee Fidelity Bonds, Crime Insurance, Aircraft Insurance and Miscellaneous Insurance (i.e., surety bonds, special event insurance as needed, and fine arts coverage). The City retains all of the risk not covered by commercial carriers and has effectively managed risk through various employee education and prevention programs.

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

Annually, the City estimates the liabilities for unpaid claims using a historical cost information method. 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. Unpaid claim liability amounts are reported at gross (no discounting).

Changes in the Self Insurance Fund's aggregate claims liabilities for the fiscal years ended June 30, 2003, and 2002, are as follows:

	<u>2003</u>	<u>2002</u>
Beginning of fiscal year liability	\$ 41,252	\$ 35,999
Current year claims and changes in estimates	11,786	20,057
Claim Payments	<u>(8,579)</u>	<u>(14,804)</u>
Balance at fiscal year end	<u>\$ 44,459</u>	<u>\$ 41,252</u>

**Note 17 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:**

In addition to the pension benefits described in Note 14, the City offers a health insurance benefit to those employees who: have qualified to receive a monthly retirement allowance from the Tucson Supplemental Retirement System or from the Arizona Public Safety Retirement System (Police and Fire); are less than 65 years of age; and are not Medicare-eligible.

These benefits apply only to those employees who retired after March 1, 1981, and were above the minimum eligible age that was in effect on the date of their retirement. Public Safety employees who retired after February 1, 1982, and who were below the minimum eligible age in effect on the date of their retirement are covered for a period not to exceed five years. After that point, the retiree pays 100% of the premium.

As of June 30, 2003, the City contributed towards the medical premiums of 584 retirees. Depending upon the date of retirement, the City pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents.

The costs associated with this retirement benefit are expended as the appropriate medical insurance premiums are paid. During the 2002-03 fiscal year, the City's portion of retiree medical insurance premiums was \$1,770.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

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**Note 17 - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued):**

The City also provides the following life insurance coverage for all retirees of the City:

Retired prior to July 1, 1975	\$1,000 Coverage
Retired after July 1, 1975 and prior to July 1, 1987	\$2,000 Coverage
Retired after July 1, 1987 and prior to January 1, 1991	\$4,000 Coverage
Retired after January 1, 1991	\$5,000 Coverage
Retired after June 30, 2002	\$7,500 Coverage

On June 30, 2003, there were 2,047 retirees receiving City-paid life insurance benefits. The costs associated with the life insurance premiums are expended as the insurance premium is paid. During the 2002-03 fiscal year, the City's cost for retiree life insurance was \$31.

**Note 18 - CONTINGENCIES AND COMMITMENTS:**

**A. Litigation**

During the fiscal year, the City successfully won a settlement with Qwest Communications, Inc., at the State Court of Appeals that resulted in a receipt of \$7,309 representing back telecommunication privilege taxes plus interest. Since Qwest Corporation has appealed this case to the Federal Courts which could result in the City's having to return these back taxes, the City has reported this settlement in a refundable deposit account in the General Fund until the Federal case is settled.

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

**B. Central Arizona Project Water Purchase Contract**

The Central Arizona Water Conservation District (CAWCD) is the entity responsible for contracting with the Secretary of Interior for Central Arizona Project (CAP) water and for subcontracting with users within the State of Arizona. Under a contract between the City, CAWCD and the Department of the Interior, the City currently has the right to receive 134,466 acre-feet of CAP water each year. In return, the City agreed to pay a capital financing charge that is designed to recover a portion of the Federal Government's CAP construction costs. This charge, which must be paid regardless of whether the City orders any CAP water, is adjusted annually and is on a per-acre-foot allocation basis; the CAP capital financing for the year was \$5,379. 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 \$2,461.

**C. Construction and Other Commitments**

In governmental fund types, construction and other commitments, if significant, are appropriately identifiable through reservations of fund balance.

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**Note 18 - CONTINGENCIES AND COMMITMENTS (Continued):**

**D. Federal and State Grants**

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

**E. Sale of Tucson House**

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies. 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%. These amounts have been recorded as deferred revenue, and totaled \$13,034 at June 30, 2003.

According to the terms of the subsidy agreement, the Tucson House's units must be operated as affordable housing for a period of 15 years after the renovation was completed, at the end of which time the City has the option to repurchase the renovated Tucson House in exchange for forgiveness of the debt. If the terms are violated, the City will be jointly liable (with the limited partnership) for repayment of the subsidy to FHLB. The likelihood of the Tucson House not being operated as a public housing facility is considered remote by the City.

**F. Financing of Posadas Sentinel Low-income Housing**

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (the LLLP), whereby the City leased various properties to the LLLP for 75 years. Under the terms of the lease, the LLLP will develop and operate the properties solely as low-income residential housing facilities. The LLLP is financing this development through low-income housing tax credits from the State of Arizona, and through a \$10,002 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 \$11,824 at June 30, 2003.

Eligibility of the LLLP for the tax credits requires that the properties be operated as affordable housing for a period of 15 years after the development is completed, 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 19 - SIGNIFICANT DISCRETELY PRESENTED COMPONENT UNIT TRANSACTIONS:**

The Rio Nuevo Multipurpose Facilities District (District) is a legally separate entity created to revitalize downtown Tucson. During the fiscal year, a couple of significant capital projects were undertaken within the District. A new box office was added to the District's Convention Center at a cost of \$794 and \$76, respectively, to the District and the City. In addition, the District purchased the old Fox Theatre for renovation, expansion and reopening in the future. The District spent \$1,328 during the current year toward the Fox Theatre. The City was in turn awarded a \$1,000 Federal grant to aid in the theatre's renovation; this grant is accounted for in the Miscellaneous Housing Grant Fund.

**CITY OF TUCSON, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

For the Year Ended June 30, 2003

(dollar amounts expressed in thousands)

**Note 19 - SIGNIFICANT DISCRETELY PRESENTED COMPONENT UNIT TRANSACTIONS (Continued):**

The District is being funded by tax increment financing (TIF). This State TIF revenue stream did not begin until July 2003; therefore, the substantial project/development expenses incurred by the District are being covered by the City as of June 30, 2003. This coverage resulted in the City's reporting Due from Other Agencies balances at June 30, 2003, as follows:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
General Fund	\$ 4,948	\$
Other Nonmajor Governmental Funds	<u>6,127</u>	<u>          </u>
Total Governmental Funds	<u>11,075</u>	<u>          </u>
Rio Nuevo-Component Unit	<u>          </u>	<u>11,075</u>
Total All Funds	<u>\$ 11,075</u>	<u>\$ 11,075</u>

**Note 20 - SUBSEQUENT EVENT:**

On September 30, 2003, the City issued \$16,300 Water Revenue Bonds. The interest rate on the bonds ranges from 4.25% to 5.00% with the final maturity due July 1, 2021. Debt service payments are scheduled semi-annually from January 1, 2004 through July 1, 2021, at amounts that range from \$659 to \$4,192.

*Required Supplementary  
Information*



*Law  
Bar  
of  
Tennessee*

*Jackson*

**CITY OF TUCSON, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Original Budget, Final Budget, and Actual - General Fund**  
Year Ended June 30, 2003  
(in thousands)

**Exhibit 1**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
<b>Revenues:</b>				
Taxes:				
Property Taxes - Current	\$ 4,613	\$ 4,613	\$ 3,767	\$ (846)
Public Utility Taxes	7,499	7,499	9,267	1,768
Business Privilege Taxes	166,328	166,328	160,781	(5,547)
Transient Occupancy Taxes	7,509	7,509	6,395	(1,114)
Other Taxes	2,832	2,832	2,846	14
Total Taxes	<u>188,781</u>	<u>188,781</u>	<u>183,056</u>	<u>(5,725)</u>
Licenses and Permits:				
Parking Meter Collections	563	563	676	113
Cable Television License and Grant	3,569	3,569	4,031	462
Utility Franchises	11,474	11,474	11,865	391
Other	348	348	343	(5)
Total Licenses and Permits	<u>15,954</u>	<u>15,954</u>	<u>16,915</u>	<u>961</u>
Fines, Forfeitures and Penalties:				
City Court Fines	4,967	4,967	6,917	1,950
Parking Violation Fines	1,270	1,270	638	(632)
Safer Traffic Education	1,600	1,600	2,052	452
Police Forfeitures			314	314
Other	126	126	96	(30)
Total Fines, Forfeitures and Penalties	<u>7,963</u>	<u>7,963</u>	<u>10,017</u>	<u>2,054</u>
Use of Money and Property:				
Investment Income	3,150	3,150	664	(2,486)
Rentals/Leases	2,804	2,804	2,289	(515)
Total Use of Money and Property	<u>5,954</u>	<u>5,954</u>	<u>2,953</u>	<u>(3,001)</u>
Other Agencies:				
Auto Lieu Taxes - State	18,530	18,530	19,790	1,260
Sales Taxes - State	39,483	39,483	38,161	(1,322)
State Grants	15,826	15,826	66	(15,760)
State Revenue Sharing	52,389	52,389	50,486	(1,903)
Miscellaneous Grants			191	191
Other			7,780	7,780
Total Other Agencies	<u>126,228</u>	<u>126,228</u>	<u>116,474</u>	<u>(9,754)</u>
Charges for Current Services:				
Building Inspection Fees	8,598	8,598	8,911	313
Recreation Fees	4,725	4,725	3,870	(855)
Paramedic Services	5,904	5,904	5,066	(838)
Special Duty Police Officers	3,000	3,000	2,386	(614)
Other	1,136	1,136	1,007	(129)
Total Charges for Current Services	<u>23,363</u>	<u>23,363</u>	<u>21,240</u>	<u>(2,123)</u>
Miscellaneous Revenue:				
Sale of Equipment	150	150	115	(35)
Sale of Real Property	408	408	785	377
Balance Available from Prior Years (1)	38,166	38,166		(38,166)
Recovered Expenditures	1,233	1,233	326	(907)
Other	89	89	523	434
Total Miscellaneous Revenue	<u>40,046</u>	<u>40,046</u>	<u>1,749</u>	<u>(38,297)</u>
Total Revenues	<u>408,289</u>	<u>408,289</u>	<u>352,404</u>	<u>(55,885)</u>
<b>Expenditures:</b>				
Current:				
Elected and Official:				
Personal Services	12,884	12,564	12,881	(317)
Contractual Services	1,435	1,443	1,195	248
Commodities	391	381	354	27
Interactivity Transfers	(314)	(243)	(404)	161
Total Elected and Official	<u>14,396</u>	<u>14,145</u>	<u>14,026</u>	<u>119</u>

(1) Portion of prior year's fund balance budgeted for use in the 2002-03 fiscal year

**CITY OF TUCSON, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Original Budget, Final Budget, and Actual - General Fund**  
Year Ended June 30, 2003  
(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
<b>Expenditures (Continued):</b>				
Support Services:				
Finance:				
Personal Services	\$ 6,750	\$ 6,750	\$ 6,699	\$ 51
Contractual Services	783	642	761	(119)
Commodities	379	379	328	51
Interactivity Transfers	(598)	(598)	(550)	(48)
Total Finance	<u>7,314</u>	<u>7,173</u>	<u>7,238</u>	<u>(65)</u>
Budget and Research:				
Personal Services	1,789	1,789	1,795	(6)
Contractual Services	253	253	58	195
Commodities	95	95	57	38
Total Budget and Research	<u>2,137</u>	<u>2,137</u>	<u>1,910</u>	<u>227</u>
Procurement:				
Personal Services	3,485	3,443	3,447	(4)
Contractual Services	527	503	386	117
Commodities	2,271	2,271	1,979	292
Interactivity Transfers	(2,841)	(2,841)	(2,515)	(326)
Total Procurement	<u>3,442</u>	<u>3,376</u>	<u>3,297</u>	<u>79</u>
Information Technology:				
Personal Services	5,862	5,736	5,615	121
Contractual Services	4,344	4,119	3,172	947
Commodities	1,599	1,714	1,451	263
Interactivity Transfers	(772)	(772)	(488)	(284)
Total Information Technology	<u>11,033</u>	<u>10,797</u>	<u>9,750</u>	<u>1,047</u>
Human Resources:				
Personal Services	1,858	1,858	1,832	26
Contractual Services	879	856	947	(91)
Commodities	252	241	123	118
Other	7	7	7	
Interactivity Transfers	(19)	(19)		(19)
Total Human Resources	<u>2,977</u>	<u>2,943</u>	<u>2,909</u>	<u>34</u>
Operations:				
Personal Services	14,755	14,818	14,849	(31)
Contractual Services	16,310	16,430	15,015	1,415
Commodities	2,730	2,694	2,104	590
Interactivity Transfers	(17,177)	(17,212)	(15,559)	(1,653)
Total Operations	<u>16,618</u>	<u>16,730</u>	<u>16,409</u>	<u>321</u>
Equal Opportunity Office:				
Personal Services	578	578	649	(71)
Contractual Services	116	115	107	8
Commodities	8	8	9	(1)
Total Equal Opportunity Office	<u>702</u>	<u>701</u>	<u>765</u>	<u>(64)</u>
Total Support Services	<u>44,223</u>	<u>43,857</u>	<u>42,278</u>	<u>1,579</u>
Neighborhood Services:				
Community Services:				
Personal Services	640	746	817	(71)
Contractual Services	201	3,917	3,934	(17)
Commodities	201	180	100	80
Other		593	131	462
Interactivity Transfers	5,311	(3)	(361)	358
Total Community Services	<u>6,353</u>	<u>5,433</u>	<u>4,621</u>	<u>812</u>
City Court:				
Personal Services	6,946	6,946	6,812	134
Contractual Services	2,177	2,097	2,380	(283)
Commodities	280	275	270	5
Interactivity Transfers	100	100		100
Total City Court	<u>9,503</u>	<u>9,418</u>	<u>9,462</u>	<u>(44)</u>

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
<b>Expenditures (Continued):</b>				
Neighborhood Services (Continued):				
Public Defender:				
Personal Services	\$ 2,082	\$ 2,072	\$ 2,066	\$ 6
Contractual Services	133	132	118	14
Commodities	48	48	48	
Total Public Defender	<u>2,263</u>	<u>2,252</u>	<u>2,232</u>	<u>20</u>
Police:				
Personal Services	81,940	82,026	84,347	(2,321)
Contractual Services	9,777	9,706	9,604	102
Commodities	3,200	3,228	3,549	(321)
Other	7,427	7,427	5,277	2,150
Interactivity Transfers	1,043	1,015		1,015
Total Police	<u>103,387</u>	<u>103,402</u>	<u>102,777</u>	<u>625</u>
Fire:				
Personal Services	39,194	39,161	40,558	(1,397)
Contractual Services	3,194	2,999	2,791	208
Commodities	1,969	1,987	1,936	51
Total Fire	<u>44,357</u>	<u>44,147</u>	<u>45,285</u>	<u>(1,138)</u>
Parks and Recreation:				
Personal Services	22,393	22,458	21,821	637
Contractual Services	12,707	12,695	10,878	1,817
Commodities	3,438	3,385	3,175	210
Other	(3,430)	(3,430)		(3,430)
Interactivity Transfers	3,014	3,014	(251)	3,265
Total Parks and Recreation	<u>38,122</u>	<u>38,122</u>	<u>35,623</u>	<u>2,499</u>
Neighborhood Resources:				
Personal Services	1,121	1,035	1,002	33
Contractual Services	316	311	1,191	(880)
Commodities	166	166	278	(112)
Other	283	283	251	32
Interactivity Transfers	26	26		26
Total Neighborhood Resources	<u>1,912</u>	<u>1,821</u>	<u>2,722</u>	<u>(901)</u>
Independent Police Auditor:				
Personal Services	138	138	146	(8)
Contractual Services	6	6	5	1
Commodities	3	3	2	1
Total Independent Police Auditor	<u>147</u>	<u>147</u>	<u>153</u>	<u>(6)</u>
Total Neighborhood Services	<u>206,044</u>	<u>204,742</u>	<u>202,875</u>	<u>1,867</u>
Environment and Development:				
Planning:				
Personal Services	2,111	2,475	2,636	(161)
Contractual Services	694	643	403	240
Commodities	98	130	110	20
Interactivity Transfers		(19)	(13)	(6)
Total Planning	<u>2,903</u>	<u>3,229</u>	<u>3,136</u>	<u>93</u>
Development Services:				
Personal Services	6,714	6,545	6,162	383
Contractual Services	1,070	1,008	912	96
Commodities	228	267	274	(7)
Interactivity Transfers	(65)	(65)		(65)
Total Development Services	<u>7,947</u>	<u>7,755</u>	<u>7,348</u>	<u>407</u>
Transportation:				
Personal Services	3,423	3,145	2,996	149
Contractual Services	2,487	2,379	1,797	582
Commodities	274	322	398	(76)
Other	300			
Interactivity Transfers	(874)	(874)	(982)	108
Total Transportation	<u>5,610</u>	<u>4,972</u>	<u>4,209</u>	<u>763</u>

**CITY OF TUCSON, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Original Budget, Final Budget, and Actual - General Fund**  
Year Ended June 30, 2003  
(in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
<b>Expenditures (Continued):</b>				
Environment and Development (Continued):				
Environmental Management:				
Personal Services	\$ 1,021	\$ 1,016	\$ 952	\$ 64
Contractual Services	1,439	1,420	1,101	319
Commodities	47	45	65	(20)
Interactivity Transfers	(237)	(237)	(223)	(14)
Total Environmental Management	<u>2,270</u>	<u>2,244</u>	<u>1,895</u>	<u>349</u>
Historic Preservation:				
Personal Services	128			
Contractual Services	17			
Commodities	4			
Other				
Interactivity Transfers	(18)			
Total Historic Preservation	<u>131</u>			
Zoning Examiner:				
Personal Services	150	150	153	(3)
Contractual Services	6	6	3	3
Commodities	2	2	3	(1)
Total Zoning Examiner	<u>158</u>	<u>158</u>	<u>159</u>	<u>(1)</u>
Total Environment and Development	<u>19,019</u>	<u>18,358</u>	<u>16,747</u>	<u>1,611</u>
Strategic Initiatives:				
Economic Development:				
Personal Services	846	756	791	(35)
Contractual Services	634	581	471	110
Commodities	40	40	38	2
Total Economic Development	<u>1,520</u>	<u>1,377</u>	<u>1,300</u>	<u>77</u>
Intergovernmental Relations:				
Personal Services	153	153	172	(19)
Contractual Services	379	374	391	(17)
Commodities	2	2	5	(3)
Interactivity Transfers			(30)	30
Total Intergovernmental Relations	<u>534</u>	<u>529</u>	<u>538</u>	<u>(9)</u>
Tucson-Mexico Project:				
Personal Services	409	409	394	15
Contractual Services	167	151	182	(31)
Commodities	5	5	7	(2)
Total Tucson-Mexico Project	<u>581</u>	<u>565</u>	<u>583</u>	<u>(18)</u>
Total Strategic Initiatives	<u>2,635</u>	<u>2,471</u>	<u>2,421</u>	<u>50</u>
Non-Departmental:				
Personal Services	3,828	3,826	1,757	2,069
Contractual Services	2,714	2,945	6,222	(3,277)
Commodities	488	770	1,136	(366)
Other	9,773	8,999	5,507	3,492
Interactivity Transfers	(4,732)	(4,732)	(4,504)	(228)
Total Non-Departmental	<u>12,071</u>	<u>11,808</u>	<u>10,118</u>	<u>1,690</u>
Debt Service:				
Principal	8,952	8,952	3,819	5,133
Interest	2,629	2,629	1,487	1,142
Fiscal Agent Fees and Other	32	32	23	9
Total Debt Service	<u>11,613</u>	<u>11,613</u>	<u>5,329</u>	<u>6,284</u>
Lease Purchases-Capital			121	(121)
Capital Outlay	4,896	4,433	2,238	2,195
Capital Projects	48,635	47,864	17,593	30,271
Total Expenditures	<u>363,532</u>	<u>359,291</u>	<u>313,746</u>	<u>45,545</u>
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	<u>44,757</u>	<u>48,998</u>	<u>38,658</u>	<u>(10,340)</u>

Exhibit 1

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual vs. Final Budget Variance</u>
<b>Other Financial Sources (Uses):</b>				
Lease Purchases and Contract Proceeds	\$ 17,474	\$ 17,474	\$ 121	\$ (17,353)
Transfers from Other Funds			1,207	1,207
Transfers to Other Funds	<u>(62,231)</u>	<u>(62,231)</u>	<u>(65,064)</u>	<u>(2,833)</u>
Total Other Financial Sources (Uses)	<u>(44,757)</u>	<u>(44,757)</u>	<u>(63,736)</u>	<u>(18,979)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 4,241</u>	<u>(25,078)</u>	<u>\$ (29,319)</u>
Fund Balance - July 1			74,525	
Prior Period Adjustment			<u>6,781</u>	
Fund Balance July 1, Restated			<u>81,306</u>	
Fund Balance - June 30			<u>\$ 56,228</u>	



**CITY OF TUCSON, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2003  
(dollar amounts expressed in thousands)

**NOTE 1 - BUDGET INFORMATION:**

The City prepares a legally adopted annual operating budget for the General 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.

**NOTE 2 - PENSION DISCLOSURES:**

The Tucson Supplemental Retirement System (TSRS) issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 255 W. Alameda, Tucson, AZ 85701.

The Arizona Public Safety Personnel Retirement System (APSPRS) issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 1020 East Missouri Avenue, Phoenix, AZ 85014.

The annual pension cost, net pension obligation for the current year, and other related information for both systems follow:

	Actuarial Information		
	TSRS	APSPRS	
		Police	Fire
Actuarial Valuation Date	June 30, 2003	June 30, 2003	June 30, 2003
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	Open 19 Years from June 30, 2003	Open 17 years from June 30, 2003	Open 17 years from June 30, 2003
Asset Valuation Method	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	8.0%	9.0%	9.0%
Projected Salary Increases*	5.0% - 8.8%	6.5%-9.5%	6.5%-9.5%
Inflation	5.0%	5.5%	5.5%
Cost-of-Living Adjustment	As approved by	None	None

\*Projected salary increases include inflation.

**CITY OF TUCSON, ARIZONA)**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended June 30, 2003  
(dollar amounts expressed in thousands)

**NOTE 2 - PENSION DISCLOSURES (Continued):**

Three Year Trend Information				
	Fiscal Year Ended 6/30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
TSRS	2003	\$ 12,766	100 %	\$ 0
	2002	10,577	100	0
	2001	10,123	100	0
Police	2003	2,992	100	0
	2002	2,417	100	0
	2001	1,669	100	0
Fire	2003	1,725	100	0
	2002	1,246	100	0
	2001	282	100	0

Schedule of Funding Progress

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Overfunded) AAL (b) - (a)	Funded Ratio (a) / (b)	Active Member Covered Payroll (c)	Unfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
<u>TSRS</u>						
2003	\$ 458,857	\$ 601,173	\$ 142,316	76.3 %	\$ 143,164	99.4 %
2002	463,102	553,947	90,845	83.6	153,580	59.2
2001	470,672	495,359	24,687	95.0	145,059	17.0
<u>Police</u>						
2003	333,213	333,808	595	99.8	52,996	1.1
2002	330,170	289,568	(40,602)	114.0	51,204	(79.3)
2001	332,477	260,790	(71,687)	127.5	49,843	(143.8)
<u>Fire</u>						
2003	235,483	239,023	3,540	98.5	27,907	12.7
2002	235,242	209,178	(26,064)	112.5	25,778	(101.1)
2001	239,395	191,973	(47,422)	124.7	29,182	(163.0)

*Combining Statements and  
Individual Fund  
Statements and Schedules*



*Jacson*

*Good Day*

**CITY OF TUCSON, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2003  
(in thousands)

**Schedule 1a**

	<b>Special Revenue Funds</b>		
	<b>Solid Waste Management Fund</b>	<b>Library Fund</b>	<b>Public Safety Academy Fund</b>
<b>Assets</b>			
Pooled Cash and Investments	\$ 1,795	\$ 325	\$ 410
Cash/Investments with Fiscal Agents			116
Prepaid Expenditures			
Accounts Receivable (Net)	844		
Interest Receivable			
Grants and Entitlements Receivable			
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables	25		6
Due from Other Agencies		129	
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 2,664</u>	<u>\$ 454</u>	<u>\$ 532</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 276	\$ 112	\$ 42
Accrued Payroll Liabilities	148	156	31
Advances from Other Funds			
Interfund Balances	649		7
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	22		
Deferred Revenue			
Total Liabilities	<u>1,095</u>	<u>268</u>	<u>80</u>
<b>Fund Balances:</b>			
<b>Reserved for:</b>			
Debt Service			971
Encumbrances	1,569	183	6
Capital			116
Advances and Deposits		3	
Other Purposes			236
<b>Unreserved, Undesignated, Reported in Nonmajor:</b>			
Special Revenue Funds			(877)
Capital Project Funds			
Total Fund Balances (Deficit)	<u>1,569</u>	<u>186</u>	<u>452</u>
Total Liabilities and Fund Balances	<u>\$ 2,664</u>	<u>\$ 454</u>	<u>\$ 532</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2003  
(in thousands)

	<b>Special Revenue Funds (Continued)</b>		
	<b>Convention Center Fund</b>	<b>H.U.R.F. Fund</b>	<b>Civic Contribution Fund</b>
<b><u>Assets</u></b>			
Pooled Cash and Investments	\$ 1,889	\$ 18,762	\$ 1,813
Cash/Investments with Fiscal Agents		7	
Prepaid Expenditures			
Accounts Receivable (Net)	11	114	
Interest Receivable		115	7
Grants and Entitlements Receivable			
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables	1		
Due from Other Agencies		6,255	
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 1,901</u>	<u>\$ 25,253</u>	<u>\$ 1,820</u>
<b><u>Liabilities and Fund Balances</u></b>			
Liabilities:			
Accounts Payable	\$ 49	\$ 2,054	\$ 76
Accrued Payroll Liabilities	29	234	
Advances from Other Funds			
Interfund Payables	38		
Due to Other Agencies		5	
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	279		
Deferred Revenue			
Total Liabilities	<u>395</u>	<u>2,293</u>	<u>76</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances	152	2,386	76
Capital			
Advances and Deposits	9		
Other Purposes	1,345		1,668
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds		20,574	
Capital Project Funds			
Total Fund Balances (Deficit)	<u>1,506</u>	<u>22,960</u>	<u>1,744</u>
Total Liabilities and Fund Balances	<u>\$ 1,901</u>	<u>\$ 25,253</u>	<u>\$ 1,820</u>

(Continued)

	Special Revenue Funds (Continued)		
	Human and Community Development Fund	Public Housing Fund	Miscellaneous Housing Grant Fund
<b>Assets</b>			
Pooled Cash and Investments	\$ 170	\$ 2,870	\$ 90
Cash/Investments with Fiscal Agents	5		
Prepaid Expenditures		2,021	14
Accounts Receivable (Net)		180	152
Interest Receivable		8	
Grants and Entitlements Receivable	1,557	445	8,094
Special Assessment Receivables			
Notes and Other Receivables	4,450		5,378
Interfund Receivables	4	12	
Due from Other Agencies			
Notes and Other Receivables-Partnerships		9,329	15,936
Total Assets	<u>\$ 6,186</u>	<u>\$ 14,865</u>	<u>\$ 29,664</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 627	\$ 329	\$ 496
Accrued Payroll Liabilities	20	60	23
Advances from Other Funds			
Interfund Payables	900	2,001	7,726
Due to Other Agencies	575	318	
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	15	685	15
Deferred Revenue	37	8,808	10,404
Total Liabilities	<u>2,174</u>	<u>12,201</u>	<u>18,664</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances			
Capital			
Advances and Deposits			
Other Purposes	4,012	2,804	9,981
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds		(140)	1,019
Capital Project Funds			
Total Fund Balances (Deficit)	<u>4,012</u>	<u>2,664</u>	<u>11,000</u>
Total Liabilities and Fund Balances	<u>\$ 6,186</u>	<u>\$ 14,865</u>	<u>\$ 29,664</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2003  
(in thousands)

	<b>Special Revenue Funds (Continued)</b>		
	<b>Other Federal Grants Fund</b>	<b>Non-Federal Grants Fund</b>	<b>Mass Transit Fund</b>
<b>Assets</b>			
Pooled Cash and Investments	\$	\$	\$
Cash/Investments with Fiscal Agents	84		
Prepaid Expenditures			183
Accounts Receivable (Net)			337
Interest Receivable			
Grants and Entitlements Receivable	5,141	518	1,201
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables	174	23	566
Due from Other Agencies			2,854
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 5,399</u>	<u>\$ 541</u>	<u>\$ 5,141</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 880	\$ 66	\$ 1,839
Accrued Payroll Liabilities	69	7	185
Advances from Other Funds			
Interfund Payables	3,940	190	4,944
Due to Other Agencies	59	6	
Bonds and Interest Payable, Including Special Assessments			
Refundable Deposits and Unredeemed Warrants	1		2
Deferred Revenue			27
Total Liabilities	<u>4,949</u>	<u>269</u>	<u>6,997</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances			
Capital	353		71
Advances and Deposits			
Other Purposes	97		183
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds		272	(2,110)
Capital Project Funds			
Total Fund Balances (Deficit)	<u>450</u>	<u>272</u>	<u>(1,856)</u>
Total Liabilities and Fund Balances	<u>\$ 5,399</u>	<u>\$ 541</u>	<u>\$ 5,141</u>

(Continued)

	<u>Special Revenue Funds (Continued)</u>	<u>Permanent Fund</u>
	<u>Total Special Revenue Funds</u>	<u>Civic Endowment Fund</u>
<b>Assets</b>		
Pooled Cash and Investments	\$ 28,124	\$ 155
Cash/Investments with Fiscal Agents	212	
Prepaid Expenditures	2,218	
Accounts Receivable (Net)	1,638	
Interest Receivable	130	1
Grants and Entitlements Receivable	16,956	
Special Assessment Receivables		
Notes and Other Receivables	9,828	
Interfund Receivables	811	
Due from Other Agencies	9,238	
Notes and Other Receivables-Partnerships	25,265	
Total Assets	<u>\$ 94,420</u>	<u>\$ 156</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable	\$ 6,846	\$
Accrued Payroll Liabilities	962	
Advances from Other Funds		
Interfund Payables	20,395	
Due to Other Agencies	963	
Bonds and Interest Payable, Including Special Assessments		
Refundable Deposits and Unredeemed Warrants	1,019	
Deferred Revenue	19,276	
Total Liabilities	<u>49,461</u>	<u>0</u>
Fund Balances:		
Reserved for:		
Debt Service	971	
Encumbrances	4,372	
Capital	540	
Advances and Deposits	12	
Other Purposes	20,326	156
Unreserved, Undesignated, Reported in Nonmajor:		
Special Revenue Funds	18,738	
Capital Project Funds		
Total Fund Balances (Deficit)	<u>44,959</u>	<u>156</u>
Total Liabilities and Fund Balances	<u>\$ 94,420</u>	<u>\$ 156</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**  
(in thousands)

	<b>Debt Service Funds</b>		
	<b>General Obligation Bond and Interest Fund</b>	<b>Street and Highway Bond and Interest Fund</b>	<b>Special Assessment Bond and Interest Fund</b>
<b>Assets</b>			
Pooled Cash and Investments	\$ 3,481	\$ 346	\$ 1,352
Cash/Investments with Fiscal Agents	12,117	10,301	115
Prepaid Expenditures			
Accounts Receivable (Net)			
Interest Receivable			5
Grants and Entitlements Receivable			
Special Assessment Receivables			4,975
Notes and Other Receivables			
Interfund Receivables	26	20	
Due from Other Agencies			
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 15,624</u>	<u>\$ 10,667</u>	<u>\$ 6,447</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 23	\$ 63	\$
Accrued Payroll Liabilities			
Advances from Other Funds			
Interfund Payables	150	26	
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments	12,201	10,367	115
Refundable Deposits and Unredeemed Warrants	55	211	66
Deferred Revenue			4,987
Total Liabilities	<u>12,429</u>	<u>10,667</u>	<u>5,168</u>
Fund Balances:			
Reserved for:			
Debt Service	3,195		1,279
Encumbrances			
Capital			
Advances and Deposits			
Other Purposes			
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			
Capital Project Funds			
Total Fund Balances (Deficit)	<u>3,195</u>	<u></u>	<u>1,279</u>
Total Liabilities and Fund Balances	<u>\$ 15,624</u>	<u>\$ 10,667</u>	<u>\$ 6,447</u>

(Continued)

	<u>Debt Service Funds (Continued)</u>	<u>Capital Projects Funds</u>	
	<u>Total Debt Service Funds</u>	<u>1994 Street and Highway Improvement</u>	<u>2000 Street and Highway Improvement</u>
<b>Assets</b>			
Pooled Cash and Investments	\$ 5,179	\$ 881	\$ 2,238
Cash/Investments with Fiscal Agents	22,533		
Prepaid Expenditures			
Accounts Receivable (Net)			
Interest Receivable	5	14	4
Grants and Entitlements Receivable			
Special Assessment Receivables	4,975		
Notes and Other Receivables			
Interfund Receivables	46		
Due from Other Agencies			
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 32,738</u>	<u>\$ 895</u>	<u>\$ 2,242</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 86	\$ 13	\$ 448
Accrued Payroll Liabilities			
Advances from Other Funds			
Interfund Payables	176		32
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments	22,683		12
Refundable Deposits and Unredeemed Warrants	332		
Deferred Revenue	4,987		
Total Liabilities	<u>28,264</u>	<u>13</u>	<u>492</u>
Fund Balances:			
Reserved for:			
Debt Service	4,474		
Encumbrances		70	1,750
Capital		812	
Advances and Deposits			
Other Purposes			
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			
Capital Project Funds			
Total Fund Balances (Deficit)	<u>4,474</u>	<u>882</u>	<u>1,750</u>
Total Liabilities and Fund Balances	<u>\$ 32,738</u>	<u>\$ 895</u>	<u>\$ 2,242</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2003**  
(in thousands)

	<b>Capital Projects Funds (Continued)</b>		
	<b>1984 General Obligation</b>	<b>1994 General Obligation</b>	<b>2000 General Obligation</b>
<b>Assets</b>			
Pooled Cash and Investments	\$ 269	\$ 6,044	\$ 28,700
Cash/Investments with Fiscal Agents			
Prepaid Expenditures			
Accounts Receivable (Net)			5
Interest Receivable	3	35	94
Grants and Entitlements Receivable			
Special Assessment Receivables			
Notes and Other Receivables			
Interfund Receivables			
Due from Other Agencies			6,127
Notes and Other Receivables-Partnerships			
Total Assets	<u>\$ 272</u>	<u>\$ 6,079</u>	<u>\$ 34,926</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$ 15	\$ 23	\$ 1,148
Accrued Payroll Liabilities			
Advances from Other Funds			
Interfund Payables		2	
Due to Other Agencies			
Bonds and Interest Payable, Including Special Assessments			79
Refundable Deposits and Unredeemed Warrants			1
Deferred Revenue			
Total Liabilities	<u>15</u>	<u>25</u>	<u>1,228</u>
Fund Balances:			
Reserved for:			
Debt Service			
Encumbrances	6	731	3,689
Capital	251		30,009
Advances and Deposits			
Other Purposes			
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			
Capital Project Funds		5,323	
Total Fund Balances (Deficit)	<u>257</u>	<u>6,054</u>	<u>33,698</u>
Total Liabilities and Fund Balances	<u>\$ 272</u>	<u>\$ 6,079</u>	<u>\$ 34,926</u>

(Continued)

	Capital Projects Funds (Continued)		Total Nonmajor Governmental Funds
	Special Assessment Construction	Total Capital Project Funds	
<b>Assets</b>			
Pooled Cash and Investments	\$	\$ 38,132	\$ 71,590
Cash/Investments with Fiscal Agents			22,745
Prepaid Expenditures			2,218
Accounts Receivable (Net)		5	1,643
Interest Receivable		150	286
Grants and Entitlements Receivable			16,956
Special Assessment Receivables			4,975
Notes and Other Receivables			9,828
Interfund Receivables			857
Due from Other Agencies		6,127	15,365
Notes and Other Receivables-Partnerships			25,265
Total Assets	\$ <u>0</u>	\$ <u>44,414</u>	\$ <u>171,728</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts Payable	\$	\$ 1,647	\$ 8,579
Accrued Payroll Liabilities			962
Advances from Other Funds	3,532	3,532	3,532
Interfund Payables		34	20,605
Due to Other Agencies			963
Bonds and Interest Payable, Including Special Assessments		91	22,774
Refundable Deposits and Unredeemed Warrants		1	1,352
Deferred Revenue			24,263
Total Liabilities	<u>3,532</u>	<u>5,305</u>	<u>83,030</u>
Fund Balances:			
Reserved for:			
Debt Service			5,445
Encumbrances	149	6,395	10,767
Capital		31,072	31,612
Advances and Deposits			12
Other Purposes			20,482
Unreserved, Undesignated, Reported in Nonmajor:			
Special Revenue Funds			18,738
Capital Project Funds	(3,681)	1,642	1,642
Total Fund Balances (Deficit)	<u>(3,532)</u>	<u>39,109</u>	<u>88,698</u>
Total Liabilities and Fund Balances	\$ <u>0</u>	\$ <u>44,414</u>	\$ <u>171,728</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2003  
(in thousands)

	Special Revenue Funds		
	Solid Waste Management Fund	Library Fund	Public Safety Academy Fund
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties		566	
Use of Money and Property	3		4
Grants and Contributions on Federal Programs			
Other Agencies	27	9,900	800
Charges for Current Services	10,025		154
Special Assessments			
Miscellaneous Revenue	284	1	
Total Revenues	<u>10,339</u>	<u>10,467</u>	<u>958</u>
<b>Expenditures:</b>			
Current:			
Elected and Official Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			2,252
Fire			1,221
Library		18,753	
Parks and Recreation			
City Manager Neighborhood Services			
Total Neighborhood Services		<u>18,753</u>	<u>3,473</u>
Environment and Development:			
Planning			
Solid Waste Management	26,958		
Transportation			
Environmental Management			
Total Environment and Development	<u>26,958</u>		
Strategic Initiatives:			
Convention Center			
Economic Development			
Total Strategic Initiatives			
Non-Departmental			
Debt Service	487		255
Lease Purchases- Capital	797		
Capital Outlay	3,515	332	14
Capital Projects			3
Total Expenditures	<u>31,757</u>	<u>19,085</u>	<u>3,745</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,418)</u>	<u>(8,618)</u>	<u>(2,787)</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales			
Lease Purchases and Contract Proceeds	797		
Transfers from Other Funds	18,238	8,656	3,142
Transfers to Other Funds	(626)		
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)	<u>18,409</u>	<u>8,656</u>	<u>3,142</u>
Net Change in Fund Balance (Deficit)	<u>(3,009)</u>	<u>38</u>	<u>355</u>
Fund Balance (Deficit) - July 1	4,578	148	97
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>4,578</u>	<u>148</u>	<u>97</u>
Fund Balance (Deficit) - June 30	<u>\$ 1,569</u>	<u>\$ 186</u>	<u>\$ 452</u>

	<b>Special Revenue Funds (Continued)</b>		
	<b>Convention Center Fund</b>	<b>H.U.R.F. Fund</b>	<b>Civic Contribution Fund</b>
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and Permits		173	
Fines, Forfeitures and Penalties			
Use of Money and Property		851	45
Grants and Contributions on Federal Programs			
Other Agencies		37,845	
Charges for Current Services	2,992		
Special Assessments			
Miscellaneous Revenue	18	55	657
<b>Total Revenues</b>	<u>3,010</u>	<u>38,924</u>	<u>702</u>
<b>Expenditures:</b>			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			2
City Court			
Police			4
Fire			8
Library			124
Parks and Recreation			53
City Manager Neighborhood Services			
<b>Total Neighborhood Services</b>			<u>191</u>
Environment and Development:			
Planning		109	
Solid Waste Management			
Transportation		28,120	
Environmental Management			
<b>Total Environment and Development</b>		<u>28,229</u>	
Strategic Initiatives:			
Convention Center	10,746		2
Economic Development			
<b>Total Strategic Initiatives</b>	<u>10,746</u>		<u>2</u>
Non-Departmental		349	3
Debt Service		1,937	
Lease Purchases- Capital			
Capital Outlay	36	492	6
Capital Projects	34	8,928	347
<b>Total Expenditures</b>	<u>10,816</u>	<u>39,935</u>	<u>549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,806)</u>	<u>(1,011)</u>	<u>153</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds	8,104	117	
Transfers to Other Funds		(7,595)	(21)
Payment to Refunded Bond Escrow Agent			
<b>Total Other Financial Sources (Uses)</b>	<u>8,104</u>	<u>(7,478)</u>	<u>(21)</u>
Net Change in Fund Balance	298	(8,489)	132
Fund Balance (Deficit) - July 1	1,208	31,449	1,612
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	1,208	31,449	1,612
Fund Balance (Deficit) - June 30	<u>\$ 1,506</u>	<u>\$ 22,960</u>	<u>\$ 1,744</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2003  
(in thousands)

	Special Revenue Funds (Continued)		
	Human and Community Development Fund	Public Housing Fund	Miscellaneous Housing Grant Funds
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			
Use of Money and Property	15	75	
Grants and Contributions on Federal Programs	7,188	30,014	18,311
Other Agencies			
Charges for Current Services		540	
Special Assessments			
Miscellaneous Revenue	86	6	484
Total Revenues	<u>7,289</u>	<u>30,635</u>	<u>18,795</u>
<b>Expenditures:</b>			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services	5,504	30,045	11,198
City Court			
Police			
Fire			
Library			
Parks and Recreation			
Neighborhood Resources	418		
Total Neighborhood Services	<u>5,922</u>	<u>30,045</u>	<u>11,198</u>
Environment and Development:			
Planning			
Solid Waste Management			
Transportation			
Environmental Management			
Total Environment and Development			
Strategic Initiatives:			
Convention Center			
Economic Development	4		
Total Strategic Initiatives	<u>4</u>		
Non-Departmental			
Debt Service	46	138	9
Lease Purchases- Capital			
Capital Outlay		19	1,331
Capital Projects	981		5,167
Total Expenditures	<u>6,953</u>	<u>30,202</u>	<u>17,705</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>336</u>	<u>433</u>	<u>1,090</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			
Transfers to Other Funds			(20)
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)			<u>(20)</u>
Net Change in Fund Balance	<u>336</u>	<u>433</u>	<u>1,070</u>
Fund Balance (Deficit) - July 1	3,676	2,231	9,930
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>3,676</u>	<u>2,231</u>	<u>9,930</u>
Fund Balance (Deficit) - June 30	<u>\$ 4,012</u>	<u>\$ 2,664</u>	<u>\$ 11,000</u>

(Continued)

	Special Revenue Funds (Continued)		
	Other Federal Grants Fund	Non-Federal Grants Fund	Mass Transit Fund
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties	58		
Use of Money and Property			
Grants and Contributions on Federal Programs	9,532		6,822
Other Agencies		1,916	4,708
Charges for Current Services			7,741
Special Assessments			
Miscellaneous Revenue			155
Total Revenues	<u>9,590</u>	<u>1,916</u>	<u>19,426</u>
<b>Expenditures:</b>			
Current:			
Elected and Official Support Services:	<u>259</u>	<u>72</u>	
Operations	<u>121</u>		
Neighborhood Services:			
Community Services	1,116	75	
City Court		108	
Police	4,102	741	
Fire	375		
Library	79	194	
Parks and Recreation	332	45	
City Manager Neighborhood Services			
Total Neighborhood Services	<u>6,004</u>	<u>1,163</u>	
Environment and Development:			
Planning	7	7	
Solid Waste Management	4		
Transportation	637	1	41,165
Environmental Management	37		
Total Environment and Development	<u>685</u>	<u>8</u>	<u>41,165</u>
Strategic Initiatives:			
Convention Center			
Economic Development	359	65	
Total Strategic Initiatives	<u>359</u>	<u>65</u>	
Non-Departmental	<u>5</u>	<u>74</u>	
Debt Service			
Lease Purchases- Capital			
Capital Outlay	1,447	531	140
Capital Projects	<u>4,831</u>	<u>5</u>	<u>3,415</u>
Total Expenditures	<u>13,711</u>	<u>1,918</u>	<u>44,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,121)</u>	<u>(2)</u>	<u>(25,294)</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			26,107
Transfers to Other Funds			
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)			<u>26,107</u>
Net Change in Fund Balance	<u>(4,121)</u>	<u>(2)</u>	<u>813</u>
Fund Balance (Deficit) - July 1	4,571	274	(2,669)
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>4,571</u>	<u>274</u>	<u>(2,669)</u>
Fund Balance (Deficit) - June 30	<u>\$ 450</u>	<u>\$ 272</u>	<u>\$ (1,856)</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2003  
(in thousands)

	<u>Special Revenue Funds (Continued)</u>	<u>Permanent Fund</u>
	<u>Total Special Revenue Funds</u>	<u>Civic Endowment Fund</u>
<b>Revenues:</b>		
Taxes	\$	\$
Licenses and Permits	173	
Fines, Forfeitures and Penalties	624	
Use of Money and Property	993	4
Grants and Contributions on Federal Programs	71,867	
Other Agencies	55,196	
Charges for Current Services	21,452	
Special Assessments		
Miscellaneous Revenue	1,746	
Total Revenues	<u>152,051</u>	<u>4</u>
<b>Expenditures:</b>		
Current:		
Elected and Official	<u>331</u>	
Support Services:		
Operations	121	
Neighborhood Services:		
Community Services	47,940	
City Court	108	
Police	7,099	
Fire	1,604	
Library	19,150	8
Parks and Recreation	430	
City Manager Neighborhood Services	418	
Total Neighborhood Services	<u>76,749</u>	<u>8</u>
Environment and Development:		
Planning	123	
Solid Waste Management	26,962	
Transportation	69,923	
Environmental Management	37	
Total Environment and Development	<u>97,045</u>	
Strategic Initiatives:		
Convention Center	10,748	
Economic Development	428	
Total Strategic Initiatives	<u>11,176</u>	
Non-Departmental	<u>431</u>	
Debt Service	<u>2,872</u>	
Lease Purchases- Capital	<u>797</u>	
Capital Outlay	<u>7,863</u>	
Capital Projects	<u>23,711</u>	
Total Expenditures	<u>221,096</u>	<u>8</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(69,045)</u>	<u>(4)</u>
<b>Other Financial Sources (Uses):</b>		
Proceeds from Bond Sales		
Lease Purchases and Contract Proceeds	797	
Transfers from Other Funds	64,364	
Transfers to Other Funds	(8,262)	
Payment to Refunded Bond Escrow Agent		
Total Other Financial Sources (Uses)	<u>56,899</u>	
Net Change in Fund Balance	<u>(12,146)</u>	<u>(4)</u>
Fund Balance (Deficit) - July 1	<u>57,105</u>	<u>160</u>
Prior Period Adjustment (Note 2)		
Fund Balance (Deficit) Restated - July 1	<u>57,105</u>	<u>160</u>
Fund Balance (Deficit) - June 30	<u>\$ 44,959</u>	<u>\$ 156</u>

(Continued)

	Debt Service Funds		
	General Obligation Bond and Interest Fund	Street and Highway Bond and Interest Fund	Special Assessment Bond and Interest Fund
<b>Revenues:</b>			
Taxes	\$ 20,675	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			12
Use of Money and Property	130		38
Grants and Contributions on Federal Programs			
Other Agencies		6,988	
Charges for Current Services			
Special Assessments			1,075
Miscellaneous Revenue	9		
Total Revenues	<u>20,814</u>	<u>6,988</u>	<u>1,125</u>
<b>Expenditures:</b>			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			
Fire			
Library			
Parks and Recreation			
City Manager Neighborhood Services			
Total Neighborhood Services			
Environment and Development:			
Planning			
Solid Waste Management			
Transportation			
Environmental Management			
Total Environment and Development			
Strategic Initiatives:			
Convention Center			
Economic Development			
Total Strategic Initiatives			
Non-Departmental			
Debt Service	<u>19,472</u>	<u>15,534</u>	<u>927</u>
Lease Purchases- Capital			
Capital Outlay			
Capital Projects			
Total Expenditures	<u>19,472</u>	<u>15,534</u>	<u>927</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,342</u>	<u>(8,546)</u>	<u>198</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales	23,865	85,087	
Lease Purchases and Contract Proceeds			
Transfers from Other Funds	250	7,597	1
Transfers to Other Funds	(130)		
Payment to Refunded Bond Escrow Agent	(23,635)	(84,138)	
Total Other Financial Sources (Uses)	<u>350</u>	<u>8,546</u>	<u>1</u>
Net Change in Fund Balance	<u>1,692</u>	<u>0</u>	<u>199</u>
Fund Balance (Deficit) - July 1	<u>1,503</u>		<u>1,080</u>
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>1,503</u>		<u>1,080</u>
Fund Balance (Deficit) - June 30	<u>\$ 3,195</u>	<u>\$ 0</u>	<u>\$ 1,279</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2003  
(in thousands)

	<u>Debt Service Funds (Continued)</u>	<u>Capital Project Funds</u>	
	<u>Total Debt Service Funds</u>	<u>1994 Street and Highway Improvement Fund</u>	<u>2000 Street and Highway Improvement Fund</u>
<b>Revenues:</b>			
Taxes	\$ 20,675	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties	12		
Use of Money and Property	168	90	28
Grants and Contributions on Federal Programs			
Other Agencies	6,988		
Charges for Current Services			
Special Assessments	1,075		
Miscellaneous Revenue	9		
Total Revenues	<u>28,927</u>	<u>90</u>	<u>28</u>
<b>Expenditures:</b>			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			
Fire			
Library			
Parks and Recreation			
City Manager Neighborhood Services			
Total Neighborhood Services			
Environment and Development:			
Planning			
Solid Waste Management			
Transportation		124	676
Environmental Management			
Total Environment and Development		<u>124</u>	<u>676</u>
Strategic Initiatives:			
Convention Center			
Economic Development			
Total Strategic Initiatives			
Non-Departmental			
Debt Service	<u>35,933</u>		<u>9</u>
Lease Purchases- Capital			
Capital Outlay			
Capital Projects		<u>4,541</u>	<u>5,665</u>
Total Expenditures	<u>35,933</u>	<u>4,665</u>	<u>6,350</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,006)</u>	<u>(4,575)</u>	<u>(6,322)</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales	108,952		5,001
Lease Purchases and Contract Proceeds			
Transfers from Other Funds	7,848		2
Transfers to Other Funds	(130)	(90)	(31)
Payment to Refunded Bond Escrow Agent	(107,773)		
Total Other Financial Sources (Uses)	<u>8,897</u>	<u>(90)</u>	<u>4,972</u>
Net Change in Fund Balance	<u>1,891</u>	<u>(4,665)</u>	<u>(1,350)</u>
Fund Balance (Deficit) - July 1	2,583	5,547	3,100
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>2,583</u>	<u>5,547</u>	<u>3,100</u>
Fund Balance (Deficit) - June 30	<u>\$ 4,474</u>	<u>\$ 882</u>	<u>\$ 1,750</u>

(Continued)

	Capital Project Funds (Continued)		
	1984 General Obligation Fund	1994 General Obligation Fund	2000 General Obligation Fund
<b>Revenues:</b>			
Taxes	\$	\$	\$
Licenses and Permits			
Fines, Forfeitures and Penalties			
Use of Money and Property	17	218	574
Grants and Contributions on Federal Programs			
Other Agencies			
Charges for Current Services			
Special Assessments			
Miscellaneous Revenue			1
Total Revenues	<u>17</u>	<u>218</u>	<u>575</u>
<b>Expenditures:</b>			
Current:			
Elected and Official			
Support Services:			
Operations			
Neighborhood Services:			
Community Services			
City Court			
Police			
Fire			
Library			
Parks and Recreation			105
City Manager Neighborhood Services			
Total Neighborhood Services			<u>105</u>
Environment and Development:			
Planning			
Solid Waste Management		506	317
Transportation			21
Environmental Management		591	287
Total Environment and Development		<u>1,097</u>	<u>625</u>
Strategic Initiatives:			
Convention Center			
Economic Development			
Total Strategic Initiatives			
Non-Departmental			
Debt Service			18
Lease Purchases- Capital			
Capital Outlay			
Capital Projects	315	1,719	24,181
Total Expenditures	<u>315</u>	<u>2,816</u>	<u>24,929</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(298)</u>	<u>(2,598)</u>	<u>(24,354)</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales			30,090
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			
Transfers to Other Funds			(250)
Payment to Refunded Bond Escrow Agent			
Total Other Financial Sources (Uses)			<u>29,840</u>
Net Change in Fund Balance	<u>(298)</u>	<u>(2,598)</u>	<u>5,486</u>
Fund Balance (Deficit) - July 1	555	8,652	28,212
Prior Period Adjustment (Note 2)			
Fund Balance (Deficit) Restated - July 1	<u>555</u>	<u>8,652</u>	<u>28,212</u>
Fund Balance (Deficit) - June 30	<u>\$ 257</u>	<u>\$ 6,054</u>	<u>\$ 33,698</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 1b

	Capital Project Funds (Continued)		Total Nonmajor Governmental Funds
	Special Assessment Construction Fund	Total Capital Project Funds	
<b>Revenues:</b>			
Taxes	\$	\$	\$ 20,675
Licenses and Permits			173
Fines, Forfeitures and Penalties			636
Use of Money and Property	24	951	2,116
Grants and Contributions on Federal Programs			71,867
Other Agencies			62,184
Charges for Current Services			21,452
Special Assessments	484	484	1,559
Miscellaneous Revenue		1	1,756
Total Revenues	<u>508</u>	<u>1,436</u>	<u>182,418</u>
<b>Expenditures:</b>			
Current:			
Elected and Official			331
Support Services:			
Operations			121
Neighborhood Services:			
Community Services			47,940
City Court			108
Police			7,099
Fire			1,604
Library			19,158
Parks and Recreation		105	535
City Manager Neighborhood Services			418
Total Neighborhood Services		<u>105</u>	<u>76,862</u>
Environment and Development:			
Planning			123
Solid Waste Management		823	27,785
Transportation		821	70,744
Environmental Management		878	915
Total Environment and Development		<u>2,522</u>	<u>99,567</u>
Strategic Initiatives:			
Convention Center			10,748
Economic Development			428
Total Strategic Initiatives			<u>11,176</u>
Non-Departmental			431
Debt Service		27	38,832
Lease Purchases- Capital			797
Capital Outlay			7,863
Capital Projects	1,077	37,498	61,209
Total Expenditures	<u>1,077</u>	<u>40,152</u>	<u>297,189</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(569)</u>	<u>(38,716)</u>	<u>(114,771)</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds from Bond Sales	1,658	36,749	145,701
Lease Purchases and Contract Proceeds			797
Transfers from Other Funds		2	72,214
Transfers to Other Funds	(1)	(372)	(8,764)
Payment to Refunded Bond Escrow Agent			(107,773)
Total Other Financial Sources (Uses)	<u>1,657</u>	<u>36,379</u>	<u>102,175</u>
Net Change in Fund Balance	<u>1,088</u>	<u>(2,337)</u>	<u>(12,596)</u>
Fund Balance (Deficit) - July 1	(6,697)	39,369	99,217
Prior Period Adjustment (Note 2)	2,077	2,077	2,077
Fund Balance (Deficit) Restated - July 1	(4,620)	41,446	101,294
Fund Balance (Deficit) - June 30	<u>\$ (3,532)</u>	<u>\$ 39,109</u>	<u>\$ 88,698</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Net Assets**  
**Internal Service Funds**

**Schedule 2a**

June 30, 2003  
(in thousands)

	<u>Fleet Services Fund</u>	<u>Self Insurance Fund</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Pooled Cash and Investments	\$ 5,882	\$ 10,047	\$ 15,929
Accounts Receivable	82		82
Unbilled Accounts Receivable			
Interest Receivable	13	41	54
Advances Receivable		155	155
Due from Other Agencies	33		33
Prepaid Expenses	12		12
Total Current Assets	<u>6,022</u>	<u>10,243</u>	<u>16,265</u>
<b>Restricted Assets:</b>			
Other	<u>78</u>	<u>15,504</u>	<u>15,582</u>
<b>Noncurrent Assets:</b>			
Property, Plant and Equipment:			
Land		30	30
Buildings	6	123	129
Improvements Other than Buildings	52		52
Machinery and Equipment	79,353	19	79,372
Less Accumulated Depreciation	<u>(46,611)</u>	<u>(46)</u>	<u>(46,657)</u>
Total Noncurrent Assets	<u>32,800</u>	<u>126</u>	<u>32,926</u>
Total Assets	<u>38,900</u>	<u>25,873</u>	<u>64,773</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities:</b>			
Accounts Payable	1,898	176	2,074
Accrued Payroll Liabilities	59	11	70
Due to Other Funds	27	100	127
Accrued Interest Payable	8		8
Refundable Deposits and Unredeemed Warrants		2	2
Current Portion of Contracts/Capital Leases Payable	1,220		1,220
Current Portion of Claims and Judgments Payable		7,677	7,677
Total Current Liabilities	<u>3,212</u>	<u>7,966</u>	<u>11,178</u>
<b>Noncurrent Liabilities, Net of Portion Classified as Current Liabilities:</b>			
Contracts/Capital Leases Payable	1,588		1,588
Claims and Judgments Payable		36,782	36,782
Total Noncurrent Liabilities	<u>1,588</u>	<u>36,782</u>	<u>38,370</u>
Total Liabilities	<u>4,800</u>	<u>44,748</u>	<u>49,548</u>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	29,992	126	30,118
Restricted for:			
Capital	78		78
Other Purposes		15,504	15,504
Unrestricted (Deficit)	<u>4,030</u>	<u>(34,505)</u>	<u>(30,475)</u>
Total Net Assets	<u>\$ 34,100</u>	<u>\$ (18,875)</u>	<u>\$ 15,225</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 2b

	<b>Fleet Services Fund</b>	<b>Self Insurance Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 24,086	\$ 10,365	\$ 34,451
Miscellaneous	121		121
Total Operating Revenues	<u>24,207</u>	<u>10,365</u>	<u>34,572</u>
<b>Operating Expenses:</b>			
Personal Services	5,160	1,268	6,428
Contractual Services	2,684	3,946	6,630
Commodities	7,547	247	7,794
Benefits and Claims		11,786	11,786
Depreciation	9,440	4	9,444
Total Operating Expenses	<u>24,831</u>	<u>17,251</u>	<u>42,082</u>
Net Operating Income (Loss)	<u>(624)</u>	<u>(6,886)</u>	<u>(7,510)</u>
<b>Nonoperating Income (Expenses):</b>			
Investment Income	120	885	1,005
Interest Expense	(170)		(170)
Gain (Loss) on Sale of Property/Equipment	461	(119)	342
Other Nonoperating Income	19	529	548
Total Nonoperating Income (Expenses)	<u>430</u>	<u>1,295</u>	<u>1,725</u>
Net Income (Loss) Before Contributions and Transfers	<u>(194)</u>	<u>(5,591)</u>	<u>(5,785)</u>
Capital Contributions	18		18
Transfers In	857		857
Transfers Out		(450)	(450)
Change in Net Assets (Deficit)	<u>681</u>	<u>(6,041)</u>	<u>(5,360)</u>
Net Assets (Deficit) - July 1	<u>33,419</u>	<u>(12,834)</u>	<u>20,585</u>
Net Assets (Deficit) - June 30	<u>\$ 34,100</u>	<u>\$ (18,875)</u>	<u>\$ 15,225</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 2c

	<b>Fleet Services Fund</b>	<b>Self Insurance Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 24,062	\$ 10,466	\$ 34,528
Cash Payments to Suppliers for Goods and Services	(8,825)	(13,069)	(21,894)
Cash Payments to Employees for Services	(5,300)	(1,287)	(6,587)
Other Operating Revenues	123		123
Net Cash Provided (Used) by Operating Activities	<u>10,060</u>	<u>(3,890)</u>	<u>6,170</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(5,803)	(72)	(5,875)
Principal Paid on Capital Debt	(1,779)	(1)	(1,780)
Interest Paid on Capital Debt	(170)		(170)
Proceeds from Sale of Property/Equipment	699	32	731
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,053)</u>	<u>(41)</u>	<u>(7,094)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Income	147	805	952
Proceeds from Sale of Investments		13,698	13,698
Purchase of Investments		(15,679)	(15,679)
Net Cash Provided (Used) by Investing Activities	<u>147</u>	<u>(1,176)</u>	<u>(1,029)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>3,154</u>	<u>(5,107)</u>	<u>(1,953)</u>
Cash and Cash Equivalents - July 1	<u>2,728</u>	<u>15,154</u>	<u>17,882</u>
Cash and Cash Equivalents - June 30	<u>\$ 5,882</u>	<u>\$ 10,047</u>	<u>\$ 15,929</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income(Loss)	\$ (624)	\$ (6,886)	\$ (7,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation/Goodwill Amortization	9,440	4	9,444
Decrease (Increase) in Assets:			
Accounts Receivable	(24)	1	(23)
(Decrease) Increase in Liabilities:			
Accounts Payable	1,417	(278)	1,139
Accrued Payroll Liabilities	(140)	(19)	(159)
Due to Other Funds-Unrestricted	2	100	102
Due to Other Agencies	(11)	(14)	(25)
Customer/Refundable Deposits		(6)	(6)
Claims and Judgements Payable - Short-Term		642	642
Claims and Judgements Payable - Long-Term		2,566	2,566
Net Cash Provided (Used) by Operating Activities	<u>\$ 10,060</u>	<u>\$ (3,890)</u>	<u>\$ 6,170</u>

Noncash Investing, Capital and Financing Activities:

In the Fleet Service Internal Service Fund, City funds contributed vehicles and equipment with a net book value of \$857. Non-City sources contributed one vehicle with a net book value of \$18. Solid Waste vehicles were acquired via capital leasing in the amount of \$483.

In the Self Insurance Internal Service fund, \$72 of capital assets were transferred to other City funds.

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Funds**  
June 30, 2003  
(in thousands)

Schedule 3a

	<u>Deferred Compensation Fund</u>	<u>Supplemental Retirement Fund</u>	<u>Total Pension Funds</u>
<b><u>Assets</u></b>			
Pooled Cash	\$ 1,517	\$ 816	\$ 2,333
Accounts Receivable:			
City Contributions		1,044	1,044
Employee Contributions		668	668
Interest and Dividends	730	1,303	2,033
Due from Brokers		4,106	4,106
Total Accounts Receivable	<u>730</u>	<u>7,121</u>	<u>7,851</u>
Investments, at Fair Value:			
Short-term Investments	7,546	8,050	15,596
Securities Lending Cash Collateral	11,822	30,913	42,735
U.S. Government Obligations	29,453	48,494	77,947
Corporate Bonds	25,842	23,829	49,671
Common Stocks		233,387	233,387
Preferred Stocks		886	886
International Bonds		3,113	3,113
International Equity Group Trust		57,067	57,067
Mortgage Bonds Mutual Fund		62,191	62,191
Real Estate		23,083	23,083
Total Investments	<u>74,663</u>	<u>491,013</u>	<u>565,676</u>
Capital Assets - Net of			
Accumulated Depreciation		5	5
Total Assets	<u>76,910</u>	<u>498,955</u>	<u>575,865</u>
<b><u>Liabilities</u></b>			
Accounts Payable	1	625	626
Due to Securities Borrowers	11,833	30,913	42,746
Due to Brokers		21,484	21,484
Accrued Payroll Liabilities	3	29	32
Total Liabilities	<u>11,837</u>	<u>53,051</u>	<u>64,888</u>
<b><u>Net Assets</u></b>			
Held in Trust for:			
Employees' Pension/Retirement Benefits	65,073	445,904	510,977
Total Net Assets	<u>\$ 65,073</u>	<u>\$ 445,904</u>	<u>\$ 510,977</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 3b

	<u>Deferred Compensation Fund</u>	<u>Supplemental Retirement Fund</u>	<u>Total Pension Funds</u>
<b>Additions:</b>			
Contributions:			
Employees	\$ 6,293	\$ 12,193	\$ 18,486
Employer		12,772	12,772
Other Plans		526	526
Total Contributions	<u>6,293</u>	<u>25,491</u>	<u>31,784</u>
Investment Income:			
Net Increase (Decrease) in Fair Value of Investments	2,207	3,705	5,912
Interest, Dividends and Other Income	3,158	10,366	13,524
Real Estate Income		406	406
Securities Lending Income	159	341	500
Total Investment Income	<u>5,524</u>	<u>14,818</u>	<u>20,342</u>
Less: Investment Activity Expense	11	1,853	1,864
Less: Securities Lending Expense	136	252	388
Net Investment Income	<u>5,377</u>	<u>12,713</u>	<u>18,090</u>
Miscellaneous		25	25
Total Additions	<u>11,670</u>	<u>38,229</u>	<u>49,899</u>
<b>Deductions:</b>			
Payments to Participants	2,087	23,855	25,942
Refunds and Transfers to Other Plans	2,560	1,190	3,750
Administrative Expense	102	374	476
Total Deductions	<u>4,749</u>	<u>25,419</u>	<u>30,168</u>
Change in Net Assets	6,921	12,810	19,731
Net Assets - July 1	58,152	433,094	491,246
Net Assets - June 30	<u>\$ 65,073</u>	<u>\$ 445,904</u>	<u>\$ 510,977</u>

**CITY OF TUCSON, ARIZONA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 3c

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>
<b><u>Sewer User Fee Fund</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 796	\$ 78,561	\$ 77,997	\$ 1,360
Accounts Receivable	3,049	39,385	39,658	2,776
Interest Receivable	11	45	48	8
Total Assets	<u>\$ 3,856</u>	<u>\$ 117,991</u>	<u>\$ 117,703</u>	<u>\$ 4,144</u>
<b>Liabilities:</b>				
Due to Other Agencies	<u>\$ 3,856</u>	<u>\$ 119,849</u>	<u>\$ 119,561</u>	<u>\$ 4,144</u>
Total Liabilities	<u>\$ 3,856</u>	<u>\$ 119,849</u>	<u>\$ 119,561</u>	<u>\$ 4,144</u>
<b><u>Employee Prepaid Insurance Fund</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$	\$ 80,594	\$ 80,594	\$
Due From Other Agencies	353		353	
Accounts Receivable	630	1,889	750	1,769
Total Assets	<u>\$ 983</u>	<u>\$ 82,483</u>	<u>\$ 81,697</u>	<u>\$ 1,769</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 125	\$ 78,370	\$ 77,705	\$ 790
Due to Other Agencies	858	979	858	979
Total Liabilities	<u>\$ 983</u>	<u>\$ 79,349</u>	<u>\$ 78,563</u>	<u>\$ 1,769</u>
<b><u>Total - All Agency Funds</u></b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 796	\$ 159,155	\$ 158,591	\$ 1,360
Due from Other Agencies	353		353	
Accounts Receivable	3,679	41,274	40,408	4,545
Interest Receivable	11	45	48	8
Total Assets	<u>\$ 4,839</u>	<u>\$ 200,474</u>	<u>\$ 199,400</u>	<u>\$ 5,913</u>
<b>Liabilities:</b>				
Accounts Payable	\$ 125	\$ 78,370	\$ 77,705	\$ 790
Due to Other Agencies	4,714	120,828	120,419	5,123
Total Liabilities	<u>\$ 4,839</u>	<u>\$ 199,198</u>	<u>\$ 198,124</u>	<u>\$ 5,913</u>

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Solid Waste Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4a**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Licenses and Permits	\$	\$ 10	\$ (10)
Use of Money and Property:			
Investment Income	<u>3</u>		<u>3</u>
Other Agencies:			
State Grants	<u>27</u>		<u>27</u>
Charges for Current Services:			
Commercial Refuse	5,413	5,783	(370)
Landfill Services	3,793	4,345	(552)
Refuse Penalties	135	135	
Self Haul Fees	<u>684</u>	<u>580</u>	<u>104</u>
Total Charges for Current Services	<u>10,025</u>	<u>10,843</u>	<u>(818)</u>
Miscellaneous Revenue:			
Recycling	279	298	(19)
Balance Available from Prior Years (1)		4,749	(4,749)
Other	<u>5</u>		<u>5</u>
Total Miscellaneous Revenue	<u>284</u>	<u>5,047</u>	<u>(4,763)</u>
Total Revenues	<u>10,339</u>	<u>15,900</u>	<u>(5,561)</u>
<b>Expenditures:</b>			
Current:			
Environment and Development:			
Solid Waste Management:			
Personal Services	12,805	12,422	(383)
Contractual Services	12,203	11,460	(743)
Commodities	2,832	2,136	(696)
Interactivity Transfers	<u>(882)</u>	<u>(588)</u>	<u>294</u>
Total Solid Waste Management	<u>26,958</u>	<u>25,430</u>	<u>(1,528)</u>
Debt Service:			
Principal	455	269	(186)
Interest	<u>32</u>	<u>35</u>	<u>3</u>
Total Debt Service	<u>487</u>	<u>304</u>	<u>(183)</u>
Lease Purchases- Capital	<u>797</u>		<u>(797)</u>
Capital Outlay	<u>3,515</u>	4,696	1,181
Total Expenditures	<u>31,757</u>	<u>30,430</u>	<u>(1,327)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,418)</u>	<u>(14,530)</u>	<u>(6,888)</u>
<b>Other Financial Sources (Uses):</b>			
Lease Purchases and Contract Proceeds	797		797
Transfers from Other Funds	18,238	14,627	3,611
Transfers to Other Funds	<u>(626)</u>		<u>(626)</u>
Total Other Financial Sources (Uses)	<u>18,409</u>	<u>14,627</u>	<u>3,782</u>
Net Change in Fund Balance	<u>(3,009)</u>	<u>\$ 97</u>	<u>\$ (3,106)</u>
Fund Balance - July 1	<u>4,578</u>		
Fund Balance - June 30	<u>\$ 1,569</u>		

(1) Portion of prior year's fund balance budgeted for use in the 2002-03 fiscal year

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Library Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4b**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Fines, Forfeitures and Penalties:			
Library Penalties	\$ 566	\$ 629	\$ (63)
Other Agencies:			
County Operating Assistance	9,073	10,677	(1,604)
Other	827		827
Total Other Agencies	<u>9,900</u>	<u>10,677</u>	<u>(777)</u>
Miscellaneous Revenue	<u>1</u>		<u>1</u>
Total Revenues	<u>10,467</u>	<u>11,306</u>	<u>(839)</u>
<b>Expenditures:</b>			
Current:			
Neighborhood Services:			
Library:			
Personal Services	12,816	13,055	239
Contractual Services	1,989	2,292	303
Commodities	3,948	4,137	189
Interactivity Transfers		425	425
Total Library	<u>18,753</u>	<u>19,909</u>	<u>1,156</u>
Capital Outlay	<u>332</u>	<u>114</u>	<u>(218)</u>
Total Expenditures	<u>19,085</u>	<u>20,023</u>	<u>938</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,618)</u>	<u>(8,717)</u>	<u>99</u>
<b>Other Financial Sources (Uses):</b>			
Transfers from Other Funds	<u>8,656</u>	<u>9,048</u>	<u>(392)</u>
Net Change in Fund Balance	<u>38</u>	<u>\$ 331</u>	<u>\$ (293)</u>
Fund Balance - July 1	148		
Fund Balance - June 30	<u>\$ 186</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Public Safety Academy Fund**  
Year Ended June 30, 2003  
(in thousands)

Schedule 4c

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Investment Income	\$ 4	\$	\$ 4
Other Agencies:			
AZ POST	800	414	386
Charges for Current Services:			
Fire Training Services	82	145	(63)
Law Enforcement Training Contracts	72	277	(205)
Total Charges for Current Services	<u>154</u>	<u>422</u>	<u>(268)</u>
Total Revenues	<u>958</u>	<u>836</u>	<u>122</u>
<b>Expenditures:</b>			
Current:			
Neighborhood Services:			
Police:			
Personal Services	1,567	1,487	(80)
Contractual Services	347	467	120
Commodities	338	256	(82)
Interactivity Transfers		220	220
Total Police	<u>2,252</u>	<u>2,430</u>	<u>178</u>
Fire:			
Personal Services	846	1,051	205
Contractual Services	333	427	94
Commodities	42	84	42
Other		297	297
Interactivity Transfers		120	120
Total Fire	<u>1,221</u>	<u>1,979</u>	<u>758</u>
Total Neighborhood Services	<u>3,473</u>	<u>4,409</u>	<u>936</u>
Debt Service:			
Principal	195	195	
Interest	60	61	1
Total Debt Service	<u>255</u>	<u>256</u>	<u>1</u>
Capital Outlay	14	25	11
Capital Projects	3		(3)
Total Expenditures	<u>3,745</u>	<u>4,690</u>	<u>945</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,787)</u>	<u>(3,854)</u>	<u>1,067</u>
<b>Other Financial Sources (Uses):</b>			
Transfers from Other Funds	<u>3,142</u>	<u>3,822</u>	<u>(680)</u>
Net Change in Fund Balance	<u>355</u>	<u>\$ (32)</u>	<u>\$ 387</u>
Fund Balance - July 1	97		
Fund Balance - June 30	<u>\$ 452</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Convention Center Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4d**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Charges for Current Services:			
Room Rental	\$ 1,082	\$ 1,560	\$ (478)
Box Office Fees	198	928	(730)
Parking	736		736
Concessions and Catering	381	572	(191)
Novelty Sales	39	73	(34)
Commissions	99	50	49
Facility User Fees	374	700	(326)
Other	83	46	37
Total Charges for Current Services	<u>2,992</u>	<u>3,929</u>	<u>(937)</u>
Miscellaneous Revenue:			
Balance Available from Prior Years (1)		108	(108)
Other	18		18
Total Miscellaneous Revenue	<u>18</u>	<u>108</u>	<u>(90)</u>
Total Revenues	<u>3,010</u>	<u>4,037</u>	<u>(1,027)</u>
<b>Expenditures:</b>			
Current:			
Strategic Initiatives:			
Convention Center:			
Personal Services	2,733	2,838	105
Contractual Services	7,466	7,546	80
Commodities	547	263	(284)
Total Convention Center	<u>10,746</u>	<u>10,647</u>	<u>(99)</u>
Capital Outlay	36	800	764
Capital Projects	34	70	36
Total Expenditures	<u>10,816</u>	<u>11,517</u>	<u>701</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,806)</u>	<u>(7,480)</u>	<u>(326)</u>
<b>Other Financial Sources (Uses):</b>			
Transfers from Other Funds	8,104	7,558	546
Net Change in Fund Balance	<u>298</u>	<u>\$ 78</u>	<u>\$ 220</u>
Fund Balance - July 1	1,208		
Fund Balance - June 30	<u>\$ 1,506</u>		

(1) Portion of prior year's fund balance budgeted for use in the 2002-03 fiscal year

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**H.U.R.F. Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4e**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Licenses and Permits:			
Developer In-Lieu Fees	\$ 173	\$	\$ 173
Use of Money and Property:			
Interest Earnings	802	1,553	(751)
Rentals/Leases	49		49
Total Use of Money and Property	<u>851</u>	<u>1,553</u>	<u>(702)</u>
Other Agencies:			
Highway User Shared State Tax	37,545	46,421	(8,876)
County Operating Assistance	300		300
Total Other Agencies	<u>37,845</u>	<u>46,421</u>	<u>(8,576)</u>
Miscellaneous Revenue:			
Sale of Real Property	14		14
Balance Available from Prior Years (1)		10,228	(10,228)
Other	41		40
Total Miscellaneous Revenue	<u>55</u>	<u>10,228</u>	<u>(10,174)</u>
Total Revenues	<u>38,924</u>	<u>58,202</u>	<u>(19,279)</u>
<b>Expenditures:</b>			
Current:			
Environment and Development:			
Planning:			
Personal Services	109	109	0
Transportation:			
Personal Services	17,811	18,279	468
Contractual Services	12,351	11,813	(538)
Commodities	2,755	3,122	367
Interactivity Transfers	(4,797)	(5,387)	(590)
Total Transportation	<u>28,120</u>	<u>27,827</u>	<u>(293)</u>
Total Environment and Development	<u>28,229</u>	<u>27,936</u>	<u>(293)</u>
Non-Departmental:			
Contractual Services	349	243	(106)
Commodities		8	8
Other		102	102
Total Non-Departmental	<u>349</u>	<u>353</u>	<u>4</u>
Debt Service:			
Principal	1,770	1,770	
Interest	167	367	200
Total Debt Service	<u>1,937</u>	<u>2,137</u>	<u>200</u>
Capital Outlay	492	416	(76)
Capital Projects	8,928	11,433	2,505
Total Expenditures	<u>39,935</u>	<u>42,275</u>	<u>2,340</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,011)</u>	<u>15,927</u>	<u>(16,939)</u>
<b>Other Financial Sources (Uses):</b>			
Transfers from Other Funds	117		117
Transfers to Other Funds	(7,595)	(16,035)	8,440
Total Other Financial Sources (Uses)	<u>(7,478)</u>	<u>(16,035)</u>	<u>8,557</u>
Net Change in Fund Balance	<u>(8,489)</u>	<u>\$ (108)</u>	<u>\$ (8,382)</u>
Fund Balance - July 1	<u>31,449</u>		
Fund Balance - June 30	<u>\$ 22,960</u>		

(1) Portion of prior year's fund balance budgeted for use in the 2002-03 fiscal year

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Human and Community Development Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4f**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Investment Income	\$ 15	\$	\$ 15
Grants and Contributions on Federal Programs:			
CDBG Entitlement	6,902	13,094	(6,192)
Program Income	286		286
Total Grants and Contributions on Federal Programs	<u>7,188</u>	<u>13,094</u>	<u>(5,906)</u>
Miscellaneous Revenue:			
Other	86		86
Total Revenues	<u>7,289</u>	<u>13,094</u>	<u>(5,805)</u>
<b>Expenditures:</b>			
Current:			
Neighborhood Services:			
Community Services:			
Personal Services	1,380	1,438	58
Contractual Services	4,024	7,679	3,655
Commodities	100	94	(6)
Interactivity Transfers		1,859	1,859
Total Community Services	<u>5,504</u>	<u>11,070</u>	<u>5,566</u>
Neighborhood Resources:			
Personal Services	278	308	30
Contractual Services	128	53	(75)
Commodities	12	9	(3)
Total Neighborhood Resources	<u>418</u>	<u>370</u>	<u>(48)</u>
Total Neighborhood Services	<u>5,922</u>	<u>11,440</u>	<u>5,518</u>
Strategic Initiatives:			
Economic Development:			
Contractual Services	4		(4)
Interactivity Transfers		125	125
Total Strategic Initiatives	<u>4</u>	<u>125</u>	<u>121</u>
Debt Service:			
Principal	24	46	22
Interest	22		(22)
Total Debt Service	<u>46</u>	<u>46</u>	<u>0</u>
Capital Outlay		71	71
Capital Projects	981	2,161	1,180
Total Expenditures	<u>6,953</u>	<u>13,843</u>	<u>6,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>336</u>	<u>(749)</u>	<u>1,085</u>
Net Change in Fund Balance	<u>336</u>	<u>\$ (749)</u>	<u>\$ 1,085</u>
Fund Balance - July 1	3,676		
Fund Balance - June 30	<u>\$ 4,012</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Public Housing Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4g**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Investment Income	\$ 75	\$	\$ 75
Grants and Contributions on Federal Programs:			
Operating Subsidy - Federal	3,473	6,041	(2,568)
Section 8 - Federal Housing Assistance	26,541	23,965	2,576
Total Grants and Contributions on Federal Programs	<u>30,014</u>	<u>30,006</u>	<u>8</u>
Charges for Current Services:			
Other	540		540
Miscellaneous Revenue:			
Sale of Equipment	1		1
Other	5		5
Total Miscellaneous Revenue	<u>6</u>		<u>6</u>
Total Revenues	<u>30,635</u>	<u>30,006</u>	<u>629</u>
<b>Expenditures:</b>			
Current:			
Neighborhood Services:			
Community Services:			
Personal Services	3,909	4,996	1,087
Contractual Services	25,630	28,777	3,147
Commodities	506	556	50
Other		90	90
Interactivity Transfers		76	76
Total Community Services	<u>30,045</u>	<u>34,495</u>	<u>4,450</u>
Debt Service:			
Principal	109	140	31
Interest	29		(29)
Total Debt Service	<u>138</u>	<u>140</u>	<u>2</u>
Capital Outlay	19	12	(7)
Total Expenditures	<u>30,202</u>	<u>34,647</u>	<u>4,445</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>433</u>	<u>(4,641)</u>	<u>5,074</u>
Net Change in Fund Balance	<u>433</u>	<u>\$ (4,641)</u>	<u>\$ 5,074</u>
Fund Balance - July 1	<u>2,231</u>		
Fund Balance - June 30	<u>\$ 2,664</u>		



**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Miscellaneous Housing Grant Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 4h

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Grants and Contributions on Federal Programs:			
Federal Grants	\$ 17,958	\$ 21,297	\$ (3,339)
Program Income	353		353
Total Grants and Contributions on Federal Programs	<u>18,311</u>	<u>21,297</u>	<u>(2,986)</u>
Miscellaneous Revenue:			
Sale of Real Property	484		484
Total Revenues	<u>18,795</u>	<u>21,297</u>	<u>(2,502)</u>
<b>Expenditures:</b>			
Current:			
Neighborhood Services:			
Community Services:			
Personal Services	2,053	2,532	479
Contractual Services	9,063	14,790	5,727
Commodities	82	171	89
Interactivity Transfers		4,253	4,253
Total Community Services	<u>11,198</u>	<u>21,746</u>	<u>10,548</u>
Debt Service:			
Principal	8	10	2
Interest	1		(1)
Total Debt Service	<u>9</u>	<u>10</u>	<u>1</u>
Capital Outlay	<u>1,331</u>	<u>1,854</u>	<u>523</u>
Capital Projects	<u>5,167</u>	<u>13,186</u>	<u>8,019</u>
Total Expenditures	<u>17,705</u>	<u>36,796</u>	<u>19,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,090</u>	<u>(15,499)</u>	<u>16,589</u>
Transfers to Other Funds	<u>(20)</u>		<u>(20)</u>
Net Change in Fund Balance	<u>1,070</u>	<u>\$ (15,499)</u>	<u>\$ 16,569</u>
Fund Balance - July 1	<u>9,930</u>		
Fund Balance - June 30	<u>\$ 11,000</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Other Federal Grants Fund**  
Year Ended June 30, 2003  
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Fines, Forfeitures and Penalties	\$ 58	\$	\$ 58
Grants and Contributions on Federal Programs:			
Federal Grants	9,505	45,855	(36,350)
Program Income	27		27
Total Grants and Contributions on Federal Programs	<u>9,532</u>	<u>45,855</u>	<u>(36,323)</u>
Total Revenues	<u>9,590</u>	<u>45,855</u>	<u>(36,265)</u>
<b>Expenditures:</b>			
Current:			
Elected and Official:			
Personal Services	257	444	187
Contractual Services	2	24	22
Commodities		9	9
Interactivity Transfers		(155)	(155)
Total Elected and Official	<u>259</u>	<u>322</u>	<u>63</u>
Support Services:			
Operations:			
Personal Services	78	109	31
Contractual Services	38	48	10
Commodities	5	8	3
Interactivity Transfers		1,325	1,325
Total Support Services	<u>121</u>	<u>1,490</u>	<u>1,369</u>
Neighborhood Services:			
Community Services:			
Personal Services	130	79	(51)
Contractual Services	816	930	114
Commodities	25	25	
Other	145	144	(1)
Interactivity Transfers		394	394
Total Community Services	<u>1,116</u>	<u>1,572</u>	<u>456</u>
Police:			
Personal Services	2,647	2,957	310
Contractual Services	854	1,116	262
Commodities	601	224	(377)
Interactivity Transfers		1,832	1,832
Total Police	<u>4,102</u>	<u>6,129</u>	<u>2,027</u>
Fire:			
Personal Services	9		(9)
Contractual Services	111	100	(11)
Commodities	255	400	145
Total Fire	<u>375</u>	<u>500</u>	<u>125</u>
Library:			
Contractual Services	7		(7)
Commodities	72	73	1
Total Library	<u>79</u>	<u>73</u>	<u>(6)</u>
Parks and Recreation:			
Personal Services	172	293	121
Contractual Services	88	65	(23)
Commodities	72	306	234
Total Parks and Recreation	<u>332</u>	<u>664</u>	<u>332</u>
Total Neighborhood Services	<u>6,004</u>	<u>8,938</u>	<u>2,934</u>

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Expenditures (Continued):</b>			
Environment and Development:			
Planning:			
Contractual Services	\$ 7	\$ 20	\$ 13
Interactivity Transfers		80	80
Total Planning	<u>7</u>	<u>100</u>	<u>93</u>
Solid Waste Management:			
Contractual Services	4		(4)
Interactivity Transfers		410	410
Total Solid Waste Management	<u>4</u>	<u>410</u>	<u>406</u>
Transportation:			
Personal Services	473	671	198
Contractual Services	59	81	22
Commodities	105	182	77
Interactivity Transfers		(79)	(79)
Total Transportation	<u>637</u>	<u>855</u>	<u>218</u>
Environmental Management:			
Contractual Services	37		(37)
Interactivity Transfers		200	200
Total Environmental Management	<u>37</u>	<u>200</u>	<u>163</u>
Total Environment and Development	<u>685</u>	<u>1,565</u>	<u>880</u>
Strategic Initiatives:			
Economic Development:			
Personal Services	242	154	(88)
Contractual Services	108	193	85
Commodities	9		(9)
Interactivity Transfers		153	153
Total Strategic Initiatives	<u>359</u>	<u>500</u>	<u>141</u>
Non-Departmental:			
Contractual Services	5		(5)
Capital Outlay	<u>1,447</u>	282	<u>(1,165)</u>
Capital Projects	<u>4,831</u>	8,832	<u>4,001</u>
Total Expenditures	<u>13,711</u>	<u>21,929</u>	<u>8,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,121)</u>	<u>23,926</u>	<u>(28,047)</u>
Net Change in Fund Balance	<u>(4,121)</u>	<u>\$ 23,926</u>	<u>\$ (28,047)</u>
Fund Balance - July 1	4,571		
Fund Balance - June 30	<u>\$ 450</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Non-Federal Grants Fund**  
Year Ended June 30, 2003  
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Other Agencies:			
Grants	\$ 1,916	\$ 7,709	\$ (5,793)
Total Revenues	<u>1,916</u>	<u>7,709</u>	<u>(5,793)</u>
<b>Expenditures:</b>			
Current:			
Elected and Official:			
Personal Services	62	110	48
Contractual Services		18	18
Commodities	10		(10)
Interactivity Transfers		27	27
Total Elected and Official	<u>72</u>	<u>155</u>	<u>83</u>
Support Services:			
Operations:			
Interactivity Transfers		1,325	1,325
Neighborhood Services:			
Community Services:			
Contractual Services	75	75	
Interactivity Transfers		25	25
Total Community Services	<u>75</u>	<u>100</u>	<u>25</u>
City Court:			
Personal Services	92	73	(19)
Contractual Services	11	89	78
Commodities	5		(5)
Interactivity Transfers		200	200
Total City Court	<u>108</u>	<u>362</u>	<u>254</u>
Police:			
Personal Services	325	532	207
Contractual Services	336	175	(161)
Commodities	80	92	12
Interactivity Transfers		165	165
Total Police	<u>741</u>	<u>964</u>	<u>223</u>
Fire:			
Interactivity Transfers		350	350
Library:			
Personal Services	106	140	34
Contractual Services	67	45	(22)
Commodities	21	39	18
Interactivity Transfers		276	276
Total Library	<u>194</u>	<u>500</u>	<u>306</u>
Parks and Recreation:			
Personal Services	43	222	179
Contractual Services	1	703	702
Commodities	1	150	149
Total Parks and Recreation	<u>45</u>	<u>1,075</u>	<u>1,030</u>
Total Neighborhood Services	<u>1,163</u>	<u>3,351</u>	<u>2,188</u>
Environment and Development:			
Comprehensive Planning:			
Contractual Services	7	60	53
Interactivity Transfers		150	150
Total Comprehensive Planning	<u>7</u>	<u>210</u>	<u>203</u>

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Expenditures (Continued):</b>			
Transportation:			
Contractual Services	\$ 1	\$	\$ (1)
Other		350	350
Total Transportation	<u>1</u>	<u>350</u>	<u>349</u>
Total Environment and Development	<u>8</u>	<u>560</u>	<u>552</u>
Strategic Initiatives:			
Economic Development:			
Personal Services	34	61	27
Contractual Services	21	99	78
Commodities	10	17	7
Total Strategic Initiatives	<u>65</u>	<u>177</u>	<u>112</u>
Non-Departmental:			
Personal Services	21	113	92
Contractual Services	24	24	
Commodities	29		(29)
Other		150	150
Total Non-Departmental	<u>74</u>	<u>287</u>	<u>213</u>
Capital Outlay	<u>531</u>	<u>535</u>	<u>4</u>
Capital Projects	<u>5</u>	<u>150</u>	<u>145</u>
Total Expenditures	<u>1,918</u>	<u>6,540</u>	<u>4,622</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2)</u>	<u>1,169</u>	<u>(1,171)</u>
Net Change in Fund Balance	<u>(2)</u>	<u>\$ 1,169</u>	<u>\$ (1,171)</u>
Fund Balance - July 1	<u>274</u>		
Fund Balance - June 30	<u>\$ 272</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Mass Transit**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4k**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Grants and Contributions on Federal Programs	\$ 6,822	\$ 26,058	\$ (19,236)
Other Agencies:			
State Transportation Assistance	2,720	3,343	(623)
County/Other Local Operating Assistance	1,988	2,579	(591)
Total Other Agencies	<u>4,708</u>	<u>5,922</u>	<u>(1,214)</u>
Charges for Current Services:			
Bus Fare Revenues	<u>7,741</u>	<u>7,516</u>	<u>225</u>
Miscellaneous Revenue:			
Other	155	1,252	(1,097)
Total Revenues	<u>19,426</u>	<u>40,748</u>	<u>(21,322)</u>
<b>Expenditures:</b>			
Current:			
Environment and Development:			
Transportation:			
Personal Services	27,644	27,825	181
Contractual Services	6,238	6,565	327
Commodities	7,283	10,148	2,865
Interactivity Transfers		250	250
Total Transportation	<u>41,165</u>	<u>44,788</u>	<u>3,623</u>
Capital Outlay	<u>140</u>	<u>1,853</u>	<u>1,713</u>
Capital Projects	<u>3,415</u>	<u>20,960</u>	<u>17,545</u>
Total Expenditures	<u>44,720</u>	<u>67,601</u>	<u>22,881</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,294)</u>	<u>(26,853)</u>	<u>1,559</u>
<b>Other Financial Sources (Uses):</b>			
Transfers from Other Funds	<u>26,107</u>	<u>27,177</u>	<u>(1,070)</u>
Net Change in Fund Balance	<u>813</u>	<u>\$ 324</u>	<u>\$ 489</u>
Fund Balance- July 1	(2,669)		
Fund Balance- June 30	<u>\$ (1,856)</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**General Obligation Bond and Interest Debt Service Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4I**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Taxes:			
Property Taxes - Current	\$ 20,675	\$ 20,756	\$ (81)
Use of Money and Property:			
Investment Income	130		130
Miscellaneous Revenue:			
Recovered Expenditures	9		9
Total Revenues	<u>20,814</u>	<u>20,756</u>	<u>58</u>
<b>Expenditures:</b>			
Debt Service:			
Principal	6,570	7,540	970
Interest	12,670	13,210	540
Fiscal Agent Fees and Other	232	6	(226)
Total Expenditures	<u>19,472</u>	<u>20,756</u>	<u>1,284</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,342</u>	<u>0</u>	<u>1,342</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds From Bond Sales	23,865		23,865
Payment to Refunded Bond Escrow Agent	(23,635)		(23,635)
Transfers from Other Funds	250		250
Transfers to Other Funds	(130)		(130)
Total Other Financial Sources (Uses)	<u>350</u>		<u>350</u>
Net Change in Fund Balance	<u>1,692</u>	<u>\$ 0</u>	<u>\$ 1,692</u>
Fund Balance - July 1	<u>1,503</u>		
Fund Balance - June 30	<u>\$ 3,195</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**Street and Highway Bond and Interest Debt Service Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4m**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Other Agencies:			
Highway User Shared State Tax	\$ 6,988	\$	\$ 6,988
Total Revenues	<u>6,988</u>	<u>0</u>	<u>6,988</u>
<b>Expenditures:</b>			
Debt Service:			
Principal	7,460	7,460	
Interest	7,125	8,569	1,444
Fiscal Agent Fees and Other	949	6	(943)
Total Expenditures	<u>15,534</u>	<u>16,035</u>	<u>501</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,546)</u>	<u>(16,035)</u>	<u>7,489</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds From Bond Sales	85,087		85,087
Payment to Refunded Bond Escrow Agent	(84,138)		(84,138)
Transfers from Other Funds	7,597	16,035	(8,438)
Total Other Financial Sources (Uses)	<u>8,546</u>	<u>16,035</u>	<u>(7,489)</u>
Net Change in Fund Balance	<u>0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Fund Balance - July 1	<u>0</u>		
Fund Balance - June 30	<u>\$ 0</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**1994 Street and Highway Improvement Bond Capital Project Funds**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4n**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Interest Earnings	\$ 90	\$	\$ 90
Total Revenues	<u>90</u>	<u>0</u>	<u>90</u>
<b>Expenditures:</b>			
Current:			
Environment and Development:			
Transportation:			
Personal Services	14	15	1
Contractual Services	98	102	4
Commodities	12	10	(2)
Total Transportation	<u>124</u>	<u>127</u>	<u>3</u>
Capital Projects	<u>4,541</u>	<u>5,420</u>	<u>879</u>
Total Expenditures	<u>4,665</u>	<u>5,547</u>	<u>882</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,575)</u>	<u>(5,547)</u>	<u>972</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds From Bond Sales		2,474	(2,474)
Transfers to Other Funds	(90)		(90)
Total Other Financial Sources (Uses)	<u>(90)</u>	<u>2,474</u>	<u>(2,564)</u>
Net Change in Fund Balance	<u>(4,665)</u>	<u>\$ (3,073)</u>	<u>\$ (1,592)</u>
Fund Balance - July 1	<u>5,547</u>		
Fund Balance - June 30	<u>\$ 882</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**2000 Street and Highway Improvement Bond Capital Project Funds**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4o**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Interest Earnings	\$ 28	\$	\$ 28
Total Revenues	<u>28</u>	<u>0</u>	<u>28</u>
<b>Expenditures:</b>			
Current:			
Environment and Development:			
Transportation:			
Personal Services	49	114	65
Contractual Services	17	35	18
Commodities	610	487	(123)
Total Transportation	<u>676</u>	<u>636</u>	<u>(40)</u>
Capital Projects	<u>5,665</u>	<u>13,642</u>	<u>7,977</u>
Costs of Issuance and Other	<u>9</u>		<u>(9)</u>
Total Expenditures	<u>6,350</u>	<u>14,278</u>	<u>7,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,322)</u>	<u>(14,278)</u>	<u>7,956</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds From Bond Sales	5,001	10,951	(5,950)
Transfers from Other Funds	2		2
Transfers to Other Funds	(31)		(31)
Total Other Financial Sources (Uses)	<u>4,972</u>	<u>10,951</u>	<u>(5,979)</u>
Net Change in Fund Balance	<u>(1,350)</u>	<u>\$ (3,327)</u>	<u>\$ 1,977</u>
Fund Balance - July 1	<u>3,100</u>		
Fund Balance - June 30	<u>\$ 1,750</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**1984 General Obligation Bond Capital Project Funds**  
Year Ended June 30, 2003  
(in thousands)

Schedule 4p

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Interest Earnings	\$ 17	\$	\$ 17
Total Revenues	<u>17</u>	<u>0</u>	<u>17</u>
<b>Expenditures:</b>			
Capital Projects	<u>315</u>	<u>539</u>	<u>224</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(298)</u>	<u>(539)</u>	<u>241</u>
Net Change in Fund Balance	<u>(298)</u>	<u>\$ (539)</u>	<u>\$ 241</u>
Fund Balance - July 1	<u>555</u>		
Fund Balance - June 30	<u>\$ 257</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**1994 General Obligation Bond Capital Project Funds**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4q**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Interest Earnings	\$ 218	\$	\$ 218
Total Revenues	<u>218</u>	<u>0</u>	<u>218</u>
<b>Expenditures:</b>			
Current:			
Environment and Development:			
Solid Waste Management:			
Personal Services	47		(47)
Contractual Services	413		(413)
Commodities	46		(46)
Total Solid Waste Management	<u>506</u>		<u>(506)</u>
Environmental Management:			
Contractual Services	573		(573)
Commodities	18		(18)
Total Environmental Management	<u>591</u>		<u>(591)</u>
Total Environment and Development	<u>1,097</u>		<u>(1,097)</u>
Capital Projects	<u>1,719</u>	<u>7,079</u>	<u>5,360</u>
Total Expenditures	<u>2,816</u>	<u>7,079</u>	<u>4,263</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,598)</u>	<u>(7,079)</u>	<u>4,481</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds From Bond Sales		<u>2,030</u>	<u>(2,030)</u>
Net Change in Fund Balance	<u>(2,598)</u>	<u>\$ (5,049)</u>	<u>\$ 2,451</u>
Fund Balance - July 1	<u>8,652</u>		
Fund Balance - June 30	<u>\$ 6,054</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balance, Final Budget and Actual**  
**2000 General Obligation Bond Capital Project Funds**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 4r**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Revenues:</b>			
Use of Money and Property:			
Interest Earnings	\$ 574	\$	\$ 574
Miscellaneous Revenue:			
Recovered Expenditures	1		1
Total Revenues	<u>575</u>	<u>0</u>	<u>575</u>
<b>Expenditures:</b>			
Current:			
Neighborhood Services:			
Parks and Recreation:			
Personal Services	32		(32)
Contractual Services	63		(63)
Commodities	10		(10)
Total Parks and Recreation	<u>105</u>		<u>(105)</u>
Environment and Development:			
Solid Waste Management:			
Contractual Services	215		(215)
Commodities	102		(102)
Total Solid Waste Management	<u>317</u>		<u>(317)</u>
Transportation:			
Contractual Services	19		(19)
Commodities	2		(2)
Total Transportation	<u>21</u>		<u>(21)</u>
Environmental Management:			
Contractual Services	22		(22)
Commodities	265		(265)
Total Environmental Management	<u>287</u>		<u>(287)</u>
Total Environment and Development	<u>625</u>		<u>(625)</u>
Cost of Issuance and Other	18		(18)
Capital Projects	24,181	69,006	44,825
Total Expenditures	<u>24,929</u>	<u>69,006</u>	<u>44,077</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(24,354)</u>	<u>(69,006)</u>	<u>44,652</u>
<b>Other Financial Sources (Uses):</b>			
Proceeds From Bond Sales	30,090	52,320	(22,230)
Transfers to Other Funds	(250)		(250)
Total Other Financial Sources (Uses)	<u>29,840</u>	<u>52,320</u>	<u>(22,480)</u>
Net Change in Fund Balance	<u>5,486</u>	<u>\$ (16,686)</u>	<u>\$ 22,172</u>
Fund Balance - July 1	28,212		
Fund Balance - June 30	<u>\$ 33,698</u>		

**CITY OF TUCSON, ARIZONA**  
**Schedule of Income - Budget and Actual**  
**Water Utility Fund**  
Year Ended June 30, 2003  
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Water Sales:			
Potable Water Sales	\$ 92,683	\$ 92,748	\$ (65)
Reclaimed Water Sales	5,578	5,044	534
Central Arizona Project Surcharge	1,272	956	316
Total Water Sales	<u>99,533</u>	<u>98,748</u>	<u>785</u>
Connection Fees	<u>3,382</u>	<u>3,123</u>	<u>259</u>
Billing Services	<u>1,446</u>	<u>1,448</u>	<u>(2)</u>
Miscellaneous Revenues:			
TCE Cleanup Reimbursement	850	777	73
Area Development Fees	1,091	2,809	(1,718)
Plan Review and Inspection Fees	1,245		1,245
Other	1,858		1,858
Balance Available from Prior Years (1)		370	(370)
Total Miscellaneous Revenues	<u>5,044</u>	<u>3,956</u>	<u>1,088</u>
Total Operating Revenues	<u>109,405</u>	<u>107,275</u>	<u>2,130</u>
<b>Operating Expenses:</b>			
Director's Office:			
Personal Services	1,983	1,790	(193)
Contractual Services	1,068	1,341	273
Commodities	354	302	(52)
Total Director's Office	<u>3,405</u>	<u>3,433</u>	<u>28</u>
Business Services:			
Personal Services	6,113	6,257	144
Contractual Services	1,513	1,784	271
Commodities	1,311	1,283	(28)
Total Business Services	<u>8,937</u>	<u>9,324</u>	<u>387</u>
Water Operations:			
Personal Services	11,040	10,326	(714)
Contractual Services	14,545	15,759	1,214
Commodities	3,732	4,134	402
Total Water Operations	<u>29,317</u>	<u>30,219</u>	<u>902</u>
Planning and Engineering:			
Personal Services	3,092	2,750	(342)
Contractual Services	376	467	91
Commodities	381	376	(5)
Total Planning and Engineering	<u>3,849</u>	<u>3,593</u>	<u>(256)</u>
Quality Management:			
Personal Services	3,520	3,612	92
Contractual Services	2,855	3,085	230
Commodities	652	1,079	427
Total Quality Management	<u>7,027</u>	<u>7,776</u>	<u>749</u>
General Expenses:			
Personal Services	590	502	(88)
Contractual Services	13,690	14,352	662
Commodities	113	84	(29)
Total General Expenses	<u>14,393</u>	<u>14,938</u>	<u>545</u>
Depreciation	<u>19,719</u>		<u>(19,719)</u>
Amortization of Goodwill	<u>28</u>		<u>(28)</u>
Total Operating Expenses	<u>86,675</u>	<u>69,283</u>	<u>(17,392)</u>
Net Operating Income (Loss)	<u>22,730</u>	<u>37,992</u>	<u>(15,262)</u>

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Nonoperating Income:</b>			
Investment Income:			
Operating Funds	\$ 1,087	\$ 1,008	\$ 79
Central Arizona Project Fund	12		12
Investments - Debt Service	71		71
Investments - Construction	450		450
Total Investment Income	<u>1,620</u>	<u>1,008</u>	<u>612</u>
Gain on Sale of Property/Equipment	<u>143</u>		<u>143</u>
Other Nonoperating Income	<u>65</u>		<u>65</u>
Total Nonoperating Income	<u>1,828</u>	<u>1,008</u>	<u>820</u>
<b>Nonoperating Expenses:</b>			
Interest Expense - Bonds	16,993	16,118	(875)
Interest Expense - Contracts	78	71	(7)
Amortization of Cost of Issuance	80		(80)
Other Nonoperating Expenses	527	60	(467)
Total Nonoperating Expenses	<u>17,678</u>	<u>16,249</u>	<u>(1,429)</u>
Net Income (Loss) Before Capital Contributions	<u>6,880</u>	<u>22,751</u>	<u>(15,871)</u>
Capital Contributions	<u>10,172</u>	<u>365</u>	<u>9,807</u>
Change in Net Assets	<u>17,052</u>	<u>\$ 23,116</u>	<u>\$ (6,064)</u>
Net Assets - July 1	553,710		
Prior Period Adjustment (Note 2)	<u>3,211</u>		
Net Assets Restated - July 1	<u>556,921</u>		
Net Assets - June 30	<u>\$ 573,973</u>		

(1) Portion of prior year's fund balance budgeted for use in the 2002-03 fiscal year

**CITY OF TUCSON, ARIZONA**  
**Schedule of Income - Budget and Actual**  
**Golf Course Fund**  
Year Ended June 30, 2003  
(in thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Green Fees	\$ 5,979	\$ 6,309	\$ (330)
Cart Rentals	1,066	482	584
Pro Shop Operations	586	809	(223)
Driving Range	518	569	(51)
Miscellaneous	340	248	92
Clubhouse Operations	1,280	1,320	(40)
Total Operating Revenues	<u>9,769</u>	<u>9,737</u>	<u>32</u>
<b>Operating Expenses:</b>			
Administration:			
Personal Services	391	384	(7)
Contractual Services	231	267	36
Commodities	30	24	(6)
Total Administration	<u>652</u>	<u>675</u>	<u>23</u>
Randolph Golf Course:			
Personal Services	952	963	11
Contractual Services	799	592	(207)
Commodities	499	605	106
Total Randolph Golf Course	<u>2,250</u>	<u>2,160</u>	<u>(90)</u>
El Rio Golf Course:			
Personal Services	430	458	28
Contractual Services	220	336	116
Commodities	130	223	93
Total El Rio Golf Course	<u>780</u>	<u>1,017</u>	<u>237</u>
Silverbell Golf Course:			
Personal Services	403	428	25
Contractual Services	109	139	30
Commodities	193	245	52
Total Silverbell Golf Course	<u>705</u>	<u>812</u>	<u>107</u>
Enke Golf Course:			
Personal Services	356	434	78
Contractual Services	365	281	(84)
Commodities	229	210	(19)
Total Enke Golf Course	<u>950</u>	<u>925</u>	<u>(25)</u>
Tournaments:			
Personal Services		10	10
Contractual Services	2	12	10
Commodities		29	29
Total Tournaments	<u>2</u>	<u>51</u>	<u>49</u>
Clubhouse Operations:			
Personal Services	616	670	54
Contractual Services	200	182	(18)
Commodities	479	441	(38)
Total Clubhouse Operations	<u>1,295</u>	<u>1,293</u>	<u>(2)</u>
Pro Shop Operations:			
Personal Services	1,344	1,373	29
Contractual Services	57	109	52
Commodities	71	397	326
Cost of Goods Sold	359		(359)
Total Pro Shop Operations	<u>1,831</u>	<u>1,879</u>	<u>48</u>
Depreciation	814		(814)
Amortization of Goodwill	1		(1)
Total Operating Expenses	<u>9,280</u>	<u>8,812</u>	<u>(468)</u>
Net Operating Income (Loss)	<u>489</u>	<u>925</u>	<u>(436)</u>

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Nonoperating Income:</b>			
Investment Income	\$ 10	\$	\$ 10
Loan/Debt Financing		457	(457)
Gain on Sale of Property/Equipment	3		3
Balance Available fom Prior Years		354	(354)
Total Nonoperating Income	<u>13</u>	<u>811</u>	<u>(798)</u>
<b>Nonoperating Expenses:</b>			
Interest Expense	280	232	(48)
Amortization of Cost Issuance	5		(5)
Other	8		(8)
Total Nonoperating Expense	<u>293</u>	<u>232</u>	<u>(61)</u>
<b>Net Income (Loss)</b>	<u>209</u>	\$ <u>1,504</u>	\$ <u>(1,295)</u>
Net Assets - July 1	<u>14,555</u>		
Net Assets - June 30	<u>\$ 14,764</u>		

**CITY OF TUCSON, ARIZONA**  
**Revenues, Expenses and Flow of Funds**  
**Per Ordinance No. 6347 (1)**  
**Water Utility Fund**  
Year Ended June 30, 2003  
(in thousands)

**Schedule 6**

**Revenues:**

Sale of Water:		
Potable Water Sales		\$ 92,683
Reclaimed Water Sales		5,578
Central Arizona Project Surcharge		1,272
Connection Fees		3,382
Billing Services		1,446
Miscellaneous Revenue:		
Area Development Fees	\$ 1,091	
TCE Clean Up Reimbursement	850	
Plan Review and Inspection Fees	1,245	
Other	1,858	
Total Miscellaneous Revenue		5,044
Nonoperating Income:		
Investment Income - Operating Fund	\$ 825	
Investment Income - Debt Service Fund	71	
Gain on Sale of Property/Equipment	143	
Total Nonoperating Income		1,039
Total Revenues		<u>110,444</u>

**Operation and Maintenance Expenses:**

Director's Office		5,515
Business Services		8,937
Water Operations		17,511
Planning and Engineering		6,233
Quality Management		5,631
Power - Potable System		10,168
Power - Reclaimed System		997
CAP Water Purchases:		
Commodity	\$ 2,461	
Capital Charges	5,379	
Total CAP Water Purchases		7,840
General Expenses		1,692
Capitalized Operation and Maintenance Expense		(4,493)
Total Operation and Maintenance Expense		<u>60,031</u>
Net Revenue Available after Operations (2)		<u>50,413</u>

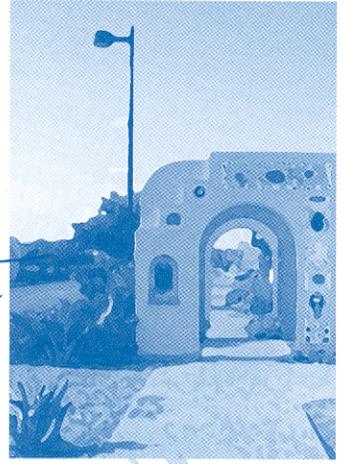
**Debt Service for Water Revenue Bonds:**

Principal		7,934
Interest		16,822
Fiscal Fees		331
Total Debt Service for Water Revenue Bonds		<u>25,087</u>
Net Revenue Available after Operations and Water Revenue		
Bond Debt Service		<u>\$ 25,326</u>

- (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).
- (2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional bonds only if Net Revenue Available after Operations has been at least equal to 120% of the Maximum Future Annual Debt Service Requirement. 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, 2003, the debt coverage for the Maximum Future Debt Service Requirement is 183%. 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 Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a required reserve account. For the period ended June 30, 2003, the debt coverage for the Annual Debt Service Requirement is 201%.

*Statistical*

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**CITY OF TUCSON, ARIZONA**  
**General Governmental Expenditures by Function (1)**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE I**

	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
General Government:										
Elected and Official	\$ 13,260	\$ 13,684	\$ 17,596	\$ 16,379	\$ 19,844	\$ 18,548	\$ 23,868	\$ 23,868	\$ 16,415	\$ 14,357
Support Services:										
Finance	5,086	5,018	5,335	5,576	5,496	5,818	6,616	6,667	6,954	7,238
Budget and Research	1,551	1,429	1,661	1,606	1,644	1,620	1,781	1,889	2,113	1,910
Procurement	2,096	2,167	2,394	2,210	2,320	2,682	2,754	3,669	3,168	3,297
Information Technology	2,064	3,505	6,007	7,300	7,568	8,682	9,480	9,096	9,131	9,750
Human Resources	2,733	2,116	2,239	2,112	2,640	2,645	2,877	2,926	2,801	2,909
Operations	9,866	10,585	10,205	11,921	12,818	12,948	16,937	16,811	15,212	16,530
City Manager Support Services (2)									2,203	765
Neighborhood Services:										
Community Services (3)	32,805	44,157	43,200	42,196	47,165	54,879	50,546	46,934	46,252	52,561
City Court	6,401	6,322	6,939	7,257	8,187	8,178	8,570	9,418	9,349	9,570
Public Defender	1,364	1,387	1,523	1,540	1,601	1,678	1,858	1,940	2,050	2,232
Police	55,581	59,394	63,723	65,167	68,376	77,296	90,271	99,960	100,532	109,876
Fire	26,388	27,764	28,957	29,285	30,403	32,805	36,487	39,990	42,156	46,889
Library	11,257	12,802	13,125	13,179	13,555	15,123	16,618	18,578	19,728	19,158
Parks and Recreation	24,316	28,092	30,458	37,139	33,983	38,113	38,473	37,877	36,041	36,158
City Manager Neighborhood Services (2)									937	3,293
Environment & Development:										
Planning	2,371	2,352	2,581	2,603	2,717	2,762	3,028	2,829	3,156	3,259
Development Services	3,211	3,274	3,585	3,797	3,847	4,123	4,622	6,076	6,344	7,348
Solid Waste Management	15,211	16,627	18,921	21,252	21,767	21,819	25,013	26,769	26,760	27,785
Transportation	47,548	67,119	69,173	79,468	85,515	76,676	97,730	93,183	70,181	74,953
City Manager Environmental Management (2)									2,369	2,969
Strategic Initiatives										
Convention Center	4,442	4,725	4,764	4,739	6,313	5,950	5,101	5,895	9,241	10,748
Rio Nuevo (5)							172	2,046		
City Manager Strategic Initiatives (2)									2,686	2,849
Nondepartmental	5,392	13,024	14,518	7,181	8,276	11,382	23,385	11,889	7,544	10,549
Debt Service	30,774	35,989	39,233	39,200	39,836	42,036	46,302	50,372	48,523	43,234
Capital Projects/Outlays (4)	30,015								86,893	88,903
Total	<u>\$ 333,732</u>	<u>\$ 361,532</u>	<u>\$ 386,137</u>	<u>\$ 401,107</u>	<u>\$ 423,871</u>	<u>\$ 445,763</u>	<u>\$ 512,489</u>	<u>\$ 518,682</u>	<u>\$ 578,739</u>	<u>\$ 609,090</u>

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- (1) Includes GAAP basis expenditures, except "Lease Purchase" expenditures which are offset by "Lease Purchase" proceeds, for the General Fund, all Special Revenue Funds, all Capital Project Funds, and General Obligation and Street and Highway Debt Service Funds (Excludes Special Assessment Debt Service)
- (2) Prior to Fiscal Year 2001-02, these functions were included in Elected and Official.
- (3) An \$86,000 correction was made for Community Services in Fiscal Year 1994. In previous reports, these expenditures were classified under General Government
- (4) Capital Projects are included in the expenditures of the function to which they are related for Fiscal Years 1994-95 through 2000-01
- (5) Rio Nuevo became a Discretely Presented Component Unit in Fiscal Year 2001-02.

**CITY OF TUCSON, ARIZONA**  
**General Revenues by Source (1)**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE II**

	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Taxes	\$ 134,897	\$ 144,067	\$ 144,932	\$ 152,875	\$ 158,401	\$ 167,428	\$ 182,112	\$ 194,471	\$ 199,468	\$ 203,731
Licenses and Permits	4,344	4,635	12,476	11,499	16,884	14,755	16,530	17,514	18,098	17,088
Fines, Forfeitures and Penalties	6,295	5,928	6,365	7,030	7,996	8,095	6,433	7,443	8,946	10,641
Use of Money and Property	3,266	5,373	5,900	6,773	7,239	6,285	7,602	7,528	7,408	5,031
Other Agencies	115,569	126,001	133,450	131,519	138,624	154,790	163,956	175,774	176,900	178,658
Charges for Current Services	23,608	28,946	30,671	30,491	30,530	32,213	38,986	40,831	40,432	42,692
Special Assessments (2)									1,131	484
Grants and Contributions On Federal Projects	45,272	54,459	47,417	61,701	65,582	62,875	60,704	67,801	78,150	71,867
Miscellaneous Revenue	<u>3,065</u>	<u>2,941</u>	<u>18,663</u>	<u>7,798</u>	<u>19,058</u>	<u>9,715</u>	<u>8,250</u>	<u>8,082</u>	<u>2,935</u>	<u>3,505</u>
Total	<u>\$ 336,316</u>	<u>\$ 372,350</u>	<u>\$ 399,874</u>	<u>\$ 409,686</u>	<u>\$ 444,314</u>	<u>\$ 456,156</u>	<u>\$ 484,573</u>	<u>\$ 519,444</u>	<u>\$ 533,468</u>	<u>\$ 533,697</u>

(1) Includes GAAP basis revenues for the General Fund, all Special Revenue Funds, all Capital Project Funds, and General Obligation and Street and Highway Debt Service Funds (excludes Special Assessment Debt Service Fund).

(2) Special Assessment Capital Project Fund revenue (not bond proceeds). New GASB Statement No 34 presentation change in Fiscal Year 2001-02.

**CITY OF TUCSON, ARIZONA**  
**Property Tax Levies and Collections**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE III**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1993-94	\$ 16,174	\$ 15,382	95.1 %	\$ 941	\$ 16,323	100.9 %	\$ 1,446	8.9 %
1994-95	17,817	16,944	95.1	717	17,661	99.1	1,464	8.2
1995-96	17,945	17,163	95.7	934	18,097	100.9	1,306	7.3
1996-97	18,343	18,070	98.5	771	18,040	98.3	1,141	6.2
1997-98	17,905	17,328	96.8	683	18,011	100.6	1,078	6.0
1998-99	17,915	16,961	94.7	673	17,634	98.4	1,077	6.0
1999-00	19,832	18,798	94.8	812	19,610	98.9	862	4.3
2000-01	23,017	21,788	94.7	675	22,463	97.6	1,441	6.3
2001-02	23,885	22,478	94.1	979	23,457	98.2	725	3.0
2002-03	25,277	22,871	90.5	897	23,768	94.0	1,712	6.8

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**CITY OF TUCSON, ARIZONA**  
**Assessed and Estimated Actual Value of Taxable Property**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE IV**

Fiscal Year	Real Property		Personal Property		Total		Ratio of Total Assessed To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1993-94	\$ 1,243,178	\$ 10,443,778	\$ 243,620	\$ 994,182	\$ 1,486,798	\$ 11,437,960	0.13
1994-95	1,306,084	11,117,506	240,688	977,854	1,546,772	12,095,360	0.13
1995-96	1,337,603	11,583,856	230,911	970,146	1,568,514	12,554,002	0.13
1996-97	1,357,143	11,788,763	241,653	1,131,077	1,598,796	12,919,840	0.12
1997-98	1,543,311	13,383,256	275,598	1,157,684	1,818,909	14,540,940	0.13
1998-99	1,605,984	13,807,855	269,891	1,173,053	1,875,875	14,980,908	0.13
1999-00	1,624,339	12,874,604	320,829	2,542,911	1,945,168	15,417,515	0.13
2000-01	1,713,871	13,515,042	334,750	2,639,735	2,048,621	16,154,777	0.13
2001-02	1,808,505	14,379,728	329,956	2,623,540	2,138,461	17,003,268	0.13
2002-03	1,923,729	15,339,146	345,004	2,750,943	2,268,733	18,090,089	0.13

**CITY OF TUCSON, ARIZONA**  
**Property Tax Rates - Direct and Overlapping**  
**Per \$100 Assessed Valuation**  
Last Ten Fiscal Years (1) (unaudited)

**TABLE V**

<u>Fiscal Year</u>	<u>State</u>	<u>County</u>	<u>City</u>	<u>School District #1</u>	<u>Junior College District</u>	<u>Other</u>	<u>Total</u>
1993-94							
Primary	0.4700	3.5102	0.2026	6.2474	1.0599	0.5300	12.0201
Secondary		1.2955	0.8874	1.7217		0.7365	4.6411
1994-95							
Primary	0.4700	3.5102	0.2014	6.7922	1.1038	0.5300	12.6076
Secondary		1.2225	0.9568	1.9750		0.6524	4.8067
1995-96							
Primary	0.4700	3.5137	0.2000	6.7528	1.1441	0.5300	12.6106
Secondary		1.2325	0.9490	2.1532	0.0742	0.5535	4.9624
1996-97							
Primary		3.5137	0.1489	7.1193	1.1691	0.5300	12.4810
Secondary		1.1925	1.0000	2.3515	0.0742	0.5545	5.1727
1997-98							
Primary		3.5839	0.1428	7.0576	1.1166	0.5300	12.4309
Secondary		1.5520 ##	0.8488	1.8525	0.0670	0.1917	4.5120
1998-99							
Primary		3.6852	0.1428	7.0800	1.1283	0.5300	12.5663
Secondary		1.5120	0.8173	1.7481	0.0639	0.1915	4.3328
1999-00							
Primary		4.0720	0.1428	6.8582	1.1626	0.5217	12.7573
Secondary		1.4931	0.8810	1.9287	0.2070	0.1100	4.6198
2000-01							
Primary		4.0720	0.1406	7.1105	1.1709	0.5123	13.0063
Secondary		1.4915	0.9864	1.9389	0.3865	0.1300	4.9333
2001-02							
Primary		4.0720	0.1403	8.0889	1.1455	0.4974	13.9441
Secondary		1.5108	0.9799	1.7199	0.4015	0.1300	4.7421
2002-03							
Primary		4.0720	0.2089	7.6124	1.1530	0.4889	13.5352
Secondary		1.4278	0.9113	1.6656	0.3803	0.1300	4.5150

(1) Per Arizona revised Statute 42-301, primary tax levy (no restrictions on use) is limited to an increase of 2 % over the previous year's maximum allowable primary levy. Secondary tax may be levied in any amount necessary to pay for debt service or to provide special district funding.

(2) Beginning in 1997-98, the County Secondary Rate includes the Flood Control District rate which was previously placed in the "Other" secondary rate.

**CITY OF TUCSON, ARIZONA**  
**Principal Taxpayers**  
 June 30, 2003 (unaudited)  
 (dollar amounts in thousands)

**TABLE VI**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Estimated 2002-03 Assessed Valuation</u>	<u>As % of City's Total 2002-03 Assessed Valuation</u>
Tucson Electric Power Company	Electric Utility	\$ 84,407	3.72 %
Qwest	Telephone	51,198	2.66
Southwest Gas Corporation	Natural Gas Utility	19,277	0.85
Tucson Mall	Retail Stores	18,733	0.83
Park Place	Retail Stores	11,688	0.52
AT & T Communications	Telephone	9,619	0.42
El Con Mall	Retail Stores	7,836	0.30
MCI Worldcom Network	Telephone	7,614	0.34
WC Partners	Commercial Rentals	6,769	0.34
Wal-Mart	Retail Stores	5,665	0.25
Totals		\$ <u>222,806</u>	<u>10.23</u> %

Sources:  
 Pima County Assessor's Office  
 Arizona Department of Revenue

**CITY OF TUCSON, ARIZONA**  
**Special Assessment Collections (1)**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE VII**

Fiscal Year	Current Assessments Due	Current Assessments Collected (2)	Ratio of Collections to Amounts Due (2)
1993-94	\$ 1,845	\$ 1,845	1.00
1994-95	1,797	1,797	1.00
1995-96	1,632	1,632	1.00
1996-97	1,432	1,432	1.00
1997-98	1,145	1,145	1.00
1998-99	947	947	1.00
1999-00	810	810	1.00
2000-01	736	736	1.00
2001-02 (3)	399	322	0.81
2002-03	458	796	1.74

(1) Principal only.

(2) All delinquent assessments are sold to independent bidders.

(3) FY 02 collections included a reduction for a refund to Civano property holders of \$160.

**CITY OF TUCSON, ARIZONA**  
**Legal Debt Margin**  
 June 30, 2003 (unaudited)  
 (dollar amounts in thousands)

**TABLE VIII**

		General Obligation Other Purposes 6%	General Obligation Utility Purposes and Open Spaces 20%
		<u>                    </u>	<u>                    </u>
Total Assessed Value	\$ 2,268,733		
Debt Limitation		\$ 136,124	\$ 453,747
Total Bonded Debt	758,754		
Less:			
Street & Highway Bonds	153,545		
Water Utility Revenue Bonds	333,665		
Special Assessments Bonds	4,555		
Debt Subject to Limitation	<u>\$ 266,989</u>	<u>84,671</u>	<u>182,318</u>
Legal Debt Margin		<u>\$ 51,453</u>	<u>\$ 271,429</u>

**CITY OF TUCSON, ARIZONA**  
**Ratio of Net General Bonded Debt**  
**to Assessed Value and Net Bonded Debt Per Capita**  
 Last Ten Fiscal Years (unaudited)

**TABLE IX**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (in thousands)</u>	<u>Gross Bonded Debt (in thousands)</u>	<u>Less Debt Service Funds (in thousands)</u>	<u>Net Bonded Debt (in thousands)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1993-94	438,000	\$ 1,486,797	\$ 151,724	\$ 2,199	\$ 149,525	0.101	\$ 341.38
1994-95	448,000	1,546,772	173,559	4,476	169,083	0.109	377.42
1995-96	449,000	1,568,514	194,854	5,056	189,798	0.121	422.71
1996-97	459,000	1,598,796	201,534	5,517	196,017	0.123	427.05
1997-98	466,538	1,818,909	209,159	4,012	205,147	0.113	439.72
1998-99	476,406	1,875,875	217,274	1,586	215,688	0.115	452.73
1999-00	486,810	1,945,168	211,169	315	210,854	0.108	433.13
2000-01	498,307	2,048,621	223,569	1,209	222,360	0.109	446.23
2001-02	508,271	2,138,461	243,099	1,503	241,596	0.113	475.33
2002-03	516,220	2,268,733	266,989	3,195	263,794	0.116	511.01

**CITY OF TUCSON, ARIZONA**  
**Property Tax Requirements for General Debt Service**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE X**

Fiscal Year	Principal	Interest	Net Debt Service	Property Tax Levy(1)		Tax Rate Required for Net General Debt Service(2)
				Primary	Secondary	
1993-94	\$ 410	\$ 11,542 (3)	\$ 11,952	\$ 2,981	\$ 13,193	0.80
1994-95	2,820	9,695 (3)	12,515	3,017	14,800	0.81
1995-96	3,450	10,850	14,300	3,060	14,885	0.91
1996-97	3,830	11,694	15,524	2,355	15,988	0.97
1997-98	5,465	11,478	16,943	2,466	15,439	0.93
1998-99	5,740	12,012	17,752	2,583	15,332	0.93
1999-00	6,105	12,299	18,404	2,695	17,137	0.94
2000-01	6,440	12,868	19,308	2,810	20,207	0.95
2001-02	7,030	13,785	20,815	2,931	20,954	0.97
2002-03	6,570	12,670	19,240	4,342	19,537	0.85

(1) Primary tax levy (no restrictions on use) is limited to an increase of 2% over the previous years maximum allowable primary levy. Secondary tax may be levied in any amount necessary to meet the City's general obligation debt requirements, subject to City Charter ceiling limitation for combined primary and secondary levies of \$1.75 per \$100 assessed valuation.

(2) Rate shown is per \$100 of assessed valuation and assumes no use of reserved funds or interest earnings in General Obligation Debt Service Fund. Secondary tax levy for Fiscal Year 2002-03 was .9113.

(3) Includes payments to Refunding Trust Escrow Account of \$3,499 in 1993-94 fiscal year and \$635 in 1994-95 fiscal year.

**CITY OF TUCSON, ARIZONA**  
**Ratio of Annual Debt Service Expenditures for**  
**General Bonded Debt to Total General Expenditures**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE XI**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures(1)</u>	<u>Ratio of Debt Service to General Expenditures</u>
1993-94	\$ 410	\$ 11,542	\$ 11,952	\$ 333,732	.04
1994-95	2,820	9,695 (2)	12,515	361,532	.03
1995-96	3,450	10,850 (2)	14,300	386,137	.04
1996-97	3,830	11,694	15,524	401,107	.04
1997-98	5,465	11,478	16,943	423,871	.04
1998-99	5,740	12,012	17,752	445,763	.04
1999-00	6,105	12,299	18,404	512,489	.04
2000-01	6,440	12,868	19,308	518,682	.04
2001-02	7,030	13,785	20,815	578,739	.04
2002-03	6,570	12,670	19,240	609,090	.03

(1) Includes GAAP basis expenditures, except "Lease Purchase" expenditures which are offset by "Lease Purchase Proceeds," for the General Fund, all Special Revenue Funds and the General Obligation and Street and Highway Debt Service Funds.

(2) Includes payments to Refunding Trust Escrow Account of \$3,499 in 1993-94 fiscal year and \$635 in 1994-95 fiscal year.

**CITY OF TUCSON, ARIZONA**  
**Computation of Direct and Overlapping Debt**  
June 30, 2003 (unaudited)  
(dollar amounts in thousands)

**TABLE XII**

<u>Name of Governmental Unit</u>	<u>General Obligation Net Debt Outstanding</u>	<u>Percentage Applicable to City of Tucson</u>	<u>Amount Applicable to City of Tucson</u>
City of Tucson	\$ 263,794 <sup>(1)</sup>	100.00 %	\$ 263,794
School District No. 1	310,125	96.67	299,798
School District No. 8	14,740	6.49	957
School District No. 10	127,555	39.17	49,963
School District No. 12	60,080	12.25	7,360
School District No. 20	19,625	7.54	1,480
School District No. 39	3,985	7.53	300
School District No. 6	84,940	15.71	13,344
School District No. 16	50,285	16.60	8,347
School District No. 13	7,800	5.06	395
School District No. 30	2,275	3.63	83
Pima County	213,170	46.92	100,019
Pima County Flood Control District	5,330	46.92	2,501
Pima County Community College	<u>118,440</u>	46.92	<u>55,572</u>
Total Direct and Overlapping Debt	<u>\$ 1,282,144</u>		<u>\$ 803,913</u>

<sup>(1)</sup> Net of Debt Service Funds on Hand.

**CITY OF TUCSON, ARIZONA**  
**Schedule of Water Revenue Bond Coverage (1)**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE XIII**

Year	Gross Revenue	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements- Bonds		Total	Coverage
				Principal	Interest		
1993-94	\$ 76,143	\$ 42,106	\$ 34,037	\$ 1,830	\$ 12,430	\$ 14,260	2.39
1994-95	80,103	46,059	34,044	6,935	12,331	19,266	1.77
1995-96	91,463	46,359	45,104	7,280	11,973	19,253	2.34
1996-97	96,187	50,867	45,320	6,865	13,257	20,122	2.25
1997-98	94,884	46,008	48,876	7,516	13,244	20,760	2.25
1998-99	91,377	53,471	37,906	14,825	7,823	22,648	1.67
1999-00	93,486	52,240	41,246	15,869	9,101	24,970	1.65
2000-01	94,810	52,643	42,167	16,688	9,099	25,787	1.64
2001-02	114,282	57,295	56,987	16,575	11,077	27,652	1.64
2002-03	110,444	60,031	50,413	16,575	11,023	27,598	1.83

(1) Effective with Fiscal Year 1997/98, this information will show the Maximum Annual Debt Service coverage as defined by Ordinance No. 6347. The debt service requirements represent the greatest amount required in any fiscal year as of the current fiscal year or thereafter. In previous years, the coverage ratio was based on the current fiscal year debt service requirements. Expenses exclude depreciation, amortization, and other water expenses subordinate to debt service.

**CITY OF TUCSON, ARIZONA**  
**Demographic Statistics**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE XIV**

<u>Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate (1)</u>	<u>Area In Square Miles</u>	<u>Population Per Square Mile</u>
1994	438,000	\$ 18	4.4 %	161.99	2,703.87
1995	448,000	19	4.0	162.94	2,749.48
1996	449,000	20	3.6	191.30	2,347.10
1997	459,000	21	3.2	193.51	2,371.97
1998	466,538	22	2.6	194.12	2,403.35
1999	476,406	22	2.7	195.36	2,438.61
2000	486,810	23	2.8	195.46	2,490.59
2001	498,307	24	3.1	223.33	2,231.26
2002	508,271	25	4.5	226.08	2,248.19
2003	516,220	25	4.4	226.13	2,282.85

<sup>(1)</sup> Statistics for Pima County as a whole.

Source:  
 City of Tucson, Planning Department

**CITY OF TUCSON, ARIZONA**  
**Building Permits, Bank Deposits and Retail Sales**  
 Last Ten Fiscal Years (unaudited)  
 (dollar amounts in thousands)

**TABLE XV**

Year	Building Permits				Bank Deposits	Retail Sales
	Commercial		Residential			
	Number	Value	Number	Value		
1994	1,871	\$ 158,757	4,664	\$ 187,780	\$ 5,339,000	\$ 6,473,544
1995	1,592	173,222	5,119	253,450	5,124,000	7,036,076
1996	1,443	201,654	5,236	222,537	5,120,000	7,598,821
1997	1,630	170,362	5,923	227,027	4,805,000	8,112,202
1998	1,924	189,849	5,439	276,011	4,684,808	8,546,160
1999	2,027	262,089	4,062	295,924	5,475,232	8,805,407
2000	2,332	214,514	4,233	336,850	5,059,897	9,491,019
2001	2,415	269,156	5,808	386,393	5,812,485	10,070,605
2002	2,148	223,703	5,778	355,394	6,029,443	9,538,556
2003	1,225	108,728	4,013	308,621	6,642,554	9,924,164

Sources:

Arizona Bankers Association  
 City of Tucson Finance Department  
 City of Tucson Development Services Center

**CITY OF TUCSON, ARIZONA**  
**Miscellaneous Statistics**  
June 30, 2003 (unaudited)  
(dollar amounts in thousands)

**TABLE XVI**

Date of Incorporation:

February 7, 1887

Form of Government:

Council - Manager

Date of Charter Adoption:

March 7, 1883

City Employees: June 30, 2003

Full Time	4,905
Part Time/Other	2,287
	<u>7,192</u>

Fire Protection:

Commissioned Employees	521
Number of Stations	18

Police Protection:

Commissioned Employees	946
Traffic Citations	165,887
Felonies	50,058

Miles of Streets:

Residential	1,315.34
Collectors	100.89
Arterials	287.45
Interstate	79.64
Area of City in Square Miles	226.13

Street Lights:

Number	17,425
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Libraries:

Number	- Within City	10
	- Outside City	12
Circulation		6,063,771

Parks and Recreation:

Recreation/ Regional Centers	17
Golf Courses	5
Parks	127
Playfields	195
Swimming Pools	26

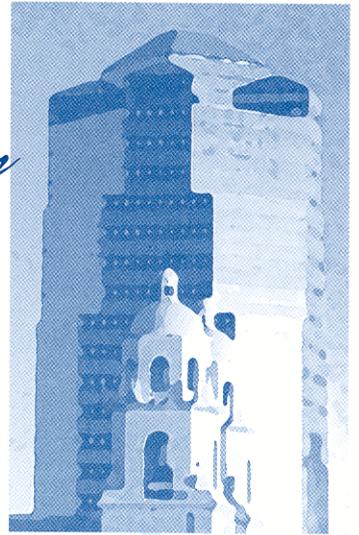
Water Utility:

Operable Wells	212
Miles of Water Mains	4,275
Number of Water Connections	205,377
Potable Water Distributed (in Billion Gallons)	36

Elections:

Registered Voters 11/06/01	193,969
Votes Cast in Last City General Election (27% of Voters)	53,332

*Glossary*



*Jackson*

*Calligraphy*

## 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]

**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.

**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.

**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 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.

**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.

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

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

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

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

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

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

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

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

**Fund balance.** The difference between assets and liabilities reported in a governmental fund.

**Fund 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.

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

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

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

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

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

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

**Materiality.** The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.<sup>1</sup> 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.

**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]

**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.

**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.

**Post-retirement healthcare benefits.** Medical, dental, vision, and other health-related benefits provided to retired employees, dependents, and beneficiaries. [SGAS 26]

**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.

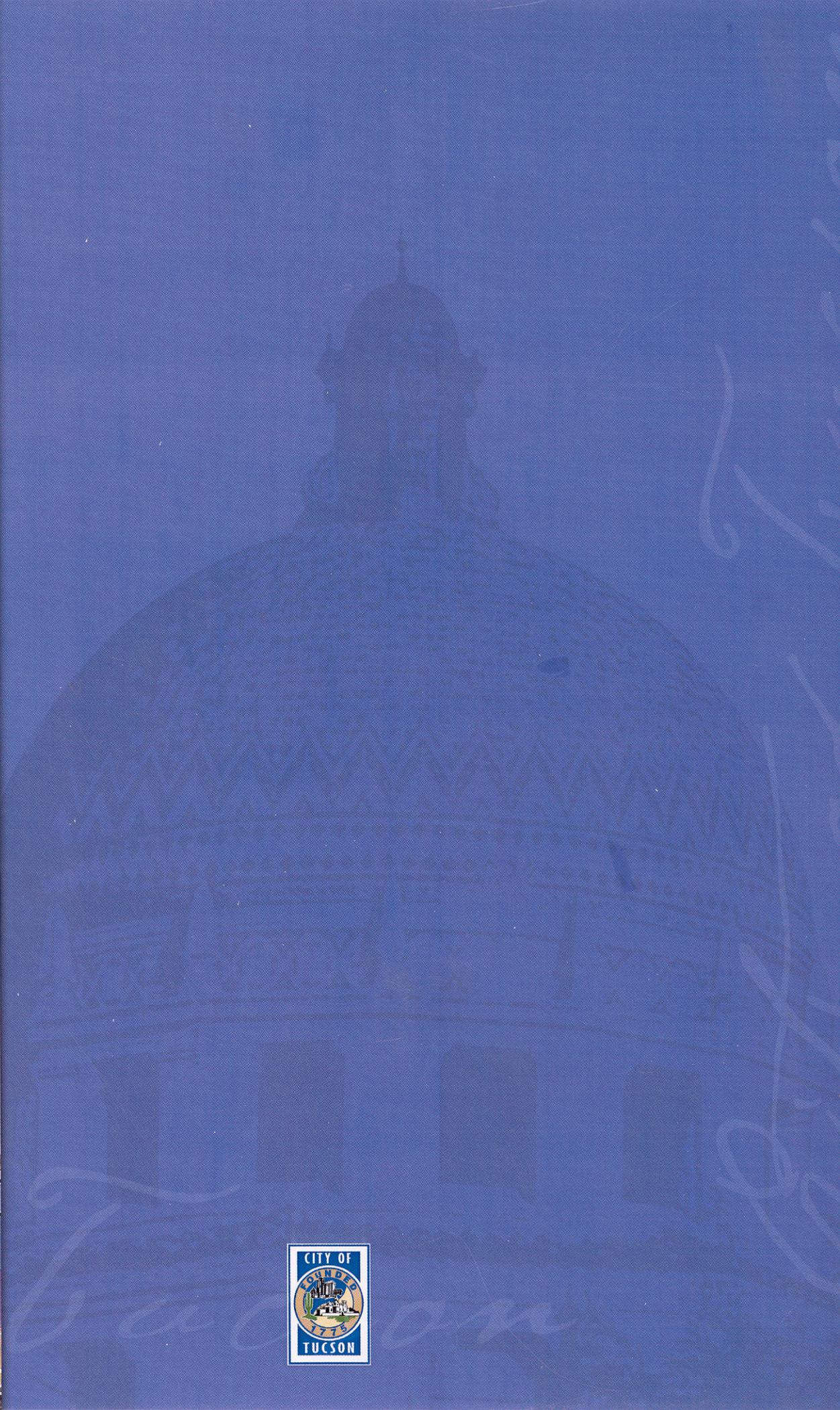
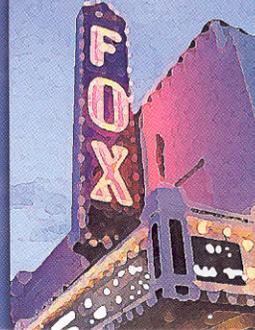
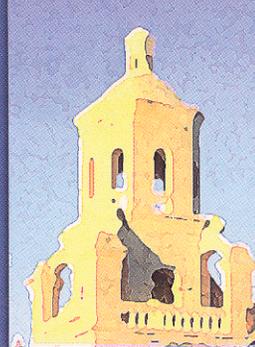
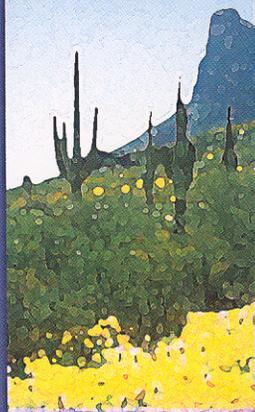
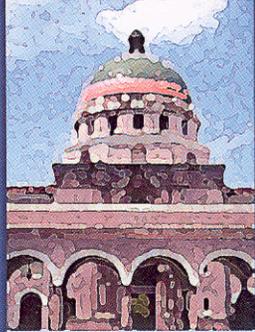
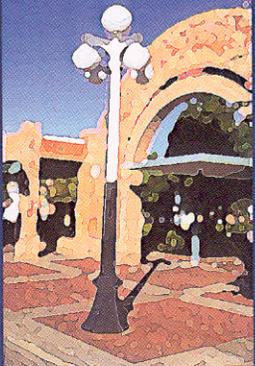
**Refunding.** The issuance of new debt whose proceeds are used to repay previously issued debt. The proceeds may be used immediately for this purpose (a current refunding), or they may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a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

**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 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.



*Tucson*