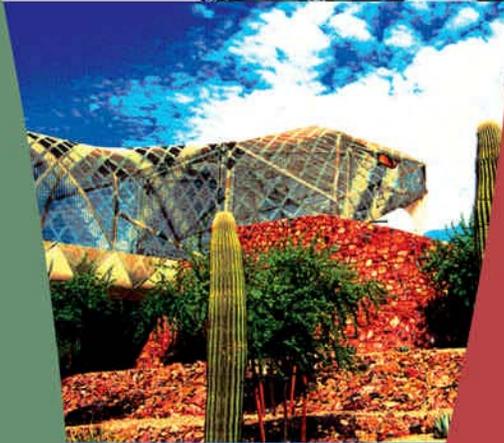
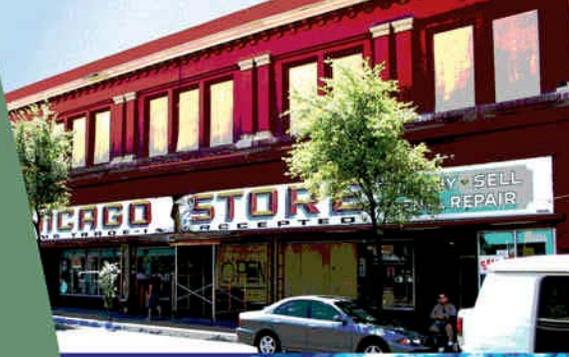


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City of
Tucson,
Arizona

Comprehensive Annual
Financial Report

Fiscal Year July 1, 2003 - June 30, 2004



City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2004

Prepared by: The Department of Finance,
Accounting Division





Introductory Section



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CITY OF
TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

December 10, 2004

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, 2004, as required by Chapter XXIX of the City Charter. The CAFR 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 on February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. All funds and entities related to the City 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, Environmental Services, 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: The economies for Arizona and Tucson are improving. Both 2004 and 2005 promise to bring the fastest growth in a decade. Retail sales in Tucson are forecasted to grow 7.4%. Tucson's net hiring strength is the highest since early 2001. Although employment in information is declining and mining neither losing nor growing, manufacturing, state & local government, and professional and business services are adding workers. Construction, education & health services, and professional and business services have created the most new jobs during the past year. Population and personal incomes will continue to grow. One of the biggest challenges ahead in this period of economic growth will be the supply of skilled workers.

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: Rio Nuevo is a comprehensive revitalization program for downtown Tucson including new attractions, shopping, restaurants, office space, and housing. One of the primary goals is to foster and promote private sector development and reinvestment in the downtown area. At the end of fiscal year 2004, \$58 million in public improvement projects and \$200 million in planned or actual residential development were underway.

Managing Growth: Long range comprehensive planning is one of the City's highest priorities. Our strategies will ensure balanced growth, building effective relationships with regional partners, implementing the General Plan's cost of development strategy and improving service delivery to address the demands of our growing community.

Neighborhood Development: Construction will begin on two new fire stations to serve growing areas of the City. Library expansion projects have progressed with the completion of the George Miller-Golf Links branch and completion of the Quincie Douglas branch scheduled for July 2005. The Parks and Recreation Department completed \$8.9 million for projects that opened new parks, outfitted 8 playgrounds, opened new ramadas, and renovated many other sites.

Transportation: The City's transportation strategies are to seek and obtain resources necessary to improve the transportation system, provide leadership within the region to address transportation system needs, and develop alternative land use patterns to promote a more effective transportation system. Several projects are underway to identify and compare costs and benefits of a range of transportation alternatives, conduct long-range planning through a Regional Transportation Plan, and improve our roads and sidewalks through several rehabilitation projects.

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. The City achieved an official "Port of Entry" designation from the U.S. Customs. The development of Tucson as an inland port will facilitate regional and international trade and serve as a catalyst for creating new business sectors in the community.

Good Government: The City staff has worked hard to improve communication and services with our citizens. The expanded use of technology has improved several City systems to improve services, fiscal responsibility, ensure public and employee safety, and provide greater information access.

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.

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 coverage includes 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. 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, 2003. 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 22 consecutive years (fiscal years ended 1982 through 2003). 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 Joyce Garland, CPA, Financial Manager, Michael Mason, CPA, Accounting Administrator and to the entire Accounting staff who prepared this CAFR:

Stacie Bird
Jeff Alford, CPA, CGFM
Silvia A. Navarro
Carla Casem
Sheri Rico
Mario Reyes
Shane Oman
Sally Menninga, CPA, CGFM
Omar Garcia
Marsha Schlanger
Cheryl Van De Beuken
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,

J. Scott Douthitt
Finance Director



City of Tucson Officials



HONORABLE
ROBERT E. WALKUP
MAYOR



JOSÉ 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

Deputy Finance Director
Stacey Lemos

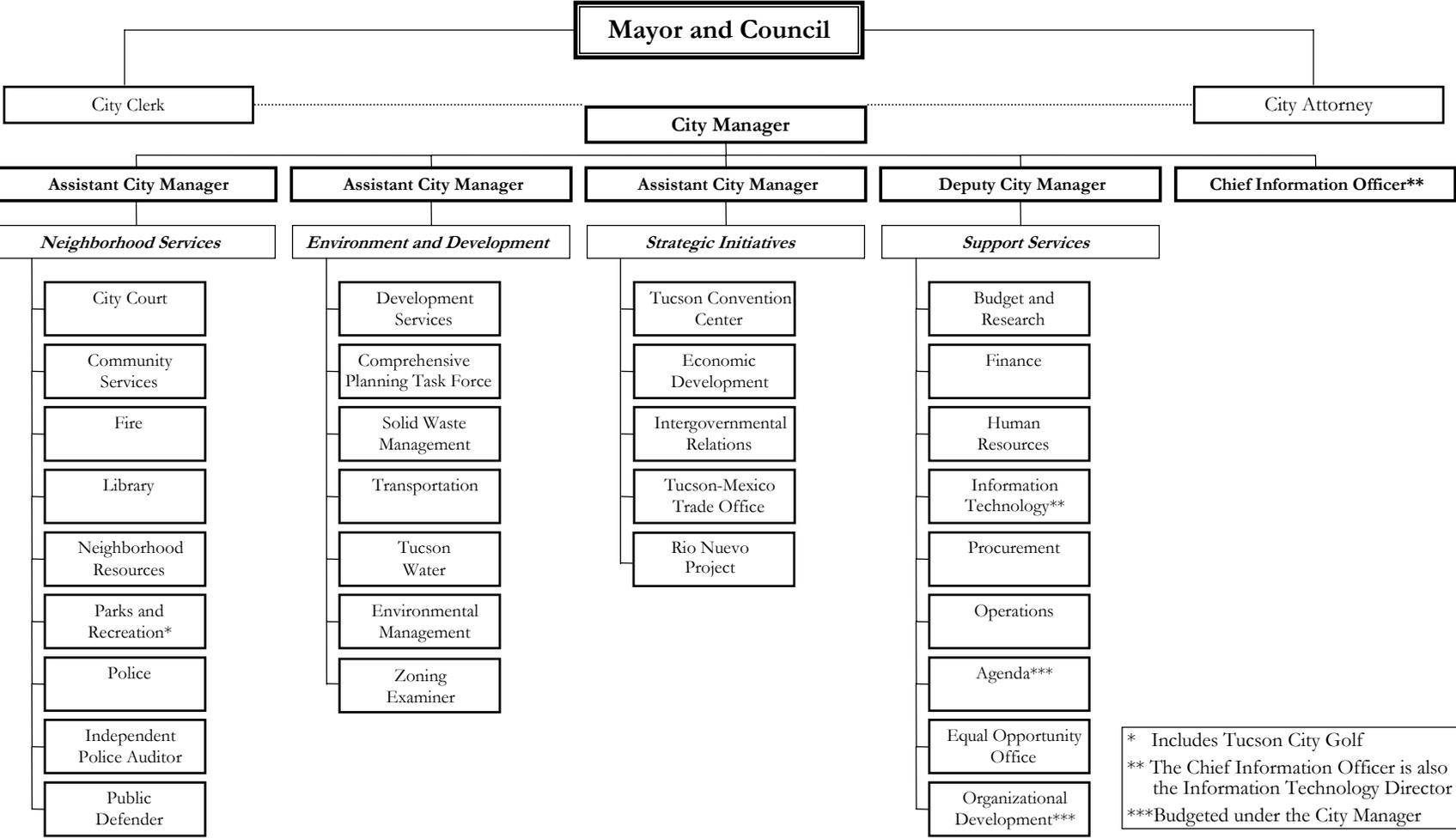
Finance Director
J. Scott Douthitt

Deputy Finance Director
Joe Ladenberg

Accounting Administrator
Michael Mason



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2004**



* Includes Tucson City Golf
 ** The Chief Information Officer is also the Information Technology Director
 ***Budgeted under the City Manager

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, 2003

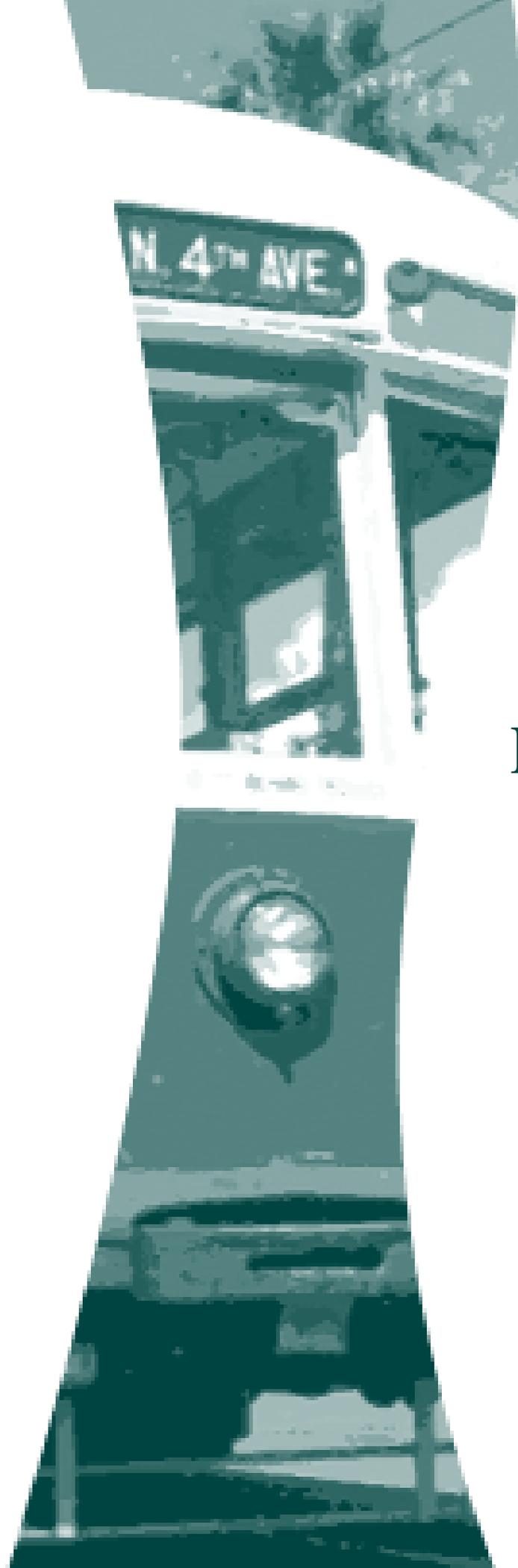
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director





Financial Section



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, 2004, 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, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 14 and budgetary comparison information on pages 61 and 62 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Heinfeld, Meech & Co., P.C.

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

December 10, 2004



Management's Discussion and Analysis

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

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, 2004. 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 \$1.65 billion (reported as net assets), an increase of \$66.5 million from last year. Governmental activities contributed to \$43.6 million of this increase while \$22.9 million came from business-type activities.

Fund Level

- The City's governmental funds reported a combined fund balance of \$150.5 million, an increase of \$17 million from last fiscal year. Within the combined fund balance total, \$43.5 million is unreserved, while \$107 million is reserved for specific purposes. A significant portion of the unreserved fund balance (\$18.4 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 \$73.3 million, which represents a \$17.1 million increase from last year. The unreserved/undesignated balance is \$10.9 million. This represents over 3% of total general fund expenditures for the fiscal year.
- On a current financial resource basis, revenues raised during the year were \$22.1 million less than budgeted for the General Fund, while expenditures were \$47 million less than budgeted.

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. 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, 2004

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

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

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, 2004

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net assets for the primary government increased 4% over the course of the year to \$1.7 billion. Governmental activities contributed to 65.6% of this increase, while business-type activities contributed 34.4%. 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, arbitration, and claims and judgments.

Table B-1
City of Tucson
Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	Restated 2003	2004	2003	2004	Restated 2003
	Current and Other Assets	\$ 296,557,212	\$ 273,346,058	\$ 83,297,716	\$ 69,869,501	\$ 379,854,928
Capital Assets	1,444,429,993	1,393,864,391	923,361,053	888,743,289	2,367,791,046	2,282,607,680
Total Assets	<u>1,740,987,205</u>	<u>1,667,210,449</u>	<u>1,006,658,769</u>	<u>958,612,790</u>	<u>2,747,645,974</u>	<u>2,625,823,239</u>
Current and Other Liabilities	156,297,502	131,670,572	37,607,005	31,794,023	193,904,507	163,464,595
Long-term Debt Outstanding	540,869,366	537,926,976	359,957,877	340,640,270	900,827,243	878,567,246
Total Liabilities	<u>697,166,868</u>	<u>669,597,548</u>	<u>397,564,882</u>	<u>372,434,293</u>	<u>1,094,731,750</u>	<u>1,042,031,841</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	1,002,677,211	974,031,888	569,483,745	552,151,011	1,572,160,956	1,526,182,899
Restricted	69,416,688	63,053,748	2,670,658	484,199	72,087,346	63,537,947
Unrestricted (Deficit)	(28,273,562)	(36,914,246)	36,939,484	33,543,287	8,665,922	(3,370,959)
Total net assets	<u>\$ 1,043,820,337</u>	<u>\$ 1,000,171,390</u>	<u>\$ 609,093,887</u>	<u>\$ 586,178,497</u>	<u>\$ 1,652,914,224</u>	<u>\$ 1,586,349,887</u>

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program Revenues:						
Charges for Services	\$ 86,991,199	75,855,151	\$ 124,071,913	\$ 119,174,177	\$ 211,063,112	\$ 195,029,328
Operating Grants and Contributions	96,836,225	129,445,142			96,836,225	129,445,142
Capital Grants and Contributions	74,014,269	17,062,685	11,889,083	10,171,984	85,903,352	27,234,669
Total Program Revenues	<u>257,841,693</u>	<u>222,362,978</u>	<u>135,960,996</u>	<u>129,346,161</u>	<u>393,802,689</u>	<u>351,709,139</u>
General Revenues:						
Taxes:						
Property Taxes	27,329,989	25,069,327			27,329,989	25,069,327
Public Utility Taxes	7,887,631	9,267,002			7,887,631	9,267,002
Business Privilege Taxes	177,117,183	167,588,812			177,117,183	167,588,812
Occupational Taxes	2,049,759	2,115,059			2,049,759	2,115,059
Liquor Taxes	713,674	731,178			713,674	731,178
Transient Occupancy Taxes	9,145,965	6,395,320			9,145,965	6,395,320
Unrestricted Grants and Contributions	106,317,054	108,437,015			106,317,054	108,437,015
Investment Income (Loss)	1,037,894	3,736,583	705,809	1,630,123	1,743,703	5,366,706
Miscellaneous	5,782,790	5,252,988		210,700	5,782,790	5,463,688
Total General Revenues	<u>337,381,939</u>	<u>328,593,284</u>	<u>705,809</u>	<u>1,840,823</u>	<u>338,087,748</u>	<u>330,434,107</u>
Total Revenues	<u>595,223,632</u>	<u>550,956,262</u>	<u>136,666,805</u>	<u>131,186,984</u>	<u>731,890,437</u>	<u>682,143,246</u>
Expenses						
Elected and Official	15,724,295	14,456,660			15,724,295	14,456,660
Support Services	42,465,015	45,314,249			42,465,015	45,314,249
Neighborhood Services	295,870,113	292,321,939			295,870,113	292,321,939
Environment and Development	149,983,180	142,321,881			149,983,180	142,321,881
Strategic Initiatives	13,359,186	14,303,164			13,359,186	14,303,164
Non-Departmental	10,439,491	13,195,901			10,439,491	13,195,901
Interest on Long-term Debt	23,701,247	21,975,251			23,701,247	21,975,251
Fiscal Agent and Other	32,158				32,158	
Water			104,427,551	105,199,931	104,427,551	105,199,931
Golf			9,323,864	9,639,836	9,323,864	9,639,836
Total Expenses	<u>551,574,685</u>	<u>543,889,045</u>	<u>113,751,415</u>	<u>114,839,767</u>	<u>665,326,100</u>	<u>658,728,812</u>
Changes in Net Assets	43,648,947	7,067,217	22,915,390	16,347,217	66,564,337	23,414,434
Increase (Decrease) in Net Assets	<u>\$ 43,648,947</u>	<u>\$ 7,067,217</u>	<u>\$ 22,915,390</u>	<u>\$ 16,347,217</u>	<u>\$ 66,564,337</u>	<u>\$ 23,414,434</u>

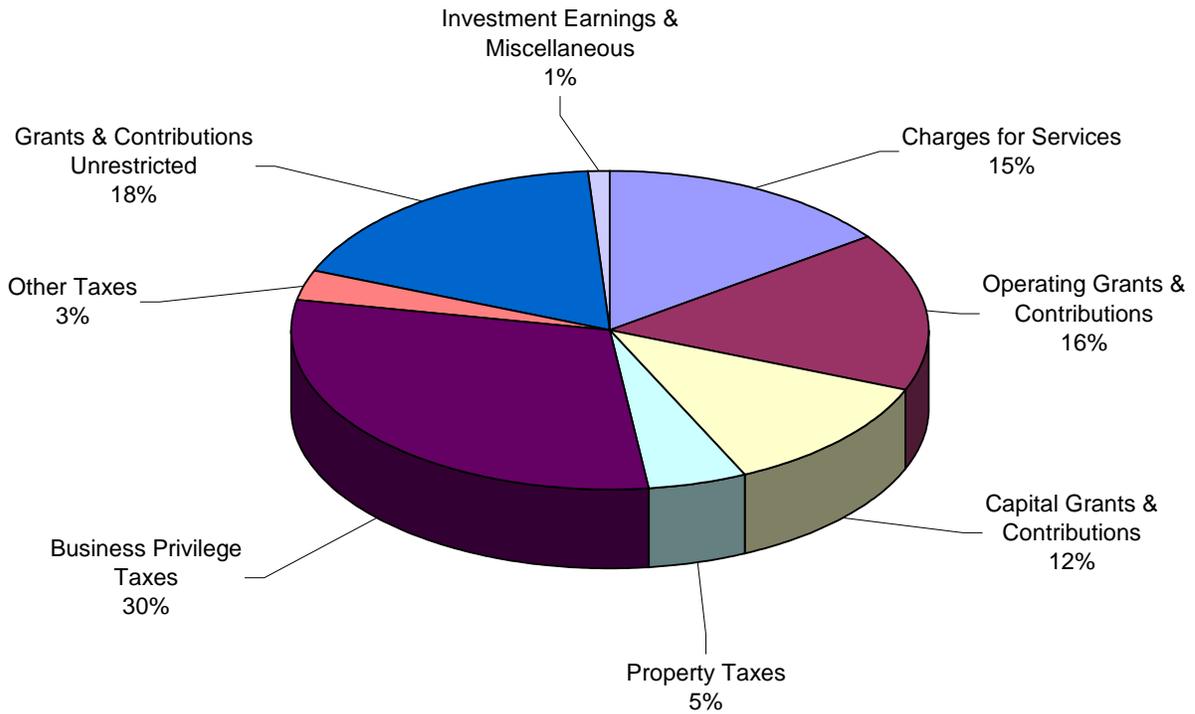
**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004**

Governmental Activities

Total expenses for governmental activities for Fiscal Year 2004 were \$551.6 million. Program revenues, including charges for services and restricted grants or contributions, covered 46.8% of these costs. General revenues covered the remaining 53.2% 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 2004:

**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2004**



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

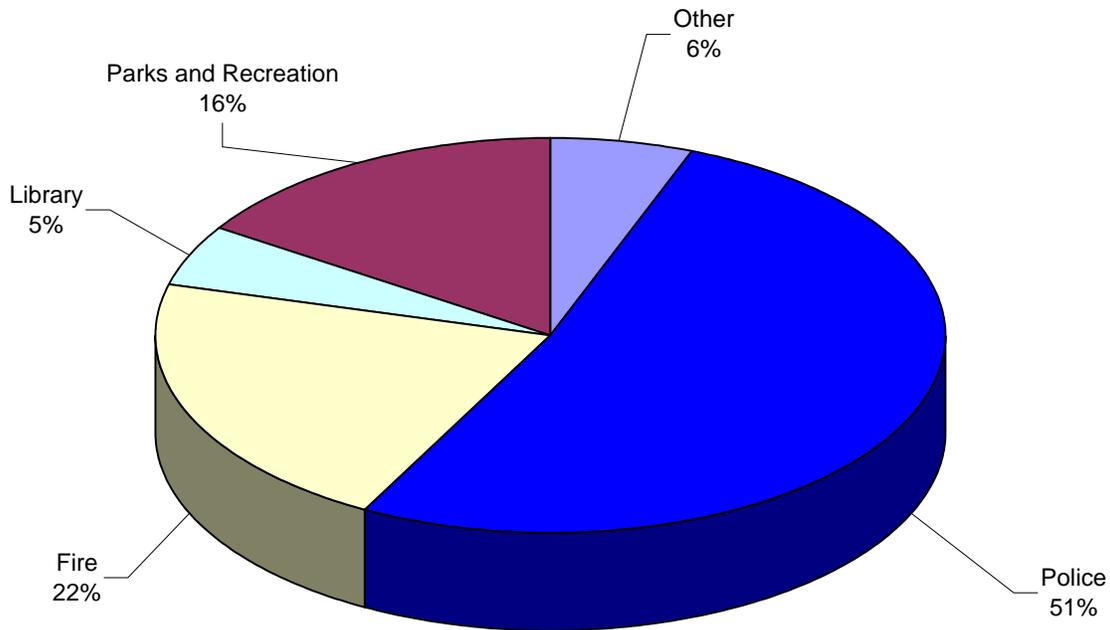
Net expenses, program revenues less expenses, generated from governmental activities are presented by function in Table B-3 below to illustrate how much support each function receives from the City's general revenues:

Table B-3
City of Tucson
Net Expense/Revenue -Governmental Activities

Function	2004		2003	
	Net Exp/Rev	Percentage	Net Expense	Percentage
Elected and Official	\$ (15,261,077)	5%	\$ (13,888,660)	4%
Support Services	(24,593,142)	8%	(28,490,249)	9%
Neighborhood Services	(193,915,623)	66%	(193,503,939)	60%
Environment and Development	(37,793,063)	13%	(41,416,881)	13%
Strategic Initiatives	(10,246,430)	3%	(10,772,164)	3%
Non-Departmental	11,809,748	-4%	(11,478,901)	5%
Interest on Long-term Debt	(23,701,247)	8%	(21,975,251)	7%
Fiscal Agent Fees and Other	(32,158)	0%		
Total Net Expense	\$ (293,732,992)	100%	\$ (321,526,045)	100%

Neighborhood Services represents a significant portion (66%) 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/Revenues by Department
For Fiscal Year ended June 30, 2004



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

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 \$22.9 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

- Total program revenues increased by \$2.5 million in fiscal year 2004.
- A new water system equity fee went into effect August 11, 2003. These revenues were expected to lower the necessary rate adjustment to 2% every other year beginning 2005. However, the new fiscal year 2004-2009 financial plan will inactivate the rate increase earlier in the year, thereby reducing the amount of the increase to 1.5% every other year.

Water Expenses

- Total expenses decreased by less than \$1 million in fiscal year 2004.
- The decrease in expenses can be explained by the implementation of 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.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City had one major governmental fund in Fiscal Year 2004, the General Fund. General Fund expenditures increased .4% from last fiscal year while revenues increased 6.2%. These factors contributed to an overall increase in the General Fund balance from \$56.2 million to \$73.3 million. The unreserved portion of fund balance increased from \$4.2 million to \$23 million.

General Fund Revenues

- Business privilege taxes, a major revenue source for the City, increased by \$9.5 million. The growth in this revenue source from the prior fiscal year shows an upturn in the economy.
- A new local use tax generated \$4.3 million dollars. This taxes major purchase made outside the Tucson City limits.
- Public Utility and Cable TV License revenue decreased \$1.3 million, this is due to a settlement with Cox Cable and Qwest Communications that was completed in fiscal year 2003.
- Transient occupancy tax increased \$2.8 million due to a 2% bed tax that was charged on lodging within the City. The revenues provide funding to the Tucson Metropolitan Convention and Visitor's Bureau and to the City's General Fund.
- Paramedic services revenue increased \$2.8 million due to an increase in base rates and mileage.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

General Fund Expenditures

Although personal services increased \$4.9 million, this is 26% less than the increase in fiscal year 2003. This represents the majority of the total increase in General Fund expenditures for the fiscal year. This increase is due to the City covering the rising pension and employee health care cost. Factors contributing to the decline of the increase in personal services:

- Elimination of 123.5 full-time equivalent positions.
- A one-year freeze on salaries for all City employees. The freeze resulted in \$8.1 million in savings.

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 59) shows the original budget, the final budget, and actual revenues and expenditures for the fiscal year.

For Fiscal Year 2004, the City projected a deficit and \$43.6 million in reductions were necessary to balance the Budget. The Mayor and Council used three strategies to balance the budget. First, the City did not fund any pay raises for employees in Fiscal Year 2004. This included cost-of-labor pay raises and merit pay increases for performance. This provided \$8.1 million of the needed \$43.6 million. Second, program and service cuts totaling \$20.6 million was approved. These cuts included direct service reductions and reorganization, consolidations, and streamlining for efficiency. Finally, the budget included 16.7 million in revenue increases through fee and tax increases to reduce the impact of further reductions on key City services.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table provides details regarding capital assets as of June 30, 2004 and June 30, 2003. Additional information regarding capital assets can be found in Note 7 on page 44.

Table B-4
City of Tucson
Capital Assets Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	Restated 2003	2004	2003	2004	Restated 2003
Land	\$ 627,284,118	\$ 604,305,157	\$ 50,837,341	\$ 50,878,538	\$ 678,121,459	\$ 655,183,695
Buildings and Improvements	226,453,595	218,624,178	100,328,752	102,333,519	326,782,347	320,957,697
Equipment	76,308,996	79,931,333	10,491,285	9,776,913	86,800,281	89,708,246
Infrastructure	363,099,622	351,568,279	626,114,390	610,517,509	989,214,012	962,085,788
Construction in Progress	151,283,662	138,334,131	135,589,285	115,244,112	286,872,947	253,578,243
Total Capital Assets	<u>\$ 1,444,429,993</u>	<u>\$ 1,392,763,078</u>	<u>\$ 923,361,053</u>	<u>\$ 888,750,591</u>	<u>\$ 2,367,791,046</u>	<u>\$ 2,281,513,669</u>

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Governmental Activities

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

- Additions in public infrastructure improvements totaled \$26.5 million. Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage. Additions to land included a \$17.3 million increase to Right-of-Way.
- Construction continued on the Midtown Service Center with a total of \$4.3 million expended for fiscal year 2004.
- Community Services invested \$2 million in the Robert F. Kennedy Homes Revitalization.
- The Grey Hound Depot Property was purchased by the Department of Transportation for \$1.4 million.
- Transportation continued construction on the Downtown Intermodal Center for a total of \$2 million for fiscal year 2004.
- A new web based financial and human resources system was implemented in fiscal year 2004 for an initial cost of \$1.6 million.
- Other significant capital projects that were capitalized (expenditures may be in previous years) in fiscal year 2004 include; the Diamondback Snake Bridge for \$3 million, Fire Station 6 for \$1.4 million, and the Police/Fire Training Academy Dormitory for \$2.2 million.

Business-type Activities

Business-type activities had a net increase of \$34.6 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 totaled \$3 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.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Long-term Debt

The following table illustrates the City's long-term debt as of June 30, 2004 and June 30, 2003. Additional information regarding long-term debt can be found in Notes 8 through 12 starting on page 45.

Table B-5
City of Tucson
Long-term Debt

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General Obligation Debt	\$ 273,944,070	\$ 266,989,070	\$	\$	\$ 273,944,070	\$ 266,989,070
Street & Highway Revenue Bonds	156,475,000	153,545,000			156,475,000	153,545,000
Federal Highway Loan	2,100,000	2,900,000			2,100,000	2,900,000
Special Assessment Bonds	4,028,500	4,554,892			4,028,500	4,554,892
Water Revenue Bonds			364,700,666	333,665,156	364,700,666	333,665,156
Deferred Amount on Refundings and Premiums	1,373,406	1,096,538	(843,251)	(1,715,928)	530,155	(619,390)
Landfill Closure/Post Closure Costs	47,211,999	45,783,259			47,211,999	45,783,259
Arbitrage Rebate Tax Payable		80,441				80,441
Contracts/Capital Leases Payable	47,017,565	34,928,122	5,025,000	5,475,000	52,042,565	40,403,122
Compensated Absences	26,776,400	26,634,361	3,348,753	3,215,446	30,125,153	29,849,807
Claims and Judgments	39,712,642	44,460,352			39,712,642	44,460,352
Total	<u>\$ 598,639,582</u>	<u>\$ 580,972,035</u>	<u>\$ 372,231,168</u>	<u>\$ 340,639,674</u>	<u>\$ 970,870,750</u>	<u>\$ 921,611,709</u>

As shown in Table B-5, outstanding debt for the City totaled \$970.9 million with 61.7% attributed to governmental activities and the remaining 38.3% 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 \$15 million in general obligation bonds and \$8.5 million in street and highway user revenue bonds during Fiscal Year 2004. 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 \$2.5 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 3.75%. The City issued \$35 million in water system revenue bonded debt during Fiscal Year 2004. This funding is used to finance water system improvements and the interest rate is variable ranging from 4% to 5%.
- Proceeds for lease purchase contracts increased \$19.3 million. This included \$16.5 million towards Northwest Police Substation and the Midtown Substation. \$2.8 million on the Certificates of Participation (COPS) are to refund all debt scheduled after July 1, 2004 of the 1999B Series COPS. The interest rate ranges from 2.0% to 4.5%, depending on maturity.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Bond Ratings

Table B-6 illustrates previous and current bond ratings for Fiscal Year 2004:

Table B-6
City of Tucson
Fiscal Year 2004 Bond Ratings

Type of Bond:	Moody's Rating		Standard and Poors Rating	
	Previous	Current	Previous	Current
General Obligation Bonds	Aa2	Aa3	AA	AA
Street & Highway User Revenue Bonds				
Senior Lien	Aa3	A1	A+	A+
Junior Lien	A1	A2	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/finance.



Basic Financial Statements

CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rio Nuevo
ASSETS				
Current assets:				
Pooled Cash and Investments	\$ 92,903,598	\$ 28,842,062	\$ 121,745,660	
Taxes Receivable, Net	36,291,684		36,291,684	\$ 1,128,665
Accounts Receivable, Net	15,847,546	14,311,219	30,158,765	
Special Assessments Receivable	4,278,787		4,278,787	
Notes and Loans Receivable	42,197,372		42,197,372	
Due from Other Agencies	15,996,565	143,700	16,140,265	4,081,528
Internal Balances	12,990	(12,990)		
Interest Receivable	1,107,604	144,403	1,252,007	
Inventories	3,819,989	361,087	4,181,076	
Other Assets	3,335,286	1,505	3,336,791	45,999
Total current assets	<u>215,791,421</u>	<u>43,790,986</u>	<u>259,582,407</u>	<u>5,256,192</u>
Noncurrent assets:				
Cash and Investments - Restricted		14,595,076	14,595,076	
Cash and Investments with Fiscal Agent - Long Term Investments	30,760,162	16,301,371	47,061,533	
Long Term Accounts Receivable	7,089,873	462,677	462,677	
Long Term Notes Receivable	20,366,695	1,053,330	8,143,203	
Other Assets - Restricted	20,498,725	4,980,556	20,366,695	
Deferred Charges	2,050,336	4,980,556	25,479,281	91,635
Capital Assets, Net where applicable	1,444,429,993	1,924,802	3,975,138	410,544
Goodwill, Net		923,361,053	2,367,791,046	40,858,096
Total noncurrent assets	<u>1,525,195,784</u>	<u>962,867,783</u>	<u>2,488,063,567</u>	<u>41,360,275</u>
Total assets	<u>1,740,987,205</u>	<u>1,006,658,769</u>	<u>2,747,645,974</u>	<u>46,616,467</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	16,197,547	3,962,865	20,160,412	115,335
Accrued Payroll Liabilities	6,084,406	745,738	6,830,144	11,254
Accrued Interest Payable	18,186	37,575	55,761	37,025
Notes and Loans Payable				14,577,549
Due to Other Agencies	15,782,737	899,876	16,682,613	8,053
Refundable Deposits	8,907,073	629,137	9,536,210	
Deferred Revenue	26,989,568	33,852	27,023,420	
Current portion of Long Term Liabilities	57,770,216	12,273,293	70,043,509	2,540,000
Total current liabilities	<u>131,749,733</u>	<u>18,582,336</u>	<u>150,332,069</u>	<u>17,289,216</u>
Noncurrent liabilities:				
Liabilities Payable from Restricted Assets	24,547,769	19,024,669	43,572,438	
Long Term Liabilities	540,869,366	359,957,877	900,827,243	22,216,932
Total non-current liabilities	<u>565,417,135</u>	<u>378,982,546</u>	<u>944,399,681</u>	<u>22,216,932</u>
Total liabilities	<u>697,166,868</u>	<u>397,564,882</u>	<u>1,094,731,750</u>	<u>39,506,148</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,002,677,211	569,483,745	1,572,160,956	16,511,707
Restricted for:				
Debt Service	11,200,169	31,996	11,232,165	
Capital	5,711,957	2,638,662	8,350,619	91,635
Housing Programs	9,040,055		9,040,055	
Other Purposes	43,313,979		43,313,979	
Permanent Endowments:				
Expendable	8,072		8,072	
Unexpendable	142,456		142,456	
Unrestricted	(28,273,562)	36,939,484	8,665,922	(9,493,023)
Total net assets	<u>\$ 1,043,820,337</u>	<u>\$ 609,093,887</u>	<u>\$ 1,652,914,224</u>	<u>\$ 7,110,319</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 15,724,295	\$ 129,957	\$ 333,261	\$
Support Services	42,465,015	17,731,122	140,751	
Neighborhood Services	295,870,113	28,426,082	70,210,514	3,317,894
Environment and Development	149,983,180	37,687,953	25,178,960	49,323,204
Strategic Initiatives	13,359,186	3,008,162	104,594	
Non-Departmental	10,439,491	7,923	868,145	21,373,171
Interest	23,701,247			
Fiscal Agent Fees and Other	32,158			
Total governmental activities	551,574,685	86,991,199	96,836,225	74,014,269
Business-type activities:				
Golf	9,323,864	9,513,921		
Water	104,427,551	114,557,992		11,889,083
Total business-type activities	113,751,415	124,071,913		11,889,083
Total primary government	\$ 665,326,100	\$ 211,063,112	\$ 96,836,225	\$ 85,903,352
Component Unit:				
Rio Nuevo	\$ 3,478,313	\$ 4,801,453		

General revenues:

Taxes:

- Property Taxes
- Business Privilege Taxes
- Public Utility Taxes
- Transient Occupancy Taxes
- Occupational Taxes
- Liquor Taxes
- Unrestricted Grants and Contributions
- Contributions from City of Tucson
- Investment Income (Loss)
- Miscellaneous

Total general revenues

Changes in net assets

Net assets, beginning of year, restated

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Primary Government		Component Unit
	Business-type Activities	Totals	Rio Nuevo
\$ (15,261,077)	\$	\$ (15,261,077)	
(24,593,142)		(24,593,142)	
(193,915,623)		(193,915,623)	
(37,793,063)		(37,793,063)	
(10,246,430)		(10,246,430)	
11,809,748		11,809,748	
(23,701,247)		(23,701,247)	
(32,158)		(32,158)	
<u>(293,732,992)</u>		<u>(293,732,992)</u>	
	190,057	190,057	
	<u>22,019,524</u>	<u>22,019,524</u>	
	<u>22,209,581</u>	<u>22,209,581</u>	
<u>\$ (293,732,992)</u>	<u>\$ 22,209,581</u>	<u>\$ (271,523,411)</u>	
			\$ 1,323,140
27,329,989		27,329,989	
177,117,183		177,117,183	6,202,524
7,887,631		7,887,631	
9,145,965		9,145,965	
2,049,759		2,049,759	
713,674		713,674	
106,317,054		106,317,054	95,921
			1,325
1,037,894	705,809	1,743,703	150,867
5,782,790		5,782,790	523
<u>337,381,939</u>	<u>705,809</u>	<u>338,087,748</u>	<u>6,451,160</u>
43,648,947	22,915,390	66,564,337	7,774,300
1,000,171,390	586,178,497	1,586,349,887	(663,981)
<u>\$ 1,043,820,337</u>	<u>\$ 609,093,887</u>	<u>\$ 1,652,914,224</u>	<u>\$ 7,110,319</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Pooled Cash and Investments	\$ 7,507,704	\$ 78,418,671	\$ 85,926,375
Cash/Investments with Fiscal Agent	6,202,986	24,557,176	30,760,162
Taxes Receivable - Current	34,797,558		34,797,558
Taxes Receivable- Delinquent	1,494,126		1,494,126
Accounts Receivable, Net	9,999,267	1,959,913	11,959,180
Special Assessments Receivable		4,278,787	4,278,787
Notes and Loans Receivable	16,976,024	45,588,043	62,564,067
Advances to Other Funds	3,823,426		3,823,426
Due from Other Agencies	5,579,668	10,354,114	15,933,782
Interfund Receivable	25,292,758	1,184,606	26,477,364
Grants and Entitlements Receivable		10,870,902	10,870,902
Interest Receivable	418,103	213,521	631,624
Inventories	3,819,989		3,819,989
Other Assets	168,190	3,167,096	3,335,286
Total assets	\$ 116,079,799	\$ 180,592,829	\$ 296,672,628
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 6,793,840	\$ 8,565,570	\$ 15,359,410
Accrued Payroll Liabilities	4,402,278	1,571,510	5,973,788
Advances from Other Funds		3,823,426	3,823,426
Interfund Payable	291,645	25,274,379	25,566,024
Due to Other Agencies	14,826,321	955,763	15,782,084
Refundable Deposits	6,627,636	2,279,437	8,907,073
Bonds and Interest Payable, including Special Assessments		24,547,769	24,547,769
Deferred Revenue	9,775,746	36,422,449	46,198,195
Total liabilities	42,717,466	103,440,303	146,157,769
Fund balances:			
Reserved for Debt Service	549,519	6,389,018	6,938,537
Reserved for Capital Improvements	5,116,114	38,301,069	43,417,183
Reserved for Advances and Deposits	20,345,559	13,260	20,358,819
Reserved for Inventories	3,819,989		3,819,989
Reserve for Environmental and Solid Waste Mandates	18,386,545		18,386,545
Reserve for Other Purposes	2,098,775	12,129,226	14,228,001
Unreserved:			
Undesignated	10,871,979		10,871,979
Designated	12,173,853		12,173,853
Unreserved reported in:			
Special revenue funds		20,146,697	20,146,697
Capital projects funds		173,256	173,256
Total fund balances	73,362,333	77,152,526	150,514,859
Total liabilities and fund balances	\$ 116,079,799	\$ 180,592,829	\$ 296,672,628

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

CITY OF TUCSON, ARIZONA
Reconciliation of the Balance Sheet for
Governmental Funds to the Statement of Net Assets
June 30, 2004

Total Governmental Fund Balances (page 18)		\$ 150,514,859
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:</p>		
Capital Assets Net of Accumulated Depreciation		1,412,284,894
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>		
		2,050,336
<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	(437,920,976)	
Landfill Closure/Post Closure Costs	(47,211,999)	
Capital Leases	(44,595,234)	
Compensated Absences	(26,776,400)	
Total Long-term Liabilities	(556,504,609)	
<p>Interest payable on long-term debt is not reported in governmental funds.</p>		
		(9,277)
<p>Deferred revenue is shown in the governmental statements, because it will not be available as a current financial resource. Since this revenue is earned, it is recognized in the government-wide statements.</p>		
		19,208,627
<p>Internal service funds' assets and liabilities are included in the Statement of Net Assets since they primarily support the governmental activities.</p>		
		16,275,507
Net Assets of Governmental Activities (page 15)		\$ 1,043,820,337

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 202,500,669	\$ 23,009,110	\$ 225,509,779
Licenses and Permits	17,349,451	412,921	17,762,372
Fines and Forfeitures	9,273,322	946,815	10,220,137
Use of Money and Property	1,645,358	642,651	2,288,009
Federal Grants and Contributions		75,140,868	75,140,868
Other Agencies	115,300,854	64,241,576	179,542,430
Charges for Services	26,347,372	30,914,664	57,262,036
Special Assessments		684,162	684,162
Miscellaneous	1,846,350	3,694,563	5,540,913
Total revenues	374,263,376	199,687,330	573,950,706
Expenditures:			
Current -			
Elected and Official	15,372,389	278,866	15,651,255
Support Services	40,404,026	95,599	40,499,625
Neighborhood Services	206,660,154	78,350,112	285,010,266
Environment and Development	14,445,372	107,115,130	121,560,502
Strategic Initiatives	2,156,777	10,654,676	12,811,453
Non-Departmental	7,870,079	427,983	8,298,062
Capital Outlay	2,184,649	4,694,251	6,878,900
Capital Projects	17,473,436	45,178,150	62,651,586
Debt service -			
Principal	7,114,750	14,802,681	21,917,431
Interest	1,506,830	22,194,417	23,701,247
Fiscal Agent Fees and Other	15,506	16,652	32,158
Issuance Cost of Debt	429,243	354,258	783,501
Total expenditures	315,633,211	284,162,775	599,795,986
Excess (deficiency) of revenues over expenditures	58,630,165	(84,475,445)	(25,845,280)
Other financing sources (uses):			
Face Amount of Bond Proceeds		23,500,000	23,500,000
Lease Purchase and Contracts Proceeds	19,451,315		19,451,315
Premium on Issuance of Debt	6,153	402,692	408,845
Transfers from Other Funds	269,730	66,645,201	66,914,931
Payment to Refunded Bond Escrow Agent	(45,479)		(45,479)
Discount on Issuance of Debt	(143,281)		(143,281)
Transfers to Other Funds	(61,034,658)	(6,185,713)	(67,220,371)
Total other financing sources (uses)	(41,496,220)	84,362,180	42,865,960
Changes in fund balances	17,133,945	(113,265)	17,020,680
Fund balances, beginning of year	56,228,388	77,265,791	133,494,179
Fund balances, end of year	\$ 73,362,333	\$ 77,152,526	\$ 150,514,859

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

CITY OF TUCSON, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds (page 20)		\$ 17,020,680
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:</p>		
Capital Expenditures	69,530,486	
Depreciation Expense	<u>(38,578,294)</u>	30,952,192
<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 cost of the assets sold.</p>		
Proceeds on the sale of an asset	(1,273,231)	
Gain on the sale of an asset	625,432	
Loss on the sale of an asset	<u>(585,393)</u>	(1,233,192)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		20,449,220
<p>Debt proceeds provide current financial resources to governmental funds, are issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond 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	(42,951,315)	
Repayment of Debt Principal	<u>19,262,431</u>	(23,688,884)
<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>		
Extinguishment of Debt	2,655,000	
Payment of Refunded Bond Escrow	<u>45,479</u>	2,700,479
<p>Issuance costs are deferred in the Statement of 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	783,501	
Amortization of Issuance Costs	<u>(166,255)</u>	617,246
<p>Accrued interest expense is not recorded in the governmental funds. The following amount represents the amount by which the premium on debt exceeds a discount, accrued interest expense and the amortization of the premium:</p>		
Premium on Issuance of Debt	(408,845)	
Discount on Issuance of Debt	143,281	
Accrued Interest Expense	3,250	
Amortization of Premium on Debt	<u>91,942</u>	(170,372)
<p>Governmental funds do not recognize the changes in long-term debt:</p>		
Change in Arbitrage Liability	80,441	
Change in Landfill Liability	(1,428,740)	
Change in Compensated Absences Liability	<u>(142,039)</u>	(1,490,338)
<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.</p>		
		(1,508,084)
Change in Net Assets of Governmental Activities (page 17)		<u>\$ 43,648,947</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004**

Enterprise Funds

	Water Utility Fund	Golf Fund (Non-Major)	Total	Governmental Activities: Internal Service Funds
ASSETS				
Current assets:				
Pooled Cash and Investments	\$ 28,124,524	\$ 717,538	\$ 28,842,062	\$ 6,977,223
Accounts Receivable, Net	14,266,037	45,182	14,311,219	107,337
Due from Other Agencies	143,700		143,700	62,783
Interfund Receivable				245,910
Interest Receivable	143,126	1,277	144,403	475,980
Inventories	107,609	253,478	361,087	
Other Assets	1,505		1,505	
Total current assets	<u>42,786,501</u>	<u>1,017,475</u>	<u>43,803,976</u>	<u>7,869,233</u>
Noncurrent assets:				
Cash and Investments - Restricted	30,711,762	184,685	30,896,447	
Long Term Investments	462,677		462,677	
Long Term Accounts Receivable	1,053,330		1,053,330	
Other Assets - Restricted	4,980,556		4,980,556	20,498,725
Deferred Charges	1,653,999	270,803	1,924,802	
Capital Assets, Net where applicable	904,865,355	18,495,698	923,361,053	32,145,099
Goodwill, Net	182,391	6,527	188,918	
Total noncurrent assets	<u>943,910,070</u>	<u>18,957,713</u>	<u>962,867,783</u>	<u>52,643,824</u>
Total assets	<u>986,696,571</u>	<u>19,975,188</u>	<u>1,006,671,759</u>	<u>60,513,057</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	3,717,994	244,871	3,962,865	838,137
Accrued Payroll Liabilities	670,793	74,945	745,738	110,618
Accrued Interest Payable	37,575		37,575	8,909
Interfund Payable	12,990		12,990	1,144,260
Due to Other Agencies	872,576	27,300	899,876	653
Refundable Deposits	629,137		629,137	
Current Portion of Bonds Payable	9,970,113		9,970,113	
Current Portion of Contracts Payable	400,000	305,000	705,000	865,244
Current Portion of Claims Payable				7,963,218
Current Portion of Compensated Absences	1,706,577	76,650	1,783,227	
Deferred Revenue	5,005	28,847	33,852	
Total current liabilities	<u>18,022,760</u>	<u>757,613</u>	<u>18,780,373</u>	<u>10,931,039</u>
Noncurrent liabilities:				
Liabilities Payable from Restricted Assets	19,024,669		19,024,669	
Bonds Payable	353,887,304		353,887,304	
Contracts Payable		4,320,000	4,320,000	1,557,087
Claims Payable				31,749,424
Compensated Absences	1,448,657	116,869	1,565,526	
Total non-current liabilities	<u>374,360,630</u>	<u>4,436,869</u>	<u>378,797,499</u>	<u>33,306,511</u>
Total liabilities	<u>392,383,390</u>	<u>5,194,482</u>	<u>397,577,872</u>	<u>44,237,550</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	555,372,005	14,111,740	569,483,745	29,722,768
Restricted for Debt Service	31,996		31,996	
Restricted for Capital	2,453,977	184,685	2,638,662	78,143
Restricted for Other Purposes				20,420,582
Unrestricted (deficit)	36,455,203	484,281	36,939,484	(33,945,986)
Total net assets	<u>\$ 594,313,181</u>	<u>\$ 14,780,706</u>	<u>\$ 609,093,887</u>	<u>\$ 16,275,507</u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Enterprise Funds</u>			Governmental Activities: Internal Service Funds
	<u>Water Utility Fund</u>	<u>Golf Fund (Non-Major)</u>	<u>Total</u>	
Operating revenues:				
Charges for Services	\$ 110,171,822	\$ 9,508,762	\$ 119,680,584	\$ 33,805,167
Miscellaneous	4,386,170	5,159	4,391,329	173,378
Total operating revenues	<u>114,557,992</u>	<u>9,513,921</u>	<u>124,071,913</u>	<u>33,978,545</u>
Operating expenses:				
Personal Services	27,284,467	4,247,670	31,532,137	5,737,285
Contractual Services	34,932,676	1,970,054	36,902,730	5,966,620
Commodities	6,700,792	1,872,531	8,573,323	8,618,935
Cost of Goods Sold		415,633	415,633	
Benefits and Claims				4,775,169
Depreciation	19,590,852	704,175	20,295,027	9,498,085
Amortization of Goodwill	32,823	1,633	34,456	
Total operating expenses	<u>88,541,610</u>	<u>9,211,696</u>	<u>97,753,306</u>	<u>34,596,094</u>
Operating income (loss)	<u>26,016,382</u>	<u>302,225</u>	<u>26,318,607</u>	<u>(617,549)</u>
Nonoperating revenues (expenses):				
Investment Income	643,298	307	643,605	260,276
Gain (Loss) on Sale of Property/Equipment	62,101	103	62,204	1,214,258
Interest Expense	(17,606,577)	(280,235)	(17,886,812)	(112,020)
Amortization of Cost Issuance	(95,239)	(5,269)	(100,508)	
Other Nonoperating Income (Expenses)	(569,278)		(569,278)	
Total nonoperating revenues (expenses)	<u>(17,565,695)</u>	<u>(285,094)</u>	<u>(17,850,789)</u>	<u>1,362,514</u>
Income before capital contributions and transfers	<u>8,450,687</u>	<u>17,131</u>	<u>8,467,818</u>	<u>744,965</u>
Capital Contributions	11,889,083		11,889,083	
Transfers In				414,020
Transfers Out				(108,580)
Changes in net assets	<u>20,339,770</u>	<u>17,131</u>	<u>20,356,901</u>	<u>1,050,405</u>
Total net assets, beginning of year	573,973,411	14,763,575	588,736,986	15,225,102
Total net assets, end of year	<u>\$ 594,313,181</u>	<u>\$ 14,780,706</u>	<u>\$ 609,093,887</u>	<u>\$ 16,275,507</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Enterprise Funds</u>			Governmental Activites: Internal Service Funds
	<u>Water Utility Fund</u>	<u>Golf Fund (Nonmajor)</u>	<u>Total</u>	
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 120,552,286	\$ 9,528,952	\$ 130,081,238	\$ 33,520,574
Cash Payments to Suppliers for Goods and Services	(43,143,792)	(4,106,941)	(47,250,733)	(24,146,394)
Cash Payments to Employees for Services	(26,904,465)	(4,203,045)	(31,107,510)	(5,695,704)
Other Operating Revenues	<u>5,159</u>	<u>5,159</u>	<u>5,159</u>	<u>159,323</u>
Net Cash Provided (Used) by Operating Activities	<u>50,504,029</u>	<u>1,224,125</u>	<u>51,728,154</u>	<u>3,837,799</u>
Cash Flows from Capital and Related Financing Activities:				
Bond Proceeds	36,404,145		36,404,145	
Acquisition and Construction of Capital Assets	(45,000,767)	(935,730)	(45,936,497)	(7,419,646)
Principal Paid on Capital Debt	(9,435,510)		(9,435,510)	(1,250,670)
Interest Paid on Capital Debt	(16,801,551)	(244,015)	(17,045,566)	(111,488)
Fiscal Agent Fees Paid on Capital Debt	(569,278)		(569,278)	
Proceeds from Sale of Property/Equipment	<u>297,651</u>	<u>103</u>	<u>297,754</u>	<u>1,070,755</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(35,105,310)</u>	<u>(1,179,642)</u>	<u>(36,284,952)</u>	<u>(7,711,049)</u>
Cash Flows from Investing Activities:				
Investment Income	1,575,438	2,198	1,577,636	675,234
Proceeds from Sale of Investments				15,522,031
Purchase of Investments				<u>(21,275,352)</u>
Net Cash Provided (Used) by Investing Activities	<u>1,575,438</u>	<u>2,198</u>	<u>1,577,636</u>	<u>(5,078,087)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>16,974,157</u>	<u>46,681</u>	<u>17,020,838</u>	<u>(8,951,337)</u>
Cash and Cash Equivalents - July 1	<u>25,745,443</u>	<u>670,857</u>	<u>26,416,300</u>	<u>15,928,560</u>
Cash and Cash Equivalents - June 30	<u>\$ 42,719,600</u>	<u>\$ 717,538</u>	<u>\$ 43,437,138</u>	<u>\$ 6,977,223</u>

	Enterprise Funds			Governmental Activities: Internal Service Funds
	Water Utility Fund	Golf Fund (Nonmajor)	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)				
by Operating Activities:				
Operating Income(Loss)	\$ 26,016,382	302,225	\$ 26,318,607	\$ (617,549)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used)				
by Operating Activities:				
Depreciation/Goodwill Amortization	19,623,675	705,808	20,329,483	9,498,085
Decrease (Increase) in Assets:				
Accounts Receivable	2,658,282	21,069	2,679,351	129,141
Internal Receivable	9,843		9,843	(243,410)
Due from Other Agencies	(127,186)		(127,186)	(29,679)
Inventories	(55,216)	30,100	(25,116)	
Prepaid Expenses	7,839	(2,316)	5,523	
Long-term Accounts Receivable	3,734,626		3,734,626	
Other Operating Assets		(2,985)	(2,985)	
(Decrease) Increase in Liabilities:				
Accounts Payable	(1,759,300)	112,978	(1,646,322)	(1,235,949)
Accrued Payroll Liabilities	420,483	46,570	467,053	41,581
Internal Payable-Unrestricted	12,990		12,990	1,044,260
Due to Other Agencies	410,549	10,676	421,225	504
Customer/Refundable Deposits	(408,457)		(408,457)	(1,475)
Deferred Revenue	(40,481)		(40,481)	
Claims and Judgments Payable				(4,747,710)
Net Cash Provided (Used)				
by Operating Activities	\$ <u>50,504,029</u>	\$ <u>1,224,125</u>	\$ <u>51,728,154</u>	\$ <u>3,837,799</u>

Noncash investing, capital financing activities:

In the Water Utility Fund, developers contributed water systems valued at \$10,165,916. The Water Department released securities held in place of contract retainage to developers in the amount of \$1,120,560. Other noncash transactions for the current year include \$500,174 write off of the Rita Ranch receivable.

In the Fleet Service Internal Service Fund, City funds contributed vehicles and equipment with a net book value of \$414,019. Environmental Services vehicles were acquired via capital leasing in the amount of \$841,000.

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

CITY OF TUCSON, ARIZONA
STATEMENT OF FIDUCIARY FUNDS NET ASSETS
June 30, 2004

	<u>Pension Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 833,029	\$ 1,239,055
Accounts Receivable, Net		4,375,939
Employer Contributions	1,308,745	
Employee Contributions	632,356	
Interest Receivable		5,166
Interest and Dividends	2,254,666	
Due from Brokers	10,548,006	
Short-term Investments	5,425,838	
Securities Lending Collateral	61,016,942	
U.S. Government Obligations	68,142,904	
Bonds and Preferred Stocks	46,894,527	
Common Stocks	283,797,576	
International Investments	75,831,438	
Mutual Funds	69,660,073	
Real Estate	25,365,680	
Capital Assets, Net where applicable	3,578	
Total assets	651,715,358	\$ 5,620,160
<u>LIABILITIES</u>		
Accounts Payable	535,254	511,733
Accrued Payroll Liabilities	4,452	
Due to Other Agencies		5,108,427
Due to Securities Borrowers	61,029,423	
Due to Brokers	9,424,084	
Refundable Deposits	2,035	
Total liabilities	70,995,248	\$ 5,620,160
<u>NET ASSETS</u>		
Held in trust	\$ 580,720,110	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2004

	Pension Trust
Additions:	
Employer	\$ 15,966,754
Employees	13,278,267
Other Plans	294,722
Net Increase (Decrease) in Fair Value of Investment	64,435,554
Interest, Dividends and Other Income	14,789,783
Real Estate Income	16,209
Securities Lending Income	595,318
Less: Investment Activity Expense	(2,326,808)
Less: Securities Lending Expense	(455,370)
Miscellaneous Additions	24,743
Total additions	106,619,172
Deductions:	
Payments to Participants	32,395,853
Refunds and Transfers to Other Plans	3,994,823
Administrative Expense	485,709
Total deductions	36,876,385
Changes in net assets	69,742,787
Net assets, beginning of year	510,977,323
Net assets, end of year	\$ 580,720,110

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



CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2004

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 Environmental Services 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, 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2004

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, 2004.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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

F. Encumbrances

The City of Tucson utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. All appropriations lapse on the last day of the fiscal year. Any outstanding commitments that the City intends to honor are re-budgeted in the new fiscal year. At June 30, 2004, the City intended to honor \$42,986,453 of outstanding encumbrances in the new year.

<u>Fund</u>	<u>Encumbrances As of June 30, 2004</u>
General Fund	\$ 27,040,331
Environmental Services Fund	2,292,586
Library Fund	27,250
TEAM/Parkwise Fund	9,392
Convention Center Fund	63,717
H.U.R.F. Fund	2,163,002
Civic Contribution Fund	13,278
Human and Community Development Fund	2,036,014
Public Housing Fund	24,922
Miscellaneous Housing Grant Fund	4,377,170
Other Federal Grants Fund	672,382
Non-Federal Grants Fund	64,478
Mass Transit Fund	4,201,931
	<u>\$ 42,986,453</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, 2004

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, 2004, 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	\$ 11,321,484	\$ 2,332,754	\$ 14,602,037	\$ 45,182	\$ 4,375,939
Less: Allowance for Doubtful Accounts	<u>1,322,217</u>	<u>372,841</u>	<u>336,000</u>	<u> </u>	<u> </u>
	<u>\$ 9,999,267</u>	<u>\$ 1,959,913</u>	<u>\$ 14,266,037</u>	<u>\$ 45,182</u>	<u>\$ 4,375,939</u>

The Enterprise Funds' assets and revenues include \$6,857,374 for water sales delivered, but unbilled at June 30, 2004.

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, 2004, these loans totaled \$6,352,473. 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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 \$5,000.

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

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

	<u>Estimated Useful Life (Years)</u>
Buildings and Building Improvements	20-40
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, 2004, were \$1,122,153/\$939,762 and \$65,184/\$58,657 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, 2004

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, 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 (\$5,116,114); funds reserved for equipment purchases and construction projects (\$283,189) in the Special Revenue Funds; and bond proceeds reserved for construction projects (\$38,017,880) 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 (\$515,463,610) and the Deferred Compensation Fund (\$65,256,500), 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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:

City Courts Projects	\$ 747,902
Police Projects	651,105
Low Income Housing Maintenance	341,164
Civano	234,026
Community Resources Center	63,764
Open Spaces	32,488
Communications 911	20,008
GLBT Commission	5,063
COPS Issuance Costs	3,255
Total General Fund Reserved for Other Purposes	<u>\$ 2,098,775</u>

2. The City had the following designations of unreserved fund balance in the General Fund as of June 30, 2004:

Carry Forward Designation	\$ 6,076,989
Emergency Communications	4,615,154
Development Services	1,363,853
Future Debt Service	117,857
Total General Fund Designated	<u>\$ 12,173,853</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 \$19,222 and is included in restricted net assets as Expendable Permanent Endowments (\$1,380) and as Restricted for Other Purposes (\$17,842). 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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

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.

Note 2 - ACCOUNTING RESTATEMENTS:

During a reconciliation of the capital assets within the Government activities, 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 \$10,347,063.

An accounting error in the treatment of partnership transactions resulted in a recognition of deferred revenue. This resulted in a prior period adjustment to Restricted for Housing Programs and fund balance of nonmajor governmental funds in the amount of \$11,430,859.

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

	<u>Governmental Activities</u>	
	<u>July 1</u>	<u>Restated July 1</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 984,378,951	\$ 974,031,888
Restricted for:		
Capital Projects	2,404,267	2,404,267
Debt Service	11,096,547	11,096,547
Housing Programs	19,279,411	7,848,552
Other Purposes	41,548,311	41,548,311
Permanent Endowments:		
Expendable	13,615	13,615
Nonexpendable	142,456	142,456
Unrestricted (Deficit)	(36,912,708)	(36,914,246)
Total Net Assets	<u>\$ 1,021,950,850</u>	<u>\$ 1,000,171,390</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.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 3 - PROPERTY TAX (Continued):

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, 2004, the following funds had deficit fund balances/net assets:

Mass Transit Fund	\$ (679,529)
Special Assessment Construction Fund	\$ (3,744,288)
Self Insurance Fund	\$ (18,599,427)

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." All assets of the investment pool are held by a single master custodian. 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 \$455,375 and the bank balance was \$6,282,613. The difference of \$5,527,238 represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2004. 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 (\$6,202,986), the other nonmajor governmental funds (\$24,557,176), and the enterprise funds (\$16,301,371) on June 30, 2004, 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, 2004

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	\$ 107,798,709	\$	\$	\$ 107,798,709
Corporate Bonds not on Securities Loan	55,170,717			55,170,717
Corporate Stock not on Securities Loan	269,052,440			269,052,440
Non-U.S. Issues:				
International Bonds not on Securities Loan	4,596,656			4,596,656
International Stock not on Securities Loan	59,657,652			59,657,652
	\$ 496,276,174	\$ 0	\$ 0	496,276,174
Investments - Not Categorized:				
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:				
U.S. Government and Agency Securities				25,415,598
U.S. Corporate Bonds				7,257,702
U.S. Stock				14,745,136
International Bonds				282,797
International Stock				11,774,381
Securities Lending Short-term Collateral Investment Pool				61,016,942
Money Market Funds/Short-term Investments				98,645,397
Mortgage Bonds Mutual Fund				69,660,073
Real Estate				25,365,680
Total Investments				\$ 810,439,880

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2004.

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, 2004, 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. 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. The government futures positions were fully supported by cash and cash equivalents. The net market exposure as of June 30, 2004 was \$0. As of the same date, the portfolio contained net market exposure to put and call options (including swaptions) of (\$34,951).

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

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 and credit default swaps of \$21,210,647 and (\$3,495,382), 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, 2004, were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds:		
General Fund	\$ 25,292,758	\$ 291,645
Other Nonmajor Governmental Funds	<u>1,184,606</u>	<u>25,274,379</u>
Total Governmental Funds	<u>26,477,364</u>	<u>25,566,024</u>
Internal Service Funds:		
Fleet Services Fund	2,500	
Self Insurance Fund	<u>243,410</u>	<u>1,144,260</u>
Total Internal Service Funds	<u>245,910</u>	<u>1,144,260</u>
Enterprise Fund:		
Water Utility Fund		12,990
Total All Funds	<u>\$ 26,723,274</u>	<u>\$ 26,723,274</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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):

The Due from/to Other Agencies balances at June 30, 2004, were as follows:

<u>Fund</u>	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
General Fund	\$ 1,204,161	\$ _____
Total Governmental Funds	<u>1,204,161</u>	<u>_____</u>
Fiduciary Funds		<u>1,204,161</u>
Total All Funds	<u>\$ 1,204,161</u>	<u>\$ 1,204,161</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, 2004, were as follows:

<u>Fund</u>	<u>Advances to</u>	<u>Advances from</u>
Governmental Funds:		
General Fund	\$ 3,823,426	\$ _____
Special Assessment Construction Fund		<u>3,823,426</u>
Total Governmental Funds	<u>\$ 3,823,426</u>	<u>\$ 3,823,426</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, 2004, were as follows:

<u>Fund</u>	<u>Transfers to</u>	<u>Transfers from</u>
Governmental Funds:		
General Fund	\$ 61,034,658	\$ 269,730
Other Nonmajor Governmental Funds	<u>6,185,713</u>	<u>66,645,201</u>
Total Governmental Funds	<u>67,220,371</u>	<u>66,914,931</u>
Internal Service Funds	<u>108,580</u>	<u>414,020</u>
Total All Funds	<u>\$ 67,328,951</u>	<u>\$ 67,328,951</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 7 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2004:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 604,305,157	\$ 24,213,555	\$ (1,234,594)	\$ 627,284,118
Construction-in-Progress	138,334,131	62,651,586	(49,702,055)	151,283,662
Capital Assets being Depreciated:				
Buildings and Improvements	346,678,837	24,671,647	(4,497,831)	366,852,653
Equipment	196,125,935	17,467,360	(13,115,307)	200,477,988
Infrastructure	631,166,347	26,545,943	(148,471)	657,563,819
Totals at Historical Cost	<u>1,916,610,407</u>	<u>155,550,091</u>	<u>(68,698,258)</u>	<u>2,003,462,240</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	128,054,659	13,833,552	(1,489,153)	140,399,058
Equipment	116,194,602	19,376,698	(11,402,308)	124,168,992
Infrastructure	279,598,068	14,866,129		294,464,197
Total Accumulated Depreciation	<u>523,847,329</u>	<u>48,076,379</u>	<u>(12,891,461)</u>	<u>559,032,247</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,392,763,078</u>	<u>\$ 107,473,712</u>	<u>\$ (55,806,797)</u>	<u>\$ 1,444,429,993</u>
Business-Type Activities:				
Land	\$ 50,878,538	\$ 8,963	\$ (50,160)	\$ 50,837,341
Construction-in-Progress	115,244,112	42,156,041	(21,810,868)	135,589,285
Capital Assets being Depreciated:				
Buildings and Improvements	128,231,546	1,309,138		129,540,684
Equipment	23,820,738	3,459,319	(1,320,133)	25,959,924
Distribution and Collection Systems	805,986,679	30,018,108	(41,426)	835,963,361
Totals at Historical Cost	<u>1,124,161,613</u>	<u>76,951,569</u>	<u>(23,222,587)</u>	<u>1,177,890,595</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	25,898,027	3,313,905		29,211,932
Equipment	14,043,825	2,572,125	(1,147,311)	15,468,639
Distribution and Collective Systems	195,469,170	14,408,997	(29,196)	209,848,971
Total Accumulated Depreciation	<u>235,411,022</u>	<u>20,295,027</u>	<u>(1,176,507)</u>	<u>254,529,542</u>
Business-Type Activities Capital Assets, Net	<u>\$ 888,750,591</u>	<u>\$ 56,656,542</u>	<u>\$ (22,046,080)</u>	<u>\$ 923,361,053</u>
Depreciation expense was charged to governmental functions as follows:				
Elected and Official				\$ 71,115
Support Services				10,273,330
Neighborhood Services				11,091,749
Environment and Development				25,724,522
Strategic Initiatives				539,839
Non-Departmental				375,824
Total Depreciation Expense				<u>\$ 48,076,379</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 8 - CHANGES IN LONG-TERM DEBT:

The following is a summary of changes in long-term debt as of June 30, 2004:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 266,989,070	\$ 15,000,000	\$ (8,045,000)	\$ 273,944,070	\$ 8,600,000
Street & Highway Revenue Bonds	153,545,000	8,500,000	(5,570,000)	156,475,000	8,380,000
Federal Highway Loan	2,900,000		(800,000)	2,100,000	800,000
Special Assessment Bonds	4,554,892		(526,392)	4,028,500	452,900
Deferred Amount:					
on Premiums	8,622,640	408,846	(900,215)	8,131,271	
on Discounts		(143,281)	2,835	(140,446)	
on Refundings	(7,526,102)	(45,479)	954,162	(6,617,419)	
Total Bonds and Notes Payable	<u>429,085,500</u>	<u>23,720,086</u>	<u>(14,884,610)</u>	<u>437,920,976</u>	<u>18,232,900</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	45,783,259	5,272,675	(3,843,935)	47,211,999	10,757,500
Arbitrage Rebate Tax Payable	80,441		(80,441)	-	
Capital Leases/COP	34,928,122	20,292,315	(8,202,872)	47,017,565	5,311,887
Compensated Absences	26,634,361	16,012,046	(15,870,007)	26,776,400	15,504,711
Claims and Judgments	44,460,352	4,599,269	(9,346,979)	39,712,642	7,963,218
Total Other Liabilities	<u>151,886,535</u>	<u>46,176,305</u>	<u>(37,344,234)</u>	<u>160,718,606</u>	<u>39,537,316</u>
Governmental Activities Long Term Liabilities	<u>\$ 580,972,035</u>	<u>\$ 69,896,391</u>	<u>\$ (52,228,844)</u>	<u>\$ 598,639,582</u>	<u>\$ 57,770,216</u>
Business-type Activities:					
Enterprise Bonds	\$ 333,665,156	\$ 40,021,020	\$ (8,985,510)	\$ 364,700,666	\$ 9,785,066
Deferred Amount:					
on Refundings	(7,509,423)		488,324	(7,021,099)	
on Premiums	5,793,495	746,563	(362,210)	6,177,848	
Total Bonds and Notes Payable	<u>331,949,228</u>	<u>40,767,583</u>	<u>(8,859,396)</u>	<u>363,857,415</u>	<u>9,785,066</u>
Compensated Absences	3,215,446	1,726,720	(1,593,413)	3,348,753	1,783,227
Contracts Payable	5,475,000		(450,000)	5,025,000	705,000
Business-type Activities Long Term Liabilities	<u>\$ 340,639,674</u>	<u>\$ 42,494,303</u>	<u>\$ (10,902,809)</u>	<u>\$ 372,231,168</u>	<u>\$ 12,273,293</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, 2004

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, 2004.

Years ending June 30,	General
	<u>City Funds</u>
2005	\$ 7,253,751
2006	7,197,980
2007	5,958,993
2008	5,686,821
2009	5,686,812
2010-2014	15,397,631
2015-2019	8,633,245
2020-2023	<u>5,056,364</u>
Total Minimum Lease Payments	60,871,597
Less: Amount Representing Interest (interest rates range from 3.85% to 12.00%)	<u>13,854,032</u>
Present Value of Net Minimum Lease Payments	<u>\$ 47,017,565</u>

Assets purchased through capital leases include buildings (\$12,171,000), improvements other than buildings (\$46,057), equipment (\$7,811,485) and land (\$9,950,000).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$9,216,271. Minimum future lease payments on non-cancelable operating leases at June 30, 2004, were as follows:

Years ending June 30,	
2005	\$ 6,935,559
2006	5,835,214
2007	5,560,662
2008	4,199,746
2009	3,999,249
2010-2014	12,446,473
2015-2019	1,097,493
2020-2024	1,242,372
2025-2029	1,440,250
2030-2034	<u>1,669,645</u>
Total Minimum Future Lease Payments	<u>\$ 44,426,663</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 10 - CONTRACTS PAYABLE:

Long-term Contracts Payable for the Enterprise Funds as of June 30, 2004, were:

	Water	Golf
Contracts to Purchase Water Companies	\$ 400,000	\$
Equipment Contracts		4,625,000
Less Current Portion	400,000	
Long-Term Contracts Payable	\$ -	\$ 4,625,000

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 \$14,176,000. A down payment of \$5,176,000 was made, and a 13-year note at 7% annual interest was executed for the \$9,000,000 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 \$14,497,204 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, 2004, principal payments of \$8,600,000 have been made on the Metropolitan Water Company purchase. The remaining principal of \$400,000 is payable on January 1, 2005.

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, 2004

Note 11 - BOND ISSUES (Continued):

At June 30, 2004, 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, 2004
1984 Series D (1991)	9.75 %	2010	\$ 48,000,000	\$ 3,500,000
1993 March (Refunding)	5.25-5.50	2018	35,360,000	19,935,000
1994 Series A (1996)	6.0-8.0	2018	33,000,000	3,000,000
1994 Series B (1997)	4.50-6.25	2012	11,700,000	8,000,000
1997 July (Refunding)	4.20-5.125	2021	32,980,000	32,305,000
1998A Water Infrastructure				
Finance Authority (WIFA) Subsidized	3.425	2017	6,000,000	4,679,718
1994 Series C (1999)	4.75-6.75	2016	33,400,000	33,100,000
1999A Refunding	5.00	2010	14,045,000	11,520,000
1994 Series D (2000)	5.25-7.25	2024	23,740,000	23,740,000
2000 Water Infrastructure				
Finance Authority (WIFA) Subsidized	4.125	2020	5,120,000	4,548,729
2000 Water Infrastructure				
Finance Authority (WIFA) Unsubsidized	5.00	2020	7,780,000	6,976,881
2000 Series A (2001)	5.0-7.5	2023	37,800,000	37,800,000
2001A April (Refunding)	5.00	2016	40,850,000	34,175,000
2001 Water Infrastructure				
Finance Authority (WIFA) Subsidized	3.43	2021	8,800,000	8,116,181
2002 Refunding	5.50	2018	57,820,000	56,930,000
2000 Series B (2002)	3.5-5.125	2021	18,900,000	18,900,000
2003 Water Infrastructure				
Finance Authority (WIFA) Subsidized	3.48	2022	7,378,848	7,114,104 (1)
2003 Refunding	5.00	2018	12,000,000	12,000,000
2000 Series C (2003)	4.25-5.25	2021	16,300,000	16,300,000
2000 Series D (2004)	4.0-5.0	2023	18,765,000	18,765,000
2000 Water Infrastructure				
Finance Authority (WIF5) Subsidized	3.75	2023	795,053	795,053 (2)
2000 Water Infrastructure				
Finance authority (WIF6) Subsidized	3.75	2023	2,500,000	2,500,000
Total			<u>\$ 473,033,901</u>	<u>\$ 364,700,666</u>

(1) Balance of issue (\$921,152) will be recognized when proceeds are received.

(2) Balance of issue (\$2,204,947) will be recognized when proceeds are received.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2005 to July 1, 2021. All General Obligation Bonds are payable from property taxes.

Street and Highway User Revenue Bonds provide funds to improve, construct and reconstruct streets and highways in the City, to acquire rights-of-way for such purposes by purchase, condemnation or otherwise, and to pay costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2005 to July 1, 2018. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

On June 10, 2004, the City issued \$15,000,000 General Obligation Bonds. The bonds represent the fourth installment of bonds to be issued pursuant to the May 16, 2000, authorization.

On June 10, 2004, the City issued \$8,500,000 Junior Lien Street and Highway User Revenue Bonds. The bonds represent the third installment of bonds to be issued pursuant to the May 16, 2000, authorization.

At June 30, 2004, bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2004
1991 Refunding	6.20-7.50 %	2008	\$ 21,555,000	\$ 7,450,000
1984 Series E and F	6.17	2012	25,000,000	2,143,060
1992 Refunding	6.40-6.5	2012	51,550,000	14,195,000
1993 Refunding	4.40-4.90	2013	17,006,000	1,326,010
1984 Series G (1994)	7.625	2014	21,540,000	3,140,000
1995 Refunding	5.38-6.75	2012	34,575,000	21,175,000
1994 Series A (1995)	5.38-7.38	2020	23,600,000	6,600,000
1994 Series B (1996)	7.63	2015	24,745,000	3,745,000
1994 Series C (1997)	5.00-7.00	2021	10,510,000	10,510,000
1997 Refunding	4.40-5.25	2019	20,170,000	19,705,000
1998 Refunding	4.25-5.50	2021	26,470,000	26,290,000
1994 Series D (1998)	4.25-6.25	2018	11,010,000	11,010,000
1994 Series E (1999)	4.50-7.00	2019	13,855,000	13,380,000
2000 Series A (2000)	5.25-7.25	2020	18,840,000	18,840,000
2000 Series B (2001)	4.625-5.75	2020	26,680,000	26,680,000
2002 Refunding	5.00	2012	25,035,000	20,725,000
2000 Series C (2003)	2.50-4.50	2021	29,840,000	29,840,000
2003 Refunding	2.25-5.00	2020	22,465,000	22,190,000
2000 Series D (2004)	3.50-5.00	2021	15,000,000	15,000,000
Total			<u>\$ 439,446,000</u>	<u>\$ 273,944,070</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 11 - BOND ISSUES (Continued):

At June 30, 2004, bonds payable were:

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2004
1994 Series A (1995)	5.00-7.00	2015	10,900,000	3,900,000
1996 Refunding	4.20-6.00	2010	7,425,000	7,340,000
1994 Series B (1996)	5.50-7.50	2016	10,025,000	2,275,000
1994 Series C (1997)	5.00-7.00	2016	5,000,000	5,000,000
1994 Series D (1998)	4.75-6.60	2018	14,675,000	14,675,000
1994 Series E (2000)	5.00-7.00	2018	19,400,000	19,400,000
1994 Series F (2001)	4.75-6.00	2018	10,000,000	10,000,000
2000 Series A (2001)	4.75-6.00	2018	5,500,000	5,500,000
2003 Refunding	4.50	2009	33,760,000	30,810,000
2003 Refunding	4.50	2012	30,665,000	29,020,000
2003 Series A Refunding	2.50-5.00	2016	15,055,000	15,055,000
2003 Series B (2003)	3.375-3.50	2015	5,000,000	5,000,000
2000 Series C (2004)	4.125-5.00	2018	8,500,000	8,500,000
Total			\$ <u>175,905,000</u>	\$ <u>156,475,000</u>

C. Special Assessments

Special assessments on City-owned property were \$95,822 of the \$4,028,500 total assessment. The remaining assessments of \$3,932,678 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 11 – BOND ISSUES (Continued):

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
2005	\$ 8,600,000	\$ 14,040,688	\$ 8,380,000	\$ 7,823,656	\$ 452,900	\$ 187,446
2006	9,040,000	13,547,592	9,250,000	7,424,000	441,600	164,510
2007	9,428,460	14,664,405	9,600,000	7,007,735	393,500	143,415
2008	12,120,000	12,564,900	10,000,000	6,575,705	347,500	125,134
2009	12,990,000	11,885,710	10,645,000	6,126,160	295,000	109,610
2010-2014	70,720,610	54,663,875	59,090,000	21,660,450	1,313,000	336,929
2015-2019	103,110,000	28,307,350	49,510,000	5,964,625	785,000	81,375
2020-2024	47,935,000	3,453,938				
Total	\$ 273,944,070	\$ 153,128,458	\$ 156,475,000	\$ 62,582,331	\$ 4,028,500	\$ 1,148,419

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Federal Highway Expansion & Extension Loan		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 800,000	\$ 49,470	\$ 9,785,066	\$ 18,377,061
2006	1,300,000	18,920	10,425,039	17,829,982
2007			12,387,364	17,291,504
2008			13,517,132	16,641,903
2009			14,834,445	15,924,096
2010-2014			94,278,406	66,565,849
2015-2019			118,672,620	40,503,803
2020-2024			90,800,594	10,647,025
Total	\$ 2,100,000	\$ 68,390	\$ 364,700,666	\$ 203,781,223

Note 12 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

On February 11, 2004, the City issued \$2,755,000 Certificates of Participation (COPS) to refund all debt scheduled after July 1, 2004 of the 1999B Series COPS and to pay costs relating to the issuance of the bonds. The interest rate on the bonds ranges from 2.0% to 2.5% with the final maturity due July 1, 2009. Debt service payments are scheduled semi-annually at amounts that range from \$7,250 to \$587,250. The economic gain resulting from this refunding is \$77,515 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt (\$3,049,811) and the cash flows to service the new debt (\$2,972,954) is \$76,857.

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 \$132,495,000 and General Obligation and Street and Highway debt of \$47,012,000 and \$16,250,000, respectively.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2004. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2004. 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:

<u>Landfill Site</u>	<u>Landfill Capacity Used as of 6/30/04</u>	<u>Estimated Closure/Post- Closure Costs</u>	<u>Liability Recognized at 6/30/04</u>	<u>Estimated Closure/ Postclosure Cost to be Recognized in Future Years</u>	<u>Estimated Remaining Life in Years</u>
Los Reales	83 %	\$ 33,878,000	\$ 26,929,195	\$ 6,948,805	4
Harrison	100 %	7,538,000	7,538,000		
Irvington	100 %	5,554,000	5,554,000		
Vincent Mullins	100 %	6,398,000	6,398,000		
Silverbell	100 %	792,804	792,804		
Totals		<u>\$ 54,160,804</u>	<u>\$ 47,211,999</u>	<u>\$ 6,948,805</u>	

A reservation of fund balance of \$18,386,545 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 Environmental Management Department that is accounted for as a special revenue fund. The June 30, 2004, liability for closure and post-closure costs is \$47,211,999, which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2004, the City had 7 covered officials. Covered payroll for the year then ended was \$186,000 (out of the total City payroll of \$232,963,637). 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 \$25,058 and elected officials contributed \$13,521 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, 2004

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, 2004, was 11.17%.
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, 2004, the required employer contribution rates were 9.84% and 9.29%, 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, 2004, 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, 2004, 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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

D. Annual Pension Cost:

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

	Actuarial Information		
	TSRS	APSPRS	
		<u>Police</u>	<u>Fire</u>
Actuarial Valuation Date	June 30, 2004	June 30, 2004	June 30, 2004
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 18 Years from June 30, 2004	Open 20 years from June 30, 2004	Open 20 years from June 30, 2004
Asset Valuation Method	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.75%	8.75%	8.75%
Projected Salary Increases*	4.25% - 9.25%	6.25% - 9.25%	6.25% - 9.25%
Inflation	4.25%	5.25%	5.25%
Cost-of-Living Adjustment	As approved by TSRS Board	None	None

*Projected salary increases include inflation.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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

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.

Three Year Trend Information				
	Fiscal Year Ended 6/30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
TSRS	2004	\$ 18,457	100 %	\$ 0
	2003	12,766	100	0
	2002	9,089	100	0
Police	2004	5,140	100	0
	2003	2,992	100	0
	2002	2,417	100	0
Fire	2004	2,653	100	0
	2003	1,725	100	0
	2002	1,246	100	0

Dollar amounts are in thousands

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>							
	2004	\$ 494,987	\$ 645,351	\$ 150,364	76.7 %	\$ 149,782	100.4 %
	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
<u>Police</u>							
	2004	328,655	364,754	36,099	90.1	50,399	71.6
	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)
<u>Fire</u>							
	2004	228,828	253,304	24,475	90.3	27,426	89.2
	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)

Dollar amounts are in thousands.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

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, 2004, and 2003, are as follows:

	2004	2003
Beginning of fiscal year liability	\$ 44,460,352	\$ 41,252,318
Current year claims and changes in estimates	4,775,169	11,786,260
Claim Payments	(9,522,879)	(8,578,226)
Balance at fiscal year end	\$ 39,712,642	\$ 44,460,352

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

In addition to the pension benefits described in Note 15, 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, 2004, the City contributed towards the medical premiums of 698 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 2003-04 fiscal year, the City's portion of retiree medical insurance premiums was \$3,302,818.

On June 30, 2004, there were 2,227 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 fiscal year, the City's cost for retiree life insurance was \$81,542.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 18 - CONTINGENCIES AND COMMITMENTS:

A. Litigation

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

B. Central Arizona Project Water Purchase Contract

The Central Arizona Water Conservation District (CAWCD) is the entity responsible for contracting with the Secretary of Interior for Central Arizona Project (CAP) water and for subcontracting with users within the State of Arizona. Under a contract between the City, CAWCD and the Department of the Interior, the City currently has the right to receive 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 \$4,345,345. 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 \$3,390,465.

C. Construction and Other Commitments

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

D. Federal and State Grants

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

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies. 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 \$13,966,445 at June 30, 2004.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2004

Note 18 - CONTINGENCIES AND COMMITMENTS: (Continued)

F. Financing of Posadas Sentinel Low-income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (Posadas), whereby the City leased various properties to Posadas for 75 years. Under the terms of the lease, Posadas will develop and operate the properties solely as low-income residential housing facilities. The Posadas is financing this development through low-income housing tax credits from the State of Arizona, and through a \$10,002,000 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 \$12,349,969 at June 30, 2004.

Eligibility of Posadas Sentinel 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.

G. Financing of South Park Low-income Housing

On December 2, 2002, the City entered into a capital lease with South Park Development Partners LLLP (South Park), whereby the City leased various properties to South Park for 75 years. Under the terms of the lease, South Park will develop and operate the properties solely as low-income residential housing facilities. South Park is financing this development through low-income housing tax credits from the State of Arizona, and through a \$432,000 line of credit from the City, which has been recorded by the City as a notes receivable. The note balance, with accrued interest at 5.77% thereon, was \$378,909 at June 30, 2004.

Eligibility of South Park 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. 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 were being covered by the City as of June 30, 2004. This coverage resulted in the City's recording a long-term receivable in the amount of \$14,577,549.

Note 20 – SUBSEQUENT EVENT

On August 26, 2004, the City issued \$32,600,000 and \$7,870,000 Certificates of Participation (COPS). The interest rate on the \$32,600,000 bonds ranges from 2% to 5% with the final maturity due on July 1, 2024. Debt service payments are scheduled annually at amounts that range from \$750,000 to \$3,125,000. The interest rate on the \$7,870,000 bonds ranges from 2.8% to 5% with the final maturity due on July 1, 2014. Debt service payments are scheduled annually at amounts that range from \$745,000 to \$1,025,000.





Required Supplementary Information

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 196,880,570	\$ 196,880,570	\$ 202,500,669	\$ 5,620,099
Licenses and Permits	15,803,260	15,803,260	17,349,451	1,546,191
Fines and Forfeitures	9,795,200	9,795,200	9,273,322	(521,878)
Use of Money and Property	2,618,000	2,618,000	1,645,358	(972,642)
Other Agencies	133,464,230	133,464,230	115,300,854	(18,163,376)
Charges for Services	24,061,410	24,061,410	26,347,372	2,285,962
Miscellaneous	13,766,900	13,766,900	1,846,350	(11,920,550)
Total revenues	<u>396,389,570</u>	<u>396,389,570</u>	<u>374,263,376</u>	<u>(22,126,194)</u>
Expenditures:				
Current -				
Elected and Official	16,039,640	15,933,340	15,372,389	560,951
Support Services	41,374,260	41,764,249	40,404,026	1,360,223
Neighborhood Services	209,601,730	209,843,977	206,660,154	3,183,823
Environment and Development	16,748,930	15,127,026	14,445,372	681,654
Strategic Initiatives	2,104,870	2,104,870	2,156,777	(51,907)
Non-Departmental	12,214,260	18,443,684	7,870,079	10,573,605
Capital Outlay	3,526,020	3,696,137	2,184,649	1,511,488
Capital Projects	52,201,800	45,489,010	17,473,436	28,015,574
Debt service -				
Principal	10,562,890	9,762,890	7,114,750	2,648,140
Interest			1,506,830	(1,506,830)
Fiscal Agent Fees and Other			15,506	(15,506)
Issuance Cost of Debt			429,243	(429,243)
Total expenditures	<u>364,374,400</u>	<u>362,165,183</u>	<u>315,633,211</u>	<u>46,531,972</u>
Excess (deficiency) of revenues over expenditures	<u>32,015,170</u>	<u>34,224,387</u>	<u>58,630,165</u>	<u>24,405,778</u>
Other financing sources (uses):				
Lease Purchase and Contracts Proceeds	25,977,800	25,977,800	19,451,315	(6,526,485)
Premium on Issuance of Debt			6,153	6,153
Transfers from Other Funds			269,730	269,730
Payment to Refunded Bond Escrow Agent			(45,479)	(45,479)
Discount on Issuance of Debt			(143,281)	(143,281)
Transfers to Other Funds	(57,992,970)	(57,992,970)	(61,034,658)	(3,041,688)
Total other financing sources (uses)	<u>(32,015,170)</u>	<u>(32,015,170)</u>	<u>(41,496,220)</u>	<u>(9,481,050)</u>
Change in fund balances		<u>2,209,217</u>	<u>17,133,945</u>	<u>14,924,728</u>
Fund balances, July 1, 2003			56,228,388	56,228,388
Fund balances, June 30, 2004	<u>\$</u>	<u>\$ 2,209,217</u>	<u>\$ 73,362,333</u>	<u>\$ 71,153,116</u>

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

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2004

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.



Combining
Statements and
Individual Fund
Statements and
Schedules

CITY OF TUCSON, ARIZONA
 COMBINING BALANCE SHEET -
 ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
 JUNE 30, 2004

	Special Revenue	Debt Service	Capital Projects	Civic Endowment Fund	Total Non-Major Governmental Funds
ASSETS					
Pooled Cash and Investments	\$ 27,318,882	\$ 5,812,707	\$ 45,137,044	\$ 150,038	\$ 78,418,671
Cash/Investments with Fiscal Agent	100,583	24,456,593			24,557,176
Accounts Receivable, Net	1,959,913				1,959,913
Special Assessments Receivable		4,278,787			4,278,787
Notes and Loans Receivable	45,588,043				45,588,043
Due from Other Agencies	10,354,114				10,354,114
Interfund Receivable	880,440		304,166		1,184,606
Grants and Entitlements Receivable	10,870,902				10,870,902
Interest Receivable	82,296	4,877	125,837	511	213,521
Other Assets	3,167,096				3,167,096
Total assets	\$ 100,322,269	\$ 34,552,964	\$ 45,567,047	\$ 150,549	\$ 180,592,829
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 5,124,916	\$ 4,467	\$ 3,436,167	\$ 20	\$ 8,565,570
Accrued Payroll Liabilities	1,571,510				1,571,510
Advances from Other Funds			3,823,426		3,823,426
Interfund Payable	25,222,899	44,238	7,242		25,274,379
Due to Other Agencies	937,863		17,900		955,763
Refundable Deposits	2,214,596	64,841			2,279,437
Bonds and Interest Payable, including Special Assessments		24,456,593	91,176		24,547,769
Deferred Revenue	32,098,698	4,323,751			36,422,449
Total liabilities	67,170,482	28,893,890	7,375,911	20	103,440,303
Fund balances:					
Reserved for Debt Service	729,944	5,659,074			6,389,018
Reserved for Capital Improvements	283,189		38,017,880		38,301,069
Reserved for Advances and Deposits	13,260				13,260
Reserve for Other Purposes	11,978,697			150,529	12,129,226
Unreserved:					
Undesignated	20,146,697		173,256		20,319,953
Total fund balances	33,151,787	5,659,074	38,191,136	150,529	77,152,526
Total liabilities and fund balances	\$ 100,322,269	\$ 34,552,964	\$ 45,567,047	\$ 150,549	\$ 180,592,829

**CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2004**

	<u>Environmental Services Fund</u>	<u>Library Fund</u>	<u>Public Safety Academy Fund</u>	<u>Team/Parkwise</u>
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 1,779,021	\$ 4,206	\$ 208,393	\$ 680,460
Cash/Investments with Fiscal Agent				
Accounts Receivable, Net	1,199,867			940
Notes and Loans Receivable		9,098,017		
Due from Other Agencies				81,661
Interfund Receivable	441,100	1,961		
Grants and Entitlements Receivable				
Interest Receivable				226
Other Assets		100	200	
Total assets	<u>\$ 3,419,988</u>	<u>\$ 9,104,284</u>	<u>\$ 208,593</u>	<u>\$ 763,287</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 300,929	\$ 119,804	\$ 57,744	\$ 74,157
Accrued Payroll Liabilities	244,782	258,460	54,340	11,314
Interfund Payable	552,593	8,718,659		263,295
Due to Other Agencies	6,238	3,055	2,794	3,577
Refundable Deposits	22,733			5,237
Deferred Revenue				
Total liabilities	<u>1,127,275</u>	<u>9,099,978</u>	<u>114,878</u>	<u>357,580</u>
Fund balances (deficits):				
Reserved for Debt Service			729,944	
Reserved for Capital Improvements				
Reserved for Advances and Deposits		3,595		
Reserve for Other Purposes		711	292,784	
Unreserved:				
Undesignated	2,292,713		(929,013)	405,707
Total fund balances	<u>2,292,713</u>	<u>4,306</u>	<u>93,715</u>	<u>405,707</u>
Total liabilities and fund balances	<u>\$ 3,419,988</u>	<u>\$ 9,104,284</u>	<u>\$ 208,593</u>	<u>\$ 763,287</u>

Convention Center Fund	H.U.R.F. Fund	Civic Contribution Fund	Human and Community Development Fund	Public Housing Fund	Miscellaneous Housing Grant Fund
\$ 2,838,333	\$ 16,662,575	\$ 2,219,577	\$ 131,227 5,016	\$ 2,386,223	\$ 394,185
79,407	156,812			305,128	27,534
	6,756,832		4,522,732	9,468,386	22,498,908
27,645	161,836		21,503	19,643	
	68,768	6,527	1,501,004	267,964	4,387,812
				6,775	
				2,053,566	16,675
<u>\$ 2,945,385</u>	<u>\$ 23,806,823</u>	<u>\$ 2,226,104</u>	<u>\$ 6,181,482</u>	<u>\$ 14,507,685</u>	<u>\$ 27,325,114</u>
\$ 94,951	\$ 1,776,282	\$ 11,829	\$ 665,010	\$ 266,862	\$ 437,381
60,565	393,013		33,551	102,879	29,431
112,609	536,400	50	801,773	2,124,790	3,813,943
2,490	4,062	733	572,552	258,068	80,355
1,418,361	506		23,076	668,873	70,911
			32,000	9,526,875	22,498,908
<u>1,688,976</u>	<u>2,710,263</u>	<u>12,612</u>	<u>2,127,962</u>	<u>12,948,347</u>	<u>26,930,929</u>
9,665					
1,246,744	2,656,407		4,053,520	2,159,760	394,185
	18,440,153	2,213,492		(600,422)	
<u>1,256,409</u>	<u>21,096,560</u>	<u>2,213,492</u>	<u>4,053,520</u>	<u>1,559,338</u>	<u>394,185</u>
<u>\$ 2,945,385</u>	<u>\$ 23,806,823</u>	<u>\$ 2,226,104</u>	<u>\$ 6,181,482</u>	<u>\$ 14,507,685</u>	<u>\$ 27,325,114</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2004
(Concluded)

	Other Federal Grants Fund	Non-Federal Grants Fund	Mass Transit Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$	\$ 14,682	\$	\$ 27,318,882
Cash/Investments with Fiscal Agent	95,567			100,583
Accounts Receivable, Net			190,225	1,959,913
Notes and Loans Receivable				45,588,043
Due from Other Agencies			3,515,621	10,354,114
Interfund Receivable	187,852	18,900		880,440
Grants and Entitlements Receivable	3,174,717	243,235	1,296,170	10,870,902
Interest Receivable				82,296
Other Assets	3,753		1,092,802	3,167,096
Total assets	\$ 3,461,889	\$ 276,817	\$ 6,094,818	\$ 100,322,269
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 164,946	\$ 92,686	\$ 1,062,335	\$ 5,124,916
Accrued Payroll Liabilities	43,171	14,806	325,198	1,571,510
Interfund Payable	2,949,461	861	5,348,465	25,222,899
Due to Other Agencies	352	1,366	2,221	937,863
Refundable Deposits	2,951		1,948	2,214,596
Deferred Revenue	6,735		34,180	32,098,698
Total liabilities	3,167,616	109,719	6,774,347	67,170,482
Fund balances (deficits):				
Reserved for Debt Service				729,944
Reserved for Capital Improvements	212,489		70,700	283,189
Reserved for Advances and Deposits				13,260
Reserve for Other Purposes	81,784		1,092,802	11,978,697
Unreserved:				
Undesignated		167,098	(1,843,031)	20,146,697
Total fund balances	294,273	167,098	(679,529)	33,151,787
Total liabilities and fund balances	\$ 3,461,889	\$ 276,817	\$ 6,094,818	\$ 100,322,269

**CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS
JUNE 30, 2004**

	Special Assessment Bond and Interest Fund	General Obligation Bond and Interest Fund	Street and Highway Bond and Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 1,324,770	\$ 4,481,567	\$ 6,370	\$ 5,812,707
Cash/Investments with Fiscal Agent	99,557	14,947,306	9,409,730	24,456,593
Special Assessments Receivable	4,278,787			4,278,787
Interest Receivable	4,877			4,877
Total assets	<u>\$ 5,707,991</u>	<u>\$ 19,428,873</u>	<u>\$ 9,416,100</u>	<u>\$ 34,552,964</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$	\$ 4,467	\$	\$ 4,467
Interfund Payable		37,868	6,370	44,238
Refundable Deposits	64,841			64,841
Bonds and Interest Payable, including Special Assessments	99,557	14,947,306	9,409,730	24,456,593
Deferred Revenue	4,323,751			4,323,751
Total liabilities	<u>4,488,149</u>	<u>14,989,641</u>	<u>9,416,100</u>	<u>28,893,890</u>
Fund balances:				
Reserved for Debt Service	1,219,842	4,439,232		5,659,074
Total fund balances	<u>1,219,842</u>	<u>4,439,232</u>		<u>5,659,074</u>
Total liabilities and fund balances	<u>\$ 5,707,991</u>	<u>\$ 19,428,873</u>	<u>\$ 9,416,100</u>	<u>\$ 34,552,964</u>

**CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2004**

	Special Assessment Construction Fund	2000 Street and Highway Improvement	1994 Street and Highway Improvement	2000 General Obligation Fund
<u>ASSETS</u>				
Pooled Cash and Investments	\$	\$ 4,527,908	\$ 633,794	\$ 35,880,871
Interfund Receivable	179,318	43,431		81,417
Interest Receivable		835	2,729	103,137
Total assets	<u>\$ 179,318</u>	<u>\$ 4,572,174</u>	<u>\$ 636,523</u>	<u>\$ 36,065,425</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 100,180	\$ 407,310	\$ 11,863	\$ 2,861,525
Advances from Other Funds	3,823,426			
Interfund Payable			7,242	
Due to Other Agencies		7,228		10,672
Bonds and Interest Payable, including Special Assessments		12,044		79,132
Total liabilities	<u>3,923,606</u>	<u>426,582</u>	<u>19,105</u>	<u>2,951,329</u>
Fund balances (deficits):				
Reserved for Capital Improvements		4,145,592	617,418	33,114,096
Unreserved:				
Undesignated	(3,744,288)			
Total fund balances	<u>(3,744,288)</u>	<u>4,145,592</u>	<u>617,418</u>	<u>33,114,096</u>
Total liabilities and fund balances	<u>\$ 179,318</u>	<u>\$ 4,572,174</u>	<u>\$ 636,523</u>	<u>\$ 36,065,425</u>

<u>1994 General Obligation Fund</u>	<u>1984 General Obligation Fund</u>	<u>Totals</u>
\$ 3,954,700	\$ 139,771	\$ 45,137,044
		304,166
<u>18,133</u>	<u>1,003</u>	<u>125,837</u>
<u>\$ 3,972,833</u>	<u>\$ 140,774</u>	<u>\$ 45,567,047</u>
\$ 55,289	\$	\$ 3,436,167
		3,823,426
		7,242
		17,900
		91,176
<u>55,289</u>		<u>7,375,911</u>
	140,774	38,017,880
<u>3,917,544</u>		<u>173,256</u>
<u>3,917,544</u>	<u>140,774</u>	<u>38,191,136</u>
<u>\$ 3,972,833</u>	<u>\$ 140,774</u>	<u>\$ 45,567,047</u>

**CITY OF TUCSON, ARIZONA
 COMBINING BALANCE SHEET - ALL PERMANENT FUNDS
 JUNE 30, 2004**

	Civic Endowment Fund
<u>ASSETS</u>	
Pooled Cash and Investments	\$ 150,038
Interest Receivable	511
Total assets	\$ 150,549
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts Payable	\$ 20
Total liabilities	20
Fund balances:	
Reserve for Other Purposes	150,529
Total fund balances	150,529
 Total liabilities and fund balances	 \$ 150,549

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2004

	Special Revenue	Debt Service	Capital Projects	Civic Endowment Fund	Total Non-Major Governmental Funds
Revenues:					
Taxes		\$ 23,009,110			\$ 23,009,110
Licenses and Permits	\$ 412,921				412,921
Fines and Forfeitures	941,526	5,289			946,815
Use of Money and Property	291,532	13,717	\$ 336,022	\$ 1,380	642,651
Federal Grants and Contributions	75,140,868				75,140,868
Other Agencies	56,806,512	7,435,064			64,241,576
Charges for Services	30,914,664				30,914,664
Special Assessments		663,958	20,204		684,162
Miscellaneous	3,439,331	255,232			3,694,563
Total revenues	<u>167,947,354</u>	<u>31,382,370</u>	<u>356,226</u>	<u>1,380</u>	<u>199,687,330</u>
Expenditures:					
Current -					
Elected and Official	278,866				278,866
Support Services	95,599				95,599
Neighborhood Services	78,049,648		293,542	6,922	78,350,112
Environment and Development	104,238,688		2,876,442		107,115,130
Strategic Initiatives	10,654,676				10,654,676
Non-Departmental	427,983				427,983
Capital Outlay	4,694,251				4,694,251
Capital Projects	19,990,361		25,187,789		45,178,150
Debt service -					
Principal	661,289	14,141,392			14,802,681
Interest	256,475	21,937,942			22,194,417
Fiscal Agent Fees and Other		16,652			16,652
Total expenditures	<u>219,347,836</u>	<u>36,095,986</u>	<u>28,357,773</u>	<u>6,922</u>	<u>283,808,517</u>
Excess (deficiency) of revenues over expenditures	<u>(51,400,482)</u>	<u>(4,713,616)</u>	<u>(28,001,547)</u>	<u>(5,542)</u>	<u>(84,121,187)</u>
Other financing sources (uses):					
Face Amount of Bond Proceeds			23,500,000		23,500,000
Premium on Issuance of Debt			402,692		402,692
Transfers from Other Funds	56,886,318	5,899,463	3,859,420		66,645,201
Issuance Cost of Debt			(354,258)		(354,258)
Transfers to Other Funds	(5,861,490)		(324,223)		(6,185,713)
Total other financing Sources (uses)	<u>51,024,828</u>	<u>5,899,463</u>	<u>27,083,631</u>		<u>84,007,922</u>
Change in fund balances	<u>(375,654)</u>	<u>1,185,847</u>	<u>(917,916)</u>	<u>(5,542)</u>	<u>(113,265)</u>
Fund balances, beginning of year, as restated	33,527,441	4,473,227	39,109,052	156,071	77,265,791
Fund balances, end of year	<u>\$ 33,151,787</u>	<u>\$ 5,659,074</u>	<u>\$ 38,191,136</u>	<u>\$ 150,529</u>	<u>\$ 77,152,526</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Environmental Services Fund</u>	<u>Library Fund</u>	<u>Public Safety Academy Fund</u>
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures		494,821	
Use of Money and Property	1		3,447
Federal Grants and Contributions			
Other Agencies		9,457,845	149,976
Charges for Services	15,159,517	10,944	78,477
Miscellaneous	<u>1,628,967</u>	<u>24,762</u>	<u>3,973</u>
Total revenues	<u>16,788,485</u>	<u>9,988,372</u>	<u>235,873</u>
Expenditures:			
Current -			
Elected and Official Support Services			
Neighborhood Services		18,337,444	3,563,425
Environment and Development Strategic Initiatives Non-Departmental	27,673,650		
Capital Outlay	7,944	194,276	50,061
Capital Projects			1,215
Debt service -			
Principal	311,599		200,000
Interest	<u>34,676</u>		<u>41,588</u>
Total expenditures	<u>28,027,869</u>	<u>18,531,720</u>	<u>3,856,289</u>
Excess (deficiency) of revenues over expenditures	<u>(11,239,384)</u>	<u>(8,543,348)</u>	<u>(3,620,416)</u>
Other financing sources (uses):			
Transfers from Other Funds	11,968,824	8,361,672	3,262,367
Transfers to Other Funds	<u>(6,005)</u>		
Total other financing sources (uses)	<u>11,962,819</u>	<u>8,361,672</u>	<u>3,262,367</u>
Change in fund balances	<u>723,435</u>	<u>(181,676)</u>	<u>(358,049)</u>
Fund balances (deficits), beginning of year	1,569,278	185,982	451,764
Fund balances (deficits), end of year	<u>\$ 2,292,713</u>	<u>\$ 4,306</u>	<u>\$ 93,715</u>

<u>Team/Parkwise</u>	<u>Convention Center Fund</u>	<u>H.U.R.F. Fund</u>	<u>Civic Contribution Fund</u>	<u>Human and Community Development Fund</u>	<u>Public Housing Fund</u>
\$	\$	\$	\$	\$	\$
406,129		412,921			
		219,762	17,842	14,231	36,249
				7,902,553	32,023,427
		39,411,732			
1,695,913	2,935,633				2,816,482
559	73,386	519,514	734,862	168,642	47,795
<u>2,102,601</u>	<u>3,009,019</u>	<u>40,563,929</u>	<u>752,704</u>	<u>8,085,426</u>	<u>34,923,953</u>
		282,675	252,186	7,057,835	34,751,265
1,923,217		28,953,233			
	10,455,209		477	40,695	
		359,838			
	47,190	420,538		57,482	635,703
175,557		6,503,937	30,492	850,388	
80,000				16,629	49,605
11,041		72,750		21,331	70,655
<u>2,189,815</u>	<u>10,502,399</u>	<u>36,592,971</u>	<u>283,155</u>	<u>8,044,360</u>	<u>35,507,228</u>
<u>(87,214)</u>	<u>(7,493,380)</u>	<u>3,970,958</u>	<u>469,549</u>	<u>41,066</u>	<u>(583,275)</u>
492,921	7,244,328	20,771			
		(5,855,485)			
<u>492,921</u>	<u>7,244,328</u>	<u>(5,834,714)</u>			
405,707	(249,052)	(1,863,756)	469,549	41,066	(583,275)
	1,505,461	22,960,316	1,743,943	4,012,454	2,142,613
<u>\$ 405,707</u>	<u>\$ 1,256,409</u>	<u>\$ 21,096,560</u>	<u>\$ 2,213,492</u>	<u>\$ 4,053,520</u>	<u>\$ 1,559,338</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Concluded)

	Miscellaneous Housing Grant Fund	Other Federal Grants Fund	Non-Federal Grants Fund
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures		40,576	
Use of Money and Property			
Federal Grants and Contributions	13,183,352	7,704,156	
Other Agencies			1,261,708
Charges for Services			
Miscellaneous	3,791		
Total revenues	<u>13,187,143</u>	<u>7,744,732</u>	<u>1,261,708</u>
Expenditures:			
Current -			
Elected and Official		209,466	69,400
Support Services		95,599	
Neighborhood Services	8,030,255	4,721,687	1,052,876
Environment and Development		808,106	
Strategic Initiatives		58,777	99,518
Non-Departmental			68,145
Capital Outlay		445,740	76,301
Capital Projects	4,845,541	1,560,463	
Debt service -			
Principal	3,456		
Interest	4,434		
Total expenditures	<u>12,883,686</u>	<u>7,899,838</u>	<u>1,366,240</u>
Excess (deficiency) of revenues over expenditures	<u>303,457</u>	<u>(155,106)</u>	<u>(104,532)</u>
Other financing sources (uses):			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)	<u> </u>	<u> </u>	<u> </u>
Change in fund balances	<u>303,457</u>	<u>(155,106)</u>	<u>(104,532)</u>
Fund balances (deficits), beginning of year	90,728	449,379	271,630
Fund balances (deficits), end of year	<u>\$ 394,185</u>	<u>\$ 294,273</u>	<u>\$ 167,098</u>

Mass Transit Fund	Totals
\$	\$ 412,921
	941,526
	291,532
14,327,380	75,140,868
6,525,251	56,806,512
8,217,698	30,914,664
233,080	3,439,331
<u>29,303,409</u>	<u>167,947,354</u>
	278,866
	95,599
	78,049,648
44,880,482	104,238,688
	10,654,676
	427,983
2,759,016	4,694,251
6,022,768	19,990,361
	661,289
	256,475
<u>53,662,266</u>	<u>219,347,836</u>
<u>(24,358,857)</u>	<u>(51,400,482)</u>
25,535,435	56,886,318
	(5,861,490)
<u>25,535,435</u>	<u>51,024,828</u>
<u>1,176,578</u>	<u>(375,654)</u>
(1,856,107)	33,527,441
<u>\$ (679,529)</u>	<u>\$ 33,151,787</u>



CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2004

	Special Assessment Bond and Interest Fund	General Obligation Bond and Interest Fund	Street and Highway Bond and Interest Fund	Totals
Revenues:				
Taxes	\$	\$ 23,009,110	\$	\$ 23,009,110
Fines and Forfeitures	5,289			5,289
Use of Money and Property	13,717			13,717
Other Agencies			7,435,064	7,435,064
Special Assessments	663,958			663,958
Miscellaneous	40	48,944	206,248	255,232
Total revenues	<u>683,004</u>	<u>23,058,054</u>	<u>7,641,312</u>	<u>31,382,370</u>
Expenditures:				
Debt service -				
Principal	526,392	8,045,000	5,570,000	14,141,392
Interest	212,893	13,972,869	7,752,180	21,937,942
Fiscal Agent Fees and Other	2,596	13,656	400	16,652
Total expenditures	<u>741,881</u>	<u>22,031,525</u>	<u>13,322,580</u>	<u>36,095,986</u>
Excess (deficiency) of revenues over expenditures	<u>(58,877)</u>	<u>1,026,529</u>	<u>(5,681,268)</u>	<u>(4,713,616)</u>
Other financing sources (uses):				
Transfers from Other Funds		218,195	5,681,268	5,899,463
Total other financing sources (uses)		<u>218,195</u>	<u>5,681,268</u>	<u>5,899,463</u>
Change in fund balances	<u>(58,877)</u>	<u>1,244,724</u>		<u>1,185,847</u>
Fund balances, beginning of year	1,278,719	3,194,508		4,473,227
Fund balances, end of year	<u>\$ 1,219,842</u>	<u>\$ 4,439,232</u>	<u>\$</u>	<u>\$ 5,659,074</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004

	Special Assessment Construction Fund	2000 Street and Highway Improvement	1994 Street and Highway Improvement
Revenues:			
Use of Money and Property	\$	\$ 592	\$ 7,242
Special Assessments	20,204		
Total revenues	<u>20,204</u>	<u>592</u>	<u>7,242</u>
Expenditures:			
Current -			
Neighborhood Services			
Environment and Development		2,040,269	31,177
Capital Projects	390,837	4,032,701	232,948
Debt service -			
Issuance Cost of Debt		172,709	
Total expenditures	<u>390,837</u>	<u>6,245,679</u>	<u>264,125</u>
Excess (deficiency) of revenues over expenditures	<u>(370,633)</u>	<u>(6,245,087)</u>	<u>(256,883)</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds		8,500,000	
Premium on Issuance of Debt		103,532	
Transfers from Other Funds	158,824	43,431	
Transfers to Other Funds		(6,371)	(7,242)
Total other financing sources (uses)	<u>158,824</u>	<u>8,640,592</u>	<u>(7,242)</u>
Change in fund balances	<u>(211,809)</u>	<u>2,395,505</u>	<u>(264,125)</u>
Fund balances (deficits), beginning of year, as restated	(3,532,479)	1,750,087	881,543
Fund balances (deficits), end of year	<u>\$ (3,744,288)</u>	<u>\$ 4,145,592</u>	<u>\$ 617,418</u>

2000 General Obligation Fund	1994 General Obligation Fund	1984 General Obligation Fund	Totals
\$ 273,217	\$ 52,262	\$ 2,709	\$ 336,022
			20,204
<u>273,217</u>	<u>52,262</u>	<u>2,709</u>	<u>356,226</u>
293,542			293,542
351,688	453,308		2,876,442
18,676,197	1,735,753	119,353	25,187,789
181,549			354,258
<u>19,502,976</u>	<u>2,189,061</u>	<u>119,353</u>	<u>28,712,031</u>
<u>(19,229,759)</u>	<u>(2,136,799)</u>	<u>(116,644)</u>	<u>(28,355,805)</u>
15,000,000			23,500,000
299,160			402,692
3,657,165			3,859,420
(310,610)			(324,223)
<u>18,645,715</u>			<u>27,437,889</u>
<u>(584,044)</u>	<u>(2,136,799)</u>	<u>(116,644)</u>	<u>(917,916)</u>
33,698,140	6,054,343	257,418	39,109,052
<u>\$ 33,114,096</u>	<u>\$ 3,917,544</u>	<u>\$ 140,774</u>	<u>\$ 38,191,136</u>

**CITY OF TUCSON, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL PERMANENT FUNDS
 YEAR ENDED JUNE 30, 2004**

	Civic Endowment Fund
Revenues:	
Use of Money and Property	\$ 1,380
Total revenues	1,380
Expenditures:	
Current -	
Neighborhood Services	6,922
Total expenditures	6,922
Change in fund balances	(5,542)
Fund balances, beginning of year, as restated	156,071
Fund balances, end of year	\$ 150,529

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2004

	Fleet Services Fund	Self Insurance Fund	Totals
<u>ASSETS</u>			
Current assets:			
Pooled Cash and Investments	\$ 5,821,423	\$ 1,155,800	\$ 6,977,223
Accounts Receivable, Net	107,337		107,337
Due from Other Agencies	62,783		62,783
Interfund Receivable	2,500	243,410	245,910
Interest Receivable	12,819	463,161	475,980
Total current assets	6,006,862	1,862,371	7,869,233
Noncurrent assets:			
Other Assets - Restricted	78,143	20,420,582	20,498,725
Capital Assets, Net where applicable	32,022,682	122,417	32,145,099
Total noncurrent assets	32,100,825	20,542,999	52,643,824
Total assets	38,107,687	22,405,370	60,513,057
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	\$ 707,823	\$ 130,314	\$ 838,137
Accrued Payroll Liabilities	93,509	17,109	110,618
Accrued Interest Payable	8,909		8,909
Interfund Payable		1,144,260	1,144,260
Due to Other Agencies	181	472	653
Current Portion of Contracts Payable	865,244		865,244
Current Portion of Claims Payable		7,963,218	7,963,218
Total current liabilities	1,675,666	9,255,373	10,931,039
Noncurrent liabilities:			
Contracts Payable	1,557,087		1,557,087
Claims Payable		31,749,424	31,749,424
Total non-current liabilities	1,557,087	31,749,424	33,306,511
Total liabilities	3,232,753	41,004,797	44,237,550
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	29,600,351	122,417	29,722,768
Restricted for Capital	78,143		78,143
Restricted for Other Purposes		20,420,582	20,420,582
Unrestricted	5,196,440	(39,142,426)	(33,945,986)
Total net assets	\$ 34,874,934	\$ (18,599,427)	\$ 16,275,507

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Fleet Services Fund	Self Insurance Fund	Totals
Operating revenues:			
Charges for Services	\$ 24,376,166	\$ 9,429,001	\$ 33,805,167
Miscellaneous	159,323	14,055	173,378
Total operating revenues	<u>24,535,489</u>	<u>9,443,056</u>	<u>33,978,545</u>
Operating expenses:			
Personal Services	4,814,723	922,562	5,737,285
Contractual Services	2,695,676	3,270,944	5,966,620
Commodities	8,306,006	312,929	8,618,935
Benefits and Claims		4,775,169	4,775,169
Depreciation	9,494,220	3,865	9,498,085
Total operating expenses	<u>25,310,625</u>	<u>9,285,469</u>	<u>34,596,094</u>
Operating income (loss)	<u>(775,136)</u>	<u>157,587</u>	<u>(617,549)</u>
Nonoperating revenues (expenses):			
Investment Income	33,923	226,353	260,276
Gain (Loss) on Sale of Property/Equipment	1,214,258		1,214,258
Interest Expense	(112,020)		(112,020)
Total nonoperating revenues (expenses)	<u>1,136,161</u>	<u>226,353</u>	<u>1,362,514</u>
Income before operating transfers	<u>361,025</u>	<u>383,940</u>	<u>744,965</u>
Transfers In	414,020		414,020
Transfers Out		(108,580)	(108,580)
Change in net assets	<u>775,045</u>	<u>275,360</u>	<u>1,050,405</u>
Total net assets, beginning of year	34,099,889	(18,874,787)	15,225,102
Total net assets, end of year	<u>\$ 34,874,934</u>	<u>\$ (18,599,427)</u>	<u>\$ 16,275,507</u>

**CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS -
ALL INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>Fleet Services Fund</u>	<u>Self Insurance Fund</u>	<u>Totals</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 24,320,928	\$ 9,199,646	\$ 33,520,574
Cash Payments to Suppliers for Goods and Services	(12,192,195)	(11,954,199)	(24,146,394)
Cash Payments to Employees for Services	(4,779,815)	(915,889)	(5,695,704)
Other Operating Revenues	159,323		159,323
Net Cash Provided (Used) by Operating Activities	<u>7,508,241</u>	<u>(3,670,442)</u>	<u>3,837,799</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(7,311,735)	(107,911)	(7,419,646)
Principal Paid on Capital Debt	(1,250,670)		(1,250,670)
Interest Paid on Capital Debt	(111,488)		(111,488)
Proceeds from Sale of Property/Equipment	1,070,755		1,070,755
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,603,138)</u>	<u>(107,911)</u>	<u>(7,711,049)</u>
Cash Flows from Investing Activities:			
Investment Income	34,471	640,763	675,234
Proceeds from Sale of Investments		15,522,031	15,522,031
Purchase of Investments		(21,275,352)	(21,275,352)
Net Cash Provided (Used) by Investing Activities	<u>34,471</u>	<u>(5,112,558)</u>	<u>(5,078,087)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(60,426)</u>	<u>(8,890,911)</u>	<u>(8,951,337)</u>
Cash and Cash Equivalents - July 1	<u>5,881,849</u>	<u>10,046,711</u>	<u>15,928,560</u>
Cash and Cash Equivalents - June 30	<u>\$ 5,821,423</u>	<u>\$ 1,155,800</u>	<u>\$ 6,977,223</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income(Loss)	\$ (775,136)	\$ 157,587	\$ (617,549)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation/Goodwill Amortization	9,494,220	3,865	9,498,085
Decrease (Increase) in Assets:			
Accounts Receivable	(25,559)	154,700	129,141
Internal Receivable		(243,410)	(243,410)
Due from Other Agencies	(29,679)		(29,679)
(Decrease) Increase in Liabilities:			
Accounts Payable	(1,190,589)	(45,360)	(1,235,949)
Accrued Payroll Liabilities	34,908	6,673	41,581
Internal Payable-Unrestricted		1,044,260	1,044,260
Due to Other Agencies	76	428	504
Customer/Refundable Deposits		(1,475)	(1,475)
Claims and Judgments Payable		(4,747,710)	(4,747,710)
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,508,241</u>	<u>\$ (3,670,442)</u>	<u>\$ 3,837,799</u>
<u>Noncash investing, capital financing activities:</u>			

In the Fleet Service Internal Service Fund, City funds contributed vehicles and equipment with a net book value of \$414,019. Environmental Services vehicles were acquired via capital leasing in the amount of \$841,000.

**CITY OF TUCSON, ARIZONA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
 ALL PENSION TRUST FUNDS
 JUNE 30, 2004**

	Deferred Compensation Plan	Supplemental Retirement Fund	Totals
<u>ASSETS</u>			
Pooled Cash and Investments	\$ 603,943	\$ 229,086	\$ 833,029
Employer Contributions		1,308,745	1,308,745
Employee Contributions		632,356	632,356
Interest and Dividends	867,995	1,386,671	2,254,666
Due from Brokers		10,548,006	10,548,006
Short-term Investments	1,324	5,424,514	5,425,838
Securities Lending Collateral	18,353,501	42,663,441	61,016,942
U.S. Government Obligations	40,682,678	27,460,226	68,142,904
Bonds and Preferred Stocks	23,113,220	23,781,307	46,894,527
Common Stocks		283,797,576	283,797,576
International Investments		75,831,438	75,831,438
Mutual Funds		69,660,073	69,660,073
Real Estate		25,365,680	25,365,680
Capital Assets, Net where applicable		3,578	3,578
Total assets	<u>83,622,661</u>	<u>568,092,697</u>	<u>651,715,358</u>
<u>LIABILITIES</u>			
Accounts Payable		535,254	535,254
Accrued Payroll Liabilities		4,452	4,452
Due to Securities Borrowers	18,365,982	42,663,441	61,029,423
Due to Brokers		9,424,084	9,424,084
Refundable Deposits	179	1,856	2,035
Total liabilities	<u>18,366,161</u>	<u>52,629,087</u>	<u>70,995,248</u>
<u>NET ASSETS</u>			
Held in trust	<u>\$ 65,256,500</u>	<u>\$ 515,463,610</u>	<u>\$ 580,720,110</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS-
ALL PENSION TRUST FUNDS
JUNE 30, 2004

	Deferred Compensation Plan	Supplemental Retirement Fund	Totals
Additions:			
Employer	\$	\$ 15,966,754	\$ 15,966,754
Employees	4,406,653	8,871,614	13,278,267
Other Plans		294,722	294,722
Net Increase (Decrease) in Fair Value of Investment	(2,674,507)	67,110,061	64,435,554
Interest, Dividends and Other Income	3,046,321	11,743,462	14,789,783
Real Estate Income		16,209	16,209
Securities Lending Income	178,274	417,044	595,318
Less: Investment Activity Expense	(18,062)	(2,308,746)	(2,326,808)
Less: Securities Lending Expense	(131,336)	(324,034)	(455,370)
Miscellaneous Additions		24,743	24,743
Total additions	<u>4,807,343</u>	<u>101,811,829</u>	<u>106,619,172</u>
Deductions:			
Payments to Participants	2,135,932	30,259,921	32,395,853
Refunds and Transfers to Other Plans	2,382,654	1,612,169	3,994,823
Administrative Expense	105,302	380,407	485,709
Total deductions	<u>4,623,888</u>	<u>32,252,497</u>	<u>36,876,385</u>
Changes in net assets	183,455	69,559,332	69,742,787
Net assets, beginning of year	65,073,045	445,904,278	510,977,323
Net assets, end of year	<u>\$ 65,256,500</u>	<u>\$ 515,463,610</u>	<u>\$ 580,720,110</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance July 1, 2004
Sewer User Fee Fund				
Assets				
Pooled Cash and Investments	\$ 1,359,734	\$ 84,651,527	\$ 84,772,206	\$ 1,239,055
Accounts Receivable, Net	2,776,362	59,832,150	59,948,467	2,660,045
Interest Receivable	8,153	34,443	37,430	5,166
Total assets	\$ 4,144,249	\$ 144,518,120	\$ 144,758,103	\$ 3,904,266
Liabilities				
Accounts Payable				
Due to Other Agencies	4,144,249	143,831,326	144,071,309	3,904,266
Total liabilities	\$ 4,144,249	\$ 143,831,326	\$ 144,071,309	\$ 3,904,266
Employee Prepaid Insurance Fund				
Assets				
Pooled Cash and Investments	\$	\$ 91,140,269	\$ 91,140,269	\$
Accounts Receivable, Net	1,768,824	1,828,870	1,881,800	1,715,894
Interest Receivable	9		9	-
Total assets	\$ 1,768,833	\$ 92,969,139	\$ 93,022,078	\$ 1,715,894
Liabilities				
Accounts Payable	790,288	89,703,887	89,982,442	511,733
Due to Other Agencies	978,545	1,204,161	978,545	1,204,161
Total liabilities	\$ 1,768,833	\$ 90,908,048	\$ 90,960,987	\$ 1,715,894
Totals				
Assets				
Pooled Cash and Investments	\$ 1,359,734	\$ 175,791,796	\$ 175,912,475	\$ 1,239,055
Accounts Receivable, Net	4,545,186	61,661,020	61,830,267	4,375,939
Interest Receivable	8,162	34,443	37,439	5,166
Total assets	\$ 5,913,082	\$ 237,487,259	\$ 237,780,181	\$ 5,620,160
Liabilities				
Accounts Payable	790,288	89,703,887	89,982,442	511,733
Due to Other Agencies	5,122,794	145,035,487	145,049,854	5,108,427
Total liabilities	\$ 5,913,082	\$ 234,739,374	\$ 235,032,296	\$ 5,620,160

**BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS**

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004

	Environmental Services Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$ 10,000	\$	\$ (10,000)
Fines and Forfeitures			
Use of Money and Property		1	1
Federal Grants and Contributions			
Other Agencies			
Charges for Services	13,498,180	15,159,517	1,661,337
Miscellaneous	7,710,620	1,628,967	(6,081,653)
Total revenues	<u>21,218,800</u>	<u>16,788,485</u>	<u>(4,430,315)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	26,302,190	27,673,650	(1,371,460)
Strategic Initiatives			
Non-Departmental			
Capital Outlay	14,000	7,944	6,056
Capital Projects			
Debt service -			
Principal	328,840	311,599	17,241
Interest	8,600	34,676	(26,076)
Fiscal Agent Fees and Other			
Total expenditures	<u>26,653,630</u>	<u>28,027,869</u>	<u>(1,374,239)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,434,830)</u>	<u>(11,239,384)</u>	<u>(5,804,554)</u>
Other financing sources (uses):			
Transfers from Other Funds	10,632,120	11,968,824	1,336,704
Transfers to Other Funds		(6,005)	(6,005)
Total other financing sources (uses)	<u>10,632,120</u>	<u>11,962,819</u>	<u>1,330,699</u>
Change in fund balances	<u>5,197,290</u>	<u>723,435</u>	<u>(4,473,855)</u>
Fund balances (deficits), July 1, 2003		1,569,278	1,569,278
Fund balances (deficits), June 30, 2004	<u>\$ 5,197,290</u>	<u>\$ 2,292,713</u>	<u>\$ (2,904,577)</u>

Library Fund			Public Safety Academy Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 654,370	\$ 494,821	\$ (159,549)			
				3,447	3,447
10,339,310	9,457,845	(881,465)	414,810	149,976	(264,834)
	10,944	10,944	439,470	78,477	(360,993)
12,000	24,762	12,762		3,973	3,973
<u>11,005,680</u>	<u>9,988,372</u>	<u>(1,017,308)</u>	<u>854,280</u>	<u>235,873</u>	<u>(618,407)</u>
19,165,740	18,337,444	828,296	4,408,590	3,563,425	845,165
118,240	194,276	(76,036)	42,500	50,061	(7,561)
				1,215	(1,215)
			200,000	200,000	
			54,010	41,588	12,422
<u>19,283,980</u>	<u>18,531,720</u>	<u>752,260</u>	<u>4,705,100</u>	<u>3,856,289</u>	<u>848,811</u>
<u>(8,278,300)</u>	<u>(8,543,348)</u>	<u>(265,048)</u>	<u>(3,850,820)</u>	<u>(3,620,416)</u>	<u>230,404</u>
8,278,300	8,361,672	83,372	3,850,820	3,262,367	(588,453)
<u>8,278,300</u>	<u>8,361,672</u>	<u>83,372</u>	<u>3,850,820</u>	<u>3,262,367</u>	<u>(588,453)</u>
	(181,676)	(181,676)		(358,049)	(358,049)
	185,982	185,982		451,764	451,764
<u>\$</u>	<u>\$ 4,306</u>	<u>\$ 4,306</u>	<u>\$</u>	<u>\$ 93,715</u>	<u>\$ 93,715</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	Team/Parkwise		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	663,000	406,129	(256,871)
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies			
Charges for Services	1,518,060	1,695,913	177,853
Miscellaneous	551,780	559	(551,221)
Total revenues	<u>2,732,840</u>	<u>2,102,601</u>	<u>(630,239)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	2,230,760	1,923,217	307,543
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	250,000	175,557	74,443
Debt service -			
Principal	80,000	80,000	
Interest	22,080	11,041	11,039
Fiscal Agent Fees and Other			
Total expenditures	<u>2,582,840</u>	<u>2,189,815</u>	<u>393,025</u>
Excess (deficiency) of revenues over expenditures	<u>150,000</u>	<u>(87,214)</u>	<u>(237,214)</u>
Other financing sources (uses):			
Transfers from Other Funds		492,921	492,921
Transfers to Other Funds			
Total other financing sources (uses)		<u>492,921</u>	<u>492,921</u>
Change in fund balances	<u>150,000</u>	<u>405,707</u>	<u>255,707</u>
Fund balances (deficits), July 1, 2003			
Fund balances (deficits), June 30, 2004	<u>\$ 150,000</u>	<u>\$ 405,707</u>	<u>\$ 255,707</u>

Convention Center Fund			H.U.R.F. Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$ 412,921	\$ 412,921
			1,602,860	219,762	(1,383,098)
3,753,070	2,935,633	(817,437)	47,203,130	39,411,732	(7,791,398)
	73,386	73,386	9,188,440	519,514	(8,668,926)
<u>3,753,070</u>	<u>3,009,019</u>	<u>(744,051)</u>	<u>57,994,430</u>	<u>40,563,929</u>	<u>(17,430,501)</u>
			202,326	282,675	(80,349)
10,230,110	10,455,209	(225,099)	29,323,826	28,953,233	370,593
650,000	47,190	602,810	261,770	359,838	(98,068)
			586,060	420,538	165,522
			10,166,301	6,503,937	3,662,364
			1,179,070	72,750	1,106,320
<u>10,880,110</u>	<u>10,502,399</u>	<u>377,711</u>	<u>41,719,353</u>	<u>36,592,971</u>	<u>5,126,382</u>
<u>(7,127,040)</u>	<u>(7,493,380)</u>	<u>(366,340)</u>	<u>16,275,077</u>	<u>3,970,958</u>	<u>(12,304,119)</u>
7,127,040	7,244,328	117,288		20,771	20,771
			(16,294,550)	(5,855,485)	10,439,065
<u>7,127,040</u>	<u>7,244,328</u>	<u>117,288</u>	<u>(16,294,550)</u>	<u>(5,834,714)</u>	<u>10,459,836</u>
	(249,052)	(249,052)	(19,473)	(1,863,756)	(1,844,283)
	1,505,461	1,505,461		22,960,316	22,960,316
<u>\$</u>	<u>\$ 1,256,409</u>	<u>\$ 1,256,409</u>	<u>\$ (19,473)</u>	<u>\$ 21,096,560</u>	<u>\$ 21,116,033</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	Civic Contribution Fund		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property		17,842	17,842
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Miscellaneous		734,862	734,862
Total revenues		752,704	752,704
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services		252,186	(252,186)
Environment and Development			
Strategic Initiatives		477	(477)
Non-Departmental			
Capital Outlay			
Capital Projects		30,492	(30,492)
Debt service -			
Principal			
Interest			
Fiscal Agent Fees and Other			
Total expenditures		283,155	(283,155)
Excess (deficiency) of revenues over expenditures		469,549	469,549
Other financing sources (uses):			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)			
Change in fund balances		469,549	469,549
Fund balances (deficits), July 1, 2003		1,743,943	1,743,943
Fund balances (deficits), June 30, 2004	\$	\$ 2,213,492	\$ 2,213,492

*The Civic Contribution Fund Fund was included in the budget, however, the budget was -0-.

Human and Community Development Fund			Public Housing Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	14,231	14,231		36,249	36,249
14,312,970	7,902,553	(6,410,417)	29,878,970	32,023,427	2,144,457
	168,642	168,642		2,816,482	2,816,482
14,312,970	8,085,426	(6,227,544)	29,878,970	34,923,953	5,044,983
11,377,387	7,057,835	4,319,552	34,723,935	34,751,265	(27,330)
125,000	40,695	84,305			
	57,482	(57,482)	666,304	635,703	30,601
2,997,991	850,388	2,147,603			
37,960	16,629	21,331	120,260	49,605	70,655
	21,331	(21,331)		70,655	(70,655)
14,538,338	8,044,360	6,493,978	670		670
			35,511,169	35,507,228	3,941
(225,368)	41,066	266,434	(5,632,199)	(583,275)	5,048,924
(225,368)	41,066	266,434	(5,632,199)	(583,275)	5,048,924
	4,012,454	4,012,454		2,142,613	2,142,613
\$ (225,368)	\$ 4,053,520	\$ 4,278,888	\$ (5,632,199)	\$ 1,559,338	\$ 7,191,537

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	Miscellaneous Housing Grant Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions	20,430,970	13,183,352	(7,247,618)
Other Agencies			
Charges for Services			
Miscellaneous		3,791	3,791
Total revenues	20,430,970	13,187,143	(7,243,827)
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	19,574,389	8,030,255	11,544,134
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay	25,317		25,317
Capital Projects	7,050,205	4,845,541	2,204,664
Debt service -			
Principal	69,132	3,456	65,676
Interest		4,434	(4,434)
Fiscal Agent Fees and Other			
Total expenditures	26,719,043	12,883,686	13,835,357
Excess (deficiency) of revenues over expenditures	(6,288,073)	303,457	6,591,530
Other financing sources (uses):			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)			
Change in fund balances	(6,288,073)	303,457	6,591,530
Fund balances (deficits), July 1, 2003		90,728	90,728
Fund balances (deficits), June 30, 2004	\$ (6,288,073)	\$ 394,185	\$ 6,682,258

Other Federal Grants Fund			Non-Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	40,576	40,576			
35,197,310	7,704,156	(27,493,154)	7,512,990	1,261,708	(6,251,282)
<u>35,197,310</u>	<u>7,744,732</u>	<u>(27,452,578)</u>	<u>7,512,990</u>	<u>1,261,708</u>	<u>(6,251,282)</u>
383,980	209,466	174,514	133,390	69,400	63,990
1,499,535	95,599	1,403,936	1,336,840		1,336,840
8,442,797	4,721,687	3,721,110	4,181,600	1,052,876	3,128,724
2,272,240	808,106	1,464,134	1,692,071		1,692,071
542,050	58,777	483,273		99,518	(99,518)
				68,145	(68,145)
448,809	445,740	3,069		76,301	(76,301)
7,907,908	1,560,463	6,347,445			
<u>21,497,319</u>	<u>7,899,838</u>	<u>13,597,481</u>	<u>7,343,901</u>	<u>1,366,240</u>	<u>5,977,661</u>
<u>13,699,991</u>	<u>(155,106)</u>	<u>(13,855,097)</u>	<u>169,089</u>	<u>(104,532)</u>	<u>(273,621)</u>
<u>13,699,991</u>	<u>(155,106)</u>	<u>(13,855,097)</u>	<u>169,089</u>	<u>(104,532)</u>	<u>(273,621)</u>
	449,379	449,379		271,630	271,630
<u>\$ 13,699,991</u>	<u>\$ 294,273</u>	<u>\$ (13,405,718)</u>	<u>\$ 169,089</u>	<u>\$ 167,098</u>	<u>\$ (1,991)</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2004
(Concluded)

	Mass Transit Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Use of Money and Property			
Federal Grants and Contributions	45,724,150	14,327,380	(31,396,770)
Other Agencies	5,387,030	6,525,251	1,138,221
Charges for Services	7,888,510	8,217,698	329,188
Miscellaneous	2,350,480	233,080	(2,117,400)
Total revenues	61,350,170	29,303,409	(32,046,761)
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	51,101,943	44,880,482	6,221,461
Strategic Initiatives			
Non-Departmental			
Capital Outlay	15,029,896	2,759,016	12,270,880
Capital Projects	21,744,482	6,022,768	15,721,714
Debt service -			
Principal			
Interest			
Fiscal Agent Fees and Other			
Total expenditures	87,876,321	53,662,266	34,214,055
Excess (deficiency) of revenues over expenditures	(26,526,151)	(24,358,857)	2,167,294
Other financing sources (uses):			
Transfers from Other Funds	28,104,690	25,535,435	(2,569,255)
Transfers to Other Funds			
Total other financing sources (uses)	28,104,690	25,535,435	(2,569,255)
Change in fund balances	1,578,539	1,176,578	(401,961)
Fund balances (deficits), July 1, 2003		(1,856,107)	(1,856,107)
Fund balances (deficits), June 30, 2004	\$ 1,578,539	\$ (679,529)	\$ (2,258,068)

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 10,000	\$ 412,921	\$ 402,921
1,317,370	941,526	(375,844)
1,602,860	291,532	(1,311,328)
145,544,370	75,140,868	(70,403,502)
70,857,270	56,806,512	(14,050,758)
27,097,290	30,914,664	3,817,374
19,813,320	3,439,331	(16,373,989)
<u>266,242,480</u>	<u>167,947,354</u>	<u>(98,295,126)</u>
517,370	278,866	238,504
2,836,375	95,599	2,740,776
102,076,764	78,049,648	24,027,116
112,923,030	104,238,688	8,684,342
10,897,160	10,654,676	242,484
261,770	427,983	(166,213)
17,581,126	4,694,251	12,886,875
50,116,887	19,990,361	30,126,526
836,192	661,289	174,903
1,263,760	256,475	1,007,285
670		670
<u>299,311,104</u>	<u>219,347,836</u>	<u>79,963,268</u>
<u>(33,068,624)</u>	<u>(51,400,482)</u>	<u>(18,331,858)</u>
57,992,970	56,886,318	(1,106,652)
<u>(16,294,550)</u>	<u>(5,861,490)</u>	<u>10,433,060</u>
<u>41,698,420</u>	<u>51,024,828</u>	<u>9,326,408</u>
<u>8,629,796</u>	<u>(375,654)</u>	<u>(9,005,450)</u>
	33,527,441	33,527,441
<u>\$ 8,629,796</u>	<u>\$ 33,151,787</u>	<u>\$ 24,521,991</u>

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2004

	<u>Special Assessment Bond and Interest Fund</u>		
	<u>Budget*</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures		5,289	5,289
Use of Money and Property		13,717	13,717
Other Agencies			
Special Assessments		663,958	663,958
Miscellaneous		40	40
Total revenues		<u>683,004</u>	<u>683,004</u>
Expenditures:			
Debt service -			
Principal		526,392	(526,392)
Interest		212,893	(212,893)
Fiscal Agent Fees and Other		2,596	(2,596)
Total expenditures		<u>741,881</u>	<u>(741,881)</u>
Excess (deficiency) of revenues over expenditures		<u>(58,877)</u>	<u>(58,877)</u>
Other financing sources (uses):			
Transfers from Other Funds			
Total other financing sources (uses)			
Change in fund balances		<u>(58,877)</u>	<u>(58,877)</u>
Fund balances, July 1, 2003		1,278,719	1,278,719
Fund balances, June 30, 2004	<u>\$</u>	<u>\$ 1,219,842</u>	<u>\$ 1,219,842</u>

*The Special Assessment Bond and Interest Fund Fund was included in the budget, however, the budget was -0-

General Obligation Bond and Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 23,055,320	\$ 23,009,110	\$ (46,210)
	48,944	48,944
<u>23,055,320</u>	<u>23,058,054</u>	<u>2,734</u>

Street and Highway Bond and Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	7,435,064	7,435,064
	206,248	206,248
	<u>7,641,312</u>	<u>7,641,312</u>

7,995,000	8,045,000	(50,000)
15,054,320	13,972,869	1,081,451
6,000	13,656	(7,656)
<u>23,055,320</u>	<u>22,031,525</u>	<u>1,023,795</u>

7,515,000	5,570,000	1,945,000
8,773,550	7,752,180	1,021,370
6,000	400	5,600
<u>16,294,550</u>	<u>13,322,580</u>	<u>2,971,970</u>

	<u>1,026,529</u>	<u>1,026,529</u>
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<u>(16,294,550)</u>	<u>(5,681,268)</u>	<u>10,613,282</u>
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	218,195	218,195
	<u>218,195</u>	<u>218,195</u>

<u>16,294,550</u>	<u>5,681,268</u>	<u>(10,613,282)</u>
<u>16,294,550</u>	<u>5,681,268</u>	<u>(10,613,282)</u>

	<u>1,244,724</u>	<u>1,244,724</u>
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	3,194,508	3,194,508
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<u>\$</u>	<u>\$ 4,439,232</u>	<u>\$ 4,439,232</u>
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<u>\$</u>	<u>\$</u>	<u>\$</u>
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(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2004
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 23,055,320	\$ 23,009,110	\$ (46,210)
Fines and Forfeitures		5,289	5,289
Use of Money and Property		13,717	13,717
Other Agencies		7,435,064	7,435,064
Special Assessments		663,958	663,958
Miscellaneous		255,232	255,232
Total revenues	23,055,320	31,382,370	8,327,050
Expenditures:			
Debt service -			
Principal	15,510,000	14,141,392	1,368,608
Interest	23,827,870	21,937,942	1,889,928
Fiscal Agent Fees and Other	12,000	16,652	(4,652)
Total expenditures	39,349,870	36,095,986	3,253,884
Excess (deficiency) of revenues over expenditures	(16,294,550)	(4,713,616)	11,580,934
Other financing sources (uses):			
Transfers from Other Funds	16,294,550	5,899,463	(10,395,087)
Total other financing sources (uses)	16,294,550	5,899,463	(10,395,087)
Change in fund balances		1,185,847	1,185,847
Fund balances, July 1, 2003		4,473,227	4,473,227
Fund balances, June 30, 2004	\$	\$ 5,659,074	\$ 5,659,074



CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004

Special Assessment Construction Fund			
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$	\$
Special Assessments		20,204	20,204
Total revenues		20,204	20,204
Expenditures:			
Current -			
Neighborhood Services			
Environment and Development			
Capital Projects		390,837	(390,837)
Debt service -			
Issuance Cost of Debt			
Total expenditures		390,837	(390,837)
Excess (deficiency) of revenues over expenditures		(370,633)	(370,633)
Other financing sources (uses):			
Face Amount of Bond Proceeds			
Premium on Issuance of Debt			
Transfers from Other Funds		158,824	158,824
Transfers to Other Funds			
Total other financing sources (uses)		158,824	158,824
Change in fund balances		(211,809)	(211,809)
Fund balances (deficits), July 1, 2003		(3,532,479)	(3,532,479)
Fund balances (deficits), June 30, 2004	\$	\$ (3,744,288)	\$ (3,744,288)

*The Special Assessment Construction Fund Fund was included in the budget, however, the budget was -0-.

2000 Street and Highway Improvement		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 592	\$ 592
	<u>592</u>	<u>592</u>
2,228,516	2,040,269	188,247
11,054,913	4,032,701	7,022,212
	<u>172,709</u>	<u>(172,709)</u>
<u>13,283,429</u>	<u>6,245,679</u>	<u>7,037,750</u>
<u>(13,283,429)</u>	<u>(6,245,087)</u>	<u>7,038,342</u>
10,996,500	8,500,000	(2,496,500)
	103,532	103,532
	43,431	43,431
	<u>(6,371)</u>	<u>(6,371)</u>
<u>10,996,500</u>	<u>8,640,592</u>	<u>(2,355,908)</u>
<u>(2,286,929)</u>	<u>2,395,505</u>	<u>4,682,434</u>
	1,750,087	1,750,087
<u>\$ (2,286,929)</u>	<u>\$ 4,145,592</u>	<u>\$ 6,432,521</u>

1994 Street and Highway Improvement		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 7,242	\$ 7,242
	<u>7,242</u>	<u>7,242</u>
3,621	31,177	(27,556)
889,878	232,948	656,930
<u>893,499</u>	<u>264,125</u>	<u>629,374</u>
<u>(893,499)</u>	<u>(256,883)</u>	<u>636,616</u>
192,700		(192,700)
	<u>(7,242)</u>	<u>(7,242)</u>
<u>192,700</u>	<u>(7,242)</u>	<u>(199,942)</u>
<u>(700,799)</u>	<u>(264,125)</u>	<u>436,674</u>
	881,543	881,543
<u>\$ (700,799)</u>	<u>\$ 617,418</u>	<u>\$ 1,318,217</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004
(Continued)

	2000 General Obligation Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$ 273,217	\$ 273,217
Special Assessments			
Total revenues		<u>273,217</u>	<u>273,217</u>
Expenditures:			
Current -			
Neighborhood Services	403,715	293,542	110,173
Environment and Development	8,359,174	351,688	8,007,486
Capital Projects	63,367,175	18,676,197	44,690,978
Debt service -			
Issuance Cost of Debt		181,549	(181,549)
Total expenditures	<u>72,130,064</u>	<u>19,502,976</u>	<u>52,627,088</u>
Excess (deficiency) of revenues over expenditures	<u>(72,130,064)</u>	<u>(19,229,759)</u>	<u>52,900,305</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds	57,516,600	15,000,000	(42,516,600)
Premium on Issuance of Debt		299,160	299,160
Transfers from Other Funds		3,657,165	3,657,165
Transfers to Other Funds		(310,610)	(310,610)
Total other financing sources (uses)	<u>57,516,600</u>	<u>18,645,715</u>	<u>(38,870,885)</u>
Change in fund balances	<u>(14,613,464)</u>	<u>(584,044)</u>	<u>14,029,420</u>
Fund balances (deficits), July 1, 2003		33,698,140	33,698,140
Fund balances (deficits), June 30, 2004	<u>\$ (14,613,464)</u>	<u>\$ 33,114,096</u>	<u>\$ 47,727,560</u>

1994 General Obligation Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 52,262	\$ 52,262
	<u>52,262</u>	<u>52,262</u>
832,636	453,308	379,328
3,823,426	1,735,753	2,087,673
<u>4,656,062</u>	<u>2,189,061</u>	<u>2,467,001</u>
(4,656,062)	(2,136,799)	2,519,263
1,940,200		(1,940,200)
<u>1,940,200</u>		<u>(1,940,200)</u>
(2,715,862)	(2,136,799)	579,063
	6,054,343	6,054,343
<u>\$ (2,715,862)</u>	<u>\$ 3,917,544</u>	<u>\$ 6,633,406</u>

1984 General Obligation Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$ 2,709	\$ 2,709
	<u>2,709</u>	<u>2,709</u>
264,776	119,353	145,423
<u>264,776</u>	<u>119,353</u>	<u>145,423</u>
(264,776)	(116,644)	148,132
	257,418	257,418
<u>\$ (264,776)</u>	<u>\$ 140,774</u>	<u>\$ 405,550</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2004
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$ 336,022	\$ 336,022
Special Assessments		20,204	20,204
Total revenues		356,226	356,226
Expenditures:			
Current -			
Neighborhood Services	403,715	293,542	110,173
Environment and Development	11,423,947	2,876,442	8,547,505
Capital Projects	79,400,168	25,187,789	54,212,379
Debt service -			
Issuance Cost of Debt		354,258	(354,258)
Total expenditures	91,227,830	28,712,031	62,515,799
Excess (deficiency) of revenues over expenditures	(91,227,830)	(28,355,805)	62,872,025
Other financing sources (uses):			
Face Amount of Bond Proceeds	70,646,000	23,500,000	(47,146,000)
Premium on Issuance of Debt		402,692	402,692
Transfers from Other Funds		3,859,420	3,859,420
Transfers to Other Funds		(324,223)	(324,223)
Total other financing sources (uses)	70,646,000	27,437,889	(43,208,111)
Change in fund balances	(20,581,830)	(917,916)	19,663,914
Fund balances (deficits), July 1, 2003		39,109,052	39,109,052
Fund balances (deficits), June 30, 2004	\$ (20,581,830)	\$ 38,191,136	\$ 58,772,966

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Golf Course Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 12,109,530	\$ 9,508,762	\$ (2,600,768)
Miscellaneous		5,159	5,159
Total operating revenues	<u>12,109,530</u>	<u>9,513,921</u>	<u>(2,595,609)</u>
Operating expenses:			
Personal Services	4,789,200	4,247,670	(541,530)
Contractual Services	2,278,411	1,970,054	(308,357)
Commodities	2,341,909	1,872,531	(469,378)
Cost of Goods Sold		415,633	415,633
Depreciation		704,175	704,175
Amortization of Goodwill		1,633	1,633
Total operating expenses	<u>9,409,520</u>	<u>9,211,696</u>	<u>(197,824)</u>
Operating income	<u>2,700,010</u>	<u>302,225</u>	<u>(2,397,785)</u>
Nonoperating revenues (expenses):			
Investment Income		307	307
Gain (Loss) on Sale of Property/Equipment		103	103
Interest Expense	225,810	(280,235)	(506,045)
Amortization of Cost Issuance		(5,269)	(5,269)
Total nonoperating revenues (expenses)	<u>225,810</u>	<u>(285,094)</u>	<u>(510,904)</u>
Change in net assets	<u>\$ 2,925,820</u>	<u>17,131</u>	<u>\$ (2,908,689)</u>
Total net assets, beginning of year		14,763,575	
Total net assets, end of year		<u>\$ 14,780,706</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
WATER UTILITY FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Water Utility Fund		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 119,500,000	\$ 110,171,822	\$ (9,328,178)
Miscellaneous	2,737,320	4,386,170	1,648,850
Total operating revenues	<u>122,237,320</u>	<u>114,557,992</u>	<u>(7,679,328)</u>
Operating expenses:			
Personal Services	24,865,670	27,284,467	2,418,797
Contractual Services	36,329,493	34,932,676	(1,396,817)
Commodities	7,069,788	6,700,792	(368,996)
Depreciation		19,590,852	19,590,852
Amortization of Goodwill		32,823	32,823
Total operating expenses	<u>68,264,951</u>	<u>88,541,610</u>	<u>20,276,659</u>
Operating income	<u>53,972,369</u>	<u>26,016,382</u>	<u>(27,955,987)</u>
Nonoperating revenues (expenses):			
Investment Income	795,000	643,298	(151,702)
Gain (Loss) on Sale of Property/Equipment		62,101	62,101
Interest Expense	(15,297,750)	(17,606,577)	(2,308,827)
Amortization of Cost Issuance	(60,000)	(95,239)	(35,239)
Other Nonoperating Income (Expenses)		(569,278)	(569,278)
Total nonoperating revenues (expenses)	<u>(14,562,750)</u>	<u>(17,565,695)</u>	<u>(3,002,945)</u>
Income before operating transfers	<u>39,409,619</u>	<u>8,450,687</u>	<u>(30,958,932)</u>
Capital Contributions		<u>11,889,083</u>	<u>11,889,083</u>
Change in net assets	<u>\$ 39,409,619</u>	<u>20,339,770</u>	<u>\$ (19,069,849)</u>
Total net assets, beginning of year		573,973,411	
Total net assets, end of year		<u>\$ 594,313,181</u>	

**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2004**

Revenues:

Sale of Water:

Potable Water Sales	\$	93,910,487
Reclaimed Water Sales		5,874,519
Central Arizona Project Surcharge		1,432,590
Connection Fees		3,737,533
System Equity Fees		3,339,651
Pima County - Sewer Billing Services		1,877,042

Miscellaneous Revenue:

Area Development Fees	\$	830,388
TCE Clean Up Reimbursement		793,729
Plan Review and Inspection Fees		925,693
Other		1,836,360
Total Miscellaneous Revenue		4,386,170

Nonoperating Income:

Investment Earnings - Operating Funds	633,018	
Investment Earnings - Debt Service Fund	45,839	
Gain on Sale of Property/Equipment	62,101	
Total Nonoperating Income		740,958
Total Revenues		115,298,950

Operation and Maintenance Expenses:

Director's Office		8,353,607
Business Services		9,404,533
Water Operations		15,220,356
Planning and Engineering		6,116,759
Quality Management		4,472,044
Power - Potable System		11,248,796
Power - Reclaimed System		1,098,379
CAP Water Purchases:		
Commodity	3,390,465	
Capital Charges	4,345,345	
CAP Water Purchases		7,735,810
General Expenses		1,645,863
Capitalized Operation and Maintenance Expense		(3,626,212)
Total Operation and Maintenance Expense		61,669,935

Net Revenue Available After Operations (2)	\$	53,629,015
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Debt Service for Water Revenue Bonds:

Interest	17,436,712
Principal	8,985,510
Fiscal Fees	409,998
Total Debt Service for Water Revenue Bonds	<u>26,832,220</u>

Net Revenue Available After Operations and Water Revenue
Bond Debt Service

\$ 26,796,795

- (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). Financials statements on pages 22 and 23 are presented on a GAAP basis.
- (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 factorable interest rates (and thus lower debt service costs) can be attained if such coverage is 150% to 200%. For the period ended June 30, 2004, the debt coverage was 180%. An amendment to Section 7.01 or 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, 2004, the debt coverage for the Annual Debt Service Requirement is 199%.



Statistical Section

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

TABLE I

	<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>	<u>2003-04</u>
General Government:										
Elected and Official	\$ 13,684	\$ 17,596	\$ 16,379	\$ 19,844	\$ 18,548	\$ 23,868	\$ 23,868	\$ 16,415	\$ 14,357	\$ 15,651
Support Services:										
Finance	5,018	5,335	5,576	5,496	5,818	6,616	6,667	6,954	7,238	8,004
Budget and Research	1,429	1,661	1,606	1,644	1,620	1,781	1,889	2,113	1,910	1,791
Procurement	2,167	2,394	2,210	2,320	2,682	2,754	3,669	3,168	3,297	2,977
Information Technology	3,505	6,007	7,300	7,568	8,682	9,480	9,096	9,131	9,750	9,419
Human Resources	2,116	2,239	2,112	2,640	2,645	2,877	2,926	2,801	2,909	2,562
Operations	10,585	10,205	11,921	12,818	12,948	16,937	16,811	15,212	16,530	15,122
City Manager Support Services (2)								2,203	765	625
Neighborhood Services:										
Community Services	44,157	43,200	42,196	47,165	54,879	50,546	46,934	46,252	52,561	55,604
City Court	6,322	6,939	7,257	8,187	8,178	8,570	9,418	9,349	9,570	8,617
Public Defender	1,387	1,523	1,540	1,601	1,678	1,858	1,940	2,050	2,232	2,443
Police	59,394	63,723	65,167	68,376	77,296	90,271	99,960	100,532	109,876	113,493
Fire	27,764	28,957	29,285	30,403	32,805	36,487	39,990	42,156	46,889	49,346
Library	12,802	13,125	13,179	13,555	15,123	16,618	18,578	19,728	19,158	18,604
Parks and Recreation	28,092	30,458	37,139	33,983	38,113	38,473	37,877	36,041	36,158	34,065
City Manager Neighborhood Services (2)								937	3,293	2,839
Environment & Development:										
Planning	2,352	2,581	2,603	2,717	2,762	3,028	2,829	3,156	3,259	3,639
Development Services	3,274	3,585	3,797	3,847	4,123	4,622	6,076	6,344	7,348	8,267
Environmental Services	16,627	18,921	21,252	21,767	21,819	25,013	26,769	26,760	27,785	28,501
Transportation	67,119	69,173	79,468	85,515	76,676	97,730	93,183	70,181	74,953	80,988
City Manager Environmental Management (2)								2,369	2,969	165
Strategic Initiatives										
Convention Center	4,725	4,764	4,739	6,313	5,950	5,101	5,895	9,241	10,748	10,456
Rio Nuevo (4)						172	2,046			
City Manager Strategic Initiatives (2)								2,686	2,849	2,355
Nondepartmental	13,024	14,518	7,181	8,276	11,382	23,385	11,889	7,544	10,549	8,298
Debt Service	35,989	39,233	39,200	39,836	42,036	46,302	50,372	48,523	43,234	46,435
Capital Projects/Outlays (3)								86,893	88,903	69,530
Total	\$ 361,532	\$ 386,137	\$ 401,107	\$ 423,871	\$ 445,763	\$ 512,489	\$ 518,682	\$ 578,739	\$ 609,090	\$ 599,796

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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) Capital Projects are included in the expenditures of the function to which they are related for Fiscal Years 1994-95 through 2000-01
- (4) 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>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>	<u>2003-04</u>
Taxes	\$ 144,067	\$ 144,932	\$ 152,875	\$ 158,401	\$ 167,428	\$ 182,112	\$ 194,471	\$ 199,468	\$ 203,731	\$ 225,510
Licenses and Permits	4,635	12,476	11,499	16,884	14,755	16,530	17,514	18,098	17,088	17,762
Fines, Forfeitures and Penalties	5,928	6,365	7,030	7,996	8,095	6,433	7,443	8,946	10,641	10,220
Use of Money and Property	5,373	5,900	6,773	7,239	6,285	7,602	7,528	7,408	5,031	2,288
Other Agencies	126,001	133,450	131,519	138,624	154,790	163,956	175,774	176,900	178,658	179,543
Charges for Current Services	28,946	30,671	30,491	30,530	32,213	38,986	40,831	40,432	42,692	57,262
Special Assessments (2)								1,131	484	684
Grants and Contributions On Federal Projects	54,459	47,417	61,701	65,582	62,875	60,704	67,801	78,150	71,867	75,141
Miscellaneous Revenue	<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>	<u>5,541</u>
Total	<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>	<u>\$ 573,951</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.

(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>
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
2003-04	27,907	26,886	96.3	949	27,835	99.7	2,024	7.3

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	
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
2003-04	2,056,913	16,322,643	375,071	2,976,377	2,431,984	19,299,020	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>
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 (2)	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
2003-04							
Primary		4.0720	0.2089	7.1831	1.1358	0.4717	13.0715
Secondary		1.4261	0.9480	1.5779	0.3526	0.1200	4.4246

(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, 2004 (unaudited)
 (dollar amounts in thousands)

TABLE VI

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Estimated 2003-04 Assessed Valuation</u>	<u>As % of City's Total 2003-04 Assessed Valuation</u>
Tucson Electric Power Company	Electric Utility	\$ 79,447	3.27 %
Qwest	Telephone	69,596	2.86
Southwest Gas Corporation	Natural Gas Utility	19,275	0.79
Tucson Mall	Retail Stores	18,703	0.77
Park Place	Retail Stores	13,779	0.57
AT & T Communications	Telephone	9,865	0.41
EI Con Mall	Retail Stores	8,311	0.34
WC Partners	Commerical Rentals	6,899	0.28
MCI Worldcom Network	Telephone	5,151	0.25
HUB Properties Trust	Commercial Rentals	5,853	0.24
Totals		<u>\$ 236,879</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

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected (2)</u>	<u>Ratio of Collections to Amounts Due (2)</u>
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
2003-04	386	473	1.23

(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, 2004 (unaudited)
 (dollar amounts in thousands)

TABLE VIII

		General Obligation Other Purposes <u>6%</u>	General Obligation Utility Purposes and Open Spaces <u>20%</u>
Total Assessed Value	\$ 2,431,984		
Debt Limitation		\$ 145,919	\$ 486,397
Total Bonded Debt	799,149		
Less:			
Street & Highway Bonds	156,475		
Water Utility Revenue Bonds	329,970		
WIFA Loans	34,731		
Special Assessments Bonds	4,029		
Debt Subject to Limitation	<u>\$ 273,944</u>	<u>82,446</u>	<u>191,498</u>
Legal Debt Margin		<u>\$ 63,473</u>	<u>\$ 294,899</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>
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
2003-04	518,878	2,431,984	273,944	4,439	269,505	0.111	519.40

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	
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
2003-04	8,045	13,973	22,018	4,898	23,009	0.91

- (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 2003-04 was .9480.
- (3) Includes payments to Refunding Trust Escrow Account of \$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>
1994-95	2,820	9,695 (2)	12,515	361,532	.03
1995-96	3,450	10,850	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
2003-04	8,045	13,973	22,018	599,012	.04

(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 \$635 in 1994-95 fiscal year.

CITY OF TUCSON, ARIZONA
Computation of Direct and Overlapping Debt
June 30, 2004 (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	\$ 266,989 ⁽¹⁾	100.00 %	\$ 266,989
School District No. 1	290,770	96.99	282,018
School District No. 8	13,810	6.64	917
School District No. 10	113,660	39.60	45,009
School District No. 12	55,865	12.03	6,721
School District No. 20	18,960	8.20	1,555
School District No. 39	3,700	7.47	276
School District No. 6	79,805	16.34	13,040
School District No. 16	45,415	16.72	7,593
School District No. 13	7,010	5.10	358
School District No. 30	20,435	3.49	713
Pima County	201,370	46.47	93,577
Pima County Flood Control District	4,585	53.91	2,472
Pima County Community College	<u>94,215</u>	46.58	<u>43,885</u>
Total Direct and Overlapping Debt	<u>\$ 1,216,589</u>		<u>\$ 765,123</u>

⁽¹⁾ 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		
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
2003-04	115,299	61,670	53,629	17,075	12,700	29,775	1.80

(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>
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
2004	518,878	25	4.2	226.13	2,294.60

(1) 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		
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
2004	1,067	251,068	3,371	351,408	7,597,961	9,973,484

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

CITY OF TUCSON, ARIZONA
Miscellaneous Statistics
 June 30, 2004 (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	4,888
Part Time/Other	<u>2,398</u>
	<u><u>7,286</u></u>

Fire Protection:

Commissioned Employees	526
Number of Stations	18

Police Protection:

Commissioned Employees	936
Traffic Citations	132,448
Felonies	52,708

Miles of Streets:

Residential	1,347.03
Collectors	100.39
Arterials	287.45
Interstate	79.64
Area of City in Square Miles	226.13

Street Lights:

Number	16,993
--------	--------

Libraries:

Number	- Within City	16
	- Outside City	6
Circulation		6,030,793

Parks and Recreation:

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

Water Utility:

Operable Wells	216
Miles of Water Mains	4,300
Number of Water Connections	205,377
Potable Water Distributed (in Billion Gallons)	36

Elections:

Registered Voters 11/09/03	191,406
Votes Cast in Last City	
General Election (40.68% of Voters)	77,857



Glossary

Glossary

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

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

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. It also is used by business enterprises and not-for-profit organizations in the private sector.

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 projects 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.¹ 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 expenditure trends. The use of the *other financing uses* 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 of 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 or purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Postretirement 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 reditors (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.

