

City of Tucson, Arizona

Comprehensive Annual Financial Report

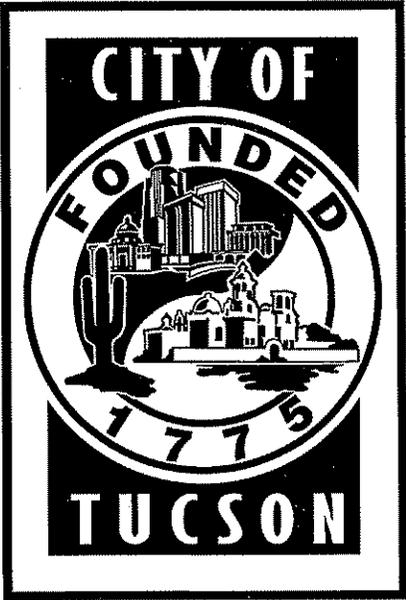


Fiscal Year July 1, 2006 - June 30, 2007



City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2007

Prepared by: The Department of Finance,
Accounting Division



Introductory Section



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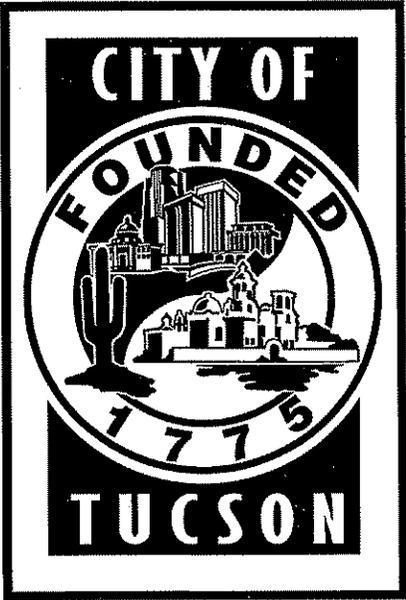
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CITY OF TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

November 21, 2007

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

Formal Transmittal

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Tucson, Arizona (City) for the fiscal year ended June 30, 2007, as required by Chapter XXIX of the City Charter.

The CAFR was prepared in accordance with accounting principles generally accepted in the United States of America. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and 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 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 that include financial statements on a government-wide and fund basis, required supplementary information, and combining statements and individual fund statements and schedules. The statistical section includes financial trends, revenue and debt capacity, demographic and economic information, and operating indicators, 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.

Government Profile

Permanent settlements were built in Tucson nearly 2,000 years ago by the people of the Hohokam culture. More than 300 years after Tucson's founding as a mission site, the City continues to grow and celebrate its diverse cultural influences. It is second largest city in the State of Arizona and largest in Southern Arizona. It is the home of the University of Arizona and Davis-Monthan Air Force Base. The City was incorporated on February 7, 1887, under the provisions of Article 13, Sections 1 through 6 of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City operates under a Council-Manager form of government. All funds and entities related to the City are controlled by the Mayor and Council and are included in the basic financial statements. These funds and entities provide a full range of services including General Government, Police, Fire, Environmental Services, Transportation, Parks and Recreation, Golf, and Water.

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. The Rio Nuevo Multipurpose Facilities District is presented separately from the City in the basic financial statements. Additional information concerning the City's component units is provided in the notes to the basic financial statements.

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. On November 8, 2005, city voters approved an Alternative Expenditure Limitation (Home Rule Option) that is determined by the City's annual balanced budget, which became effective in fiscal year 2007.

Legal control over the budget derives from state statutes that prohibit the city from exceeding the budget by purpose. The City of Tucson defines "purpose" as a series of departments organized into the following six program categories: Elected and Official, Neighborhood Services, Environment and Development, Strategic Initiatives, Support Services, and Non-departmental. The Director of Budget and Research and the City Manager approves changes within purpose categories and Mayor and Council approves changes between purposes.

Assessing Economic Condition

Although the economy continued to grow in fiscal year 2007, a general slow down is anticipated for fiscal year 2008. The housing market is projected to decline into fiscal year 2008 while the commercial real estate market is ranked among the nations healthiest. Job growth is estimated at 3.7% even though construction and information jobs are projected to decline. For the Tucson Metropolitan area, growth in population, retail sales, and personal income will continue at slower rates. Figures 1 through 4 provide Tucson and State of Arizona comparisons in these areas.

FIGURE 1

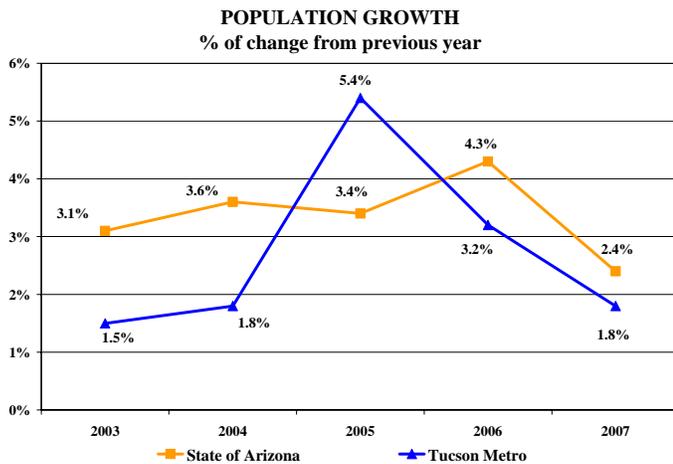


FIGURE 2

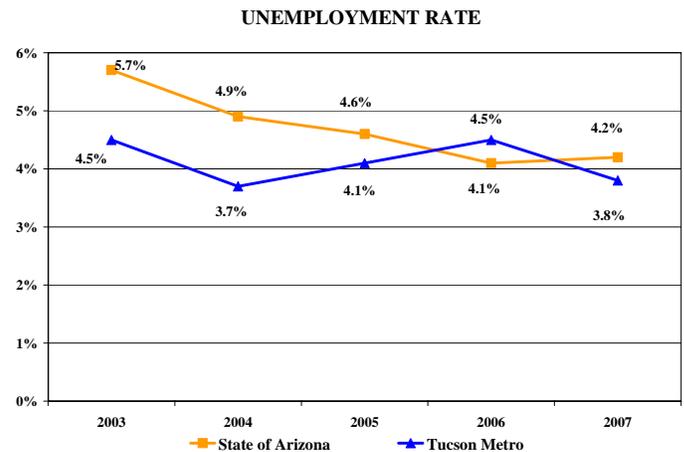


FIGURE 3

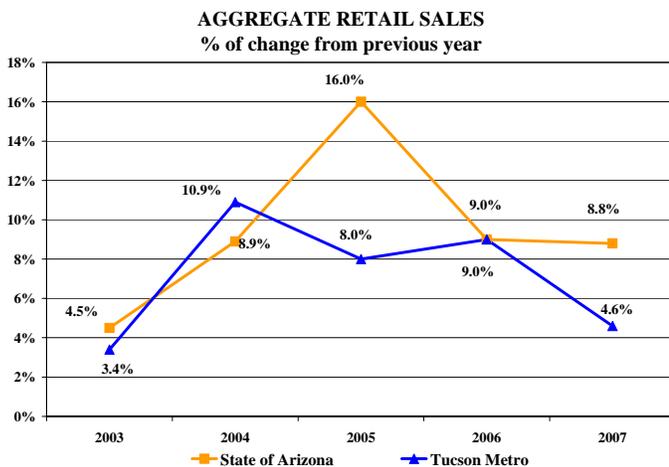
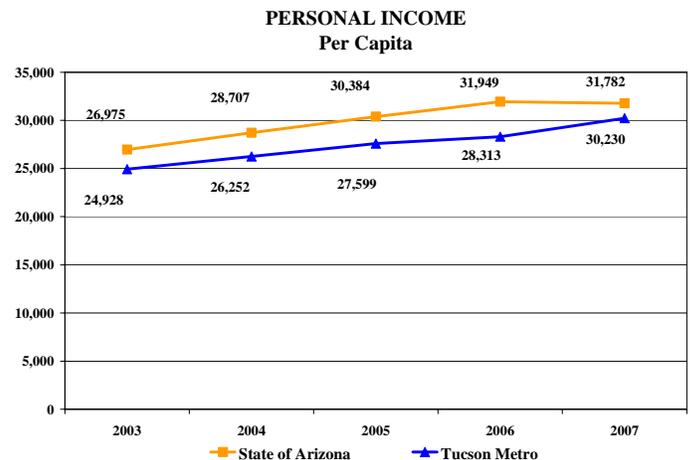


FIGURE 4



These economic factors are reflected in the revenue growth projections for fiscal year 2008 and will be an important consideration in the next biennial budget cycle. City and State sales taxes are projected to increase although at lower rates than last fiscal year. State income tax distributions for fiscal year 2008 are based on taxes collected by the state in fiscal year 2006 when the economy and housing markets were still strong. In future years the city will see the impact of the slowing economy on state shared revenues. Because the City is growing at a slower rate than other Arizona cities, its share of state revenues will decline in the long-term even as City sales tax revenues are projected to grow.

The City of Tucson has implemented two important initiatives: First, the Mayor and Council adopted a policy to establish an unreserved/undesignated fund balance at 10% of General Fund expenditures. For fiscal year 2007, the unreserved/undesignated balance equaled 10.1% of General Fund expenditures. Second, the Mayor and Council approved a long-term financial sustainability plan to address these priorities. The plan provides a strategic framework and clear benchmarks for addressing future service needs. The plan incorporates aspects of the city's strategic priorities, as well as input from citizens and other planning processes. It will provide the basis for the city's budget and will drive efforts in evaluating services and efficiencies as well as workforce planning. The goal is to allocate 60% of revenue growth each year to improving community services such as, maintaining roadways, reducing crime, saving lives and property, addressing social concerns, and improving parks and recreational opportunities. The remaining 40% of revenue growth would fund employee salary and benefit requirements such as rising pension costs.

For fiscal years 2007 and 2008, service-related improvements were funded to repair 24 square miles of residential streets, add 80 police officers and fund related support functions, add 74 firefighters and paramedics, and improve maintenance and add 2,400 hours of youth programming in Parks and Recreation.

Awards and Acknowledgements

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, 2006. 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 25 consecutive years (fiscal years ended 1982 through 2006). We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to GFOA.

A special word of appreciation is due to Joyce Garland, CPA, Financial Manager, Michael Mason, CPA, Finance Administrator, and to the entire accounting staff who prepared this CAFR.

Jeff Alford, CPA, CGFM
Vivian Newsheller
Shane Oman
Kayci Cagle
Carla Casem

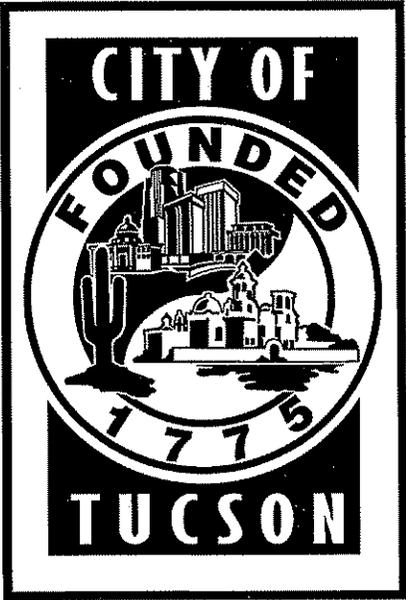
Veronica Chen
Omar Garcia
Melissa Rios
Silvia Valentin
Aaron Williams, CPA

Nicole Worzella
Marsha Schlanger
Cheryl Van De Beuken
Valerie Sparks
Kathy Maish

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,


James Cameron
Finance Director



City of Tucson Officials

CITY COUNCIL



HONORABLE
ROBERT E. WALKUP
MAYOR



JOSÉ J. IBARRA
WARD 1



CAROL W. WEST
WARD 2



KARIN UHLICH
WARD 3



SHIRLEY C. SCOTT
WARD 4



STEVE LEAL
WARD 5



NINA J. TRASOFF
WARD 6

CITY ADMINISTRATION

MIKE HEIN
CITY MANAGER

DEPUTY FINANCE DIRECTOR
SILVIA AMPARANO

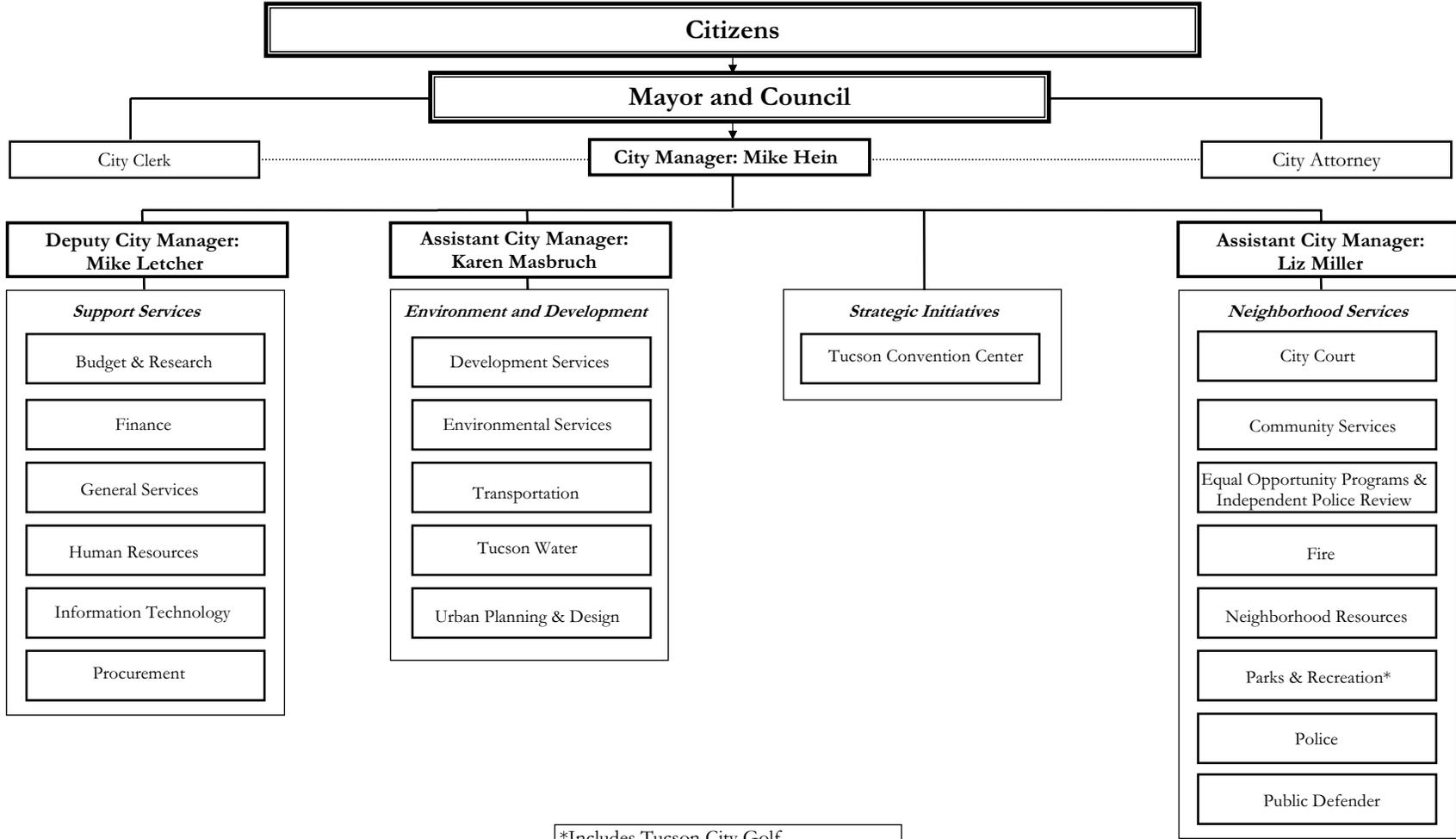
FINANCE DIRECTOR
JAMES CAMERON

DEPUTY FINANCE DIRECTOR
JOE LADENBURG

ACCOUNTING
ADMINISTRATOR
MICHAEL MASON



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2008**



*Includes Tucson City Golf

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Tucson
Arizona

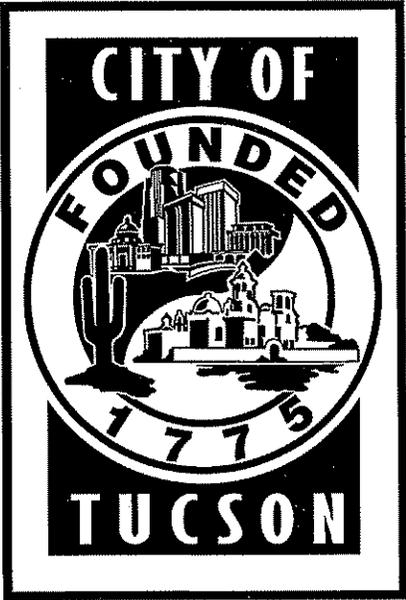
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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





HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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Corey Arvizu, CPA

Scott W. Kies, CPA
Kimberly A. Robinson, CPA
Kera Badalamenti, CPA

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, 2007, 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, 2007, 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 November 21, 2007, 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 15 and budgetary comparison information on pages 73 through 75 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 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 statements and individual fund statements and schedules, as listed in the table of contents under the Financial Section, 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

November 21, 2007

Management's Discussion and Analysis



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The Management's Discussion and Analysis (MD&A) 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, 2007. 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 purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns and (5) provide descriptions of significant asset and debt activity.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities by \$1.78 billion—reported as net assets. Assets totaled \$3.08 billion and liabilities were \$1.3 billion.
- Total net assets increased \$58.8 million from last year. Governmental activities had a \$42.7 million increase in net assets, while business-type activities had a \$16.1 million increase.
- The City's governmental funds reported a combined fund balance of \$223.0 million, an increase of \$1.6 million from last fiscal year. Within the combined fund balance total, \$48.0 million is unreserved, while \$175.0 million is reserved for specific purposes.
- The General Fund reported a fund balance of \$167.8 million, which represents a \$3.1 million increase from last year. The unreserved/undesignated balance is \$43.7 million. This represents 10.1% of total general fund expenditures for the fiscal year, which meets the 10% goal set by Mayor & Council in fiscal year 2006.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements that are categorized as either government-wide financial statements or fund financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements represent how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. Also included in the fund financial statements are the fiduciary funds. These include financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. The following table summarizes the structure and contents of the financial statements:

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Table 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, 2007

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. The fund financial statements provide a short-term view of the City's operations at a more detailed level.

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 Statements and Schedules show combining statements for non-major governmental funds and internal service funds, along with budget to actual comparisons on individual funds.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (pg 17) 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 18) 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. Increasing net assets show financial improvement, while decreasing net assets indicate financial decline. To assess the overall health of the City, additional non-financial factors, such as changes in bond ratings, changes in the City's property tax base, projected business privilege tax collection trends, and the condition of the City's infrastructure, are also considered.

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 and 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, Environmental Services 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 Mayor and Council set up other funds for management purposes.

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

- *Governmental fund statements* disclose how general government services, such as police or 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 or lease proceeds.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

- *Proprietary fund 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 Revenues, Expenses, and 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 fund 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.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The combined net assets for the primary government increased 3.4% over the course of the year to \$1.78 billion. Governmental activities contributed to 72.5% of this increase, while business-type activities contributed 27.5%. 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.

Net assets for Governmental Activities increased \$42.7 million. Much of the increase was in restricted net assets which increased \$40.8 million due to proceeds from General Obligation (GO) bond and Certificates of Participation (COPS) issuances. In addition, revenues from developer fees received will be used in future years. Increases in capital asset investments net of related debt were offset by decreases in unrestricted amounts. The unrestricted Highway User Revenue fund balance decreased \$8.4 million. General Fund designated net assets decreased \$9.7 million due to changes in required designations while the undesignated fund balance increased \$2.4 million.

The fiscal year 2007 Business-type restricted and unrestricted balances have inverse differences compared to fiscal year 2006. The reason is that, in fiscal year 2006, \$18.7 million of the Water Utility Fund debt service payments held with a fiscal agent were categorized as unrestricted rather than restricted. In fiscal year 2007, the Water Utility Fund cash held for debt payments of \$21.4 million are reported as restricted. This change, along with landfill closure requirements, result in a net deficit in the unrestricted fund balance.

Table B-1
City of Tucson
Statement of Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006 Restated	2007	2006 Restated	2007	2006 Restated
Current and Other Assets	\$ 385,609,868	\$ 365,200,415	\$ 108,803,598	\$ 96,450,392	\$ 494,413,466	\$ 461,650,807
Capital Assets	1,565,137,925	1,506,701,305	1,022,241,348	990,164,316	2,587,379,273	2,496,865,621
Total Assets	1,950,747,793	1,871,901,720	1,131,044,946	1,086,614,708	3,081,792,739	2,958,516,428
Current and Other Liabilities	181,587,333	164,804,697	56,440,666	56,727,954	238,027,999	221,532,651
Long-term Debt Outstanding	569,127,158	549,743,850	492,057,049	463,489,474	1,061,184,207	1,013,233,324
Total Liabilities	750,714,491	714,548,547	548,497,715	520,217,428	1,299,212,206	1,234,765,975
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	992,291,626	976,637,347	603,005,435	583,166,485	1,595,297,061	1,559,803,832
Restricted	179,464,766	138,645,084	22,418,361	3,254,815	201,883,127	141,899,899
Unrestricted (Deficit)	28,276,910	42,058,585	(42,876,565)	(20,024,020)	(14,599,655)	22,034,565
Total net assets	\$1,200,033,302	\$ 1,157,341,016	\$ 582,547,231	\$ 566,397,280	\$ 1,782,580,533	\$ 1,723,738,296

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Table B-2, below, shows condensed financial information derived from the government-wide Statement of Activities (pg 18) 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	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 90,902,874	\$100,782,391	\$ 167,798,603	\$167,878,518	\$ 258,701,477	\$ 268,660,909
Operating Grants and Contributions	119,726,357	134,853,525			119,726,357	134,853,525
Capital Grants and Contributions	56,340,464	36,449,563	18,305,223	23,309,465	74,645,687	59,759,028
Total Program Revenues	<u>266,969,695</u>	<u>272,085,479</u>	<u>186,103,826</u>	<u>191,187,983</u>	<u>453,073,521</u>	<u>463,273,462</u>
General Revenues:						
Taxes:						
Property Taxes	37,669,367	33,669,712			37,669,367	33,669,712
Business Privilege Taxes	209,180,346	195,790,010			209,180,346	195,790,010
Public Utility Taxes	7,176,742	7,585,462			7,176,742	7,585,462
Transient Occupancy Taxes	12,979,893	12,276,201			12,979,893	12,276,201
Occupational Taxes	2,124,410	2,044,040			2,124,410	2,044,040
Liquor Taxes	731,380	721,117			731,380	721,117
Unrestricted Grants and Contributions	136,287,823	129,370,825			136,287,823	129,370,825
Investment Income (Loss)	11,613,881	3,932,688	3,586,680	2,809,904	15,200,561	6,742,592
Miscellaneous	8,370,501	15,542,035			8,370,501	15,542,035
Total General Revenues	<u>426,134,343</u>	<u>400,932,090</u>	<u>3,586,680</u>	<u>2,809,904</u>	<u>429,721,023</u>	<u>403,741,994</u>
Total Revenues	<u>693,104,038</u>	<u>673,017,569</u>	<u>189,690,506</u>	<u>193,997,887</u>	<u>882,794,544</u>	<u>867,015,456</u>
Expenses:						
Elected and Official	18,282,947	17,443,632			18,282,947	17,443,632
Support Services	48,489,229	58,092,060			48,489,229	58,092,060
Neighborhood Services	359,333,504	341,517,918			359,333,504	341,517,918
Environment and Development	153,134,680	137,175,591			153,134,680	137,175,591
Strategic Initiatives	8,156,745	12,499,925			8,156,745	12,499,925
Non-Departmental	35,332,418	14,972,390			35,332,418	14,972,390
Interest on Long-term Debt	27,227,363	24,108,533			27,227,363	24,108,533
Fiscal Agent and Other	43,875	74,613			43,875	74,613
Environmental Services			46,037,471	42,987,747	46,037,471	42,987,747
Golf			9,692,464	9,003,837	9,692,464	9,003,837
Water			118,221,611	119,187,111	118,221,611	119,187,111
Total Expenses	<u>650,000,761</u>	<u>605,884,662</u>	<u>173,951,546</u>	<u>171,178,695</u>	<u>823,952,307</u>	<u>777,063,357</u>
Changes in Net Assets before transfers	43,103,277	67,132,907	15,738,960	22,819,192	58,842,237	89,952,099
Transfers	(410,991)	59,894	410,991	(59,894)		
Changes in Net Assets	<u>\$ 42,692,286</u>	<u>\$ 67,192,801</u>	<u>\$ 16,149,951</u>	<u>\$ 22,759,298</u>	<u>\$ 58,842,237</u>	<u>\$ 89,952,099</u>

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

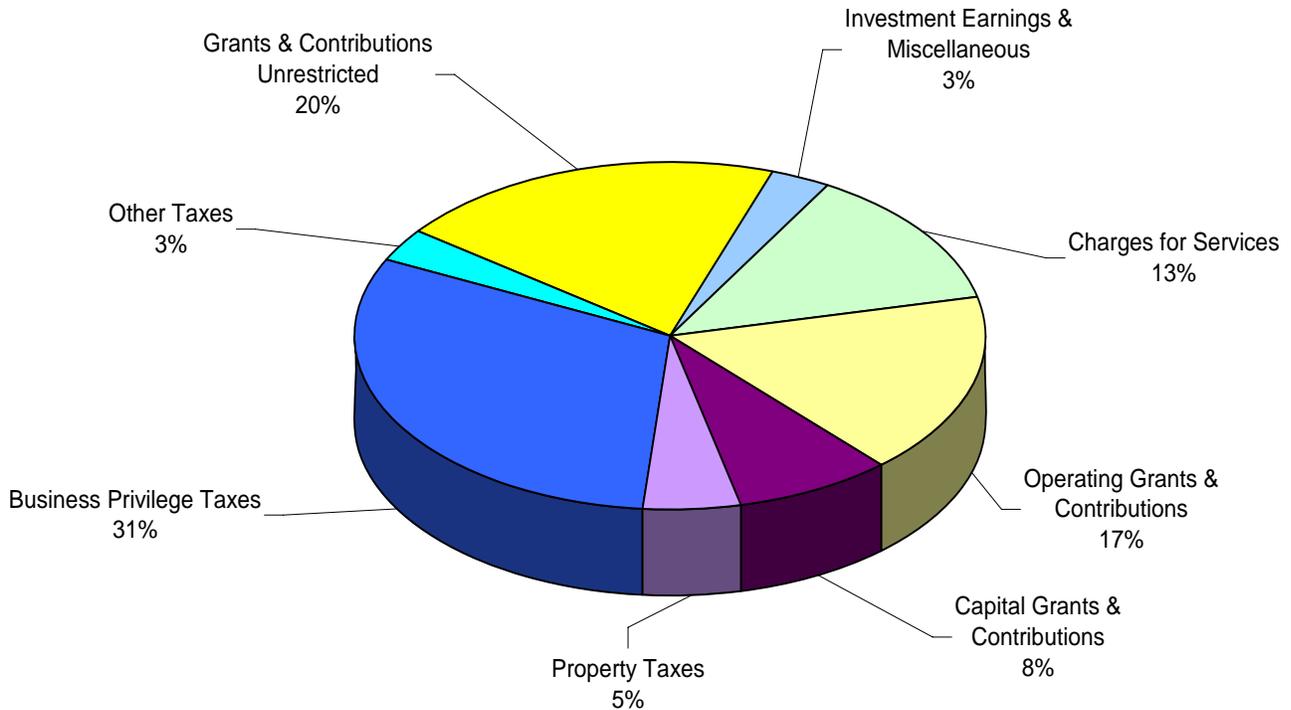
Governmental Activities

Total expenses for governmental activities for fiscal year 2007 were \$650.0 million. Program revenues, including charges for services and restricted grants or contributions, covered 41.1% of these costs. General revenues covered the remaining 58.9% of governmental costs. Components of general revenues primarily include taxes, unrestricted grants and contributions, investment income and miscellaneous revenues.

Operating Grants and Contributions decreased \$15.1 million or 11.2% over fiscal year 2006. Most (\$11.9 million) of the decrease is due to the transfer of the libraries to Pima County at July 1, 2006. Because the Pima County Public Library System is operated by the County, the City no longer receives operating grants from the County for library programs. Capital Grants and Contributions increased 54.6% over fiscal year 2006. Two factors contributed to this increase: the voter approved regional half-cent sales tax started in fiscal year 2007 for Regional Transportation Authority (RTA) projects and a significant increase of federally funded streets projects began in fiscal year 2007.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2007:

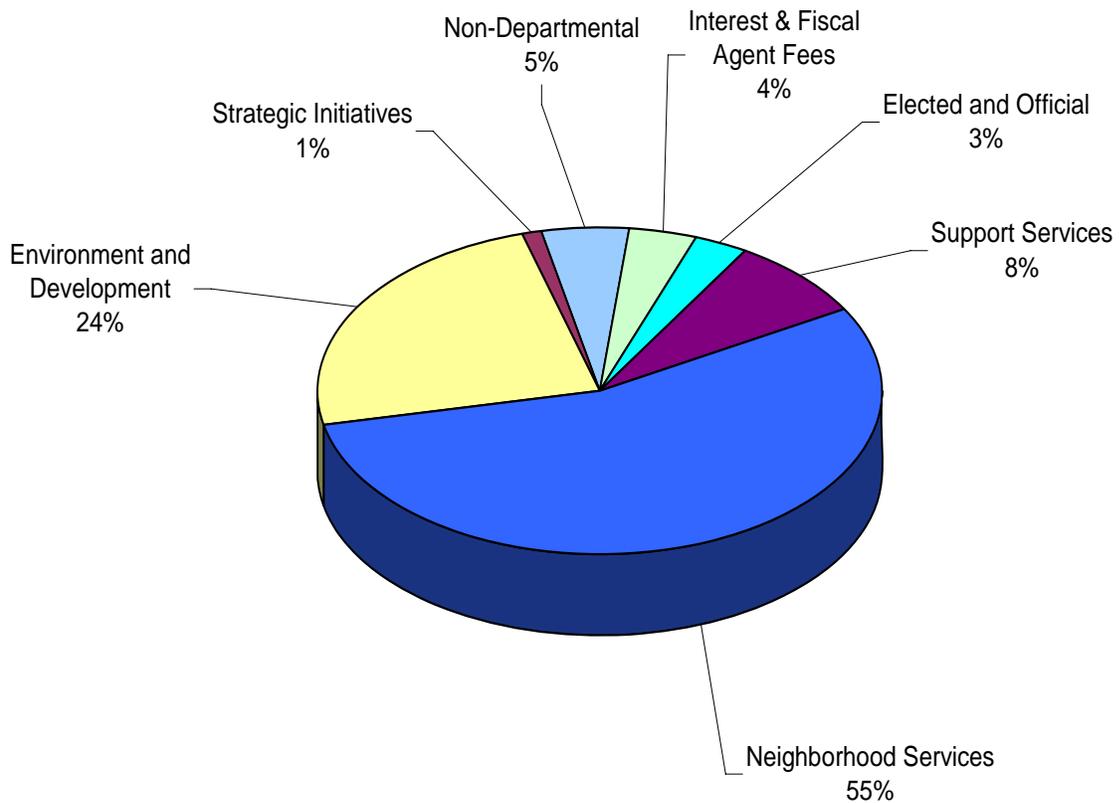
**Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2007**



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

For Governmental Activities, the largest user of resources is Neighborhood Services which includes expenditures for the Police, Fire, and Parks and Recreation departments. The following chart illustrates the break out of expenditures by function:

Governmental Activities-Expenditures
For the Fiscal Year Ended June 30, 2007



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Business-type Activities

The Water Utility Fund, the Environmental Service Fund, and the Golf Course Fund are the City's Business-type activities. The Water Utility Fund and the Environmental Service Fund are major funds for the City and have a major impact on the change in net assets for this activity. During the fiscal year, the net assets for business-type activities increased by \$16.1 million.

Water Revenues

Total program revenues decreased in fiscal year 2007 by \$9.0 million. A wetter than normal year led to a lower demand for water, which resulted in a \$3.7 million decrease of metered water sales. A decrease of \$5.3 million in developer contributions was due to a slow-down of developer activity resulting from the decline in the real estate market.

Water Expenses

Total operating expenses were rather stable compared to fiscal year 2006. The increase of \$1.7 million is due primarily to cost of living and merit increases.

Environmental Revenues

Total program revenues increased in fiscal year 2007 by \$3.3 million. The revenue increase was due to rate increases charged to commercial customers, an increase of tonnage received at the landfill and an increase of recycling by City residents.

Environmental Expenses

Total operating expenses increased \$3.1 million dollars. The total increase is largely a net result of a \$4.0 increase for ground water remediation and a \$1.1 million decrease in depreciation expense as high-dollar assets are becoming fully depreciated.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City had two major governmental funds in fiscal year 2007: the General Fund and the Mass Transit Fund. General Fund revenues increased \$6.2 million and expenditures increased by \$32.5 million. Revenue increases in General Fund Taxes and Use of Money and Property were offset by a decrease in Charges for Services. The largest increases of expenditures were in the areas of police, fire, and transportation, which follows the Mayor and Council, approved Financial Sustainability Plan. Expenditures also increased in capital projects and debt service. The reserved for capital improvements portion of the fund balance increase is due to a Certificates of Participation (COPS) issuance in January 2007. The decrease in the designated portion of the unreserved fund balance is due to decreases in the budget carry forward, energy rate adjustments and BDFC 1998 Refunding savings.

The Mass Transit Fund balance had a very slight increase in fiscal year 2007. The fund balance is comprised of prepaid expenditures and imprest cash (cash available for bus fare boxes). The prepaid expenditures are for workers compensation, auto insurance and computer software maintenance.

General Fund Revenues

- Total tax revenues increased 6.1%, which included increases in property, business privilege and use taxes. These increases were due to an increase in collections of delinquent accounts and a continued increase in economic activity.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

- Charges for Services revenue decreased by \$14.2 million in fiscal year 2007. The majority of this decrease is because the facilities and maintenance functions of the City were moved to an internal service fund at the beginning of the fiscal year. The revenues that facilities and maintenance received by charging outside departments for its services are recorded in the internal service fund rather than the General Fund as in past fiscal years.
- Investment income increased \$7.4 million in fiscal year 2007. This is largely due to interest earned on COPS proceeds that were received in the second half of fiscal year 2006 and in January 2007. Included in this increase is an interest payment of \$2.6 million from the Rio Nuevo District on the outstanding loan due to the City.

General Fund Expenditures

- General Fund expenditures increased \$13.7 million in the Police, Fire and Transportation Departments based on the Financial Sustainability Plan. Adherence to this plan resulted in the hiring of additional police and fire personnel and related support requirements, and increased emphasis on street maintenance.
- Expenditures for capital projects increased \$8.6 million due to major capital undertakings such as the Central Energy District Heating & Cooling Loop Replacement, the Emergency Communications project and the Westside Police Service Center.
- Debt service increased \$5.2 million in fiscal year 2007 because of increases in COPS and capital lease debt over fiscal year 2006.

Mass Transit Fund Revenues

- Total revenues increased by \$0.8 million (2.6%) in fiscal year 2007. Grant income decreased \$0.9 million because there were fewer capital purchases such as buses in fiscal year 2007 as compared to fiscal year 2006. Other agency contributions increased by \$0.7 million in large part from the initial RTA revenue realized in fiscal year 2007. The Mass Transit Fund also saw modest increases in sales of regular bus fares, sales of monthly passes and advertising revenue.

Mass Transit Fund Expenditures

- Total expenditures increased \$1.4 million (2.1%) in fiscal year 2007. The increase is a net result of fewer capital assets, e.g. buses, purchased in fiscal year 2007, but higher capital project costs, specifically for the downtown Transit Center.

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 73) shows the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year.

The variance between the final budget and actual revenues is \$4.4 million.

- Revenues for Use of Money and Property exceeded the budget by \$7.3 million. This increase was primarily due to a combination of \$95.1 million in COPS proceeds received during the fiscal year along with slower than projected expenditure rates.
- The variance of \$14.4 million for miscellaneous revenue includes budgeting \$12.7 million of fund balance as a revenue source from fiscal year 2006 for projects not completed. Another \$2 million was included for contingency revenue capacity, which would have provided the City with the means to expend any new revenue sources that might have been approved.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

The variance between the final budget and actual expenditures is \$26.7 million.

- The Capital Projects variance of \$17.7 million is due to delays in several large projects. The Information Technology department's Voice and Data Network project had budgeted \$12.6 million, but expended only \$3.7 million. Public safety projects for Police and Fire (new substations, headquarters and evidence facility) required additional time for site selection and design, adding \$5.4 million to the variance. These were offset by \$5.7 million for emergency expenditures to replace leaking water loops for the Central Energy District's heating and cooling system.

The variances between total other financing sources (uses) final budget and actual is \$32.0 million.

- The variances for the face amount of bond proceeds and the lease purchases and contract proceeds are because these revenues are only budgeted when the related project expenditures are budgeted, not when the proceeds are actually received.
- There was a \$6.1 million operating transfer to the internal service fund Fleet Services for the purchase of Fire Department apparatus.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table provides details regarding capital assets as of June 30, 2007 and June 30, 2006:

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006 Restated	2007	2006 Restated	2007	2006 Restated
Land	\$ 643,446,618	\$ 635,434,436	\$ 55,937,998	\$ 55,906,496	\$ 699,384,616	\$ 691,340,932
Buildings and Improvements	246,904,519	249,064,317	81,121,248	80,101,613	328,025,767	329,165,930
Equipment	82,670,751	80,087,474	22,728,375	22,425,380	105,399,126	102,512,854
Infrastructure	375,700,693	359,982,136	751,708,920	674,273,297	1,127,409,613	1,034,255,433
Construction in Progress	216,415,344	182,132,942	109,900,903	156,563,880	326,316,247	338,696,822
Goodwill			104,432	134,136	104,432	134,136
Water Rights			739,472	759,514	739,472	759,514
Total Capital Assets	\$ 1,565,137,925	\$ 1,506,701,305	\$ 1,022,241,348	\$ 990,164,316	\$ 2,587,379,273	\$ 2,496,865,621

Additional information regarding capital assets can be found in Note 7 on page 54.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Governmental Activities

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

- The net increase in land value is \$8.0 million. The increase is mostly due to the City recognizing \$8.2 million additional right of way conveyed to the City by developers once construction of neighborhoods and commercial developments was completed. The City also sold \$0.5 million worth of land it held in fiscal year 2007.
- Building and improvements had additions of \$17.9 million from completed projects such as the Sun Tran Maintenance Facility, Downtown Intermodal projects, Quincy Douglas Library and the Miller Golf Links Library Improvements. Decreases for depreciation of \$8.7 million and retirements of \$11.4 million resulted in a net decrease of \$2.2 million.
- Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage. The City added \$36.0 million of improvements to its assets in fiscal year 2007. The additions were several infrastructure improvement projects that were completed in the fiscal year. Depreciation for the City's Infrastructure assets was \$20.3 million, which resulted in a net increase of Infrastructure of \$15.7 million over fiscal year 2006.

Business-type Activities

Business-type activities had a net increase of \$32.1 million in capital assets during the fiscal year.

- Tucson Water's capital program provides for the construction, expansion, and replacement of both potable and reclaimed water distribution systems. There was an increase of \$93.8 million for these distribution systems. For example, the Central Avra Valley Storage and Recovery project was capitalized, resulting in a \$60 million increase from construction projects.
- The net change in construction in progress (CIP) is a decrease of \$46.7 million. This is because more CIPs were capitalized into distribution and collection systems than new CIP expenditures were incurred.
- Improvements increased \$4.1 million mostly due to reservoir modifications and improvements such as the Valley View Reservoir roof modifications and the Clearwell Reservoir access road improvements.
- Accumulated depreciation is a reduction to the capital assets. Accumulated depreciation increased by \$21.0 million during fiscal year 2007.
- A significant affect on capital assets was a fiscal year 2006 ending balance restatement (reduction) of \$32.2 million in the Water Utility Fund's buildings and improvements. The recently issued Governmental Accounting Standards Board (GASB) Statement No. 42 requires governments to report impaired capital assets at the lower of carrying value or fair value. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. In compliance with the GASB statement, Tucson Water conducted an analysis of the Hayden Udall Treatment Plant built in 1992 to treat Central Arizona Project (CAP) water. The characteristics of the CAP water resulted in corroded pipes and discolored water issues. The facility was shut down in 1994 and has not treated CAP water since. The analysis conducted by Tucson Water found that a significant permanent decline in the facility's service utility has occurred.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Long-term Debt

The following table illustrates the City's long-term debt as of June 30, 2007 and June 30, 2006. Additional information regarding long-term debt can be found in Notes 8 through 12 starting on page 55:

Table B-5
City of Tucson
Long-term Debt

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
General Obligation Debt	\$ 237,464,814	\$ 239,102,182	\$ 45,835,796	\$ 42,386,887	\$ 283,300,610	\$ 281,489,069
Street & Highway Revenue Bonds	134,665,000	144,265,000			134,665,000	144,265,000
Certificates of Participation	184,215,000	152,485,000	5,080,000	5,495,000	189,295,000	157,980,000
Special Assessment Bonds	3,331,486	3,481,766			3,331,486	3,481,766
Water Revenue Bonds			411,342,495	383,337,014	411,342,495	383,337,014
Deferred Amount on Refundings, Premiums and Discounts	7,318,031	5,943,276	(2,309,521)	388,064	5,008,510	6,331,340
Landfill Closure/Post Closure Costs			42,999,919	41,287,775	42,999,919	41,287,775
Contracts/Capital Leases Payable	11,505,815	7,218,103	7,096,351	6,787,833	18,602,166	14,005,936
Compensated Absences	30,164,142	31,012,248	4,345,608	4,818,324	34,509,750	35,830,572
Claims and Judgments	28,012,525	25,717,646			28,012,525	25,717,646
Total	\$ 636,676,813	\$ 609,225,221	\$ 514,390,648	\$ 484,500,897	\$ 1,151,067,461	\$ 1,093,726,118

As shown in Table B-5, outstanding debt for the City totaled \$1.2 billion with 55.3% attributed to governmental activities and the remaining 44.7% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year:

Governmental Activities

- \$40.0 million COPS were issued to finance projects such as the Central Energy project, the new Fire Department Headquarters and the Police Headquarters expansion.
- The City paid \$8.3 million of principal payments on COPS in fiscal year 2007.
- City issued GO refundings of \$61.9 million and issued the final 2000-Series GO authorization of \$9.9 million. GO outstanding bonds were reduced by the refundings which defeased \$62 million of debt and GO principal payments of \$11.5 million June 30, 2007.

Business-type Activities

- Water Revenue Bond debt issued \$116.9 million of refunding bonds which defeased \$112.1 million in debt.
- Water issued \$35.8 million in Water Revenue bonds.
- The Water Infrastructure Finance Authority of Arizona (WIFA) approved a new low-interest loan for Tucson Water projects totaling \$6.5 million. 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.
- For Environmental Services, the final 2000-series General Obligation bond added \$3.4 million in debt.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007

Bond Ratings

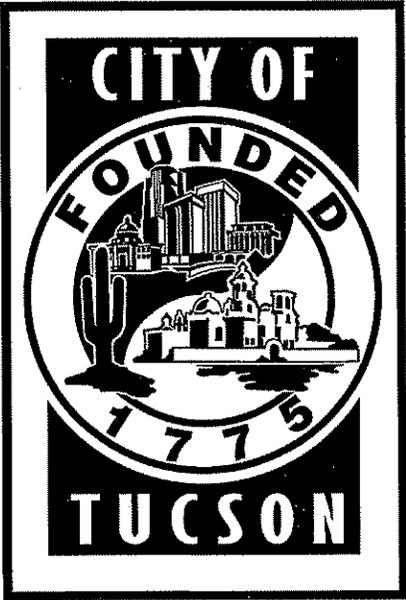
Table B-6 illustrates previous and current bond ratings for fiscal year 2007:

Table B-6
City of Tucson
Fiscal Year 2007 Bond Ratings

Type of Bond:	Moody's Rating		Standard and Poors Rating		Fitch Rating	
	Previous	Current	Previous	Current	Previous	Current
General Obligation Bonds	Aa3	Aa3	AA	AA	AA	AA
Street & Highway User Revenue Bonds						
Senior Lien	A1	A1	A+	AA+	AA-	AA-
Junior Lien	A2	A2	A	A	A+	A+
Water System Revenue Bonds						
Senior Lien	Aa3	Aa3	A+	A+	AA	AA
Junior Lien	N/R	N/R	N/R	N/R	N/R	N/R
Certificates of Participation	A1	A1	AA-	AA-	AA-	AA-
Rio Nuevo Multipurpose Facilities District	Aa3	N/R	AA-	BBB	N/R	BBB+

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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



Basic Financial Statements



CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Rio Nuevo
ASSETS				
Current assets:				
Pooled Cash and Investments	\$ 32,011,490	\$ 31,742,676	\$ 63,754,166	\$ 4,008,578
Cash & Investments - Restricted		26,372,472	26,372,472	
Cash & Investments with Fiscal Agent - Restricted	121,598,387	23,688,785	145,287,172	2,648,127
Taxes Receivable, Net	24,543,090		24,543,090	3,079,173
Accounts Receivable, Net	37,263,791	20,498,994	57,762,785	154,689
Special Assessments Receivable	2,977,375		2,977,375	
Internal Balances	3,250,328	(3,250,328)		
Due from Other Agencies	47,591,665	208,951	47,800,616	
Interest Receivable	1,158,549	293,150	1,451,699	48,578
Inventories	4,608,516	2,333,308	6,941,824	
Other Assets	3,208,994	104,721	3,313,715	
Total current assets	<u>278,212,185</u>	<u>101,992,729</u>	<u>380,204,914</u>	<u>9,939,145</u>
Noncurrent assets:				
Long Term Accounts Receivable	13,799,340	1,475,136	15,274,476	7,480,290
Long Term Notes Receivable	65,090,677		65,090,677	
Long Term Investments	1,272,854		1,272,854	
Other Assets - Restricted	21,052,608	1,423,334	22,475,942	
Deferred Charges	6,182,204	3,912,399	10,094,603	395,874
Land & Construction in Progress	859,861,962	165,838,901	1,025,700,863	25,705,606
Other Capital Assets, Net	705,275,963	855,558,543	1,560,834,506	26,061,963
Goodwill, Net		104,432	104,432	
Water Rights, Net		739,472	739,472	
Total noncurrent assets	<u>1,672,535,608</u>	<u>1,029,052,217</u>	<u>2,701,587,825</u>	<u>59,643,733</u>
Total assets	<u>1,950,747,793</u>	<u>1,131,044,946</u>	<u>3,081,792,739</u>	<u>69,582,878</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	28,574,145	5,071,648	33,645,793	398,346
Accrued Payroll Liabilities	6,460,368	1,109,327	7,569,695	10,363
Accrued Interest Payable	127,918	18,805	146,723	
Due to Other Agencies	1,490,901	458,736	1,949,637	6,470
Refundable Deposits	7,734,252	3,213,661	10,947,913	30,025
Liabilities Payable from Restricted Assets	31,927,210	24,224,991	56,152,201	660,813
Deferred Revenue	37,722,884	9,899	37,732,783	
Current portion of Long Term Liabilities	67,549,655	22,333,599	89,883,254	3,974,146
Total current liabilities	<u>181,587,333</u>	<u>56,440,666</u>	<u>238,027,999</u>	<u>5,080,163</u>
Noncurrent liabilities:				
Notes/Loans Payable				13,551,828
Long Term Liabilities	569,127,158	492,057,049	1,061,184,207	17,732,904
Total non-current liabilities	<u>569,127,158</u>	<u>492,057,049</u>	<u>1,061,184,207</u>	<u>31,284,732</u>
Total liabilities	<u>750,714,491</u>	<u>548,497,715</u>	<u>1,299,212,206</u>	<u>36,364,895</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	992,291,626	603,005,435	1,595,297,061	35,027,326
Restricted for:				
Debt Service	16,163,406	22,418,361	38,581,767	1,670,001
Capital	112,742,271		112,742,271	978,126
Self Insurance Mandates	22,308,114		22,308,114	
Transportation	3,946,510		3,946,510	
Grants and Entitlement	19,691,643		19,691,643	
Other Purposes	4,612,822		4,612,822	
Unrestricted	28,276,910	(42,876,565)	(14,599,655)	(4,457,471)
Total net assets	<u>\$ 1,200,033,302</u>	<u>\$ 582,547,231</u>	<u>\$ 1,782,580,533</u>	<u>\$ 33,217,982</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, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
Elected and Official	\$ 18,282,947	\$ 153,792	\$ 347,666	\$
Support Services	48,489,229	22,888,622	142,804	
Neighborhood Services	359,333,504	32,924,773	58,346,859	2,808,456
Environment and Development	153,134,680	31,150,529	60,686,227	45,891,280
Strategic Initiatives	8,156,745	3,629,776		
Non-Departmental	35,332,418	155,382	202,801	7,640,728
Interest	27,227,363			
Fiscal agent fees and other	43,875			
Total governmental activities	<u>650,000,761</u>	<u>90,902,874</u>	<u>119,726,357</u>	<u>56,340,464</u>
Business-type activities:				
Environmental Services	46,037,471	42,960,815		670,644
Golf Course	9,692,464	8,900,670		
Water Utility	118,221,611	115,937,118		17,634,579
Total business-type activities	<u>173,951,546</u>	<u>167,798,603</u>		<u>18,305,223</u>
Total primary government	<u>\$ 823,952,307</u>	<u>\$ 258,701,477</u>	<u>\$ 119,726,357</u>	<u>\$ 74,645,687</u>
Component Unit:				
Rio Nuevo	<u>\$ 11,294,650</u>	<u>\$ 3,743,950</u>		

General revenues:

Taxes:

- Property
- Business Privilege
- Public Utility
- Transient Occupancy
- Occupational
- Liquor

- Unrestricted Grants and Contribution
- Investment Income (Loss)
- Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year as 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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Totals	Rio Nuevo
\$ (17,781,489)	\$	\$ (17,781,489)	
(25,457,803)		(25,457,803)	
(265,253,416)		(265,253,416)	
(15,406,644)		(15,406,644)	
(4,526,969)		(4,526,969)	
(27,333,507)		(27,333,507)	
(27,227,363)		(27,227,363)	
(43,875)		(43,875)	
<u>(383,031,066)</u>		<u>(383,031,066)</u>	
	(2,406,012)	(2,406,012)	
	(791,794)	(791,794)	
	15,350,086	15,350,086	
	12,152,280	12,152,280	
\$ (383,031,066)	\$ 12,152,280	\$ (370,878,786)	
			\$ (7,550,700)
37,669,367		37,669,367	
209,180,346		209,180,346	16,188,386
7,176,742		7,176,742	
12,979,893		12,979,893	
2,124,410		2,124,410	
731,380		731,380	
136,287,823		136,287,823	8,951,742
11,613,881	3,586,680	15,200,561	130,397
8,370,501		8,370,501	
(410,991)	410,991		
<u>425,723,352</u>	<u>3,997,671</u>	<u>429,721,023</u>	<u>25,270,525</u>
42,692,286	16,149,951	58,842,237	17,719,825
<u>1,157,341,016</u>	<u>566,397,280</u>	<u>1,723,738,296</u>	<u>15,498,157</u>
<u>\$ 1,200,033,302</u>	<u>\$ 582,547,231</u>	<u>\$ 1,782,580,533</u>	<u>\$ 33,217,982</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$	\$ 261,500	\$ 29,500,755	\$ 29,762,255
Cash/Investments with Fiscal Agents	87,871,991	2,632	32,468,258	120,342,881
Taxes Receivable - Current	25,071,447			25,071,447
Accounts Receivable, Net	17,791,410	837,041	1,623,230	20,251,681
Special Assessments Receivable			2,977,375	2,977,375
Notes & Loans Receivable	31,896,056		33,194,621	65,090,677
Advances to Other Funds	4,929,854			4,929,854
Due from Other Agencies	27,066,665	3,538,319	16,926,213	47,531,197
Interfund Receivable	49,220,456		20,115,621	69,336,077
Grants & Entitlements Receivable		5,290,846	25,362,678	30,653,524
Interest Receivable	603,833		292,579	896,412
Inventories	1,293,909	2,456,690		3,750,599
Long Term Investments			1,272,854	1,272,854
Other Assets	142,852	412,032	1,884,300	2,439,184
Total assets	\$ 245,888,473	\$ 12,799,060	\$ 165,618,484	\$ 424,306,017
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 13,343,667	\$ 3,494,788	\$ 10,088,533	\$ 26,926,988
Accrued Payroll Liabilities	5,347,252	30,029	833,157	6,210,438
Accrued Interest Payable			10,974	10,974
Advances from Other Funds			4,929,854	4,929,854
Interfund Payable	20,115,621	8,524,264	29,133,289	57,773,174
Due to Other Agencies	1,241,379	43,459	198,860	1,483,698
Refundable Deposits	6,041,427	5,069	1,665,584	7,712,080
Bonds & Interest Payable, including				
Special Assessments			31,927,210	31,927,210
Deferred Revenue	32,010,321	27,919	32,301,938	64,340,178
Total liabilities	78,099,667	12,125,528	111,089,399	201,314,594
Fund balances (deficits):				
Reserved for Debt Service	702,407		12,484,214	13,186,621
Reserved for Capital Improvements	87,928,798		24,815,504	112,744,302
Reserved for Advances and Deposits	21,146,446	261,500	11,900	21,419,846
Reserved for Inventories	1,293,909			1,293,909
Reserved for Other Purposes	5,769,670	412,032	20,214,149	26,395,851
Unreserved:				
Undesignated	43,664,330			43,664,330
Designated	7,283,246			7,283,246
Unreserved reported in:				
Special revenue funds			(487,809)	(487,809)
Capital projects funds			(2,508,873)	(2,508,873)
Total fund balances	167,788,806	673,532	54,529,085	222,991,423
Total liabilities and fund balances	\$ 245,888,473	\$ 12,799,060	\$ 165,618,484	\$ 424,306,017

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, 2007

Total Governmental Fund Balances (page 20)	\$	222,991,423
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. These assets consist of:		
Capital Assets Net of Accumulated Depreciation		1,533,514,553
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred Charges	6,182,204	
Allowance for Doubtful Accounts	<u>(528,357)</u>	
Total Other Long-term Assets		5,653,847
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:		
Bonds and Notes Payable	(382,779,332)	
Capital Leases	(195,707,459)	
Compensated Absences	<u>(30,164,142)</u>	
Total Long-term Liabilities		(608,650,933)
Interest payable on long-term debt is not reported in governmental funds.		(41,564)
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.		26,617,294
Internal service funds' assets and liabilities are included in the Statement of Net Assets since they primarily support the governmental activities.		19,948,682
Net Assets of Governmental Activities (page 17)	\$	<u><u>1,200,033,302</u></u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 242,168,594	\$	\$ 26,681,580	\$ 268,850,174
Licenses and Permits	21,717,660		493,809	22,211,469
Fines and Forfeitures	12,194,285		831,691	13,025,976
Developer Fees			6,985,561	6,985,561
Use of Money and Property	10,728,554	213,295	2,703,901	13,645,750
Federal Grants and Contributions		14,560,193	74,240,307	88,800,500
Other Agencies	137,549,921	7,661,282	65,540,352	210,751,555
Charges for Services	28,526,837	9,576,722	9,481,372	47,584,931
Special Assessments			873,801	873,801
Miscellaneous	4,193,777	260,861	1,591,521	6,046,159
Total revenues	<u>457,079,628</u>	<u>32,272,353</u>	<u>189,423,895</u>	<u>678,775,876</u>
Expenditures:				
Current -				
Elected and Official	17,775,536		337,803	18,113,339
Support Services	45,346,607		98,131	45,444,738
Neighborhood Services	269,953,811		66,462,339	336,416,150
Environment and Development	21,221,996	56,144,116	42,051,882	119,417,994
Strategic Initiatives			7,760,831	7,760,831
Non-Departmental	29,237,555		5,506,508	34,744,063
Capital Outlay	2,889,690	7,513,354	1,364,122	11,767,166
Capital Projects	28,043,207	4,654,572	51,844,544	84,542,323
Debt service -				
Principal	9,182,153		23,226,408	32,408,561
Interest	7,229,079		19,998,284	27,227,363
Fiscal agent fees and other	26,800		17,075	43,875
Issuance Costs of Debt	610,901		901,348	1,512,249
Total expenditures	<u>431,517,335</u>	<u>68,312,042</u>	<u>219,569,275</u>	<u>719,398,652</u>
Excess (deficiency) of revenues over expenditures	<u>25,562,293</u>	<u>(36,039,689)</u>	<u>(30,145,380)</u>	<u>(40,622,776)</u>
Other financing sources (uses):				
Face Amount of Bond Proceeds			72,167,871	72,167,871
Lease Purchases and Contract Proceeds	44,963,574		1,962,074	46,925,648
Premium on Issuance of Debt	1,290,647		3,972,852	5,263,499
Transfers from Other Funds	307,179	36,041,148	27,890,289	64,238,616
Payment to Refunded Bond Escrow Agent			(65,418,781)	(65,418,781)
Transfers to Other Funds	(69,043,818)		(11,896,637)	(80,940,455)
Total other financing sources (uses)	<u>(22,482,418)</u>	<u>36,041,148</u>	<u>28,677,668</u>	<u>42,236,398</u>
Changes in fund balances	<u>3,079,875</u>	<u>1,459</u>	<u>(1,467,712)</u>	<u>1,613,622</u>
Fund balances, beginning of year, as restated	164,708,931	672,073	55,996,797	221,377,801
Fund balances, end of year	<u>\$ 167,788,806</u>	<u>\$ 673,532</u>	<u>\$ 54,529,085</u>	<u>\$ 222,991,423</u>

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, 2007

Net Change in Fund Balances - Total Governmental Funds (page 22)		\$ 1,613,622
<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	96,309,489	
Depreciation Expense	<u>(49,386,570)</u>	46,922,919
<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 the cost of the assets sold.</p>		
Proceeds on the sale of an asset	(2,104,018)	
Gain on the sale of an asset	1,582,123	
Loss on the sale of an asset	<u>(890,288)</u>	(1,412,183)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		13,116,974
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of 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	(119,093,519)	
Repayment of Debt Principal	<u>32,408,561</u>	(86,684,958)
<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	62,029,059	
Payment of Refunded Bond Escrow	<u>3,389,722</u>	65,418,781
<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	1,512,249	
Amortization of Issuance Costs	<u>(458,696)</u>	1,053,553
<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	(5,263,499)	
Accrued Interest Expense	(10,004)	
Amortization of Premium on Debt	<u>499,020</u>	(4,774,483)
<p>Governmental funds do not recognize the changes in long-term debt:</p>		
Change in Compensated Absences Liability		848,105
<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>		
		6,589,956
Change in Net Assets of Governmental Activities (page 19)		<u>\$ 42,692,286</u>

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

CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Fund	Total	Internal Service Funds
ASSETS					
Current assets:					
Pooled Cash and Investments	\$ 11,329,992	\$ 20,412,684	\$	\$ 31,742,676	\$ 2,249,235
Cash & Investments - Restricted	4,053,796	22,318,676		26,372,472	
Cash & Investments with Fiscal Agent - Restricted	2,324,451	21,364,334		23,688,785	1,255,506
Accounts Receivable, Net	3,341,195	17,157,675	124	20,498,994	157,926
Due from Other Agencies	34,251	174,700		208,951	60,468
Interest Receivable	109,795	183,355		293,150	262,137
Inventories		2,041,755	291,553	2,333,308	857,917
Other Assets		104,721		104,721	769,810
Total current assets	21,193,480	83,757,900	291,677	105,243,057	5,612,999
Noncurrent assets:					
Long Term Accounts Receivable		1,475,136		1,475,136	
Other Assets - Restricted		1,423,334		1,423,334	21,052,608
Deferred Charges	228,721	3,661,727	21,951	3,912,399	
Land & Construction in Progress	8,011,699	154,416,197	3,411,005	165,838,901	30,242
Other Capital Assets, Net	16,469,946	821,436,269	17,652,328	855,558,543	31,593,130
Goodwill, Net		102,933	1,499	104,432	
Water Rights, Net		739,472		739,472	
Total noncurrent assets	24,710,366	983,255,068	21,086,783	1,029,052,217	52,675,980
Total assets	45,903,846	1,067,012,968	21,378,460	1,134,295,274	58,288,979
LIABILITIES					
Current liabilities:					
Accounts Payable	558,437	4,356,233	156,978	5,071,648	1,647,157
Accrued Payroll Liabilities	287,225	733,816	88,286	1,109,327	249,930
Accrued Interest Payable			18,805	18,805	75,380
Interfund Payable			3,250,328	3,250,328	8,312,575
Due to Other Agencies	184	447,084	11,468	458,736	7,203
Refundable Deposits	34,155	3,163,732	15,774	3,213,661	22,172
Current Portion of Bonds Payable	320,563	14,936,048		15,256,611	
Current Portion of Contracts Payable	1,818,894	402,967	350,000	2,571,861	13,355
Claims Payable					10,819,302
Current Portion of Compensated Absences	534,707	1,831,660	80,439	2,446,806	
Liabilities Payable from Restricted Assets	1,054,027	23,170,964		24,224,991	
Deferred Revenue			9,899	9,899	
Current portion of Long Term Liabilities	2,058,321			2,058,321	
Total current liabilities	6,666,513	49,042,504	3,981,977	59,690,994	21,147,074
Noncurrent liabilities:					
Bonds Payable	45,157,942	394,576,286		439,734,228	
Contracts Payable	5,290,482	999,008	3,192,931	9,482,421	
Claims Payable					17,193,223
Compensated Absences	591,244	1,198,595	108,963	1,898,802	
Long Term Liabilities	40,941,598			40,941,598	
Total non-current liabilities	91,981,266	396,773,889	3,301,894	492,057,049	17,193,223
Total liabilities	98,647,779	445,816,393	7,283,871	551,748,043	38,340,297
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	(7,722,715)	593,184,299	17,543,851	603,005,435	31,610,017
Restricted for:					
Debt Service	1,054,027	21,364,334		22,418,361	
Other Purposes					22,308,114
Unrestricted	(46,075,245)	6,647,942	(3,449,262)	(42,876,565)	(33,969,449)
Total net assets	\$ (52,743,933)	\$ 621,196,575	\$ 14,094,589	\$ 582,547,231	\$ 19,948,682

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, 2007

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Fund	Total	Internal Service Funds
Operating revenues:					
Charges for Services	\$ 40,663,419	\$ 112,782,683	\$ 8,888,191	\$ 162,334,293	\$ 51,358,489
Other Agencies					6,146
Fines and Forfeitures	7,810			7,810	
Miscellaneous	2,289,586	3,154,435	12,479	5,456,500	204,441
Other Agencies	498,456			498,456	
Total operating revenues	<u>43,459,271</u>	<u>115,937,118</u>	<u>8,900,670</u>	<u>168,297,059</u>	<u>51,569,076</u>
Operating expenses:					
Personal Services	16,453,483	33,958,068	4,299,223	54,710,774	14,024,273
Contractual Services	20,194,129	38,282,042	1,915,713	60,391,884	11,806,504
Commodities	3,841,840	8,394,712	2,008,330	14,244,882	17,024,783
Cost of Goods Sold			328,698	328,698	
Benefits and Claims					13,113,371
Depreciation	3,270,394	20,683,451	748,144	24,701,989	6,181,343
Amortization of Goodwill		48,114	1,631	49,745	
Total operating expenses	<u>43,759,846</u>	<u>101,366,387</u>	<u>9,301,739</u>	<u>154,427,972</u>	<u>62,150,274</u>
Operating income (loss)	<u>(300,575)</u>	<u>14,570,731</u>	<u>(401,069)</u>	<u>13,869,087</u>	<u>(10,581,198)</u>
Nonoperating revenues (expenses):					
Investment Income	642,525	2,552,687		3,195,212	763,285
Gain (loss) on Sale of Property and Equipment	158,716	225,952	6,800	391,468	216,216
Federal Grants and Contributions	163,502	306,819		470,321	
Interest Expense	(2,130,098)	(16,108,561)	(385,456)	(18,624,115)	(99,195)
Amortization of Issuance Costs	(147,527)	(183,897)	(5,269)	(336,693)	
Other Non-operating Expense		(562,766)		(562,766)	
Total nonoperating revenues (expenses)	<u>(1,312,882)</u>	<u>(13,769,766)</u>	<u>(383,925)</u>	<u>(15,466,573)</u>	<u>880,306</u>
Income (loss) before capital contributions and transfers	<u>(1,613,457)</u>	<u>800,965</u>	<u>(784,994)</u>	<u>(1,597,486)</u>	<u>(9,700,892)</u>
Capital Contributions	8,686	17,327,760		17,336,446	
Transfers In	410,991			410,991	16,290,848
Changes in net assets	<u>(1,193,780)</u>	<u>18,128,725</u>	<u>(784,994)</u>	<u>16,149,951</u>	<u>6,589,956</u>
Total net assets, beginning of year, as restated	(51,550,153)	603,067,850	14,879,583	566,397,280	13,358,726
Total net assets, end of year	<u>\$ (52,743,933)</u>	<u>\$ 621,196,575</u>	<u>\$ 14,094,589</u>	<u>\$ 582,547,231</u>	<u>\$ 19,948,682</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Fund	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 40,243,858	\$ 114,094,672	\$ 8,898,229	\$ 163,236,759	\$ 53,476,720
Cash Payments to Suppliers for Goods and Services	(21,283,667)	(45,567,497)	(4,598,507)	(71,449,671)	(29,270,042)
Cash Payments to Employees for Services	(16,575,473)	(34,278,431)	(4,314,559)	(55,168,463)	(13,998,018)
Other Operating Revenues	2,788,042		12,479	2,800,521	146,342
Cash Payments to Claimants					(10,818,492)
Net Cash Provided (Used) by Operating Activities	<u>5,172,760</u>	<u>34,248,744</u>	<u>(2,358)</u>	<u>39,419,146</u>	<u>(463,490)</u>
Cash Flows from Noncapital Financing Activities:					
Transfer from Other Funds	410,991			410,991	8,497,275
Advances from Other Funds			1,714,414	1,714,414	(3,883,712)
Subsidy from Federal Grant	154,699	132,118		286,817	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>565,691</u>	<u>132,118</u>	<u>1,714,414</u>	<u>2,412,223</u>	<u>4,613,563</u>
Cash Flows from Capital and Related Financing Activities:					
Bond Proceeds	3,400,000	38,579,749		41,979,749	
Acquisition and Construction of Capital Assets	(727,553)	(39,905,545)	(1,046,348)	(41,679,446)	(53,020)
Principal Paid on Capital Debt	(1,729,870)	(11,424,005)	(335,000)	(13,488,875)	(25,835)
Interest Paid on Capital Debt	(2,214,011)	(16,791,240)	(337,508)	(19,342,759)	(1,476)
Fiscal Agent Fees Paid on Capital Debt		(562,767)		(562,767)	
Landfill Closure Costs	(2,054,130)			(2,054,130)	
Proceeds from Sale of Assets/Equipment	553,907	313,414	6,800	874,121	258,884
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,771,657)</u>	<u>(29,790,394)</u>	<u>(1,712,056)</u>	<u>(34,274,107)</u>	<u>178,553</u>
Cash Flows from Investing Activities:					
Interest on Investments	597,368	2,721,567		3,318,935	285,976
Proceeds from Sale of Investments					19,224,000
Purchase of Investments					(20,720,859)
Net Cash Provided (Used) by Investing Activities	<u>597,368</u>	<u>2,721,567</u>		<u>3,318,935</u>	<u>(1,210,883)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>3,564,161</u>	<u>7,312,035</u>		<u>10,876,196</u>	<u>3,117,743</u>
Cash and Cash Equivalents - July 1	<u>14,144,078</u>	<u>56,783,659</u>		<u>70,927,737</u>	<u>386,998</u>
Cash and Cash Equivalents - June 30	<u>\$ 17,708,239</u>	<u>\$ 64,095,694</u>	<u>\$</u>	<u>\$ 81,803,933</u>	<u>\$ 3,504,741</u>

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Fund	Total	Internal Service Funds
Reconciliation of Operating Income to Net Cash Provided (Used)by Operating Activities:					
Operating Income (Loss)	\$ (300,575)	\$ 14,570,731	\$ (401,069)	\$ 13,869,087	\$ (10,581,198)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	3,270,394	20,731,565	749,774	24,751,733	6,181,343
Provision for Landfill Closure	3,766,274			3,766,274	
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable	(429,954)	(1,662,293)	(124)	(2,092,371)	2,091,389
Inventory		(525,542)	(85,548)	(611,090)	223,838
Long Term Accounts Receivable		(226,583)		(226,583)	
Prepaid Expenses					(769,810)
Due from Other Agencies					(37,447)
Decrease in Other Assets		1,606,586		1,606,586	
Increase (Decrease) in Liabilities:					
Accounts Payable	(1,011,830)	555,486	(229,657)	(686,001)	476,687
Accrued Interest Payable					15,267
Accrued Payroll Liabilities	(8,779)	20,388	356	11,965	10,988
Compensated Absences	(113,211)	(340,751)		(453,962)	
Customer/Refundable Deposits	2,584	46,430		49,014	13,297
Claims and Judgments Payable					2,294,879
Due to Other Agencies	(2,143)	(527,273)	(30,561)	(559,977)	(382,723)
Increase in Other Operating Liabilities			(5,529)	(5,529)	
Net Cash Provided (Used) by Operating Activities	5,172,760	34,248,744	(2,358)	39,419,146	(463,490)
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets	\$ 8,686	\$ 9,705,807		\$ 9,714,493	\$ 7,793,573
Borrowing under capital lease	(1,805,158)	(249,137)		(2,054,295)	
Final write off of Rita Ranch payable		171,454		171,454	
Total Noncash Investing, Capital, and Financing Activities:	\$ (1,796,473)	\$ 9,456,670	\$	\$ 7,660,197	\$ 7,793,573

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, 2007

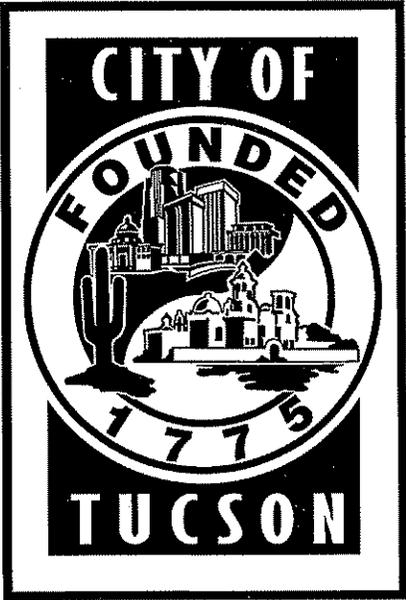
	<u>Pension Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 1,920,497	\$ 2,665,659
Accounts Receivable, Net		4,152,671
Employer Contributions	879,847	
Employee Contributions	312,585	
Due from Other Agencies		2,039,793
Interest Receivable		14,203
Interest & Dividends	1,651,022	
Due from Brokers	20,647,788	
Short Term Investments	18,428,330	
Securities Lending Collateral	66,511,147	
U.S. Government Obligations	107,612,056	
Bonds & Preferred Stocks	25,637,062	
Common Stocks	330,829,215	
International Investments	108,868,473	
Mutual Funds	59,157,205	
Real Estate	57,751,593	
U.S. Treasuries	2,337,473	
Other Assets	60,000	
Other Capital Assets, Net	5,597	
Total assets	<u>802,609,890</u>	<u>\$ 8,872,326</u>
<u>LIABILITIES</u>		
Accounts Payable	1,426,488	342,974
Accrued Payroll Liabilities	4,529	
Due to Other Agencies	5	8,529,352
Due to Securities Borrowers	66,511,147	
Due to Brokers	38,684,319	
Refundable Deposits	8,327	
Total liabilities	<u>106,634,815</u>	<u>\$ 8,872,326</u>
<u>NET ASSETS</u>		
Held in trust	<u>\$ 695,975,075</u>	

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, 2007

	<u>Pension Trust</u>
Additions:	
Employer	\$ 22,670,418
Employees	10,019,553
Contributions from Other Sources	41,595
Redeposits	164,809
Other Plans	3,794,093
Net Increase (Decrease) in Fair Value of Investment	85,497,835
Interest, Dividends and Other Income	18,102,106
Securities Lending Income	2,616,771
Less: Investment Activity Expense	(3,436,171)
Less: Securities Lending Expense	(2,539,564)
Miscellaneous Additions	6,038
Total additions	<u>136,937,483</u>
Deductions:	
Payments to Participants	41,017,725
Refunds and Transfers to Other Plans	85,889,417
Administrative Expense	485,469
Total deductions	<u>127,392,611</u>
Changes in net assets	<u>9,544,872</u>
Net assets, beginning of year	686,430,203
Net assets, end of year	<u>\$ 695,975,075</u>

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, 2007

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, 2007

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 Funds:

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.

Mass Transit Fund – This fund is used to account for all the financial resources necessary to operate the fixed route and paratransit services within the Tucson metropolitan area.

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 Tucson Convention Center, Public Safety Academy and Human and Community Development.

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, 2007

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

The City has three enterprise funds:

Major Funds:

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

The Environmental Services Fund accounts for the financing and operation of all activities necessary to provide solid waste services to residential and commercial customers in the Tucson metropolitan area. Since the Environmental Services Fund 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, facilities maintenance and motor pool (fleet) services provided to City departments on a cost-reimbursement basis. Because the predominant users of the internal service funds are governmental activities, the assets and liabilities of the internal service funds are allocated to the governmental 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, which include the City's pension and deferred compensation plan, are accounted for in essentially the same manner as proprietary funds. Agency Funds, which include collections for payment of medical insurance premiums and Pima County sewer collections, are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

D. Basis of Accounting

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

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 and claims and judgment expenditures are recorded when payment is due. In general, only matured assets and liabilities are shown on the balance sheets, and unreserved fund balance is considered a measure of "available spendable resources."

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 non-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. Reserve for Loss and Loss Adjustment Expenses

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

F. Budgetary Information

On June 3, 1980, the voters of the State of Arizona approved an expenditure limitation that is applicable to all local governments. This limitation, based on expenditures of the 1979-80 fiscal year, restricts the growth of expenditures based on a factor of increases in population and inflation. Through a Home Rule option, any city can adopt its own alternative expenditure limitation if a majority of the qualified electors vote in favor of the issue at a regular election. In November 2005, the City of Tucson voters approved an alternative expenditure limitation for fiscal years 2007 through 2010. For each of those four fiscal years, the City's expenditure limitation will equal the total amount of budgeted expenditures in the annual budget adopted by the Mayor and Council.

The City, therefore, formulates its biennial 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 biennial 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 by purpose. Purpose is defined as a series of departments/offices as follows: Elected Officials, Neighborhood Services, Environment and Development, Strategic Initiatives, Support Services and Non-Departmental. Transfers between purposes, such as Neighborhood Services and Support Services, can be made upon Mayor and Council 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, 2007.

G. 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, 2007, the City intended to honor \$95,430,382 of outstanding encumbrances in the new year.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

G. Encumbrances (continued):

General Fund	\$ 28,928,957
Public Safety Academy	115,305
TEAM/Parkwise Fund	728,285
Convention Center Fund	52,938
H.U.R.F. Fund	4,414,742
Civic Contribution Fund	77,102
Capital Improvement Fund	31,562,420
Human and Community Development Fund	2,928,418
Public Housing Fund	36,642
Public Housing HOME Program Fund	1,967,208
Miscellaneous Housing Grant fund	5,832,439
Impact Fee Fund	412,100
2000 General Obligation	4,472,622
Other Federal Grants Fund	4,862,075
Non-Federal Grants Fund	17,914
Regional Transit Authority Fund	5,776,913
Mass Transit Fund	3,244,302
	<u>\$95,430,382</u>

H. 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.

I. 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.

J. Accounts/Notes Receivable

Accounts Receivable of the major and nonmajor governmental and proprietary funds and fiduciary funds as of June 30, 2007, are reported in the accompanying basic financial statements net of allowance for doubtful accounts, as follows:

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

Fund	Receivables	Allowance for Doubtful Accounts	Net
Governmental Activities:			
General Fund	\$ 19,218,621	\$ 1,427,211	\$ 17,791,410
Mass Transit Fund	837,041		837,041
Non-major Governmental Funds	1,701,689	78,459	1,623,230
Internal Service Funds	193,701	35,775	157,926
Total Governmental Activities	21,951,052	1,541,445	20,409,607
Business-Type Activities:			
Environmental Services Fund	3,382,574	41,379	3,341,195
Water Utility Fund	17,425,915	268,240	17,157,675
Non-major Business-Type Fund	124		124
Total Business-Type Activities	20,808,613	309,619	20,498,994
Fiduciary Funds	4,152,671		4,152,671
Total All Funds	\$ 46,912,336	\$ 1,851,064	\$ 45,061,272

The Water Utility Funds' assets and revenues include \$7,191,293 for water sales delivered, but unbilled at June 30, 2007.

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, 2007, these loans totaled \$6,448,779. 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.

K. 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.

L. 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, 2007

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

M. 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	3 – 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, Environmental Services, or Golf Course Funds as the amounts were not material. Interest on general government capital projects is not capitalized.

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

N. Goodwill and Water Rights

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, 2007, were \$1,122,154/\$1,019,221 and \$65,184/\$63,685 for the Water Utility Fund and Golf Course Fund, respectively.

Water rights are recorded at historical cost and amortized over 40 years using the straight-line method. Total water rights and the amount amortized at June 30, 2007 were \$801,657/\$62,185 for the Water Utility Fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

O. Long-term Obligations

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities 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.

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 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. Compensated absences and other long-term liabilities other than debt were liquidated in the general and special revenue funds in prior years.

P. 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 (\$87,928,798); funds reserved for equipment purchases and construction projects (\$11,494,549) in the Special Revenue Funds; and bond proceeds reserved for construction projects (\$13,320,955) 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 (\$695,975,075) which are reserved for future payments to their respective members.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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:

Low Income Housing Programs	\$	2,425,358
City Courts Projects		1,263,694
Police Projects		776,140
Parks Project		493,607
Civano		259,153
Downtown Development		210,634
Community Resource Center		206,200
Open Spaces		65,312
Communications 911		58,507
Fire Equipment		11,060
Information Technology		5
Total General Fund Reserved for Other Purposes	<u>\$</u>	<u>5,769,670</u>

2. The City had the following designations of unreserved fund balance in the General Fund as of June 30, 2007:

Carry Forward Designation	\$	4,148,290
Development Services		1,917,898
Facility Maintenance Major Repairs		982,218
Zoo Expansion		233,480
Neighborhood Reinvestment		1,360
Total General Fund Designated	<u>\$</u>	<u>7,283,246</u>

Q. 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.

R. Donor-Restricted Endowments

The City receives gifts and donations from individuals/organizations to support various City functions. On July 1, 2006, the City executed an Intergovernmental Agreement for transitioning the administration and all funding of the Public Library System to Pima County. The City transferred \$154,310 of expendable permanent endowments from the Civic Endowment Fund to Pima County as part of this agreement.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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

The net appreciation of investments for donor restricted endowments other than for Library programs is \$116,453 and is reported as Restricted for Other Purposes. 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.

S. 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 – NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENTS:

In reviewing GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, a capital asset was found to have been impaired in prior periods and had not been adjusted. A capital asset is considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event of change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the government should be reported at the lower of carrying value or fair value.

The Water Utility constructed a treatment plant to directly treat Central Arizona Project (CAP) water for delivery. The plant was used briefly in the early-mid 1990's. Problems with water delivery resulted in a return to mined groundwater. The plant no longer treats water but is currently being used to a limited degree for non-treatment purposes.

The accompanying financial statements reflect the impairment adjustment of \$32,225,361 to the Water Utility fund resulting in a restatement of the net assets of the Business-type Activities as of June 30, 2006 as follows:

	Business-type Activities	
	Previously Reported	Restated
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 615,391,846	\$ 583,166,485
Restricted Net Assets	3,254,815	3,254,815
Unrestricted	(20,024,020)	(20,024,020)
Total Net Assets	\$ 598,622,641	\$ 566,397,280

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 2 – NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENTS (Continued):

The accompanying financial statements also reflect adjustments resulting from a restatement of beginning net assets. Due to a reconciliation of capital assets within the Government activities, adjustments were required to correct prior year capitalization errors. This resulted in decrease to Invested in Capital Assets, Net of Related Debt, in the amount of (\$9,021,277).

The impact of the accounting restatement to the Governmental activities discussed above is summarized below:

	Governmental Activities	
	Previously Reported	Restated
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 985,658,624	\$ 976,637,347
Restricted Net Assets	138,645,084	138,645,084
Unrestricted	42,058,585	42,058,585
Total Net Assets	<u>\$ 1,166,362,293</u>	<u>\$ 1,157,341,016</u>

The accompanying financial statements also reflect adjustments resulting from a reclassification of beginning fund balance of the governmental funds as of June 30, 2006. The two new funds were established for management reporting purposes. The reclassifications were a special revenue fund, Capital Improvements Fund and an internal service fund, Facilities Management. The unreserved, undesignated General fund balance increased due to the establishment of the two new funds by \$4,424,628.

On July 1, 2006, the City of Tucson executed an Intergovernmental Agreement for transitioning the administration and funding of the Public Library System to Pima County. The General Fund reserved fund balance for Advances and Deposits increased by \$2,474 and for Other Purposes increased by \$58,408 due to the dissolution of the Library Fund.

The following schedule summarizes the effect of the accounting restatements to the beginning fund balance at July 1, 2006:

	General Fund		Non-Major Governmental Funds	
	Previously Reported	Restated	Previously Reported	Restated
Reserved:				
Debt Service	\$ 909,640	\$ 909,640	\$ 9,612,308	\$ 9,612,308
Capital Improvements	72,980,694	72,980,694	22,706,526	22,706,526
Advances and Deposits	22,830,664	22,833,138	11,874	9,400
Inventories	1,083,295	1,083,295		
Other Purposes	4,128,719	4,187,127	20,269,887	20,211,479
Unreserved:				
Undesignated	41,258,164	45,682,792		
Designated	17,032,245	17,032,245		
Unreserved reported in:				
Special revenue funds			9,073,096	9,073,096
Capital project funds			(3,140,518)	(5,616,012)
Total Fund Balance	<u>\$160,223,421</u>	<u>\$164,708,931</u>	<u>\$ 58,533,173</u>	<u>\$ 55,996,797</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 2 – NEW ACCOUNTING PRONOUNCEMENTS AND RESTATEMENTS (Continued):

The governmental activities Internal Service Funds net assets Invested in Capital Assets, Net of Related Debt increased by \$12,157 and the unrestricted decreased by \$1,949,135. The following schedule summarizes the effect of the accounting restatements to the beginning net assets at July 1, 2006.

	Governmental Activities Internal Services Funds	
	Previously Reported	Restated
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 29,949,444	\$ 29,961,601
Restricted Net Assets	19,577,581	19,577,581
Unrestricted	(34,231,321)	(36,180,456)
Total Net Assets	\$ 15,295,704	\$ 13,358,726

There was no change to the Net Assets of the Governmental Activities due to the reclassification of funds.

Component Unit:

In 2003 the Rio Nuevo Multipurpose Facilities District acquired parcels comprising of a multi-purpose community cultural arts facility, consisting of a theater, commercial office building and a vacant parcel of land adjacent to the theater. The District entered into a long-term lease with the Fox Tucson Theater Foundation, Inc. and committed to funding and assisting in the rehabilitation of the theatre. The lease was assigned to the Fox Tucson Theatre Rehab, LLC as of August 24, 2005 and all rehabilitation costs incurred by the Foundation through that date were transferred to the Fox Rehab as a capital contribution from Arizona Fox Theatre, LLC. The Fox Tucson Theatre Rehab, LLC is eligible to claim a historic tax credit equal to 20% of the construction costs related to the rehabilitation. The District reported the rehabilitation costs as an improvement to the theatre. The improvements, however, are owned by the Fox Tucson Theatre Rehab, LLC. The component unit Invested in Capital Assets, Net of Related Debt decreased by \$10,662,892.

The District also entered into a Financial Participation Agreement with the City for the funding of infrastructure. In prior fiscal years the District reported \$194,002 as construction in progress instead of a contribution to the City.

The accompanying financial statements of the component unit reflect the adjustment resulting from a restatement of \$10,856,894 to the net assets as of June 30, 2006.

	Component Unit Rio Nuevo	
	Previously Reported	Restated
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 32,601,788	\$ 21,744,894
Restricted for Debt Service	1,000,000	1,000,000
Restricted for Capital	1,835,589	1,835,589
Unrestricted	(9,082,326)	(9,082,326)
Total Net Assets	\$ 26,355,051	\$ 15,498,157

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 3 - PROPERTY TAX (Continued):

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

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

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

Note 4 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2007, the following funds had deficit fund balances/net assets:

Environmental Services Fund	\$ (52,743,933)
Self Insurance Fund	\$ (12,744,027)
Special Assessment Construction Fund	\$ (2,508,873)
Facilities Management Fund	\$ (1,663,277)
Team/Parkwise Fund	\$ (1,238,931)

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 Environmental Service, Self Insurance, Facilities Management and Team/Parkwise funds will be funded by increases to user charges in future years.

Note 5 - DEPOSITS AND INVESTMENTS:

The City maintains an investment pool that is available for use by all City funds. Each fund's portion of this pool is reported on the financial statements as "Pooled Cash and Investments." A single master custodian holds all assets of the investment pool. In addition, certain cash deposits and investments are also held separately by various City funds in separate accounts.

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

A. Deposits

At year-end, the book value of the City's cash and deposits was \$98,721,372 and the bank balance was \$125,128,600. The difference of \$26,407,228 represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2007. This total bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

Cash with fiscal agents in the General Fund \$87,871,991, the Mass Transit Fund \$2,632, the other non-major governmental funds \$32,468,258, the internal service funds \$1,255,506 and the enterprise funds \$23,688,785 on June 30, 2007, 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.

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 projects funds may be invested for a maximum of 3 years based on projected construction schedules.

The Tucson Supplemental Retirement System (TSRS) is governed by a separate management board. The City Code provides that the TSRS Board of Trustees will make investments in accordance with the "prudent person rule." Trust investments are also governed by an approved investment policy. The TSRS Board of Trustees authorizes domestic and foreign investments including U.S. government obligations and agency issues, corporate bonds, stocks, real estate, and money market funds, as well as derivative investments. The investment policy also establishes the asset mix and target allocations for each asset class permitted.

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

The City's deposits and investments for all funds at fiscal year-end are listed below. These deposits and investments are held by the City or its agents in the City's name and are either insured, registered or collateralized. A portion of these investments are subject to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk and/or foreign currency risk which are all discussed in the sections that follow.

City of Tucson Deposits and Investments

U.S. Issues:	
U.S. Treasury Notes & Bonds not on Securities Loan	\$ 20,767,675
U.S. Agency & Other Bonds not on Securities Loan	148,465,425
Corporate Bonds not on Securities Loan	24,550,609
Corporate Stock not on Securities Loan	288,488,716
Non-U.S. Issues:	
International Bonds not on Securities Loan	957,895
International Stock not on Securities Loan	96,494,589
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Treasury Notes & Bonds	4,146,437
U.S. Agency & Other Bonds	5,132,560
U.S. Corporate Bonds	1,086,453
U.S. Stock	42,340,499
International Stock	11,415,989
Securities Lending Short-Term Collateral Investment Pool	66,511,147
Deposits, Money Market Funds & Short-Term Investments	198,561,366
Bond Mutual Funds	59,157,205
Real Estate	57,751,593
Total Deposits and Investments	<u>\$ 1,025,828,158</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5- DEPOSITS AND INVESTMENTS (Continued):

C. Credit Risk

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

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

- Obligations of the U.S. Government, its agencies and instrumentalities
- Repurchase agreements whose underlying collateral is commercial paper rated A-1/P-1 with maturities not to exceed 180 days or rated A-2/P-2 with maturities not to exceed 60 days
- Bonds, notes and debentures issued by U.S. corporations rated "AAA" or "AA" by Moody's and Standard & Poors
- Money market funds, CD's, etc., either insured by an agency of the federal government or collateralized by obligations of the U.S. Government, its agencies and instrumentalities or General Obligation municipal bonds rated A or better at 105% of the amount on deposit calculated on market values. The collateral must be held by the Trust department of the financial institution or delivered to the City's agent
- Except for direct obligations of the U.S. Treasury, not more than 25% of the portfolio shall be invested in securities issued by a single agency or instrumentality of the United States. Not more than 5% of the portfolio shall be invested in securities of any other entity
- A minimum of 15% of the portfolio shall be in highly liquid securities
- Not more that 25% of the portfolio shall be invested in corporate bonds, notes and commercial paper

The City's investment pool account had the following credit risk structure as rated by Moody's Investors Service, as of June 30, 2007:

Investment Pool Account Credit Risk Structure			
Investment Type	Credit Rating	Fair Value	Percent of Grand Total
Money Market Funds:			
Wells Fargo Treasury Plus MM	AAA	\$ 63,601,188	58.68%
Federal Agency:			
Federal Home Loan Mortgage Corp	AAA	9,963,450	9.19
Federal Home Loan Bank	AAA	19,929,750	18.39
Federal National Mortgage Corp	AAA	14,896,900	13.74
Total		\$ 108,391,288	100.00%

The City also maintains funds in specific accounts outside of the investment pool account to meet certain operational and legal requirements. As of June 30, 2007 these funds consisted of: a U.S. Treasury Note with a fair market value of \$22,576,639, a U.S. Agency Bond with a fair market value of \$1,195,829 and several cash and investment balance accounts totaling \$116,531,848. The City of Tucson banking policy for these cash accounts are consistent with the investment pool account policy described above.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5- DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund presently maintains one internally managed and one externally managed fixed income (bond) account, which are exposed to some form of credit risk. The investment policy guidelines for securities purchased for the internally managed fixed income account are as follows:

- With the exception of securities issued by or guaranteed by the U.S. Treasury or U.S. Government agencies and instrumentalities, the maximum position in a single issuer's securities should not exceed 5% of the portfolio's assets at current market value.
- Exposure to corporate bonds should be limited to 50% of the portfolio
- The investment manager is expected to maintain a weighted average bond portfolio quality rating of at least "AA"
- Securities, at the time of purchase, shall be rated no lower than "A3" by Moody's and "A-" by Standard & Poors

The TSRS Board has given the external fixed income manager discretion to invest in a broad array of public and private asset classes, instruments and investment vehicles in order to meet or exceed the agreed upon investment return benchmark. However, the following specific investment policy guidelines pertain to the external fixed income manager:

- The maximum position in a single issuer (excluding obligations of U.S. Government and its Agencies) should not exceed 5% of the portfolio's assets at current market value
- The portfolio should maintain an average quality of a least "A"
- Money market instruments must be rated in one of the two highest categories by a nationally recognized rating agency
- The minimum rating of individual issues should be CCC as rated by Moody's, Standard & Poors or Fitch
- Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken

The TSRS fund had the following credit risk structure as of June 30, 2007:

Credit Risk Structure

<u>Investment Type</u>	<u>Holdings</u>	<u>Average Credit Rating</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Cash and Cash Equivalents:				
Short Term Investment Fund	1	AA2	\$ 15,463,513	7.22%
Commercial Paper	1	P-1	1,218,792	0.57%
U.S. Treasury Bills - Less than 1 Year	2	UST	925,313	0.43%
Options	10	AAA	792,568	0.37%
U.S. Treasury Issues	14		2,337,473	1.09%
U.S. Agency & Other Government Obligations:				
U.S. Agency Issues	45	AA1	55,123,739	25.75%
Mortgage Backed Securities (MBS)	50	AAA	52,488,317	24.52%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	3	AAA	881,411	0.41%
Banks & Finance	13	A2	10,344,527	4.83%
Industrials	14	BAA2	10,546,834	4.93%
Utilities	3	BAA3	2,410,648	1.13%
Fixed Income Swaps	107	A1	1,346,156	0.63%
Financial Futures	12	AAA	107,338	0.05%
International Bonds	16	AA3	957,896	0.45%
Bond Mutual Funds	4	AAA - BA1	59,157,205	27.63%
Total	<u>295</u>		<u>\$ 214,101,730</u>	<u>100.00%</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5- DEPOSITS AND INVESTMENTS (Continued):

D. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. For fixed income securities, there is an inverse relationship between the change in interest rates and their fair value. For example, in a rising interest rate environment the value of fixed income securities will tend to fall by varying degrees depending on the length of their maturities. In general, the value of fixed income securities with a longer duration will tend to decrease more than shorter duration securities in a rising interest rate environment.

The City's investment pool account maintains the following investment policy with regard to interest rate risk.

- Surplus and idle money related to the day-to-day operation of the City may be invested in authorized investments with a final maturity not exceeding two years from the date of investment
- Monies not related to the day-to-day operation of the City may be invested for periods up to three years with maturities base upon anticipated needs
- Not more than 25% of the portfolio shall be invested in securities with a maturity longer than two years
- Not more than 50% of the portfolio shall be invested in securities with a maturity longer than eighteen months

The City's investment pool account had the following maturity structure as of June 30, 2007:

Investment Pool Account				
Maturity Structure				
Investment Type	Maturity Date	Next Call Date (1)	Fair Value	Percent of Total
Money Market Funds:				
Wells Fargo Treasury Plus MM			\$ 63,601,188	58.68%
Due in Less Than 1 Year:				
Federal Agency:				
FHLMC Coupon Note	08/10/07	B	4,993,850	
FHLMC Coupon Note	03/06/08	B	4,969,600	
FHLB Coupon Note	05/16/08	M	4,965,650	
FHLB Coupon Note	11/28/07	B	4,981,250	
FHLB Coupon Note	05/30/08	B	4,985,950	
FHLB Coupon Note	03/05/08	09/05/07	4,996,900	
FNMA Coupon Note	09/17/07	C	4,985,950	
FNMA Coupon Note	02/25/08	C	4,956,250	
			Due in Less Than 1 Year	36.75%
Due Between 1 & 2 Years:				
Federal Agency:				
FNMA Coupon Note	07/21/08	07/21/07	4,954,700	
			Due Between 1 & 2 Years	4.57%
Total			<u>\$ 108,391,288</u>	100.00%

(1) B=Bullet – Not called on designated call date, will run until maturity unless sold
C=Continuous – Callable anytime after initial call date
M=Monthly

The TSRS fund's investment policy regarding interest rate risk for the internally managed fixed income accounts is to limit duration to within two years (plus or minus) to their investment performance benchmark: the Lehman Brothers (LB) Government/Credit Bond Index. For the externally managed fixed income account for the TSRS Fund, the investment policy is to limit duration to within 30% of the custom benchmark which is defined as 70% LB Mortgage Index, 15% LB Credit Index, 15% LB High Yield Index.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following maturity structure as of June 30, 2007:

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>				<u>Total Fair Value</u>
	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Short Term Investment Fund	\$ 15,463,513	\$	\$	\$	\$ 15,463,513
U.S. Treasury Issues	925,313	3,257,790	(3,092,853)	2,172,536	3,262,786
U.S. Agency & Other Government Obligations		20,956,663	22,795,341	63,860,052	107,612,056
Options	792,568				792,568
Corporate & Other Fixed Income Instruments	3,771,170	11,019,639	7,839,236	4,225,661	26,855,706
International Bonds		723,814	(27,690)	261,772	957,896
Bond Mutual Funds (7.21 yrs weighted average maturity)					59,157,205
Total	<u>\$ 20,952,564</u>	<u>\$ 35,957,906</u>	<u>\$ 27,514,034</u>	<u>\$ 70,520,021</u>	<u>\$ 214,101,730</u>
Average Modified Duration:					
Internal Account	5.48	yrs			
External Account	4.66	yrs			

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The exposure to foreign currency risk is currently limited to some of the investments within the TSRS Fund. The TSRS Board has given the Fund's international equity managers discretion to invest in a broad array of common and preferred stocks, convertibles and warrants of companies headquartered outside of the United States in order to meet or exceed their agreed upon investment return benchmarks. However, the following specific investment policy guidelines pertain to these managers:

- Investments in any single country market should not exceed more than 4 times the weight of the country in the benchmark index or 50% of portfolio assets, whichever is lower.
- If a country has a greater than 50% weight in the index, the maximum exposure to that country in the portfolio may be as high as its weight in the index
- No more than 30% of each manager's portfolio should be invested in "emerging markets" (i.e., markets that are not included in the Morgan Stanley Capital International Europe, Australia and Far East index)
- Managers are permitted to enter into hedging strategies, including cross-currency hedges, using forward currency exchange contracts and currency options
- Derivatives should not be used for the purpose of speculation or for leveraging the portfolio

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following foreign currency risk exposure as of June 30, 2007:

Tucson Supplemental Retirement System (TSRS) Foreign Currency Risk Exposure		
Currency	Fair Value (1)	Percent of Total
Australian Dollar	\$ (6,231)	0.00%
British Pound Sterling	11,889,409	1.72
Canadian Dollar	1,577,263	0.23
Euro Currency Unit	24,540,079	3.54
Hong Kong Dollar	2,515,197	0.36
Japanese Yen	7,187,871	1.04
Chinese Yuan Renminbi	2,381,685	0.34
Mexican New Peso	4,879	0.00
Norwegian Krone	1,495,563	0.22
Russian Rubel	229,383	0.03
South Korean Won	2,293,964	0.33
Swedish Krona	1,257,429	0.18
Swiss Franc	3,391,264	0.49
U.S. Dollar	633,908,655	91.52
Total	\$ 692,666,410	100.00%

(1) Over 50% of the total asset value is held in equity securities

F. Securities Lending

The City Code and the Board of Trustees for the Tucson Supplemental Retirement System permit the custodian bank, BNY 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. BNY 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

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, 2007, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

G. Derivatives

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

Forward foreign exchange contracts for the purchase or sale of foreign currency were entered into to settle specific transactions, for investment and hedging purposes and to modify the foreign currency exposure of international securities held. The duration of these contracts typically was three months or less and, for those used to settle specific transactions, typically was three business days. During the terms of such forward contracts, the System was exposed to counterparty risk, which is the risk of loss of the amount expected to be delivered under a forward agreement in the event of the default or bankruptcy of a forward agreement counterparty. This risk is controlled through dealing with a number of different counterparties reasonably deemed to be creditworthy by the manager.

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 government 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, 2007 was (\$32,657,547). Money market futures were also used to gain exposure to future short-term interest rates. The net market exposure as of June 30, 2007 was \$186,430,890. Additionally, forward and mortgage "to be announced" securities (TBAs) were used in the portfolio during the period; the net market value of these positions was \$1,707,493 and \$19,585,651, respectively. As of the same date, the portfolio contained net market exposure to put and call options (including swaptions) of \$911,006.

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. The portfolio held the following net market exposure in swaps and credit default swaps of (\$10,537) and \$1,466,968, respectively.

Note 6 - INTERFUND BALANCES AND TRANSFERS:

The following 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 Balances on the government-wide Statement of Net Assets.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 49,220,456	\$ 20,115,621
Mass Transit Fund		8,524,264
Other Non-major Governmental Funds	20,115,621	29,133,289
Total Governmental Funds	69,336,077	57,773,174
Internal Service Funds:		
Facilities Maintenance Fund		819,927
Self Insurance Fund		7,492,648
Total Internal Service Funds		8,312,575
Enterprise Funds:		
Golf Course Fund		3,250,328
Total Enterprise Funds		3,250,328
Total All Funds	\$ 69,336,077	\$ 69,336,077

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.

The Due from/to Other Agencies balances at June 30, 2007, were as follows:

Fund	Due From Other Agencies	Due To Other Agencies
Governmental Funds:		
General Fund	\$ 27,066,665	\$ 1,241,379
Mass Transit	3,538,319	43,459
Other Non-major Governmental Funds	16,926,213	198,860
Total Governmental Funds	47,531,197	1,483,698
Internal Service Funds:		
Fleet Services Fund	37,447	7,013
Self Insurance Fund	23,021	3
Facilities Management Fund		187
Total Internal Service Funds	60,468	7,203
Enterprise Funds:		
Environmental Services Fund	34,251	184
Golf Course Fund		11,468
Water Utility Fund	174,700	447,084
Total Enterprise Funds	208,951	458,736
Total All Funds	\$ 47,800,616	\$ 1,949,637

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, and Development Fee Funds. These balances are eliminated in the consolidation of the government-wide financial statements.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):

Advances to/from Other Funds balances at June 30, 2007, were as follows:

Fund	Advances To	Advances From
Governmental Funds:		
General Fund	\$ 4,929,854	\$
Other Non-major Governmental Funds		4,929,854
Total Governmental Funds	\$ 4,929,854	\$ 4,929,854

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, 2007, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 307,179	\$ 69,043,818
Mass Transit Fund	36,041,148	
Other Non-major Governmental Funds	27,890,289	11,896,637
Total Governmental Funds	64,238,616	80,940,455
Internal Service Funds:		
Fleet Services Fund	13,858,837	
Self Insurance Fund	2,432,011	
Total Internal Service Funds	16,290,848	
Enterprise Funds:		
Environmental Services	410,991	
Total Enterprise Funds	410,991	
Total All Funds	\$ 80,940,455	\$ 80,940,455

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 7 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2007:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 635,434,436	\$ 8,490,934	\$ (478,752)	\$ 643,446,618
Construction-in-Progress	182,132,942	82,706,233	(52,617,977)	212,221,198
Capital Assets being Depreciated:				
Buildings and Improvements	406,948,473	17,927,923	(11,350,024)	413,526,372
Equipment	205,453,698	19,369,912	(9,354,123)	215,469,487
Infrastructure	686,662,959	35,971,095		722,634,054
Totals at Historical Cost	<u>2,116,632,508</u>	<u>164,466,097</u>	<u>(73,800,876)</u>	<u>2,207,297,729</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	157,884,156	19,083,613	(10,345,916)	166,621,853
Equipment	125,378,381	16,229,736	(8,771,952)	132,836,165
Infrastructure	326,680,823	20,252,538		346,933,361
Total Accumulated Depreciation	<u>609,943,360</u>	<u>55,565,887</u>	<u>(19,117,868)</u>	<u>646,391,379</u>
Governmental Activities Capital Assets, Net	<u>\$1,506,689,148</u>	<u>\$108,900,210</u>	<u>\$ (54,683,008)</u>	<u>\$1,560,906,350</u>
Depreciation expense was charged to governmental functions as follows:				
Elected and Official				\$ 68,053
Support Services				7,548,815
Neighborhood Services				15,472,321
Environment and Development				30,575,331
Strategic Initiatives				429,947
Non-Departmental				1,471,420
Total Depreciation Expense				<u>\$ 55,565,887</u>
Business-Type Activities:				
Land	\$ 55,906,496	\$ 32,447	\$ (945)	\$ 55,937,998
Construction-in-Progress	156,563,880	44,972,725	(91,635,702)	109,900,903
Capital Assets being Depreciated:				
Buildings and Improvements	124,280,941	4,118,185	(5,851)	128,393,275
Equipment	60,144,835	6,414,804	(4,580,299)	61,979,340
Distribution and Collection Systems	914,283,490	93,793,854	(31,137)	1,008,046,207
Water Rights	801,657			801,657
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,313,168,637</u>	<u>149,332,015</u>	<u>(96,253,934)</u>	<u>1,366,246,718</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	44,179,328	3,098,550	(5,851)	47,272,027
Equipment	37,719,455	5,276,344	(3,744,834)	39,250,965
Distribution and Collective Systems	240,010,193	16,327,094		256,337,287
Water Rights	42,143	20,042		62,185
Goodwill	1,053,202	29,704		1,082,906
Total Accumulated Depreciation	<u>323,004,321</u>	<u>24,751,734</u>	<u>(3,750,685)</u>	<u>344,005,370</u>
Business-Type Activities Capital Assets, Net	<u>\$ 990,164,316</u>	<u>\$124,580,281</u>	<u>\$ (92,503,249)</u>	<u>\$1,022,241,348</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 7 - CAPITAL ASSETS (Continued):

Discretely presented component unit:

Activity for the Rio Nuevo District for the fiscal year ended June 30, 2007 was as follows:

	Restated Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 9,625,680	\$ 13,570	\$ (495,482)	\$ 9,143,768
Construction-in-Progress	9,888,972	6,862,427	(189,561)	16,561,838
Capital Assets being Depreciated:				
Buildings and Improvements	29,921,972		(84,377)	29,837,595
Equipment	65,382			65,382
Totals at Historical Cost	<u>49,502,006</u>	<u>6,875,997</u>	<u>(769,420)</u>	<u>55,608,583</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	3,026,633	764,359	(2,138)	3,788,854
Equipment	41,936	10,224		52,160
Total Accumulated Depreciation	<u>3,068,569</u>	<u>774,583</u>	<u>(2,138)</u>	<u>3,841,014</u>
Component Unit Activities Capital Assets, Net	<u>\$ 46,433,437</u>	<u>\$ 6,101,414</u>	<u>\$ (767,282)</u>	<u>\$ 51,767,569</u>

Note 8 - CHANGES IN LONG-TERM DEBT:

The following is a summary of changes in long-term debt as of June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 239,102,182	\$ 71,865,150	\$ (73,502,518)	\$ 237,464,814	\$ 13,874,437
Street & Highway Revenue Bonds	144,265,000		(9,600,000)	134,665,000	10,000,000
Certificates of Participation	152,485,000	40,030,000	(8,300,000)	184,215,000	11,545,000
Special Assessment Bonds	3,481,766	302,721	(453,001)	3,331,486	412,486
Deferred Amount:					
on Premiums	14,725,878	5,263,499	(1,688,135)	18,301,242	
on Discounts	(125,662)		7,391	(118,271)	
on Refundings	(8,656,940)	(3,389,722)	1,181,722	(10,864,940)	
Total Bonds and Notes Payable	<u>545,277,224</u>	<u>114,071,648</u>	<u>(92,354,541)</u>	<u>566,994,331</u>	<u>35,831,923</u>
Other Liabilities:					
Capital Leases	7,218,103	6,895,649	(2,607,937)	11,505,815	3,167,349
Compensated Absences	31,012,248	18,334,827	(19,182,933)	30,164,142	17,731,081
Claims and Judgments	25,717,646	12,325,846	(10,030,967)	28,012,525	10,819,302
Total Other Liabilities	<u>63,947,997</u>	<u>37,556,322</u>	<u>(31,821,837)</u>	<u>69,682,482</u>	<u>31,717,732</u>
Governmental Activities Long Term Liabilities	<u>\$ 609,225,221</u>	<u>\$ 151,627,970</u>	<u>\$ (124,176,378)</u>	<u>\$ 636,676,813</u>	<u>\$ 67,549,655</u>

For Governmental Activities, compensated absences are generally liquidated by the General Fund.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 8 - CHANGES IN LONG-TERM DEBT (Continued):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 383,337,014	\$ 155,524,845	\$ (127,519,364)	\$ 411,342,495	\$ 14,936,048
General Obligation Bonds	42,386,887	3,448,909		45,835,796	320,563
Certificate of Participation	5,495,000		(415,000)	5,080,000	350,000
Deferred Amount:					
on Premiums	11,315,890	3,313,629	(842,138)	13,787,381	
on Discounts	(62,811)		6,282	(56,529)	
on Refundings	(10,865,015)	(6,190,774)	1,015,416	(16,040,373)	
Total Bonds and Notes Payable	<u>431,606,965</u>	<u>156,096,609</u>	<u>(127,754,804)</u>	<u>459,948,770</u>	<u>15,606,611</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	41,287,775	4,806,509	(3,094,365)	42,999,919	2,058,321
Capital Leases	6,787,833	2,312,109	(2,003,591)	7,096,351	2,221,861
Compensation Absences	4,818,324	108,858	(581,574)	4,345,608	2,446,806
Total Other Liabilities	<u>52,893,932</u>	<u>7,227,476</u>	<u>(5,679,530)</u>	<u>54,441,878</u>	<u>6,726,988</u>
Business-type Activities Long Term Liabilities	<u>\$ 484,500,897</u>	<u>\$ 163,324,085</u>	<u>\$ (133,434,334)</u>	<u>\$ 514,390,648</u>	<u>\$ 22,333,599</u>

Discreetly presented component unit:

Activity for the Rio Nuevo District for the fiscal year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Component Unit Activities:					
Bonds and Notes Payable:					
Revenue Bonds	\$ 5,220,000		\$ (510,000)	\$ 4,710,000	\$ 535,000
Certificate of Participation	18,845,000		(2,800,000)	16,045,000	2,915,000
City of Tucson	14,577,549		(501,575)	14,075,974	524,146
Deferred Amount:					
on Premiums	530,200		(88,368)	441,832	
on Discounts	(16,250)		2,322	(13,928)	
Component Unit Activities Long Term Liabilities	<u>\$ 39,156,499</u>		<u>\$ (3,897,621)</u>	<u>\$ 35,258,878</u>	<u>\$ 3,974,146</u>

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 9 - LEASE OBLIGATIONS (Continued):

Below is a schedule by years of future minimum lease payments under the capital leases as of June 30, 2007.

Years ending June 30,	Governmental Activities	Business-Type Activities
2008	\$ 23,463,164	\$ 3,078,614
2009	23,450,132	2,947,828
2010	22,263,851	2,483,669
2011	21,313,798	1,793,473
2012	18,710,531	813,277
2013-2017	74,375,293	2,672,420
2018-2022	57,577,989	446,000
2023-2024	33,659,138	
Total Minimum Lease Payments	<u>274,813,896</u>	<u>14,235,281</u>
Less: Amount Representing Interest (interest rates range from 2.00% to 12.00%)	79,093,081	2,058,930
Net Minimum Future Lease Payments	<u>\$ 195,720,815</u>	<u>\$ 12,176,351</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$10,672,719), improvements other than buildings (\$63,283,000) equipment (\$11,871,768) and land (\$9,950,000).

Assets purchased through capital leases for Business-Type Activities include equipment (\$10,054,729).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$6,267,866. Minimum future lease payments on non-cancelable operating leases at June 30, 2007, were as follows:

Years ending June 30,	
2008	\$ 5,718,422
2009	5,475,866
2010	5,376,506
2011	4,964,086
2012	3,974,306
2013-2017	1,031,055
2018-2022	1,111,787
2023-2027	1,257,885
2028-2032	1,423,182
2033-2037	1,610,200
2038-2042	1,821,793
2043-2047	2,061,192
2048-2052	2,332,049
2053-2055	1,016,482
Net Minimum Future Lease Payments	<u>\$ 39,174,811</u>

Note 10 - BOND ISSUES:

A. 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 improvements and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2007 to July 1, 2023. General Obligation Bonds are payable from property taxes and from Environmental Service fees.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 10 - BOND ISSUES (Continued):

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, 2007 to July 1, 2018. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

On June 20, 2007, the City issued \$13,325,000 General Obligation Bonds, \$3,400,000 of the bonds were issued on the behalf of Environmental Services. The bonds represent the sixth installment of bonds to be issued pursuant to the May 16, 2000 voter authorization.

At June 30, 2007, bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2007
1991 Refunding	6.20-7.50 %	2008	\$ 21,555,000	\$ 2,050,000
1984 Series E and F	6.17	2012	25,000,000	1,084,600
1992 Refunding	6.40-6.5	2012	51,550,000	8,955,000
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
1994 Series A (1995)	5.38-7.38	2020	23,600,000	4,150,170
1994 Series B (1996)	7.63	2015	24,745,000	2,566,033
1994 Series C (1997)	5.00-7.00	2021	10,510,000	2,510,000
1998 Refunding	4.25-5.50	2021	26,470,000	17,863,628
1994 Series D (1998)	4.25-6.25	2018	11,010,000	2,760,000
1994 Series E (1999)	4.50-7.00	2019	13,855,000	825,000
2000 Series A (2000)	5.25-7.25	2020	18,840,000	2,760,000
2000 Series B (2001)	4.625-5.75	2020	26,680,000	3,500,000
2002 Refunding	5.00	2012	25,035,000	17,290,000
2003 Refunding	2.25-5.00	2020	22,465,000	16,260,168
2000 Series C (2003)	2.50-4.50	2021	29,840,000	18,235,820
2000 Series D (2004)	3.50-5.00	2021	15,000,000	7,500,000
2005 Series Refunding	2.25-5.00	2020	25,542,554	25,367,554
2005-B Series Refunding	4.00-5.00	2021	20,288,052	14,838,052
2000-E Series (2005)	3.00-5.00	2017	17,894,000	12,617,629
2006 Series Refunding	4.00-4.67	2021	42,750,150	42,750,150
2007 Series Refunding	5.00	2019	19,190,000	19,190,000
2000-F Series	4.00-5.00	2023	9,925,000	9,925,000
Total			\$ 520,290,756	\$ 237,464,814

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 10 - BOND ISSUES (Continued):

Street and Highway Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2007
1994 Series A (1995)	5.00-7.00	2015	\$ 10,900,000	\$ 3,900,000
1994 Series B (1996)	5.50-7.50	2016	10,025,000	2,275,000
1996 Refunding	4.20-6.00	2010	7,425,000	7,295,000
1994 Series C (1997)	5.00-7.00	2016	5,000,000	1,000,000
1994 Series D (1998)	4.75-6.60	2018	14,675,000	3,750,000
1994 Series E (2000)	5.00-7.00	2018	19,400,000	6,000,000
1994 Series F (2001) & 2000 Series A (2001)	4.75-6.00	2018	15,500,000	3,250,000
2003 Refunding	4.50	2009	33,760,000	13,330,000
2003 Refunding	4.50	2012	30,665,000	19,315,000
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
2005 Series Refunding	3.75-5.00	2018	39,995,000	39,995,000
2000-D Series (2005)	4.00-5.00	2018	6,000,000	6,000,000
Total			\$ <u>221,900,000</u>	\$ <u>134,665,000</u>

B. Enterprise Funds

General Obligation Bonds issued on behalf of Environmental Services will provide funds for environmental and solid waste improvements.

Environmental Services General Obligation Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2007
GO Series 1994-A (1995)	7.375	2013	\$ 2,449,830	\$ 2,449,830
GO Series 1994-B (1996)	7.625	2015	1,178,967	1,178,967
GO Refunding Bonds Series 1998	5.250	2021	8,281,372	8,281,372
GO Series 2000-A (2000)	7.250	2013	430,000	430,000
GO Series 2000-C (2003)	3.300	2021	2,201,000	1,164,180
GO Refunding Bonds Series 2003	3.000	2020	4,639,832	4,639,832
GO Refunding Bonds Series 2005-B	4.000	2021	1,436,948	1,436,948
GO Refunding Bonds Series 2005	5.000	2020	8,697,446	8,697,446
GO Bonds Series 2000-E (2005)	3.000	2017	7,921,000	6,382,371
GO Refunding Bonds Series 2006	4.624	2021	7,774,850	7,774,850
GO Series 2000-F (2007)	4.300	2023	3,400,000	3,400,000
Total			\$ <u>48,411,245</u>	\$ <u>45,835,796</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 10 - BOND ISSUES (Continued):

Water Revenue Bonds will provide funds for the purpose of the acquisition and construction of water system improvements.

On June 20, 2007, the City issued \$35,765,000 Water System Revenue Bonds. The Bonds represent the second installment of senior lien water system revenue bonds authorized to be issued from the 2005 Bond Election.

Water Utility Revenue Bonds Issued and Outstanding

	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2007
1984 Series D (1991)	9.75 %	2010	\$ 48,000,000	\$ 2,000,000
1993 Refunding	5.25-5.50	2014	35,360,000	13,310,000
1994 Series A (1996)	6.0-8.0	2018	33,000,000	2,750,000
1994 Series C (1999)	4.75-6.75	2009	33,400,000	2,800,000
1994 Series D (2000)	5.25-7.25	2024	23,740,000	3,615,000
1999A Refunding	5.00	2010	14,045,000	6,985,000
2000 Series A (2001)	5.0-7.5	2023	37,800,000	3,500,000
2000 Series B (2002)	3.5-5.125	2021	18,900,000	2,500,000
2000 Series D (2004)	4.0-5.0	2023	18,765,000	2,000,000
2001A Refunding	5.00	2016	40,850,000	29,780,000
2002 Refunding	5.50	2018	57,820,000	52,695,000
2003 Refunding	5.00	2018	12,000,000	12,000,000
2005 Refunding	4.00-5.00	2022	55,110,000	55,020,000
2005 Series A (2005)	3.00-5.00	2025	31,665,000	30,585,000
2005 Series B (2007)	4.375-5.00	2032	35,765,000	35,765,000
2006 Refunding	3.50-4.25	2024	85,460,000	83,635,000
2007 Refunding	5.00	2021	31,460,000	31,460,000
1998A Water Infrastructure Finance Authority	3.425	2017	6,000,000	3,774,002
2000 Water Infrastructure Finance Authority	4.125	2020	5,120,000	3,903,808
2000 Water Infrastructure Finance Authority	4.125	2020	7,780,000	6,047,171
2001 Water Infrastructure Finance Authority	3.430	2021	8,800,000	7,001,117
2003 Water Infrastructure Finance Authority	3.48	2022	8,300,000	6,966,429
2000 Water Infrastructure Finance Authority	3.75	2023	3,000,000	2,635,450
2004 Water Infrastructure Finance Authority	3.255	2023	2,500,000	2,199,043
2005 Water Infrastructure Finance Authority	3.113	2024	2,997,000	2,757,246
2006 Water Infrastructure Finance Authority	3.424	2026	2,500,000	2,410,905
2007 Water Infrastructure Finance Authority	3.210	2026	2,000,000	1,555,705 (1)
2007 Water Infrastructure Finance Authority	3.208	2026	6,500,000	1,691,620 (2)
Total			<u>\$ 668,637,000</u>	<u>\$ 411,342,496</u>

(1) WIF9 was not fully drawn down during FY 2007. The balance of the loan will be recognized in FY2008.

(2) WIF10 was not fully drawn down during FY 2007. The balance of the loan will be recognized in FY2008.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 10 - BOND ISSUES (Continued):

C. Special Assessments

Special assessments on City-owned property were \$26,948 of the \$3,331,486 total assessment. The remaining assessments of \$3,304,538 represent a contingent liability for all other special assessment issues. The City has a contingent liability to the extent that prepaid assessments and proceeds from liens foreclosed against properties within the special assessment districts are insufficient to retire outstanding bonds.

D. Annual Principal and Interest Requirements

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

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 13,874,437	\$ 11,419,614	\$ 10,000,000	\$ 6,831,205	\$ 412,486	\$ 154,004
2009	14,316,846	10,717,089	10,645,000	6,381,660	359,000	135,142
2010	15,046,846	10,006,933	11,160,000	5,903,175	368,000	117,472
2011	14,945,307	9,330,544	11,745,000	5,292,600	379,000	99,322
2012	12,486,076	11,477,993	12,255,000	4,600,075	388,000	80,685
2013-2017	86,313,482	32,773,016	64,295,000	13,239,563	1,210,000	200,418
2018-2022	78,619,719	9,889,829	14,565,000	697,850	215,000	5,375
2023-2027	1,862,101	80,070				
Total	<u>\$ 237,464,814</u>	<u>\$ 95,695,088</u>	<u>\$ 134,665,000</u>	<u>\$ 42,946,128</u>	<u>\$ 3,331,486</u>	<u>\$ 792,418</u>

Years Ending June 30,	Business-type Activities				Component Unit	
	Environmental Services		Water Services		Junior Lien Excise Tax	
	Revenue Bonds		Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 320,563	\$ 1,971,019	\$ 14,936,049	\$ 19,636,354	\$ 535,000	\$ 274,850
2009	713,154	1,956,718	16,289,776	18,821,665	565,000	246,094
2010	713,154	1,935,323	17,951,830	17,998,244	600,000	214,313
2011	1,009,693	1,910,363	19,207,339	17,066,843	630,000	179,812
2012	993,524	1,856,284	20,561,436	16,117,251	670,000	142,800
2013-2017	17,062,528	7,719,529	116,671,866	64,212,037	1,710,000	102,600
2018-2022	24,385,281	3,064,858	135,868,647	33,803,259		
2023-2027	637,899	27,430	49,355,553	9,203,790		
2028-2032			20,500,000	3,209,375		
Total	<u>\$ 45,835,796</u>	<u>\$ 20,441,524</u>	<u>\$ 411,342,496</u>	<u>\$ 200,068,818</u>	<u>\$ 4,710,000</u>	<u>\$ 1,160,469</u>

Note 11 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

On December 21, 2006, the City issued \$50,525,000 General Obligation Refunding Bonds to refund all or partial debt maturing after July 1, 2017 of the 1994, 1999 and 2000 General Obligation Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds ranges from 4.0-5.0% with a final maturity due July 1, 2021. Debt service payments are scheduled semi-annually at amounts that range from \$1,000,000 to \$6,015,000. The economic gain resulting from this refunding is \$1,843,841 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt (\$80,527,825) and the cash flows to service the new debt (\$78,545,437) is \$1,982,388.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 11 - ADVANCE REFUNDING/DEFEASANCE OF DEBT (Continued):

On December 21, 2006, the City also issued \$85,460,000 Water System Revenue Refunding Bonds to refund all or partial debt maturing after July 1, 2015 of the 1994 and 2000 Water System Revenue Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds ranges from 3.0-5.0% with a final maturity due July 1, 2024. Debt service payments are scheduled semi-annually at amounts that range from \$240,000 to \$17,050,000. The economic gain resulting from this refunding is \$3,338,981 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt (\$138,341,875) and the cash flows to service the new debt (\$133,735,781) is \$4,606,094.

On April 4, 2007, the City issued \$19,190,000 General Obligation Refunding Bonds to refund all or partial debt scheduled after July 1, 2007 of the 1997 General Obligation Refunding Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5.0% with a final maturity due July 1, 2019. Debt service payments are scheduled semi-annually at amounts that range from \$3,575,000 to \$3,940,000. The economic gain resulting from this refunding is \$1,024,438 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt (\$29,531,879) and the cash flows to service the new debt (\$28,697,228) is \$834,651.

On April 4, 2007, the City also issued \$31,460,000 Water System Revenue Refund Bonds to refund portions of its outstanding Water System Revenue Refunding Bonds, Series 1997 and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 5% with a final maturity due July 1, 2021. Debt service payments are scheduled semi-annually at amounts that range from \$90,000 to \$10,465,000. The economic gain resulting from this refunding is \$1,110,804 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt (\$53,017,017) and the cash flows to service the new debt (\$51,585,237) is \$1,431,780.

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 \$136,340,000 and General Obligation and Street and Highway debt of \$94,372,000 and \$40,575,000, respectively.

Note 12 - 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, 2007. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2007. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 12 – LANDFILLS (Continued):

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 6/30/07</u>	<u>Estimated Closure/Post- Closure Costs</u>	<u>Liability Recognized at 6/30/07</u>	<u>Estimated Closure/ Postclosure Cost to be Recognized in Future Years</u>	<u>Estimated Remaining Life in Years</u>
Los Reales	92 %	\$ 31,377,000	\$ 28,225,056	\$ 3,151,944	60
Harrison	100 %	6,571,000	6,571,000		
Irvington	100 %	4,417,861	4,417,861		
Mullins	100 %	2,186,002	2,186,002		
Silverbell	100 %	1,600,000	1,600,000		
Totals		<u>\$ 46,151,863</u>	<u>\$ 42,999,919</u>	<u>\$ 3,151,944</u>	

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

The operation of the landfills is a function of the City's Environmental Management Department that is accounted for as an enterprise fund. The June 30, 2007, liability for closure and post-closure costs is \$42,999,919 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

Note 13 – DEFERRED COMPENSATION PLAN:

On September 29, 2006 the City of Tucson transferred the assets of the Deferred Compensation Plan to third party administrators. The City combined its three deferred compensation plans and contracted with ICMA-Retirement Corporation for an initial period of five years. A separate contract authorizes Nationwide Retirement Solutions as an additional plan available to local remembers of the IAFF for the same period of time. Consequently, in fiscal year 2008, the plan will not be included in the Statement of Fiduciary Funds Net Assets and Statement of Changes in Fiduciary Net Assets.

Note 14 - 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 member 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 14 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS (Continued):

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 215 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. The Local Board is comprised by the mayor or chief elected official or a designee of the mayor or chief elected official approved by the respective governing body as chairman, two members elected by secret ballot by members employed by the appropriate employer and two citizens, one of whom shall be the head of the merit system if it exists for the group of members, appointed by the mayor or chief elected official and with the approval of the governing body.

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 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016.

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, 2007, the City had 7 covered officials. Covered payroll for the year then ended was \$186,000 (out of the total City payroll of \$351,180,589). 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 \$34,503 and elected officials contributed \$13,021, including amounts for current officials as well as for past officials permitted to join the plan pursuant to 1987 legislation.

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 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016.

B. Funding Policy

1. Tucson Supplemental Retirement System Employees hired prior to July 1, 2006 contribute 5% of their annual covered payroll and are made through payroll deductions. Employees hired after June 30, 2006, will contribute 40% of the total required rate calculated annually by the system actuary. Future changes to employee contribution rates are limited to a maximum annual increase not to exceed 2.5%. For fiscal year 2007 the rate of contribution for employees hired after June 30, 2006 was 7.50%.

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, 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 employees hired before July 1, 2006 is 15.04% and for employees hired after June 30, 2006 the contribution rate is 12.54%.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 14 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS (Continued):

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, 2007, the required employer contribution rates were 19.50% and 21.26%, 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, 2007, there were no individual investments, that represented 5% or more of System net assets, other than those issued or guaranteed by the United States government, 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, 2007, 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.

D. Annual Pension Cost:

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

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, 2007

Note 14 - SINGLE-EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS (Continued):

	Actuarial Information		
	TSRS	APSPRS	
		<u>Police</u>	<u>Fire</u>
Actuarial Valuation Date	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial Cost Method	Individual Entry Age	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining Amortization Period	Open 15 Years from June 30, 2007	29 years for unfunded actuarial accred liability, 20 years for excess	29 years for unfunded actuarial accred liability, 20 years for excess
Asset Valuation Method	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.75%	8.50%	8.50%
Projected Salary Increases*	4.25% - 9.25%	5.50% - 8.50%	5.50% - 8.50%
Inflation	4.25%	5.00%	5.00%
Cost-of-Living Adjustment	As approved by TSRS Board	None	None

*Projected salary increases include inflation.

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 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016.

Three Year Trend Information <i>(dollar amounts are in thousands)</i>				
	<u>Fiscal Year Ended 6/30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
TSRS	2007	\$ 24,528	100 %	\$ 0
	2006	25,232	100	0
	2005	25,958	100	0
Police	2007	11,595	100	0
	2006	9,876	100	0
	2005	7,141	100	0
Fire	2007	7,261	100	0
	2006	5,100	100	0
	2005	4,621	100	0

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 14 – SINGLE EMPLOYER AND AGENT MULTIPLE-EMPLOYER RETIREMENT SYSTEMS (Continued):

Schedule of Funding Progress (*dollar amounts are in thousands*)

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)	Infunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
TSRS						
2007	\$ 634,763	\$ 763,539	\$ 128,776	83.1 %	\$ 159,250	80.9 %
2006	588,228	735,793	147,565	79.9	155,855	94.7
2005	538,789	693,871	155,082	77.6	162,149	95.6
Police						
2007	324,841	501,673	176,832	64.8	60,617	291.7
2006	337,246	441,670	104,424	76.4	50,962	204.9
2005	333,251	441,424	108,173	81.0	52,700	148.3
Fire						
2007	206,680	321,180	114,500	64.4	36,357	314.9
2006	225,202	303,330	78,128	90.3	29,829	261.9
2005	228,850	285,745	56,895	80.1	29,843	190.6

Note 15 - 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, 2007, and 2006, are as follows:

	2007	2006
Beginning of fiscal year liability	\$ 25,717,646	\$45,064,770
Current year claims and changes in estimates	12,325,846	(11,371,733)
Claim Payments	(10,030,967)	(7,975,391)
Balance at fiscal year end	<u>\$ 28,012,525</u>	<u>\$25,717,646</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 16 - 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, 2007, the City contributed towards the medical premiums of 990 retirees. Depending upon the date of retirement, the City generally pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents.

Special Note regarding Arizona Public Safety Retirement System Retirees: Public Safety police employees retiring after February 1, 1982 and before July 1, 2002 and Public Safety fire employees retiring after February 1, 1982 and before July 1, 2001 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 City does not contribute to the retiree medical premium.

The costs associated with this retirement benefit are expended as the appropriate medical insurance premiums are paid. During the fiscal year 2007, the City's portion of retiree medical insurance premiums was \$5,032,170.

The city provides a \$7,500 life insurance policy to benefit eligible retirees. On June 30, 2007, there were 2,568 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 \$99,400.

Note 17 - 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 135,966 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 \$2,855,286. 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 \$6,711,992.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 17 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$17,361,206 at June 30, 2007.

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

F. Financing of Posadas Sentinel Low-income Housing

On November 1, 1999, the City entered into a capital lease with Posadas Sentinel LLLP (Posadas), whereby the City leased various properties to Posadas for 75 years. Under the terms of the lease, Posadas will develop and operate the properties solely as low-income residential housing facilities. Posadas is financing this development through low-income housing tax credits from the State of Arizona, and through a \$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 \$15,050,026 at June 30, 2007.

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.

In prior years the note receivable and deferred revenue for Posadas Sentinel were recorded in the Miscellaneous Housing Grants Fund. In fiscal year 2007 the note receivable and deferred revenue were transferred to the General Fund. One of the Miscellaneous Housing Grants is complete and the purpose of the fund no longer exists.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 17 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$2,536,231 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 \$2,957,399 at June 30, 2007.

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.

H. Silverbell Subdivision Development Lease

On December 13, 2005, the city entered into a development agreement with Pathways Holdings LLC related to the construction of the Silverbell Residential Subdivision. Under the terms of the lease, Pathways Holdings LLC will develop the subdivision. The City will retain 30 lots to be used for public and low income housing. The notes receivable balance due to the City is \$2,064,546 at June 30, 2007.

I. Starr Pass Resort Developments Lease

On May 11, 2005, the City entered into a sublease agreement with Starr Pass Resort Developments LLC. The City acquired, among other property, an interest in the real property and the improvements to a parking garage structure located on the Starr Pass grounds. The City issued Certificates of Participation for \$2,640,000 to pay ground rent to Starr Pass Resort Developments. Under the terms of the lease, Starr Pass will develop and operate the properties. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City is \$2,475,000 at June 30, 2007.

The proceeds from the 2007 Taxable Certificates of Participation in the amount of \$2,500,000 will be used by the City to acquire a leasehold interest in the 2007 Taxable Property, which consists of certain real property and a parking garage to be constructed thereon, from Starr Pass pursuant to the 2007 Starr Pass Lease. Starr Pass will use such amount to finance the construction of a second parking garage for use by guests of the JW Marriott Starr Pass Resort located in the City. The City will assign its interest in the 2007 Starr Pass Lease and the 2007 Taxable Property to the Trustee. The Trustee will, in turn, lease its interest in the 2007 Taxable Property to the City pursuant to the Series 2007 Lease. The City will then sublease the 2007 Taxable Property to Starr Pass to manage and operate the second public parking garage over a 20-year period. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City is \$2,545,000 at June 30, 2007.

Note 18 - 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. The City recorded a long term receivable related to this coverage, in the amount of \$14,577,549. The receivable balance, with accrued interest at 4.50% thereon, was \$14,075,974 at June 30, 2007.

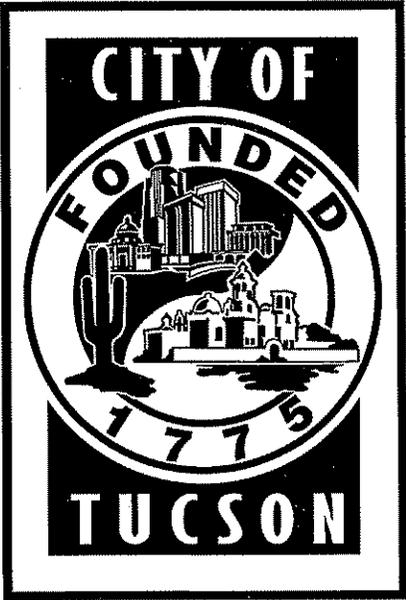
CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

Note 18 - SIGNIFICANT DISCRETELY PRESENTED COMPONENT UNIT TRANSACTIONS (Continued):

On November 1, 2004, the Mayor and Council adopted Ordinance No. 10078 approving a Development and Exchange Agreement between the City and Rio Development Company, LLC. The City agreed to financially participate in the development of off-site improvements. The project is known as the Mercado at Menlo Park Subdivision and the improvements will be the responsibility of the public sector. The improvements consist of the construction of public roadways and associated amenities. On May 9, 2006, the Mayor and Council entered into a Financial Participation Agreement between the City and Rio Nuevo for the funding of the infrastructure. By the end of June 30, 2007, Rio Nuevo contributed \$4,194,146 to the City for this project. The City is reporting the infrastructure as a capital asset.

Note 19 - FUTURE REPORTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement requires the City to recognize the cost of these benefits in periods when the related services are received by the City. In addition, the statement also requires additional disclosures about the actuarial accrued liabilities for promised benefits associated with past services in notes to the financial statements. The City will implement GASB Statement No. 45 for fiscal year ending 2008. Management is in the process of evaluating the effect of this statement on the City's financial statements.



Required Supplementary Information



CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 238,393,050	\$ 238,393,050	\$ 242,168,594	\$ 3,775,544
Licenses and Permits	20,727,000	20,727,000	21,717,660	990,660
Fines and Forfeitures	14,970,610	14,970,610	12,194,285	(2,776,325)
Use of Money and Property	2,759,000	3,468,100	10,728,554	7,260,454
Other Agencies	137,266,070	137,266,070	137,549,921	283,851
Charges for Services	28,786,580	28,077,480	28,526,837	449,357
Miscellaneous	18,568,100	18,568,100	4,193,777	(14,374,323)
Total revenues	461,470,410	461,470,410	457,079,628	(4,390,782)
Expenditures:				
Current -				
Elected and Official	18,074,820	18,023,158	17,775,536	247,622
Support Services	44,297,510	44,924,191	45,346,607	(422,416)
Neighborhood Services	274,328,200	272,778,997	269,953,811	2,825,186
Environment and Development	21,216,940	21,171,490	21,221,996	(50,506)
Non-Departmental	32,371,180	31,191,846	29,237,555	1,954,291
Capital Outlay	8,036,350	6,035,050	2,889,690	3,145,360
Capital Projects	54,339,800	45,787,084	28,043,207	17,743,877
Debt service -				
Principal	12,141,400	12,141,400	9,182,153	2,959,247
Interest	6,091,050	6,091,050	7,229,079	(1,138,029)
Fiscal agent fees and other	44,300	44,300	26,800	17,500
Issuance Costs of Debt			610,901	(610,901)
Total expenditures	470,941,550	458,188,566	431,517,335	26,671,231
Excess (deficiency) of revenues over expenditures	(9,471,140)	3,281,844	25,562,293	22,280,449
Other financing sources (uses):				
Face Amount of Bond Proceeds	6,575,690	6,575,690		(6,575,690)
Lease Purchases and Contract Proceeds	50,785,800	50,785,800	44,963,574	(5,822,226)
Premium on Issuance of Debt			1,290,647	1,290,647
Transfers from Other Funds			307,179	307,179
Transfers to Other Funds	(47,890,350)	(47,890,350)	(69,043,818)	(21,153,468)
Total other financing sources (uses)	9,471,140	9,471,140	(22,482,418)	(31,953,558)
Change in fund balances		12,752,984	3,079,875	(9,673,109)
Fund balances, July 1, 2006, as restated			164,708,931	164,708,931
Fund balances, June 30, 2007	\$	\$ 12,752,984	\$ 167,788,806	\$ 155,035,822

See accompanying notes to this schedule.

**CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MASS TRANSIT FUND
YEAR ENDED JUNE 30, 2007**

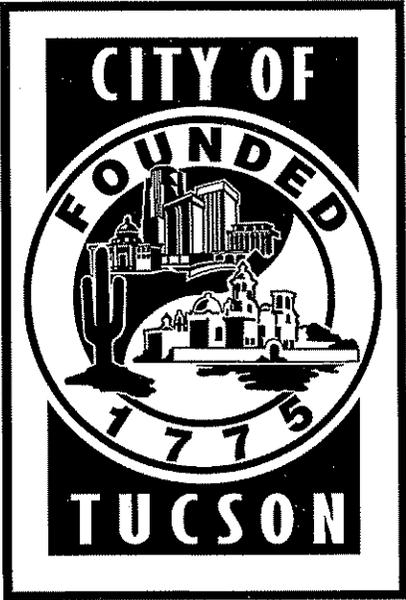
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of Money and Property	\$	\$	\$ 213,295	\$ 213,295
Federal Grants and Contributions	34,853,610	34,853,610	14,560,193	(20,293,417)
Other Agencies	6,192,000	6,192,000	7,661,282	1,469,282
Charges for Services	9,750,000	9,750,000	9,576,722	(173,278)
Miscellaneous	2,340,100	2,340,100	260,861	(2,079,239)
Total revenues	53,135,710	53,135,710	32,272,353	(20,863,357)
Expenditures:				
Current -				
Environment and Development	56,161,040	57,944,209	56,144,116	1,800,093
Capital Outlay	18,731,600	17,556,787	7,513,354	10,043,433
Capital Projects	13,925,300	13,723,681	4,654,572	9,069,109
Total expenditures	88,817,940	89,224,677	68,312,042	20,912,635
Excess (deficiency) of revenues over expenditures	(35,682,230)	(36,088,967)	(36,039,689)	49,278
Other financing sources (uses):				
Transfers from Other Funds	35,682,230	35,682,230	36,041,148	358,918
Total other financing sources (uses)	35,682,230	35,682,230	36,041,148	358,918
Change in fund balances		(406,737)	1,459	408,196
Fund balances, July 1, 2006, as restated			672,073	672,073
Fund balances (deficits), June 30, 2007	\$	\$ (406,737)	\$ 673,532	\$ 1,080,269

See accompanying notes to this schedule.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

NOTE - 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, 2007

	Special Revenue	Debt Service	Capital Projects	Total Non-Major Governmental Funds
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 22,632,209	\$ 6,494,294	\$ 374,252	\$ 29,500,755
Cash/Investments with Fiscal Agents	541,048	31,927,210		32,468,258
Accounts Receivable, Net	1,623,230			1,623,230
Special Assessments Receivable		2,977,375		2,977,375
Notes & Loans Receivable	33,194,621			33,194,621
Due from Other Agencies	16,926,213			16,926,213
Interfund Receivable		6,078,397	14,037,224	20,115,621
Grants & Entitlements Receivable	25,362,678			25,362,678
Interest Receivable	208,501	12,270	71,808	292,579
Long Term Investments	1,272,854			1,272,854
Other Assets	1,884,300			1,884,300
Total assets	\$ 103,645,654	\$ 47,489,546	\$ 14,483,284	\$ 165,618,484
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 8,933,549	\$ 3,825	\$ 1,151,159	\$ 10,088,533
Accrued Payroll Liabilities	833,157			833,157
Accrued Interest Payable	10,974			10,974
Advances from Other Funds	2,420,981		2,508,873	4,929,854
Interfund Payable	29,133,289			29,133,289
Due to Other Agencies	198,860			198,860
Refundable Deposits	1,556,902	97,512	11,170	1,665,584
Bonds & Interest Payable, including Special Assessments		31,927,210		31,927,210
Deferred Revenue	29,325,153	2,976,785		32,301,938
Total liabilities	72,412,865	35,005,332	3,671,202	111,089,399
Fund balances:				
Reserved for Debt Service		12,484,214		12,484,214
Reserved for Capital Improvements	11,494,549		13,320,955	24,815,504
Reserved for Advances and Deposits	11,900			11,900
Reserved for Other Purposes	20,214,149			20,214,149
Unreserved:				
Undesignated	(487,809)		(2,508,873)	(2,996,682)
Total fund balances	31,232,789	12,484,214	10,812,082	54,529,085
Total liabilities and fund balances	\$ 103,645,654	\$ 47,489,546	\$ 14,483,284	\$ 165,618,484

**CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007**

	Public Safety Academy Fund	Team/Parkwise	Convention Center Fund	Capital Improvements Fund
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 193,193	\$ 2,500	\$ 2,103,891	\$
Cash/Investments with Fiscal Agents		153,363		
Accounts Receivable, Net		1,425	339,894	
Notes & Loans Receivable				
Due from Other Agencies		140,964		5,701,194
Grants & Entitlements Receivable				
Interest Receivable		2,483		
Long Term Investments		1,272,854		
Other Assets	1,098			
Total assets	<u>\$ 194,291</u>	<u>\$ 1,573,589</u>	<u>\$ 2,443,785</u>	<u>\$ 5,701,194</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 66,151	\$ 139,542	\$ 613,974	\$ 1,119,107
Accrued Payroll Liabilities	127,166	18,975	50,057	
Accrued Interest Payable		10,974		
Advances from Other Funds				
Interfund Payable		2,636,251		4,582,087
Due to Other Agencies	608	70	44	
Refundable Deposits	366	6,708	813,531	
Deferred Revenue				
Total liabilities	<u>194,291</u>	<u>2,812,520</u>	<u>1,477,606</u>	<u>5,701,194</u>
Fund balances (deficits):				
Reserved for Capital Improvements		155,846		
Reserved for Advances and Deposits		2,500	9,400	
Reserved for Other Purposes		1,272,854	956,779	
Unreserved:				
Undesignated		(2,670,131)		
Total fund balances		<u>(1,238,931)</u>	<u>966,179</u>	
Total liabilities and fund balances	<u>\$ 194,291</u>	<u>\$ 1,573,589</u>	<u>\$ 2,443,785</u>	<u>\$ 5,701,194</u>

H.U.R.F. Fund	Civic Contribution Fund	Human & Community Development Fund	Development Fee Fund	Miscellaneous Housing Grant Fund	Public Housing Fund
\$ 105,386	\$ 2,278,002	\$	\$ 13,677,126	\$	\$ 4,272,111
73,779				55,887	795,593
427,092		4,682,495		7,764,227	12,314,084
6,990,453		1,661,206		95,683	1,561,352
89,186	16,054		82,558	4,233,523	18,220
2,094				20,189	1,859,004
<u>\$ 7,687,990</u>	<u>\$ 2,294,056</u>	<u>\$ 6,343,701</u>	<u>\$ 13,759,684</u>	<u>\$ 12,169,509</u>	<u>\$ 20,820,364</u>
\$ 1,871,697	\$ 3,751	\$ 545,164	\$	\$ 608,710	\$ 382,781
432,030		25,064		12,052	111,590
			2,420,981		
		1,035,202		3,340,078	
1,369		66,140			130,255
335		6,402		10,833	695,739
		87,948		7,764,227	12,314,084
<u>2,305,431</u>	<u>3,751</u>	<u>1,765,920</u>	<u>2,420,981</u>	<u>11,735,900</u>	<u>13,634,449</u>
			11,338,703		
3,946,510	2,290,305	4,577,781		343,101	6,512,913
1,436,049				90,508	673,002
<u>5,382,559</u>	<u>2,290,305</u>	<u>4,577,781</u>	<u>11,338,703</u>	<u>433,609</u>	<u>7,185,915</u>
<u>\$ 7,687,990</u>	<u>\$ 2,294,056</u>	<u>\$ 6,343,701</u>	<u>\$ 13,759,684</u>	<u>\$ 12,169,509</u>	<u>\$ 20,820,364</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007
(Concluded)

	Public Housing HOME Program Fund	Other Federal Grants Fund	Non-Federal Grants Fund	Regional Transportation Authority Fund
<u>ASSETS</u>				
Pooled Cash and Investments	\$	\$	\$	\$
Cash/Investments with Fiscal Agents		313,906		
Accounts Receivable, Net		3,339		
Notes & Loans Receivable	8,433,815			
Due from Other Agencies				3,997,919
Grants & Entitlements Receivable	954,389	15,719,019	1,233,189	
Interest Receivable				
Long Term Investments				
Other Assets		1,915		
Total assets	<u>\$ 9,388,204</u>	<u>\$ 16,038,179</u>	<u>\$ 1,233,189</u>	<u>\$ 3,997,919</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 512,182	\$ 2,024,255	\$ 15,221	\$ 1,031,014
Accrued Payroll Liabilities	11,571	28,807	15,845	
Accrued Interest Payable				
Advances from Other Funds				
Interfund Payable	413,047	13,062,345	1,097,374	2,966,905
Due to Other Agencies	28	346		
Refundable Deposits	17,561	5,342	85	
Deferred Revenue	8,433,815	620,415	104,664	
Total liabilities	<u>9,388,204</u>	<u>15,741,510</u>	<u>1,233,189</u>	<u>3,997,919</u>
Fund balances (deficits):				
Reserved for Capital Improvements				
Reserved for Advances and Deposits				
Reserved for Other Purposes		313,906		
Unreserved:				
Undesignated		(17,237)		
Total fund balances		<u>296,669</u>		
Total liabilities and fund balances	<u>\$ 9,388,204</u>	<u>\$ 16,038,179</u>	<u>\$ 1,233,189</u>	<u>\$ 3,997,919</u>

Totals

\$ 22,632,209
541,048
1,623,230
33,194,621
16,926,213
25,362,678
208,501
1,272,854
1,884,300
\$ 103,645,654

\$ 8,933,549
833,157
10,974
2,420,981
29,133,289
198,860
1,556,902
29,325,153
72,412,865

11,494,549

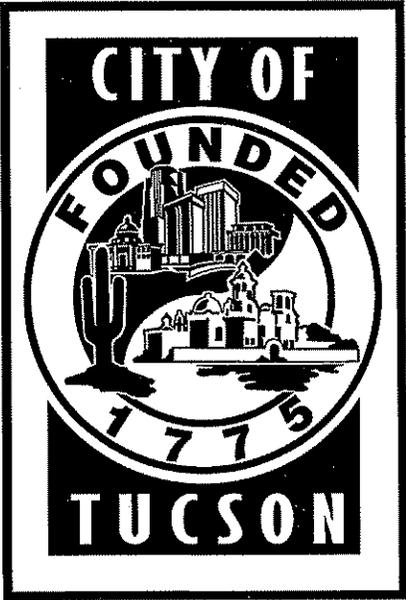
11,900
20,214,149

(487,809)
31,232,789

\$ 103,645,654

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2007

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 1,734,215	\$ 4,760,079	\$	\$ 6,494,294
Cash/Investments with Fiscal Agents	81,480	18,614,112	13,231,618	31,927,210
Special Assessments Receivable	2,977,375			2,977,375
Interfund Receivable		6,078,397		6,078,397
Interest Receivable	12,270			12,270
Total assets	\$ 4,805,340	\$ 29,452,588	\$ 13,231,618	\$ 47,489,546
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$	\$ 3,825	\$	\$ 3,825
Refundable Deposits	96,774	738		97,512
Bonds & Interest Payable, including Special Assessments	81,480	18,614,112	13,231,618	31,927,210
Deferred Revenue	2,976,785			2,976,785
Total liabilities	3,155,039	18,618,675	13,231,618	35,005,332
Fund balances:				
Reserved for Debt Service	1,650,301	10,833,913		12,484,214
Total fund balances	1,650,301	10,833,913		12,484,214
Total liabilities and fund balances	\$ 4,805,340	\$ 29,452,588	\$ 13,231,618	\$ 47,489,546



CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2007

	Special Assessment Construction Fund	2000 Street & Highway Improvement	2000 General Obligation Fund	1994 General Obligation Fund
<u>ASSETS</u>				
Pooled Cash and Investments	\$	\$ 147,701	\$	\$ 226,551
Interfund Receivable			14,037,224	
Interest Receivable			69,043	2,765
Total assets	\$	\$ 147,701	\$ 14,106,267	\$ 229,316
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$	\$ 147,701	\$ 979,893	\$ 23,565
Advances from Other Funds	2,508,873			
Refundable Deposits			11,170	
Total liabilities	2,508,873	147,701	991,063	23,565
Fund balances (deficits):				
Reserved for Capital Improvements			13,115,204	205,751
Unreserved:				
Undesignated	(2,508,873)			
Total fund balances	(2,508,873)		13,115,204	205,751
Total liabilities and fund balances	\$	\$ 147,701	\$ 14,106,267	\$ 229,316

Totals

\$ 374,252
14,037,224
71,808
\$ 14,483,284

\$ 1,151,159
2,508,873
11,170
3,671,202

13,320,955

(2,508,873)
10,812,082

\$ 14,483,284

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
YEAR ENDED JUNE 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenues:			
Taxes	\$	\$ 26,681,580	\$
Licenses and Permits	493,809		
Fines and Forfeitures	822,210	9,481	
Developer Fees	6,985,561		
Use of Money and Property	1,980,736	83,341	636,067
Federal Grants and Contributions	74,240,307		
Other Agencies	56,699,277	8,841,075	
Charges for Services	9,481,372		
Special Assessments		599,212	274,589
Miscellaneous	1,591,264	257	
Total revenues	<u>152,294,536</u>	<u>36,214,946</u>	<u>910,656</u>
Expenditures:			
Current -			
Elected and Official	337,803		
Support Services	98,131		
Neighborhood Services	66,444,746		17,593
Environment and Development	41,759,912		291,970
Strategic Initiatives	7,760,831		
Non-Departmental	5,328,960		19,481
Capital Outlay	1,364,122		
Capital Projects	37,816,317		14,028,227
Debt service -			
Principal	1,699,947	21,526,461	
Interest	714,631	19,283,653	
Fiscal agent fees and other		17,075	
Issuance Costs of Debt		711,441	189,907
Total expenditures	<u>163,325,400</u>	<u>41,538,630</u>	<u>14,547,178</u>
Excess (deficiency) of revenues over expenditures	<u>(11,030,864)</u>	<u>(5,323,684)</u>	<u>(13,636,522)</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds		61,940,150	10,227,721
Lease Purchases and Contract Proceeds	1,962,074		
Premium on Issuance of Debt		3,834,355	138,497
Transfers from Other Funds	19,813,294	8,022,660	54,335
Payment to Refunded Bond Escrow Agent		(65,418,781)	
Transfers to Other Funds	(11,750,330)		(146,307)
Total other financing sources (uses)	<u>10,025,038</u>	<u>8,378,384</u>	<u>10,274,246</u>
Change in fund balances	<u>(1,005,826)</u>	<u>3,054,700</u>	<u>(3,362,276)</u>
Fund balances, beginning of year, as restated	32,238,615	9,429,514	14,174,358
Fund balances, end of year	<u>\$ 31,232,789</u>	<u>\$ 12,484,214</u>	<u>\$ 10,812,082</u>

Civic Endowment Fund	Total Non-Major Governmental Funds
\$	\$ 26,681,580
	493,809
	831,691
	6,985,561
3,757	2,703,901
	74,240,307
	65,540,352
	9,481,372
	873,801
	1,591,521
<u>3,757</u>	<u>189,423,895</u>
	337,803
	98,131
	66,462,339
	42,051,882
	7,760,831
158,067	5,506,508
	1,364,122
	51,844,544
	23,226,408
	19,998,284
	17,075
	901,348
<u>158,067</u>	<u>219,569,275</u>
<u>(154,310)</u>	<u>(30,145,380)</u>
	72,167,871
	1,962,074
	3,972,852
	27,890,289
	(65,418,781)
	(11,896,637)
	<u>28,677,668</u>
<u>(154,310)</u>	<u>(1,467,712)</u>
154,310	55,996,797
<u>\$</u>	<u>\$ 54,529,085</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

	Public Safety Academy Fund	Team/Parkwise	Convention Center Fund
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures		597,665	
Developer Fees			
Use of Money and Property	12,575	191,501	40,174
Federal Grants and Contributions			
Other Agencies	150,000	140,803	
Charges for Services	206,805	2,371,609	3,776,807
Miscellaneous		788	
Total revenues	<u>369,380</u>	<u>3,302,366</u>	<u>3,816,981</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	8,003,479		
Environment and Development		3,326,998	
Strategic Initiatives			7,760,831
Non-Departmental			3,782,339
Capital Outlay	9,366		37,974
Capital Projects		142,313	328
Debt service -			
Principal	260,000	576,120	
Interest	18,575	515,643	
Total expenditures	<u>8,291,420</u>	<u>4,561,074</u>	<u>11,581,472</u>
Excess (deficiency) of revenues over expenditures	<u>(7,922,040)</u>	<u>(1,258,708)</u>	<u>(7,764,491)</u>
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds	7,922,040		7,574,833
Transfers to Other Funds		(7,845)	
Total other financing sources (uses)	<u>7,922,040</u>	<u>(7,845)</u>	<u>7,574,833</u>
Change in fund balances		<u>(1,266,553)</u>	<u>(189,658)</u>
Fund balances (deficits), beginning of year, as restated		27,622	1,155,837
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ (1,238,931)</u>	<u>\$ 966,179</u>

Capital Improvements Fund	H.U.R.F. Fund	Civic Contribution Fund	Human & Community Development Fund	Development Fee Fund	Miscellaneous Housing Grant Fund
\$	\$ 493,809	\$	\$	\$	\$
	224,545				
	753,321	116,453	37,986	6,985,561	
6,656,357	40,586,880		7,298,791	435,012	6,571,152
	249,721				
	608,030	544,320			
<u>6,656,357</u>	<u>42,916,306</u>	<u>660,773</u>	<u>7,336,777</u>	<u>7,420,573</u>	<u>6,571,152</u>
		2,035			
119,373	892,031	257,484	6,189,050		6,625,183
18,155	35,971,025				
	639,156	773,638			
	237,345	59,476	63,428		57,810
8,210,853	2,946,875	127,717	978,953	1,300,580	179,883
	753,227		9,762		
	123,550		11,327		
<u>8,348,381</u>	<u>41,563,209</u>	<u>1,220,350</u>	<u>7,252,520</u>	<u>1,300,580</u>	<u>6,862,876</u>
(1,692,024)	1,353,097	(559,577)	84,257	6,119,993	(291,724)
	1,962,074				
4,167,517	146,307	2,597			
	(11,706,517)	(66)			
<u>4,167,517</u>	<u>(9,598,136)</u>	<u>2,531</u>			
2,475,493	(8,245,039)	(557,046)	84,257	6,119,993	(291,724)
(2,475,493)	13,627,598	2,847,351	4,493,524	5,218,710	725,333
<u>\$</u>	<u>\$ 5,382,559</u>	<u>\$ 2,290,305</u>	<u>\$ 4,577,781</u>	<u>\$ 11,338,703</u>	<u>\$ 433,609</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(Concluded)

	Public Housing Fund	Public Housing HOME Program Fund	Other Federal Grants Fund
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property	365,099		27,224
Federal Grants and Contributions	31,626,974	4,171,363	24,572,027
Other Agencies			
Charges for Services	2,876,430		
Miscellaneous	438,126		
Total revenues	<u>35,306,629</u>	<u>4,171,363</u>	<u>24,599,251</u>
Expenditures:			
Current -			
Elected and Official			254,418
Support Services			
Neighborhood Services	34,203,634	3,638,407	4,257,329
Environment and Development			1,386,190
Strategic Initiatives			
Non-Departmental			133,827
Capital Outlay	16,070	411,804	470,849
Capital Projects		121,152	18,136,836
Debt service -			
Principal	100,838		
Interest	45,536		
Total expenditures	<u>34,366,078</u>	<u>4,171,363</u>	<u>24,639,449</u>
Excess (deficiency) of revenues over expenditures	<u>940,551</u>		<u>(40,198)</u>
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			
Transfers to Other Funds			(35,902)
Total other financing sources (uses)			<u>(35,902)</u>
Change in fund balances	<u>940,551</u>		<u>(76,100)</u>
Fund balances (deficits), beginning of year, as restated	6,245,364		372,769
Fund balances (deficits), end of year	<u>\$ 7,185,915</u>	<u>\$</u>	<u>\$ 296,669</u>

Non-Federal Grants Fund	Regional Transportation Authority Fund	Totals
\$	\$	\$ 493,809
		822,210
		6,985,561
1,391		1,980,736
		74,240,307
4,049,343	5,115,894	56,699,277
		9,481,372
		1,591,264
<u>4,050,734</u>	<u>5,115,894</u>	<u>152,294,536</u>
81,350		337,803
98,131		98,131
2,258,776		66,444,746
1,057,544		41,759,912
		7,760,831
		5,328,960
		1,364,122
554,933	5,115,894	37,816,317
		1,699,947
		714,631
<u>4,050,734</u>	<u>5,115,894</u>	<u>163,325,400</u>
		(11,030,864)
		1,962,074
		19,813,294
		(11,750,330)
		<u>10,025,038</u>
		(1,005,826)
		32,238,615
<u>\$</u>	<u>\$</u>	<u>\$ 31,232,789</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund
Revenues:			
Taxes	\$	\$ 26,681,580	\$
Fines and Forfeitures	9,481		
Use of Money and Property	83,341		
Other Agencies			8,841,075
Special Assessments	599,212		
Miscellaneous	257		
Total revenues	<u>692,291</u>	<u>26,681,580</u>	<u>8,841,075</u>
Expenditures:			
Debt service -			
Principal	453,001	11,473,460	9,600,000
Interest	170,514	11,849,904	7,263,235
Fiscal agent fees and other	8,250	8,325	500
Issuance Costs of Debt		711,441	
Total expenditures	<u>631,765</u>	<u>24,043,130</u>	<u>16,863,735</u>
Excess (deficiency) of revenues over expenditures	<u>60,526</u>	<u>2,638,450</u>	<u>(8,022,660)</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds		61,940,150	
Premium on Issuance of Debt		3,834,355	
Transfers from Other Funds			8,022,660
Payment to Refunded Bond Escrow Agent		(65,418,781)	
Total other financing sources (uses)		<u>355,724</u>	<u>8,022,660</u>
Change in fund balances	<u>60,526</u>	<u>2,994,174</u>	
Fund balances, beginning of year, as restated	1,589,775	7,839,739	
Fund balances, end of year	<u>\$ 1,650,301</u>	<u>\$ 10,833,913</u>	<u>\$</u>

Totals

\$ 26,681,580
9,481
83,341
8,841,075
599,212
257
36,214,946

21,526,461
19,283,653
17,075
711,441
41,538,630

(5,323,684)

61,940,150
3,834,355
8,022,660
(65,418,781)
8,378,384

3,054,700

9,429,514

\$ 12,484,214

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2007

	Special Assessment Construction Fund	2000 Street & Highway Improvement	2000 General Obligation Fund
Revenues:			
Use of Money and Property	\$	\$	\$ 537,159
Special Assessments	274,589		
Total revenues	<u>274,589</u>		<u>537,159</u>
Expenditures:			
Current -			
Neighborhood Services			17,593
Environment and Development Non-Departmental		291,970	
Capital Projects		2,546,572	11,215,652
Debt service -			
Issuance Costs of Debt			189,907
Total expenditures		<u>2,838,542</u>	<u>11,423,152</u>
Excess (deficiency) of revenues over expenditures	<u>274,589</u>	<u>(2,838,542)</u>	<u>(10,885,993)</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds	302,721		9,925,000
Premium on Issuance of Debt			138,497
Transfers from Other Funds	54,335		
Transfers to Other Funds		(146,307)	
Total other financing sources (uses)	<u>357,056</u>	<u>(146,307)</u>	<u>10,063,497</u>
Change in fund balances	<u>631,645</u>	<u>(2,984,849)</u>	<u>(822,496)</u>
Fund balances (deficits), beginning of year, as restated	(3,140,518)	2,984,849	13,937,700
Fund balances (deficits), end of year	<u>\$ (2,508,873)</u>	<u>\$</u>	<u>\$ 13,115,204</u>

1994 General Obligation Fund	Totals
\$ 98,908	\$ 636,067
	274,589
<u>98,908</u>	<u>910,656</u>

	17,593
	291,970
19,481	19,481
266,003	14,028,227
	<u>189,907</u>
<u>285,484</u>	<u>14,547,178</u>

<u>(186,576)</u>	<u>(13,636,522)</u>
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	10,227,721
	138,497
	54,335
	<u>(146,307)</u>
	<u>10,274,246</u>

<u>(186,576)</u>	<u>(3,362,276)</u>
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392,327	14,174,358
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<u>\$ 205,751</u>	<u>\$ 10,812,082</u>
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CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2007

	Fleet Services	Self Insurance Fund	Facilities Management	Totals
<u>ASSETS</u>				
Current assets:				
Pooled Cash and Investments	\$ 2,249,235	\$	\$	\$ 2,249,235
Cash & Investments with Fiscal Agent - Restricted		1,255,506		1,255,506
Accounts Receivable, Net	62,355	55	95,516	157,926
Due from Other Agencies	37,447	23,021		60,468
Interest Receivable		262,137		262,137
Inventories	857,917			857,917
Other Assets		769,810		769,810
Total current assets	3,206,954	2,310,529	95,516	5,612,999
Noncurrent assets:				
Other Assets - Restricted		21,052,608		21,052,608
Land & Construction in Progress		30,242		30,242
Other Capital Assets, Net	31,472,735	82,964	37,431	31,593,130
Total noncurrent assets	31,472,735	21,165,814	37,431	52,675,980
Total assets	34,679,689	23,476,343	132,947	58,288,979
<u>LIABILITIES</u>				
Current liabilities:				
Accounts Payable	\$ 175,223	\$ 631,150	\$ 840,784	\$ 1,647,157
Accrued Payroll Liabilities	107,748	22,166	120,016	249,930
Accrued Interest Payable	13,724	46,389	15,267	75,380
Interfund Payable		7,492,648	819,927	8,312,575
Due to Other Agencies	7,013	3	187	7,203
Refundable Deposits	6,640	15,489	43	22,172
Current Portion of Contracts Payable	13,355			13,355
Claims Payable		10,819,302		10,819,302
Total current liabilities	323,703	19,027,147	1,796,224	21,147,074
Noncurrent liabilities:				
Claims Payable		17,193,223		17,193,223
Total non-current liabilities		17,193,223		17,193,223
Total liabilities	323,703	36,220,370	1,796,224	38,340,297
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	31,459,380	113,206	37,431	31,610,017
Unrestricted	2,896,606	(12,857,233)	(1,700,708)	(11,661,335)
Total net assets	\$ 34,355,986	\$ (12,744,027)	\$ (1,663,277)	\$ 19,948,682

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, 2007

	Fleet Services	Self Insurance Fund	Facilities Management	Totals
Operating revenues:				
Charges for Services	\$ 21,777,726	\$ 14,153,689	\$ 15,427,074	\$ 51,358,489
Other Agencies			6,146	6,146
Miscellaneous	146,342	58,099		204,441
Total operating revenues	<u>21,924,068</u>	<u>14,211,788</u>	<u>15,433,220</u>	<u>51,569,076</u>
Operating expenses:				
Personal Services	6,059,391	1,151,003	6,813,879	14,024,273
Contractual Services	1,608,068	3,724,801	6,473,635	11,806,504
Commodities	14,829,452	423,362	1,771,969	17,024,783
Benefits and Claims		13,113,371		13,113,371
Depreciation	6,176,245	3,072	2,026	6,181,343
Total operating expenses	<u>28,673,156</u>	<u>18,415,609</u>	<u>15,061,509</u>	<u>62,150,274</u>
Operating income (loss)	<u>(6,749,088)</u>	<u>(4,203,821)</u>	<u>371,711</u>	<u>(10,581,198)</u>
Nonoperating revenues (expenses):				
Investment Income	51,861	711,424		763,285
Gain (loss) on Sale of Property/ Equipment	216,216			216,216
Interest Expense	(1,185)		(98,010)	(99,195)
Total nonoperating revenues (expenses)	<u>266,892</u>	<u>711,424</u>	<u>(98,010)</u>	<u>880,306</u>
Income (loss) before capital contributions and transfers	<u>(6,482,196)</u>	<u>(3,492,397)</u>	<u>273,701</u>	<u>(9,700,892)</u>
Transfers In	<u>13,858,837</u>	<u>2,432,011</u>		<u>16,290,848</u>
Change in net assets	<u>7,376,641</u>	<u>(1,060,386)</u>	<u>273,701</u>	<u>6,589,956</u>
Total net assets, beginning of year, as restated	26,979,345	(11,683,641)	(1,936,978)	13,358,726
Total net assets, end of year	<u>\$ 34,355,986</u>	<u>\$ (12,744,027)</u>	<u>\$ (1,663,277)</u>	<u>\$ 19,948,682</u>

**CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Fleet Services Fund	Self Insurance Fund	Facility Maintenance Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 21,784,771	\$ 16,352,915	\$ 15,339,034	\$ 53,476,720
Cash Payments to Suppliers for Goods and Services	(16,568,410)	(4,452,541)	(8,249,091)	(29,270,042)
Cash Payments to Employees for Services	(6,058,595)	(1,151,644)	(6,787,779)	(13,998,018)
Other Operating Revenues	146,342			146,342
Cash Payments to Claimants		(10,818,492)		(10,818,492)
Net Cash Provided (Used) by Operating Activities	<u>(695,892)</u>	<u>(69,762)</u>	<u>302,164</u>	<u>(463,490)</u>
Cash Flows from Noncapital Financing Activities:				
Transfer from Other Funds	6,065,264	2,432,011		8,497,275
Advances from Other Funds	(3,442,931)	(263,927)	(176,854)	(3,883,712)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>2,622,333</u>	<u>2,168,084</u>	<u>(176,854)</u>	<u>4,613,563</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(25,720)		(27,300)	(53,020)
Principal Paid on Capital Debt	(25,835)			(25,835)
Interest Paid on Capital Debt	(1,476)			(1,476)
Proceeds from Sale of Assets/Equipment	258,884			258,884
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>205,853</u>		<u>(27,300)</u>	<u>178,553</u>
Cash Flows from Investing Activities:				
Interest (expense) on Investments	116,941	267,045	(98,010)	285,976
Proceeds from Sale of Investments		19,224,000		19,224,000
Purchase of Investments		(20,720,859)		(20,720,859)
Net Cash Provided (Used) by Investing Activities	<u>116,941</u>	<u>(1,229,814)</u>	<u>(98,010)</u>	<u>(1,210,883)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,249,235</u>	<u>868,508</u>		<u>3,117,743</u>
Cash and Cash Equivalents - July 1		<u>386,998</u>		<u>386,998</u>
Cash and Cash Equivalents - June 30	<u>\$ 2,249,235</u>	<u>\$ 1,255,506</u>	<u>\$</u>	<u>\$ 3,504,741</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (6,749,088)	\$ (4,203,821)	\$ 371,711	\$ (10,581,198)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	6,176,245	3,072	2,026	6,181,343
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	44,491	2,141,127	(94,229)	2,091,389
Inventory	223,838			223,838
Due from Other Agencies	(37,447)			(37,447)
Prepaid Expense		(769,810)		(769,810)
Decrease (Increase) in Liabilities:				
Accounts Payable	27,838	452,295	(3,446)	476,687
Accrued Interest Payable			15,267	15,267
Accrued Payroll Liabilities	796	(641)	10,833	10,988
Customer/Refundable Deposits		13,254	43	13,297
Claims and Judgments Payable		2,294,879		2,294,879
Due to Other Agencies	(382,565)	(117)	(41)	(382,723)
Net Cash Provided (Used) by Operating Activities	<u>\$ (695,892)</u>	<u>\$ (69,762)</u>	<u>\$ 302,164</u>	<u>\$ (463,490)</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets	\$ 7,793,573			\$ 7,793,573

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -
ALL PENSION TRUST FUNDS
JUNE 30, 2007

	Supplemental Retirement Fund	Totals
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 1,920,497	\$ 1,920,497
Employer Contributions	879,847	879,847
Employee Contributions	312,585	312,585
Interest & Dividends	1,651,022	1,651,022
Due from Brokers	20,647,788	20,647,788
Short Term Investments	18,428,330	18,428,330
Securities Lending Collateral	66,511,147	66,511,147
U.S. Government Obligations	107,612,056	107,612,056
Bonds & Preferred Stocks	25,637,062	25,637,062
Common Stocks	330,829,215	330,829,215
International Investments	108,868,473	108,868,473
Mutual Funds	59,157,205	59,157,205
Real Estate	57,751,593	57,751,593
U.S. Treasuries	2,337,473	2,337,473
Other Assets	60,000	60,000
Other Capital Assets, Net	5,597	5,597
Total assets	802,609,890	802,609,890
<u>LIABILITIES</u>		
Accounts Payable	1,426,488	1,426,488
Accrued Payroll Liabilities	4,529	4,529
Due to Other Agencies	5	5
Due to Securities Borrowers	66,511,147	66,511,147
Due to Brokers	38,684,319	38,684,319
Refundable Deposits	8,327	8,327
Total liabilities	106,634,815	106,634,815
<u>NET ASSETS</u>		
Held in trust	\$ 695,975,075	\$ 695,975,075

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS-
ALL PENSION TRUST FUNDS
JUNE 30, 2007

	Deferred Compensation Plan	Supplemental Retirement Fund	Totals
Additions:			
Employer	\$	\$ 22,670,418	\$ 22,670,418
Employees	1,055,325	8,964,228	10,019,553
Contributions from Other Sources		41,595	41,595
Redeposits		164,809	164,809
Other Plans		3,794,093	3,794,093
Net Increase (Decrease) in			
Fair Value of Investment	4,724	85,493,111	85,497,835
Interest, Dividends and Other Income	915,421	17,186,685	18,102,106
Securities Lending Income	22,688	2,594,083	2,616,771
Less: Investment Activity Expense	(2,928)	(3,433,243)	(3,436,171)
Less: Securities Lending Expense	(22,483)	(2,517,081)	(2,539,564)
Miscellaneous Additions		6,038	6,038
Total additions	<u>1,972,747</u>	<u>134,964,736</u>	<u>136,937,483</u>
Deductions:			
Payments to Participants	569,482	40,448,243	41,017,725
Refunds and Transfers to Other Plans	72,457,521	13,431,896	85,889,417
Administrative Expense		485,469	485,469
Total deductions	<u>73,027,003</u>	<u>54,365,608</u>	<u>127,392,611</u>
Changes in net assets	<u>(71,054,256)</u>	<u>80,599,128</u>	<u>9,544,872</u>
Net assets, beginning of year	71,054,256	615,375,947	686,430,203
Net assets, end of year	<u>\$</u>	<u>\$ 695,975,075</u>	<u>\$ 695,975,075</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Sewer User Fee Fund				
Assets				
Pooled Cash and Investments	\$ 2,443,326	\$ 176,566,115	\$ 176,343,782	\$ 2,665,659
Accounts Receivable, Net	3,392,601	72,111,293	71,354,633	4,149,261
Interest Receivable	17,200	80,446	83,443	14,203
Total assets	\$ 5,853,127	\$ 248,757,854	\$ 247,781,858	\$ 6,829,123
Liabilities				
Due to Other Agencies	5,853,127	193,130,614	192,154,618	6,829,123
Total liabilities	\$ 5,853,127	\$ 193,130,614	\$ 192,154,618	\$ 6,829,123
Employee Prepaid Insurance Fund				
Assets				
Pooled Cash and Investments	\$ 10,940	\$ 170,201,445	\$ 170,212,385	\$ 3,410
Accounts Receivable, Net	10,746	2,091,970	2,099,306	3,410
Due From Other Agencies	1,914,399	2,039,793	1,914,399	2,039,793
Total assets	\$ 1,936,085	\$ 174,333,208	\$ 174,226,090	\$ 2,043,203
Liabilities				
Accounts Payable	404,063	172,148,469	172,209,558	342,974
Due to Other Agencies	1,532,022	3,327,147	3,158,940	1,700,229
Total liabilities	\$ 1,936,085	\$ 175,475,616	\$ 175,368,498	\$ 2,043,203
Totals				
Assets				
Pooled Cash and Investments	\$ 2,454,266	\$ 346,767,560	\$ 346,556,167	\$ 2,665,659
Accounts Receivable, Net	3,403,347	74,203,263	73,453,939	4,152,671
Due From Other Agencies	1,914,399	2,039,793	1,914,399	2,039,793
Interest Receivable	17,200	80,446	83,443	14,203
Total assets	\$ 7,789,212	\$ 423,091,062	\$ 422,007,948	\$ 8,872,326
Liabilities				
Accounts Payable	404,063	172,148,469	172,209,558	342,974
Due to Other Agencies	7,385,149	196,457,761	195,313,558	8,529,352
Total liabilities	\$ 7,789,212	\$ 368,606,230	\$ 367,523,116	\$ 8,872,326

BUDGET AND ACTUAL
NONMAJOR
GOVERNMENTAL FUNDS

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

	Public Safety Academy Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		12,575	12,575
Federal Grants and Contributions			
Other Agencies	150,000	150,000	
Charges for Services	733,240	206,805	(526,435)
Miscellaneous			
Total revenues	<u>883,240</u>	<u>369,380</u>	<u>(513,860)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	6,267,130	8,003,479	(1,736,349)
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay	17,500	9,366	8,134
Capital Projects			
Debt service -			
Principal	260,000	260,000	
Interest	18,570	18,575	(5)
Total expenditures	<u>6,563,200</u>	<u>8,291,420</u>	<u>(1,728,220)</u>
Excess (deficiency) of revenues over expenditures	<u>(5,679,960)</u>	<u>(7,922,040)</u>	<u>(2,242,080)</u>
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds	5,583,860	7,922,040	2,338,180
Transfers to Other Funds			
Total other financing sources (uses)	<u>5,583,860</u>	<u>7,922,040</u>	<u>2,338,180</u>
Change in fund balances	<u>(96,100)</u>		<u>96,100</u>
Fund balances (deficits), July 1, 2006, as restated			
Fund balances (deficits), June 30, 2007	<u>\$ (96,100)</u>	<u>\$</u>	<u>\$ 96,100</u>

Team/Parkwise			Convention Center Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 15,000	\$	\$ (15,000)	\$	\$	\$
660,000	597,665	(62,335)			
	191,501	191,501	106,000	40,174	(65,826)
	140,803	140,803			
3,512,230	2,371,609	(1,140,621)	3,977,000	3,776,807	(200,193)
	788	788	158,000		(158,000)
4,187,230	3,302,366	(884,864)	4,241,000	3,816,981	(424,019)
115,510		115,510			
3,002,030	3,326,998	(324,968)	10,296,760	7,760,831	2,535,929
				3,782,339	(3,782,339)
25,000		25,000	541,000	37,974	503,026
514,650	142,313	372,337		328	(328)
608,000	576,120	31,880			
519,660	515,643	4,017			
4,784,850	4,561,074	223,776	10,837,760	11,581,472	(743,712)
(597,620)	(1,258,708)	(661,088)	(6,596,760)	(7,764,491)	(1,167,731)
			6,624,260	7,574,833	950,573
	(7,845)	(7,845)			
	(7,845)	(7,845)	6,624,260	7,574,833	950,573
(597,620)	(1,266,553)	(668,933)	27,500	(189,658)	(217,158)
	27,622	27,622		1,155,837	1,155,837
\$ (597,620)	\$ (1,238,931)	\$ (641,311)	\$ 27,500	\$ 966,179	\$ 938,679

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(Continued)

	Capital Improvements Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property			
Federal Grants and Contributions			
Other Agencies	69,706,600	6,656,357	(63,050,243)
Charges for Services			
Miscellaneous			
Total revenues	<u>69,706,600</u>	<u>6,656,357</u>	<u>(63,050,243)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	90,000	119,373	(29,373)
Environment and Development	472,300	18,155	454,145
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	41,218,530	8,210,853	33,007,677
Debt service -			
Principal			
Interest			
Total expenditures	<u>41,780,830</u>	<u>8,348,381</u>	<u>33,432,449</u>
Excess (deficiency) of revenues over expenditures	<u>27,925,770</u>	<u>(1,692,024)</u>	<u>(29,617,794)</u>
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds		4,167,517	4,167,517
Transfers to Other Funds			
Total other financing sources (uses)		<u>4,167,517</u>	<u>4,167,517</u>
Change in fund balances	<u>27,925,770</u>	<u>2,475,493</u>	<u>(25,450,277)</u>
Fund balances (deficits), July 1, 2006, as restated		(2,475,493)	(2,475,493)
Fund balances (deficits), June 30, 2007	<u>\$ 27,925,770</u>	<u>\$</u>	<u>\$ (27,925,770)</u>

H.U.R.F. Fund			Civic Contribution Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 1,525,000	\$ 493,809	\$ (1,031,191)	\$	\$	\$
	224,545	224,545			
520,000	753,321	233,321		116,453	116,453
42,468,000	40,586,880	(1,881,120)			
	249,721	249,721			
9,804,970	608,030	(9,196,940)		544,320	544,320
54,317,970	42,916,306	(11,401,664)		660,773	660,773
				2,035	(2,035)
101,600	892,031	(790,431)	135,862	257,484	(121,622)
34,805,165	35,971,025	(1,165,860)			
531,690	639,156	(107,466)		773,638	(773,638)
223,844	237,345	(13,501)		59,476	(59,476)
10,235,315	2,946,875	7,288,440		127,717	(127,717)
101,950	753,227	(651,277)			
1,054,040	123,550	930,490			
47,053,604	41,563,209	5,490,395	135,862	1,220,350	(1,084,488)
7,264,366	1,353,097	(5,911,269)	(135,862)	(559,577)	(423,715)
	1,962,074	1,962,074			
	146,307	146,307		2,597	2,597
(8,827,240)	(11,706,517)	(2,879,277)		(66)	(66)
(8,827,240)	(9,598,136)	(770,896)		2,531	2,531
(1,562,874)	(8,245,039)	(6,682,165)	(135,862)	(557,046)	(421,184)
	13,627,598	13,627,598		2,847,351	2,847,351
\$ (1,562,874)	\$ 5,382,559	\$ 6,945,433	\$ (135,862)	\$ 2,290,305	\$ 2,426,167

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(Continued)

	Human & Community Development Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		37,986	37,986
Federal Grants and Contributions	11,353,760	7,298,791	(4,054,969)
Other Agencies			
Charges for Services			
Miscellaneous			
Total revenues	<u>11,353,760</u>	<u>7,336,777</u>	<u>(4,016,983)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	7,321,467	6,189,050	1,132,417
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay	177,150	63,428	113,722
Capital Projects	3,883,883	978,953	2,904,930
Debt service -			
Principal	21,090	9,762	11,328
Interest		11,327	(11,327)
Total expenditures	<u>11,403,590</u>	<u>7,252,520</u>	<u>4,151,070</u>
Excess (deficiency) of revenues over expenditures	<u>(49,830)</u>	<u>84,257</u>	<u>134,087</u>
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)			
Change in fund balances	<u>(49,830)</u>	<u>84,257</u>	<u>134,087</u>
Fund balances (deficits), July 1, 2006, as restated		4,493,524	4,493,524
Fund balances (deficits), June 30, 2007	<u>\$ (49,830)</u>	<u>\$ 4,577,781</u>	<u>\$ 4,627,611</u>

Development Fee Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 6,852,500	\$ 6,985,561	\$ 133,061
	435,012	435,012
<u>6,852,500</u>	<u>7,420,573</u>	<u>568,073</u>
2,225,000	1,300,580	924,420
<u>2,225,000</u>	<u>1,300,580</u>	<u>924,420</u>
<u>4,627,500</u>	<u>6,119,993</u>	<u>1,492,493</u>
<u>4,627,500</u>	<u>6,119,993</u>	<u>1,492,493</u>
	5,218,710	5,218,710
<u>\$ 4,627,500</u>	<u>\$ 11,338,703</u>	<u>\$ 6,711,203</u>

Miscellaneous Housing Grant Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 17,379,080	\$ 6,571,152	\$ (10,807,928)
<u>17,379,080</u>	<u>6,571,152</u>	<u>(10,807,928)</u>
6,542,618	6,625,183	(82,565)
80,000	57,810	22,190
472,950	179,883	293,067
<u>7,095,568</u>	<u>6,862,876</u>	<u>232,692</u>
<u>10,283,512</u>	<u>(291,724)</u>	<u>(10,575,236)</u>
<u>10,283,512</u>	<u>(291,724)</u>	<u>(10,575,236)</u>
	725,333	725,333
<u>\$ 10,283,512</u>	<u>\$ 433,609</u>	<u>\$ (9,849,903)</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(Continued)

	Public Housing Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		365,099	365,099
Federal Grants and Contributions	31,528,390	31,626,974	98,584
Other Agencies			
Charges for Services	2,280,000	2,876,430	596,430
Miscellaneous		438,126	438,126
Total revenues	33,808,390	35,306,629	1,498,239
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	34,114,354	34,203,634	(89,280)
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay	39,900	16,070	23,830
Capital Projects			
Debt service -			
Principal	95,780	100,838	(5,058)
Interest	50,590	45,536	5,054
Total expenditures	34,300,624	34,366,078	(65,454)
Excess (deficiency) of revenues over expenditures	(492,234)	940,551	1,432,785
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)			
Change in fund balances	(492,234)	940,551	1,432,785
Fund balances (deficits), July 1, 2006, as restated		6,245,364	6,245,364
Fund balances (deficits), June 30, 2007	\$ (492,234)	\$ 7,185,915	\$ 7,678,149

Public Housing HOME Program Fund			Other Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
9,142,280	4,171,363	(4,970,917)	29,042,260	24,572,027	(4,470,233)
9,142,280	4,171,363	(4,970,917)	29,042,260	24,599,251	(4,443,009)
7,655,694	3,638,407	4,017,287	338,440	254,418	84,022
			800,000		800,000
			7,058,120	4,257,329	2,800,791
			1,383,800	1,386,190	(2,390)
				133,827	(133,827)
972,800	411,804	560,996	350,000	470,849	(120,849)
138,702	121,152	17,550	16,861,900	18,136,836	(1,274,936)
			2,250,000		2,250,000
8,767,196	4,171,363	4,595,833	29,042,260	24,639,449	4,402,811
375,084		(375,084)		(40,198)	(40,198)
				(35,902)	(35,902)
				(35,902)	(35,902)
375,084		(375,084)		(76,100)	(76,100)
				372,769	372,769
\$ 375,084	\$	\$ (375,084)	\$	\$ 296,669	\$ 296,669

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007
(Concluded)

	Non-Federal Grants Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		1,391	1,391
Federal Grants and Contributions			
Other Agencies	6,261,960	4,049,343	(2,212,617)
Charges for Services			
Miscellaneous			
Total revenues	<u>6,261,960</u>	<u>4,050,734</u>	<u>(2,211,226)</u>
Expenditures:			
Current -			
Elected and Official	152,560	81,350	71,210
Support Services	98,131	98,131	
Neighborhood Services	3,127,068	2,258,776	868,292
Environment and Development	1,219,040	1,057,544	161,496
Strategic Initiatives			
Non-Departmental			
Capital Outlay	147,272		147,272
Capital Projects	546,733	554,933	(8,200)
Debt service -			
Principal			
Interest			
Total expenditures	<u>5,290,804</u>	<u>4,050,734</u>	<u>1,240,070</u>
Excess (deficiency) of revenues over expenditures	<u>971,156</u>		<u>(971,156)</u>
Other financing sources (uses):			
Lease Purchases and Contract Proceeds			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)			
Change in fund balances	<u>971,156</u>		<u>(971,156)</u>
Fund balances (deficits), July 1, 2006, as restated			
Fund balances (deficits), June 30, 2007	<u>\$ 971,156</u>	<u>\$</u>	<u>\$ (971,156)</u>

Regional Transportation Authority Fund			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$ 1,540,000	\$ 493,809	\$ (1,046,191)
			660,000	822,210	162,210
			6,852,500	6,985,561	133,061
			626,000	1,980,736	1,354,736
			98,445,770	74,240,307	(24,205,463)
	5,115,894	5,115,894	118,586,560	56,699,277	(61,887,283)
			10,502,470	9,481,372	(1,021,098)
			9,962,970	1,591,264	(8,371,706)
	5,115,894	5,115,894	247,176,270	152,294,536	(94,881,734)
			491,000	337,803	153,197
			898,131	98,131	800,000
			72,529,423	66,444,746	6,084,677
			40,882,335	41,759,912	(877,577)
			10,296,760	7,760,831	2,535,929
			531,690	5,328,960	(4,797,270)
425,300		425,300	2,999,766	1,364,122	1,635,644
3,929,000	5,115,894	(1,186,894)	80,026,663	37,816,317	42,210,346
			3,336,820	1,699,947	1,636,873
			1,642,860	714,631	928,229
4,354,300	5,115,894	(761,594)	213,635,448	163,325,400	50,310,048
(4,354,300)		4,354,300	33,540,822	(11,030,864)	(44,571,686)
				1,962,074	1,962,074
			12,208,120	19,813,294	7,605,174
			(8,827,240)	(11,750,330)	(2,923,090)
			3,380,880	10,025,038	6,644,158
(4,354,300)		4,354,300	36,921,702	(1,005,826)	(37,927,528)
				32,238,615	32,238,615
\$ (4,354,300)	\$	\$ 4,354,300	\$ 36,921,702	\$ 31,232,789	\$ (5,688,913)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2007

	<u>Special Assessment Bond & Interest Fund</u>		
	<u>Budget*</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures		9,481	9,481
Use of Money and Property		83,341	83,341
Other Agencies			
Special Assessments		599,212	599,212
Miscellaneous		257	257
Total revenues		<u>692,291</u>	<u>692,291</u>
Expenditures:			
Debt service -			
Principal		453,001	(453,001)
Interest		170,514	(170,514)
Fiscal agent fees and other		8,250	(8,250)
Issuance Costs of Debt			
Total expenditures		<u>631,765</u>	<u>(631,765)</u>
Excess (deficiency) of revenues over expenditures		<u>60,526</u>	<u>60,526</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds			
Premium on Issuance of Debt			
Transfers from Other Funds			
Payment to Refunded Bond Escrow Agent			
Total other financing sources (uses)			
Change in fund balances		<u>60,526</u>	<u>60,526</u>
Fund balances, July 1, 2006		1,589,775	1,589,775
Fund balances, June 30, 2007	<u>\$</u>	<u>\$ 1,650,301</u>	<u>\$ 1,650,301</u>

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

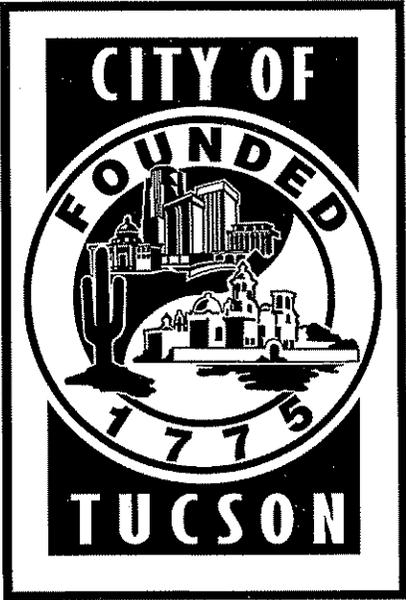
General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 26,808,660	\$ 26,681,580	\$ (127,080)
26,808,660	26,681,580	(127,080)
11,558,460	11,473,460	85,000
15,240,200	11,849,904	3,390,296
	8,325	(8,325)
10,000	711,441	(701,441)
26,808,660	24,043,130	2,765,530
	2,638,450	2,638,450
	61,940,150	61,940,150
	3,834,355	3,834,355
	(65,418,781)	(65,418,781)
	355,724	355,724
	2,994,174	2,994,174
	7,839,739	7,839,739
\$	\$ 10,833,913	\$ 10,833,913

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
8,042,000	8,841,075	799,075
8,042,000	8,841,075	799,075
9,600,000	9,600,000	
7,263,240	7,263,235	5
6,000	500	5,500
16,869,240	16,863,735	5,505
(8,827,240)	(8,022,660)	804,580
8,827,240	8,022,660	(804,580)
8,827,240	8,022,660	(804,580)
\$	\$	\$

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2007
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 26,808,660	\$ 26,681,580	\$ (127,080)
Fines and Forfeitures		9,481	9,481
Use of Money and Property		83,341	83,341
Other Agencies	8,042,000	8,841,075	799,075
Special Assessments		599,212	599,212
Miscellaneous		257	257
Total revenues	34,850,660	36,214,946	1,364,286
Expenditures:			
Debt service -			
Principal	21,158,460	21,526,461	(368,001)
Interest	22,503,440	19,283,653	3,219,787
Fiscal agent fees and other	6,000	17,075	(11,075)
Issuance Costs of Debt	10,000	711,441	(701,441)
Total expenditures	43,677,900	41,538,630	2,139,270
Excess (deficiency) of revenues over expenditures	(8,827,240)	(5,323,684)	3,503,556
Other financing sources (uses):			
Face Amount of Bond Proceeds		61,940,150	61,940,150
Premium on Issuance of Debt		3,834,355	3,834,355
Transfers from Other Funds	8,827,240	8,022,660	(804,580)
Payment to Refunded Bond Escrow Agent		(65,418,781)	(65,418,781)
Total other financing sources (uses)	8,827,240	8,378,384	(448,856)
Change in fund balances		3,054,700	3,054,700
Fund balances, July 1, 2006		9,429,514	9,429,514
Fund balances, June 30, 2007	\$	\$ 12,484,214	\$ 12,484,214



**CITY OF TUCSON, ARIZONA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2007**

	Special Assessment Construction Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$	\$
Special Assessments		274,589	274,589
Total revenues		274,589	274,589
Expenditures:			
Current -			
Neighborhood Services			
Environment and Development			
Non-Departmental			
Capital Projects	350,000		350,000
Debt service -			
Issuance Costs of Debt			
Total expenditures	350,000		350,000
Excess (deficiency) of revenues over expenditures	(350,000)	274,589	624,589
Other financing sources (uses):			
Face Amount of Bond Proceeds	350,000	302,721	(47,279)
Premium on Issuance of Debt			
Transfers from Other Funds		54,335	54,335
Transfers to Other Funds			
Total other financing sources (uses)	350,000	357,056	7,056
Change in fund balances		631,645	631,645
Fund balances (deficits), July 1, 2006		(3,140,518)	(3,140,518)
Fund balances (deficits), June 30, 2007	\$	\$ (2,508,873)	\$ (2,508,873)

2000 Street & Highway Improvement			2000 General Obligation Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
				537,159	537,159
				537,159	537,159
			362,773	17,593	345,180
312,347	291,970	20,377	19,516,247	11,215,652	8,300,595
919,115	2,546,572	(1,627,457)		189,907	(189,907)
1,231,462	2,838,542	(1,607,080)	19,879,020	11,423,152	8,455,868
(1,231,462)	(2,838,542)	(1,607,080)	(19,879,020)	(10,885,993)	8,993,027
85,300		(85,300)	17,722,200	9,925,000	(7,797,200)
				138,497	138,497
	(146,307)	(146,307)			
85,300	(146,307)	(231,607)	17,722,200	10,063,497	(7,658,703)
(1,146,162)	(2,984,849)	(1,838,687)	(2,156,820)	(822,496)	1,334,324
	2,984,849	2,984,849		13,937,700	13,937,700
\$ (1,146,162)	\$	\$ 1,146,162	\$ (2,156,820)	\$ 13,115,204	\$ 15,272,024

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2007
(Concluded)

	1994 General Obligation Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$ 452,500	\$ 98,908	\$ (353,592)
Special Assessments			
Total revenues	<u>452,500</u>	<u>98,908</u>	<u>(353,592)</u>
Expenditures:			
Current -			
Neighborhood Services			
Environment and Development			
Non-Departmental		19,481	(19,481)
Capital Projects	342,900	266,003	76,897
Debt service -			
Issuance Costs of Debt			
Total expenditures	<u>342,900</u>	<u>285,484</u>	<u>57,416</u>
Excess (deficiency) of revenues over expenditures	<u>109,600</u>	<u>(186,576)</u>	<u>(296,176)</u>
Other financing sources (uses):			
Face Amount of Bond Proceeds			
Premium on Issuance of Debt			
Transfers from Other Funds			
Transfers to Other Funds			
Total other financing sources (uses)			
Change in fund balances	<u>109,600</u>	<u>(186,576)</u>	<u>(296,176)</u>
Fund balances (deficits), July 1, 2006		392,327	392,327
Fund balances (deficits), June 30, 2007	<u>\$ 109,600</u>	<u>\$ 205,751</u>	<u>\$ 96,151</u>

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 452,500	\$ 636,067	\$ 183,567
	274,589	274,589
452,500	910,656	458,156
362,773	17,593	345,180
312,347	291,970	20,377
	19,481	(19,481)
21,128,262	14,028,227	7,100,035
	189,907	(189,907)
21,803,382	14,547,178	7,256,204
(21,350,882)	(13,636,522)	7,714,360
18,157,500	10,227,721	(7,929,779)
	138,497	138,497
	54,335	54,335
	(146,307)	(146,307)
18,157,500	10,274,246	(7,883,254)
(3,193,382)	(3,362,276)	(168,894)
	14,174,358	14,174,358
\$ (3,193,382)	\$ 10,812,082	\$ 14,005,464

**CITY OF TUCSON, ARIZONA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR PERMANENT FUND
 YEAR ENDED JUNE 30, 2007**

	Civic Endowment Fund		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$ 3,757	\$ 3,757
Total revenues		3,757	3,757
Expenditures:			
Current -			
Non-Departmental		158,067	(158,067)
Total expenditures		158,067	(158,067)
Change in fund balances		(154,310)	(154,310)
Fund balances, July 1, 2006		154,310	154,310
Fund balances, June 30, 2007	\$	\$	\$

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

CITY OF TUCSON ARIZONA
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENVIRONMENTAL SERVICES FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Environmental Services		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 36,543,240	\$ 40,663,419	\$ 4,120,179
Fines and Forfeitures		7,810	7,810
Other Agencies	314,500	498,456	183,956
Miscellaneous		2,289,586	2,289,586
Total operating revenues	<u>36,857,740</u>	<u>43,459,271</u>	<u>6,601,531</u>
Operating expenses:			
Personal Services	15,657,510	16,453,483	795,973
Contractual Services	18,713,258	20,194,129	1,480,871
Commodities	3,740,320	3,841,840	101,520
Depreciation		3,270,394	3,270,394
Total operating expenses	<u>38,111,088</u>	<u>43,759,846</u>	<u>5,648,758</u>
Operating Income (Loss)	<u>(1,253,348)</u>	<u>(300,575)</u>	<u>952,773</u>
Nonoperating revenues (expenses):			
Investment Income	196,000	642,525	446,525
Gain (Loss) on Sale of Property/Equipment		158,716	158,716
Federal Grants and Contributions	910,500	163,502	(746,998)
Interest Expense		(2,130,098)	(2,130,098)
Amortization of Cost Issuance		(147,527)	(147,527)
Total nonoperating revenues (expenses)	<u>1,106,500</u>	<u>(1,312,882)</u>	<u>(2,419,382)</u>
Income (Loss) before capital contributions and transfers	<u>(146,848)</u>	<u>(1,613,457)</u>	<u>(1,466,609)</u>
Capital Contributions		8,686	8,686
Transfers In		410,991	410,991
Changes in net assets	<u>\$ (146,848)</u>	<u>(1,193,780)</u>	<u>\$ (1,046,932)</u>
Total net assets, beginning of year		(51,550,153)	
Total net assets, end of year		<u>\$ (52,743,933)</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
GOLF COURSE FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Golf Course Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 10,908,050	\$ 8,888,191	\$ (2,019,859)
Miscellaneous Revenue		12,479	12,479
Total operating revenues	<u>10,908,050</u>	<u>8,900,670</u>	<u>(2,007,380)</u>
Operating expenses:			
Personal Services	5,394,740	4,299,223	(1,095,517)
Contractual Services	2,497,040	1,915,713	(581,327)
Commodities	2,538,500	2,008,330	(530,170)
Cost of Goods Sold		328,698	328,698
Depreciation		749,775	749,775
Total operating expenses	<u>10,430,280</u>	<u>9,301,739</u>	<u>(1,128,541)</u>
Operating income (loss)	<u>477,770</u>	<u>(401,069)</u>	<u>(878,839)</u>
Nonoperating revenues (expenses):			
Interest Expense	(212,770)	(378,656)	(165,886)
Amortization of Cost Issuance		(5,269)	(5,269)
Total nonoperating revenues (expenses)	<u>(212,770)</u>	<u>(383,925)</u>	<u>(171,155)</u>
Income (loss) before capital contributions and transfers	<u>265,000</u>	<u>(784,994)</u>	<u>(1,049,994)</u>
Changes in net assets	<u>\$ 265,000</u>	<u>(784,994)</u>	<u>\$ (1,049,994)</u>
Total net assets, beginning of year		14,879,583	
Total net assets, end of year		<u>\$ 14,094,589</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
WATER UTILITY - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Water Utility Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 115,791,000	\$112,782,683	\$ (3,008,317)
Miscellaneous	17,601,350	3,154,435	(14,446,915)
Total operating revenues	<u>133,392,350</u>	<u>115,937,118</u>	<u>(17,455,232)</u>
Operating expenses:			
Personal Services	33,186,480	33,958,068	771,588
Contractual Services	37,774,220	38,282,042	507,822
Commodities	8,406,650	8,394,712	(11,938)
Depreciation/Amortization		20,731,565	20,731,565
Total operating expenses	<u>79,367,350</u>	<u>101,366,387</u>	<u>21,999,037</u>
Operating Income (Loss)	<u>54,025,000</u>	<u>14,570,731</u>	<u>(39,454,269)</u>
Nonoperating revenues (expenses):			
Investment Income	1,233,000	2,552,687	1,319,687
Gain (Loss) on Sale of Property/Equipment		225,952	225,952
Federal Grants and Contributions	850,000	306,819	(543,181)
Interest Expense	(19,098,120)	(16,108,561)	2,989,559
Amortization of Cost Issuance		(183,897)	(183,897)
Other Nonoperating Income (Expenses)	(60,000)	(562,766)	(502,766)
Total nonoperating revenues (expenses)	<u>(17,075,120)</u>	<u>(13,769,766)</u>	<u>3,305,354</u>
Income (Loss) before capital contributions and transfers	<u>36,949,880</u>	<u>800,965</u>	<u>(36,148,915)</u>
Capital Contributions	<u>8,806,000</u>	<u>17,327,760</u>	<u>8,521,760</u>
Changes in net assets	<u>\$ 45,755,880</u>	<u>18,128,725</u>	<u>\$(27,627,155)</u>
Total net assets, beginning of year, restated		603,067,850	
Total net assets, end of year		<u>\$621,196,575</u>	

**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2007**

Revenues:

Sale of Water:		
Potable Water Sales		\$ 94,423,896
Reclaimed Water Sales		6,293,386
Central Arizona Project Surcharge		1,858,060
Connection Fees		3,628,019
Environmental and Sewer Billing Services		2,921,082
Miscellaneous Revenue:		
Area Development Fees	\$ 934,749	
TCE Clean Up Reimbursement	1,044,791	
Plan Review and Inspection Fees	1,433,122	
Other	3,453,110	
Total Miscellaneous Revenue		<u>6,865,772</u>
Non-Operating Income:		
System Equity Fees	6,664,975	
Investment Earnings - Operating Fund	1,223,619	
Investment Earnings - Debt Service	515,929	
Proceeds from Sale of Property/Equipment	313,414	
Total Non-Operating Income		<u>8,717,937</u>
Total Revenues		<u>124,708,152</u>

Operation and Maintenance Expenses:

Director's Office		4,360,065
Business Services		4,777,058
Customer Services		6,736,468
Water Operations		19,214,558
Planning and Engineering		7,270,823
Quality Management		9,504,142
Power - Potable System		13,635,052
Power - Reclaimed System		1,017,217
CAP Water Purchases:		
Commodity	6,711,992	
Capital Charges	2,855,286	
Total CAP Water Purchases		<u>9,567,278</u>
General Expenses		3,000,865
Capitalized Operation and Maintenance Expense		<u>(5,538,757)</u>
Total Operation and Maintenance Expense		<u>73,544,769</u>

Net Revenue Available After Operations (2)	<u>\$ 51,163,383</u>
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**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2007**

Bond Debt Service:

Senior Liens

Interest	\$ 15,000,057
Principal	13,070,000
Total Debt Service for Water Revenue Bonds	28,070,057

Junior Liens (Water Infrastructure Finance Authority)

Interest	950,007
Principal	2,344,363
Total Debt Service for Water Infrastructure Finance Authority	3,294,370

Combined Senior and Junior Liens

Interest	15,950,064
Principal	15,414,363
Total Debt Service	31,364,427

Net Revenue Available After Operations and Water Revenue

Bond Debt Service for Senior Liens	\$ 23,093,326
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Net Revenue Available After Operations and

Bond Debt Service for Combined Liens	\$ 19,798,956
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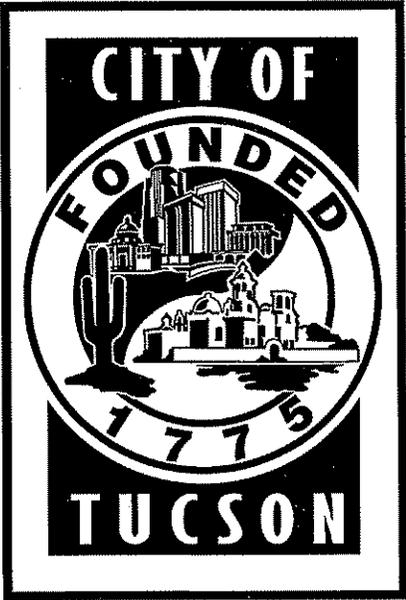
(1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financials statements on pages 24 and 25 are presented on a GAAP basis.

(2) Section 5.02 (b) of Ordinance 6347 covenants that the City will issue additional senior lien bonds only if Net Revenue Available After Operations has been at least equal to 120% of the maximum future annual debt service requirement of \$32,713,460. The City's experience has shown that more favorable interest rates (and thus lower debt service costs) can be attained if such coverage is 150% to 200%. For the period ended June 30, 2007, the maximum future annual debt service coverage of senior lien debt is 156%.

An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2007, the debt coverage on Senior Lien Annual Debt Service Requirement was 182%.

(3) The Water Utility's Junior Lien Debt has requirements that Net Revenues Available After Operations and Senior Lien debt service payments for any fiscal year must equal or exceed 175% of the Annual Debt Service Requirement for that fiscal year. If this requirement is not met, the City will deposit additional monies into a reserve account. For the fiscal year ended June 30, 2007, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 700%.

(4) In Comprehensive Annual Financial Reports for prior fiscal years, the debt coverage ratio was calculated on combined Senior and Junior Lien coverage ratio. For comparative purposes, the combined Annual Debt Service coverage ratio for the fiscal year period ended June 30, 2007, is 163%. The maximum future debt service coverage is 139%.



Statistical Section



Statistical Section

This part of the City of Tucson's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

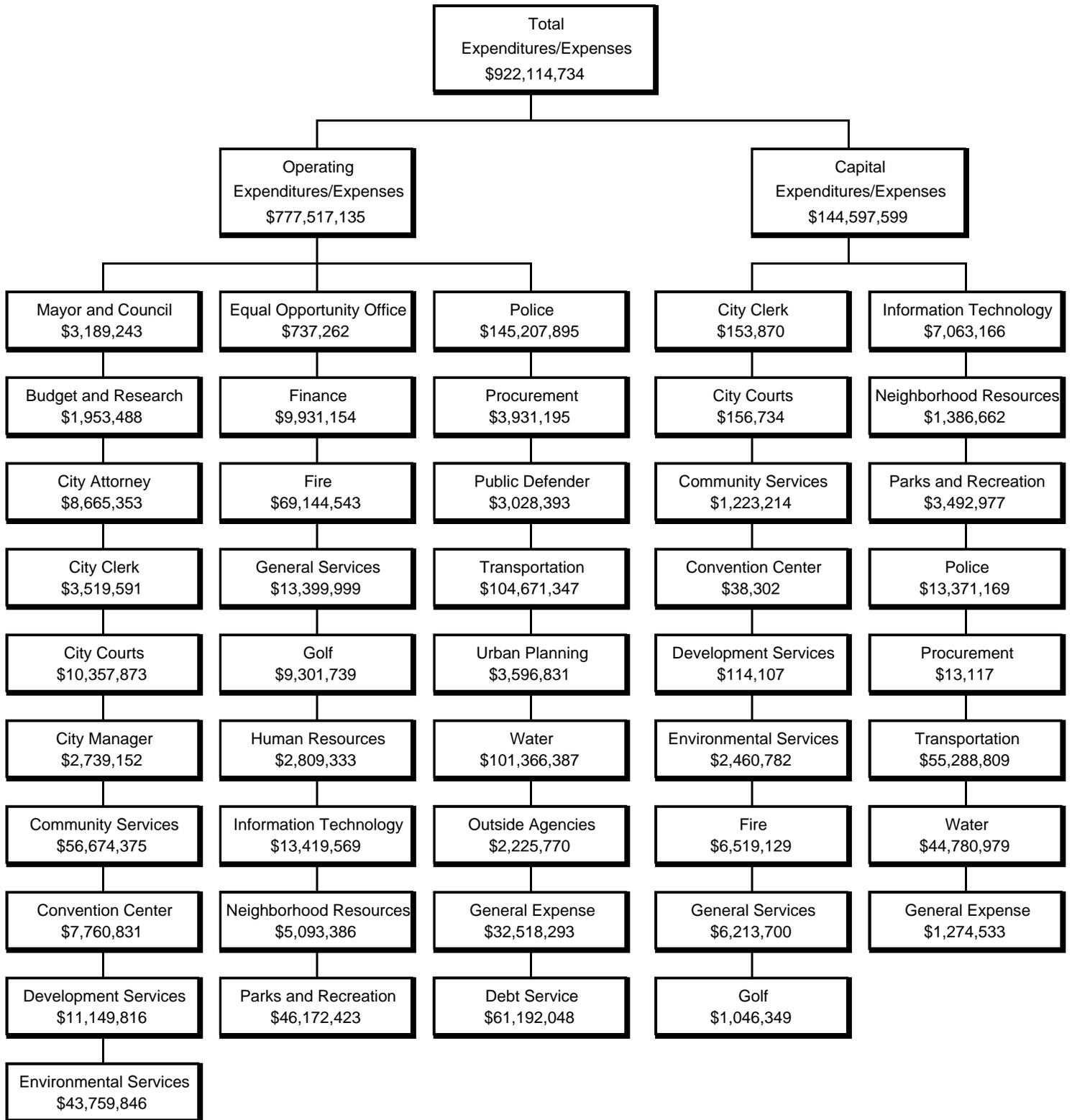
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Financial Trends	131
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	138
These schedules contain information to help the reader assess the factors affecting the city's ability to generate its sales taxes.	
Debt Capacity	141
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	146
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	149
These schedules contain information about the city's operations and resources to help the reader understand how the city's financial information relates to the services the city provides and the activities it performs.	

Sources: unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in fiscal year 2002; schedules presenting government-wide information include information beginning in that year.

City of Tucson
Expenditures/Expenses by Department
Fiscal Year 2007

TABLE I



CITY OF TUCSON
Net Assets by Component
Last Six Fiscal Years
(Accrual Basis of Accounting)

TABLE II

	Fiscal Year					
	2002	2003(1)	2004(2)	2005	2006(3)	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 903,284,000	974,031,888	996,134,436	998,221,324	976,649,504	992,291,626
Restricted	155,080,000	63,053,748	69,416,688	82,813,522	138,645,084	179,464,766
Unrestricted	(43,480,000)	(36,914,246)	22,536,654	18,134,646	42,058,585	28,276,910
Total Net assets	<u>1,014,884,000</u>	<u>1,000,171,390</u>	<u>1,088,087,778</u>	<u>1,099,169,492</u>	<u>1,157,353,173</u>	<u>1,200,033,302</u>
Business-type Activities						
Invested in Capital Assets, Net of Related Debt	533,162,000	552,151,011	576,958,002	594,423,874	583,166,485	603,005,435
Restricted	6,145,000	484,199	2,670,658	9,013,682	3,254,815	22,418,361
Unrestricted	30,524,000	33,543,287	(19,982,539)	(27,574,213)	(20,024,020)	(42,876,565)
Total Net assets	<u>569,831,000</u>	<u>586,178,497</u>	<u>559,646,121</u>	<u>575,863,343</u>	<u>566,397,280</u>	<u>582,547,231</u>
Primary Government						
Invested in Capital Assets, Net of Related Debt	1,436,446,000	1,526,182,899	1,573,092,438	1,592,645,198	1,559,815,989	1,595,297,061
Restricted	161,225,000	63,537,947	72,087,346	91,827,204	141,899,899	201,883,127
Unrestricted	(12,956,000)	(3,370,959)	2,554,115	(9,439,567)	22,034,565	(14,599,655)
Total Net assets	<u>\$ 1,584,715,000</u>	<u>1,586,349,887</u>	<u>1,647,733,899</u>	<u>1,675,032,835</u>	<u>1,723,750,453</u>	<u>1,782,580,533</u>

Notes: (1) Restated ending FY 2003/beginning FY 2004 net assets.

(2) Restated ending FY 2004/beginning FY 2005 Governmental Activities net assets because the Environmental Services Fund became an enterprise fund. This caused the deficit unreserved balance to move from the Government Activities to the Business-type Activities. This deficit is due to incurring liabilities with no corresponding asset. Such liabilities include compensated absences and environmental and solid waste mandates.

(3) Restated ending FY 2006/beginning FY 2007 Governmental Activities net assets because of an error due to reporting of construction in progress. This caused the Invested in Capital Assets, Net of Related Debt to decrease by \$9,009,120. The ending FY 2006/beginning FY 2007 Business-type Activities were restated because of an asset impairment. The Invested in Capital Assets, Net of Related Debt decreased by \$32,225,361.

CITY OF TUCSON
Changes in Net Assets
Last Six Fiscal Years
(Accrual Basis of Accounting)

TABLE III

	Fiscal Year					
	2002	2003	2004	2005(1)	2006	2007
Expenses						
Governmental Activities						
Elected and Official	\$ 16,780,000	14,457,000	15,724,295	15,418,836	17,443,632	18,282,947
Support Services	51,768,000	45,314,000	42,465,015	58,587,923	58,092,060	48,489,229
Neighborhood Services	274,536,000	292,322,000	295,870,113	337,049,181	341,517,918	359,333,504
Environment and Development	115,901,000	142,322,000	149,983,180	131,039,748	137,175,591	153,134,680
Strategic Initiatives	29,073,000	14,303,000	13,359,186	14,039,464	12,499,925	8,156,745
Non-Departmental	18,899,000	13,196,000	10,439,491	12,788,223	14,972,390	35,332,418
Interest on Long-term Debt	26,619,000	21,975,000	23,701,247	22,270,724	24,108,533	27,227,363
Fiscal Agent Fees and Other	-	-	32,158	46,301	74,613	43,875
Total Governmental Activities	<u>533,576,000</u>	<u>543,889,000</u>	<u>551,574,685</u>	<u>591,240,400</u>	<u>605,884,662</u>	<u>650,000,761</u>
Business-type Activities						
Environmental Services				39,464,082	42,987,747	46,037,471
Golf	10,082,000	9,640,000	9,323,864	10,064,093	9,003,837	9,692,464
Water	106,731,000	105,200,000	104,427,551	112,359,007	119,187,111	118,221,611
Total Business-type Activities	<u>116,813,000</u>	<u>114,840,000</u>	<u>113,751,415</u>	<u>161,887,182</u>	<u>171,178,695</u>	<u>173,951,546</u>
Total Primary Government Expenses	<u>\$ 650,389,000</u>	<u>658,729,000</u>	<u>665,326,100</u>	<u>753,127,582</u>	<u>777,063,357</u>	<u>823,952,307</u>
Program Revenues						
Governmental Activities:						
Charges for Services:						
Building/Review fees	8,692,000	8,911,000	10,040,714	10,090,878	12,359,186	10,190,224
Recreation Fees	3,321,000	3,870,000	4,146,918	4,329,235	4,388,275	4,240,903
Paramedic Services Fees	4,101,000	5,066,000	7,721,889	6,645,483	7,184,801	7,243,133
Refuse/Landfill Fees	9,658,000	10,025,000	15,159,517			
Transit Fees	7,161,000	7,741,000	8,217,698	8,327,423	8,879,486	9,576,722
Other Charges for Service	39,530,000	40,242,000	41,704,463	64,021,068	67,970,643	59,651,892
Operating Grants & Contributions	127,254,000	129,445,000	96,836,225	127,785,107	134,853,525	119,726,357
Capital Grants and Contributions	23,666,000	17,063,000	74,014,269	26,158,108	36,449,563	56,340,464
Total Governmental Activities Program Revenues	<u>223,383,000</u>	<u>222,363,000</u>	<u>257,841,693</u>	<u>247,357,302</u>	<u>272,085,479</u>	<u>266,969,695</u>
Business-type Activities:						
Charge for Services:						
Environmental Services				35,506,968	39,809,587	42,960,815
Water	112,794,000	109,405,000	114,557,992	111,347,469	119,838,422	115,937,118
Golf	9,620,000	9,769,000	9,513,921	8,980,101	8,230,509	8,900,670
Operating Grants and Contributions	1,000					
Capital Grants and Contributions		10,172,000	11,889,083	15,396,024	23,309,465	18,305,223
Total Business-type Activities Program Revenues	<u>122,415,000</u>	<u>129,346,000</u>	<u>135,960,996</u>	<u>171,230,562</u>	<u>191,187,983</u>	<u>186,103,826</u>
Total Primary Government Program Revenues	<u>\$ 345,798,000</u>	<u>351,709,000</u>	<u>393,802,689</u>	<u>418,587,864</u>	<u>463,273,462</u>	<u>453,073,521</u>

	Fiscal Year					
	2002	2003	2004	2005(1)	2006	2007
Net (Expenses) Revenue						
Governmental Activities	\$ (310,193,000)	(321,526,000)	(293,732,992)	(343,883,098)	(333,799,183)	(383,031,066)
Business-type Activities	5,602,000	14,506,000	22,209,581	9,343,380	20,009,288	12,152,280
Total Primary Government Net Expense	\$ (304,591,000)	(307,020,000)	(271,523,411)	(334,539,718)	(313,789,895)	(370,878,786)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes						
Property Taxes	24,306,000	25,069,000	27,329,989	30,203,848	33,669,712	37,669,367
Business Privilege Taxes	159,525,000	167,589,000	177,117,183	183,102,463	195,790,010	209,180,346
Public Utility Taxes	7,853,000	9,267,000	7,887,631	7,654,851	7,585,462	7,176,742
Transient Occupancy Taxes	6,339,000	6,395,000	9,145,965	10,768,492	12,276,201	12,979,893
Occupational Taxes	1,941,000	2,115,000	2,049,759	2,098,216	2,044,040	2,124,410
Liquor Taxes	746,000	731,000	713,674	740,742	721,117	731,380
Unrestricted Grants and Contributions	107,524,000	108,437,000	106,317,054	114,662,691	129,370,825	136,287,823
Investment Income (Loss)	6,467,000	3,737,000	1,037,894	2,605,029	3,932,688	11,613,881
Contributions to Term and Permanent Endowments	5,000					
Miscellaneous	7,916,000	5,253,000	5,782,790	7,100,302	15,542,035	8,370,501
Transfers				(3,971,822)	59,894	(410,991)
Total Governmental Activities	\$ 322,622,000	328,593,000	337,381,939	354,964,812	400,991,984	425,723,352
Business-type Activities:						
Unrestricted Grants and Contributions	9,972,000					
Investment Income (Loss)	1,958,000	1,630,000	705,809	2,902,021	2,809,904	3,586,680
Miscellaneous	114,000	211,000				
Transfers				3,971,822	(59,894)	410,991
Total Business-type Activities	12,044,000	1,841,000	705,809	6,873,843	2,750,010	3,997,671
Total Primary Government	\$ 334,666,000	330,434,000	338,087,748	361,838,655	403,741,994	429,721,023
Change in Net Assets						
Governmental Activities	12,429,000	7,067,000	43,648,947	11,081,714	67,192,801	42,692,286
Business-type Activities	17,646,000	16,347,000	22,915,390	16,217,223	22,759,298	16,149,951
Total Primary Government	\$ 30,075,000	23,414,000	66,564,337	27,298,937	89,952,099	58,842,237

CITY OF TUCSON
Fund Balances, Governmental Funds
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE IV

	Fiscal Year					
	2002	2003	2004	2005	2006(2)	2007
General Fund						
Reserved	\$ 58,631,000	51,966,000	50,316,501	54,991,632	101,993,894	116,841,230
Unreserved (1)	15,894,000	4,262,000	23,045,832	43,069,860	62,715,037	50,947,576
Total General Fund	<u>\$ 74,525,000</u>	<u>56,228,000</u>	<u>73,362,333</u>	<u>98,061,492</u>	<u>164,708,931</u>	<u>167,788,806</u>
All Other Governmental Funds						
Reserved	71,110,000	68,318,000	56,832,573	68,845,203	53,211,786	58,199,299
Unreserved, Reported In:						
Special Revenue Funds	35,213,000	18,738,000	20,146,697	9,331,994	4,648,468	(487,809)
Capital Project Funds	(7,106,000)	1,642,000	173,256	(3,680,590)	(3,140,518)	(2,508,873)
Total Unreserved (1)	<u>28,107,000</u>	<u>20,380,000</u>	<u>20,319,953</u>	<u>5,651,404</u>	<u>1,507,950</u>	<u>(2,996,682)</u>
Total All Other Governmental Funds	<u>\$ 99,217,000</u>	<u>88,698,000</u>	<u>77,152,526</u>	<u>74,496,607</u>	<u>54,719,736</u>	<u>55,202,617</u>

Notes: (1) Includes designations

(2) Restated ending FY 2006/beginning FY 2007 General Fund reserved fund balance by \$60,882 because of the incorporation of the reserves from the Library Fund. The General Fund unreserved fund balance increased and Other Governmental Fund unreserved decreased by \$4,424,628 because of the creation of a special revenue and internal service fund.

CITY OF TUCSON
Tax and Other Agency Revenues, General Fund
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE V

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Tax Revenues						
Property Taxes	\$ 3,495,000	3,767,000	4,091,638	8,929,598	9,727,445	9,975,822
Public Utility Taxes	7,853,000	9,267,000	7,887,631	7,654,851	7,585,462	7,176,742
Local Use Taxes			4,266,605	4,949,414	5,406,243	6,839,887
Business Privilege Taxes	158,140,000	160,781,000	174,345,398	176,654,012	190,383,766	202,340,460
Transient Occupancy Taxes	6,339,000	6,395,000	9,145,964	10,768,492	10,206,786	10,963,953
Other Taxes	2,687,000	2,846,000	2,763,433	2,838,957	4,869,058	4,871,730
Total Tax Revenues	\$ 178,514,000	183,056,000	202,500,669	211,795,324	228,178,760	242,168,594
Other Agency Revenues						
Auto Lieu Taxes - State	19,058,000	19,790,000	21,077,563	23,187,797	23,134,336	23,429,781
Sales Tax - State	37,533,000	38,161,000	41,216,598	45,700,066	51,801,435	50,310,855
Urban Revenue Sharing - State	50,934,000	50,486,000	44,022,893	45,774,828	52,493,683	62,547,187
Contributions and Agency Billings(1)	7,335,000	8,037,000	8,983,800	11,710,044	10,784,563	1,262,098
Total Other Agency Revenue	\$ 114,860,000	116,474,000	115,300,854	126,372,735	138,214,017	137,549,921

(1) Intergovernmental Billings were transferred into a separate special revenue fund in FY 2007.

CITY OF TUCSON
Changes in Fund Balances, Governmental Funds
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)

TABLE VI

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Revenues						
Taxes	\$ 199,468,000	203,731,000	225,509,779	233,069,574	252,399,097	268,850,174
Licenses and Permits	18,098,000	17,088,000	17,762,372	19,502,424	21,014,411	22,211,469
Fines and Forfeitures	8,958,000	10,653,000	10,220,137	11,558,361	12,536,270	13,025,976
Developer Fees					8,585,307	6,985,561
Use of Money and Property	7,456,000	5,069,000	2,288,009	5,904,930	5,515,756	13,645,750
Federal Grants and Contributions	78,150,000	71,867,000	75,140,868	70,681,079	80,001,063	88,800,500
Other Agencies	176,900,000	178,658,000	179,542,430	196,010,931	209,999,995	210,751,555
Charges for Services	40,432,000	42,692,000	57,262,036	55,727,507	60,290,340	47,584,931
Special Assessments	1,631,000	1,559,000	684,162	863,322	1,337,976	873,801
Miscellaneous	2,935,000	3,505,000	5,540,913	7,349,494	9,704,478	6,046,159
Total Revenues	<u>534,028,000</u>	<u>534,822,000</u>	<u>573,950,706</u>	<u>600,667,622</u>	<u>661,384,693</u>	<u>678,775,876</u>
Expenditures						
Current						
Elected and Official	16,415,000	14,357,000	15,651,255	14,936,120	17,638,983	18,113,339
Support Services	41,582,000	42,399,000	40,499,625	53,968,431	56,762,595	45,444,738
Neighborhood Services	257,045,000	279,737,000	285,010,266	311,024,012	338,648,790	336,416,150
Environment and Development	108,810,000	116,314,000	121,560,502	103,510,740	111,266,055	119,417,994
Strategic Initiatives	11,927,000	13,597,000	12,811,453	13,297,336	12,368,978	7,760,831
Non-Departmental	7,544,000	10,549,000	8,298,062	11,976,825	12,349,781	34,744,063
Capital Outlay	20,130,000	11,019,000	6,878,900	8,844,020	22,131,307	11,767,166
Capital Projects	67,540,000	78,802,000	62,651,586	86,727,476	58,419,415	84,542,323
Debt Service						
Principal	21,328,000	21,079,000	21,917,431	22,391,353	28,092,430	32,408,561
Interest	26,424,000	21,842,000	23,701,247	22,270,724	24,108,533	27,227,363
Fiscal Agent Fees	251,000	1,213,000	32,158	46,301	74,613	43,875
Issuance Cost of Debt	1,325,000	27,000	783,501	2,363,772	1,334,278	1,512,249
Total Expenditures	<u>580,321,000</u>	<u>610,935,000</u>	<u>599,795,986</u>	<u>651,357,110</u>	<u>683,195,758</u>	<u>719,398,652</u>
Excess of Revenues						
Over (Under) Expenditures	\$ (46,293,000)	(76,113,000)	(25,845,280)	(50,689,488)	(21,811,065)	(40,622,776)

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Other Financing Sources (Uses)						
Face Amount of Bond Proceeds	\$ 73,426,000	145,701,000	23,500,000	109,719,606	347,766	72,167,871
Lease Purchase and Contract Proceeds	781,000	918,000	19,451,315	55,908,283	72,597,366	46,925,648
Premium on Issuance of Debt		-	408,845	8,054,895	1,095,521	5,263,499
Transfers from Other Funds	76,205,000	73,421,000	66,914,931	65,305,681	69,095,663	64,238,616
Proceeds from Sale of Real Property	34,340,000					
Payment to Refunded Bond Escrow Agent	(58,095,000)	(107,773,000)	(45,479)	(92,443,595)		(65,418,781)
Discount on Issuance of Debt			(143,281)			
Transfers to Other Funds	(76,810,000)	(73,828,000)	(67,220,371)	(73,415,933)	(74,454,683)	(80,940,455)
Total Other Financing Sources (Uses)	49,847,000	38,439,000	42,865,960	73,128,937	68,681,633	42,236,398
Contributions to Permanent or Term Endowments	5,000					
Net Change in Fund Balances	\$ 3,559,000	(37,674,000)	17,020,680	22,439,449	46,870,568	1,613,622
Debt Service as a % of Noncapital Expenditures (1)	9.7%	8.2%	8.6%	8.0%	8.7%	9.6%

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

CITY OF TUCSON
Taxable Sales by Category
Last Six Fiscal Years

TABLE VII

Activity	Fiscal Year					
	2003	2004	2005	2006	2007	
Utilities	\$ 890,884,761	1,011,953,381	1,056,963,347	1,052,260,259	1,056,932,157	
Communications	358,249,077	336,616,804	289,225,380	277,701,526	296,114,202	
Publishing & Printing	172,342,455	56,323,977	55,065,209	72,998,559	62,908,391	
Restaurants	735,991,041	777,668,157	851,826,135	957,084,748	983,764,883	
Amusements	51,861,916	49,997,899	54,664,073	60,603,914	69,179,339	
Rentals	953,734,013	1,004,851,765	1,029,049,007	1,117,216,113	1,220,596,574	
Contracting	771,816,123	845,537,417	912,930,149	896,249,698	1,090,299,763	
Retail	4,640,805,874	4,851,948,423	5,171,389,247	5,584,386,248	5,789,394,611	
Use Tax		145,338,032	184,561,040	266,189,312	303,859,500	
Other	977,380	2,549,510	3,313,707	2,306,455	3,300,469	
Total Business Privilege Activity	\$ 8,576,662,640	9,082,785,365	9,608,987,294	10,286,996,832	10,876,349,889	
City's Tax Rate		2%	2%	2%	2%	2%

Notes: (1) Fiscal Year 2002 information is not available.

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

TABLE VIII

<u>Fiscal Year</u>	<u>City's Rate</u>	<u>State's Rate</u>	<u>County's Rate - RTA (1)</u>
2002	2.0%	5.6%	
2003	2.0%	5.6%	
2004	2.0%	5.6%	
2005	2.0%	5.6%	
2006	2.0%	5.6%	
2007	2.0%	5.6%	0.50%

Note: (1) On May 16, 2006 voters in Pima County approved a 20-year Regional Transportation Plan and a regional half-cent sales tax to pay for roadway, transit, bike and pedestrian improvements.

CITY OF TUCSON
Principal Business Privilege Tax Remitters By Activity
Current Year and Four Years ago (1)

TABLE IX

<u>Business Sector</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2007</u>	
	<u>Tax Paid</u>	<u>% of Total</u>	<u>Tax Paid</u>	<u>% of Total</u>
Utility	\$ 19,377,937	11.1%	\$ 21,300,363	9.4%
Communications	6,930,606	4.0%	6,199,305	2.7%
Publishing & Printing	1,095,575	0.6%	1,136,177	0.5%
Restaurants	15,011,123	8.6%	20,138,010	8.9%
Amusements	1,049,558	0.6%	1,364,932	0.6%
Rentals	21,705,274	12.4%	31,524,546	13.9%
Contracting	15,361,137	8.8%	22,071,088	9.7%
Retail	94,376,152	54.0%	117,238,824	51.6%
Use Tax (3)		0.0%	6,222,851	2.7%
Other Activities	14,238	0.0%	193,861	0.1%
Total Top Ten Taxpayers (2)	\$ <u>174,921,600</u>	<u>100%</u>	\$ <u>227,389,957</u>	<u>100%</u>

- Notes:** (1) Fiscal year 2003 is the first historical year where information is available.
(2) Total does not include refunds and other reductions.
(3) Collection of Use Tax started in Fiscal Year 2004

CITY OF TUCSON
Ratios of Outstanding Debt by Type
Last Six Fiscal Years

TABLE X

Governmental Activities							
Fiscal Year	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Total Governmental Activities
2002	\$ 243,099,000	\$ 155,695,000	\$ 3,700,000	\$ 24,035,000	\$ 3,567,000	\$ 16,876,344	\$ 446,972,344
2003	266,989,000	153,545,000	2,900,000	19,335,000	4,555,000	15,573,000	462,897,000
2004	273,944,070	156,475,000	2,100,000	27,340,000	4,028,500	19,677,565	483,565,135
2005	248,797,182	153,515,000	1,300,000	89,875,000	3,575,600	4,661,279	501,724,061
2006	239,102,182	144,265,000		152,485,000	3,481,766	7,218,103	546,552,051
2007	237,464,814	134,665,000		184,215,000	3,331,486	11,505,815	571,182,115

Business-type Activities								
Fiscal Year	Water System Revenue Bonds	General Obligation Bonds (2)	Capital Leases	Certificates of Participation	Total Business-type Activities	Total Primary Government	Percentage of Personnel Income (1)	Per Capita (1)
2002	\$ 334,999,000	\$	\$ 18,000	\$ 4,625,000	\$ 339,642,000	\$ 786,614,344	3.56%	\$ 1,547.63
2003	333,665,000			4,625,000	338,290,000	801,187,000	3.47%	1,552.03
2004	364,700,666		850,000	4,625,000	370,175,666	853,740,801	3.47%	1,645.36
2005	388,324,735	42,386,887	3,049,416	4,320,000	438,081,038	939,805,099	3.55%	1,801.76
2006	383,337,014	42,386,887	6,787,833	5,495,000	438,006,734	984,558,785	3.42%	1,820.71
2007	411,342,495	45,835,796	7,096,351	5,080,000	469,354,642	1,040,536,757	3.61%	1,901.16

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

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

(2) Debt service is paid and bond liability reported in the Environmental Services Enterprise Fund.

CITY OF TUCSON
Ratios of Net General Bonded Debt Outstanding
Last Six Fiscal Years

TABLE XI

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Estimated Net Full Cash Value	Percentage of Actual Property Value	Per Capita
2002	\$ 243,099,000	\$ 1,503,000	\$ 241,596,000	\$ 14,786,084,789	1.63%	\$ 475.33
2003	266,989,000	3,195,000	263,794,000	15,838,940,606	1.67%	511.01
2004	273,944,070	4,439,232	269,504,838	17,154,631,650	1.57%	519.40
2005	248,797,182	5,317,340	243,479,842	18,396,623,812	1.32%	466.79
2006 (1)	281,489,069	7,839,739	273,649,330	19,785,493,382	1.38%	506.05
2007 (2)	283,300,610	10,833,913	272,466,697	22,220,936,879	1.23%	497.82

Source: Estimated net full cash value is from the latest General Obligation offering statement.

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

(1) Includes \$42,386,887 of General Bonded debt in the Environment Services Fund.

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

CITY OF TUCSON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

TABLE XII

<u>Overlapping Jurisdiction</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Paid with Property Taxes			
Pima County, Arizona	\$ 231,310,000	43.90%	\$ 101,545,090
Pima Community College District	61,730,000	43.90%	27,099,470
Pima County Flood Control District	2,230,000	43.90%	978,970
Tucson Unified School District No. 1	285,055,000	77.02%	219,549,361
Flowing Wells Unified School District No. 8	10,730,000	5.10%	547,230
Amphitheater Unified School District No. 10	70,860,000	15.99%	11,330,514
Sunnyside Unified School District No. 12	41,770,000	77.51%	32,375,927
Tanque Verde Unified School District No. 13	4,335,000	1.16%	50,286
Vail Unified School District No. 20	27,635,000	39.19%	10,830,157
Sahuarita Unified School District No. 30	23,800,000	0.29%	69,020
Other Debt (1)			
Pima County Capital Leases	195,628	43.90%	85,881
Pima Community College District Capital Leases	4,705,000	43.90%	2,065,495
Tucson Unified School District No. 1 Capital Leases	2,706,082	77.02%	2,084,224
Flowing Wells Unified School District No. 8 Capital Leases	184,451	5.10%	9,407
Amphitheater Unified School District No. 10 Capital Leases	515,638	15.99%	82,451
Sunnyside Unified School District No. 12 Capital Leases	2,815,185	77.51%	2,182,050
Vail Unified School District No. 20 Capital Leases	1,713,851	39.19%	671,658
Sahuarita Unified School District No. 30 Capital Leases	394,254	0.29%	1,143
Subtotal, Overlapping Debt			411,558,334
City of Tucson, Arizona Direct Debt			571,182,115
Total Direct and Overlapping Debt			\$ <u><u>982,740,449</u></u>

Source: State Report of Indebtedness

Notes: (1) Outstanding Other Debt is as of Fiscal Year 2006

CITY OF TUCSON
Legal Debt Margin Information
Last Six Fiscal Years

TABLE XIII

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Primary Tax Rate	\$ 0.1403	0.2089	0.2089	0.3531	0.3469	0.3296
Secondary Tax Rate	0.9799	0.9113	0.9480	0.8316	0.8895	0.8025
Total Property Tax Rate (1)	\$ 1.1202	1.1202	1.1569	1.1847	1.2364	1.1321
Secondary Assessed Value	\$ 2,138,461,318	2,268,733,334	2,427,120,926	2,558,231,181	2,722,915,853	3,016,230,759
6% Limitation (2)	128,307,679	136,124,000	145,627,256	153,493,871	163,374,951	180,973,846
Less: Direct G.O. Bonds Outstanding	79,678,000	84,671,460	82,446,460	60,988,460	51,333,460	20,715,000
Legal Debt Margin	48,629,679	51,452,540	63,180,796	92,505,411	112,041,491	160,258,846
Legal Debt Margin as a Percentage of the Debt Limit	37.90%	37.80%	43.39%	60.27%	68.58%	88.55%
20% Limitation (2)	427,692,264	453,746,667	485,424,185	511,646,236	544,583,171	603,246,152
Less: Direct G.O. Bonds Outstanding	163,421,070	182,317,610	191,497,610	230,195,610	230,155,609	262,585,610
Legal Debt Margin	\$ 264,271,194	271,429,057	293,926,575	281,450,626	314,427,562	340,660,542
Legal Debt Margin as a Percentage of the Debt Limit	61.79%	59.82%	60.55%	55.01%	57.74%	56.47%

Notes: (1) The City's ability to issue debt is, in part, limited by the City Charter which precludes the total property tax rate to exceed 1.75 per \$100 assessed value. The secondary property tax rate is levied annually to pay general obligation debt service.

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

CITY OF TUCSON
Pledged Revenue Coverage
For the Last Five Fiscal Years

TABLE XIV

Fiscal Year	Water System Revenue Bonds								Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Combined Debt Service		Senior Lien Debt Service				
				Principal	Interest	Principal	Interest			
2002	\$ 114,282,000	\$ 57,295,000	\$ 56,987,000	\$ 7,501,000	\$ 15,786,000	\$	\$	2.42		
2003	110,444,000	60,031,000	50,413,000	7,934,000	16,822,000			2.01		
2004	115,298,950	61,669,935	53,629,015	8,985,510	17,436,712			1.99		
2005	119,852,788	66,217,746	53,635,042	9,987,817	17,922,422			1.88		
2006	128,693,649	71,289,091	57,404,558	11,201,882	18,924,918			1.87		
2007	124,708,152	73,544,769	51,163,383	15,414,363	15,950,064	13,070,000	15,000,057	1.63	1.82	

Fiscal Year	Special Assessments			
	Special Assessments Collections	Debt Service		
		Principal	Interest	Coverage
2002	\$ 560,000	\$ 604,000	\$ 201,062	0.70
2003	1,125,000	668,597	249,147	1.23
2004	683,004	526,392	212,893	0.92
2005	898,339	452,900	187,446	1.40
2006	744,351	441,600	168,055	1.22
2007	692,291	453,001	170,514	1.11

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include depreciation, interest, or amortization expenses.

The coverage ratio is based on the Annual Debt Service coverage as defined by City of Tucson Ordinance No. 6347. An amendment to Section 7.01 of Ordinance 6347 further requires that if the Net Revenue of any fiscal year does not equal or exceed 175% of the Senior Lien Annual Debt Service Requirement for that fiscal year, the City will deposit additional monies into a reserve account. Prior to Fiscal Year 2007, the coverage ratio was based on both senior and junior lien debt service requirements. Starting in Fiscal Year 2007, the coverage ratio requirement will be based on the senior lien Annual Debt Service Requirement.

City of Tucson
 Demographic and Economic Statistics,
 Last Six Fiscal Years

TABLE XV

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2002	508,271	\$ 22,071,150,000	\$ 43,424	4.4%
2003	516,220	23,081,710,000	44,713	4.0%
2004	518,878	24,582,890,000	47,377	4.2%
2005	521,605	26,464,780,000	50,737	4.7%
2006	540,754	28,796,630,000	53,253	4.5%
2007	547,316	30,837,500,000	56,343	3.8%

Source: Department of Urban Planning. Personal income information for Pima County

**CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago**

TABLE XVI

Employer	1998		Employer	2007	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	10,416	3.27%	U.S. Army Intelligence Center & Fort Huachuca	13,090	3.39%
State Of Arizona	9,763	3.07%	Raytheon Missile Systems	11,000	2.85%
Davis-Monthan Air Force Base	8,362	2.63%	University of Arizona	10,282	2.66%
Tucson Unified School District	8,115	2.55%	State of Arizona	9,927	2.57%
Raytheon	7,700	2.42%	Davis-Monthan Air Force Base	8,230	2.13%
Pima County	6,686	2.10%	Tucson Unified School District	7,600	1.97%
City of Tucson	5,420	1.70%	Pima County	6,765	1.75%
Carondelet Health Services	4,041	1.27%	City of Tucson	5,325	1.38%
BPH Copper	3,679	1.16%	Wal-Mart Stores, Inc.	3,020	0.78%
Tucson Medical Center	3,525	1.11%	University Medical Center	2,950	0.76%
Total	67,707	21.28%	Total	78,189	20.25%

Source: General Obligation Refunding Official Statement dated June 1, 1998 and General Obligation Official Statement dated June 5, 2007.
Arizona Workforce Web Site (CES/NAICS)

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

TABLE XVII

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Elected and Official	254.74	228.25	235.75	215.00	234.50	223.50
Neighborhood Services	3,253.55	3,241.55	3,198.80	3,297.30	3,422.05	3,277.80
Environment and Development	811.00	795.00	799.00	1,098.50	578.00	564.50
Strategic Initiatives	85.50	85.50	78.75	93.25	93.75	63.75
Support Services	756.37	729.66	699.71	720.71	720.71	724.71
Non-Departmental	5.50	5.75	4.75	4.75	4.75	14.75
Utility Services-Environmental Services				263.00	262.00	251.00
Utility Services-Water	590.00	590.00	589.00	576.00	571.00	573.00
Golf	169.00	153.75	154.75	154.75	154.75	154.75
Total	5925.66	5,829.46	5,760.51	6,423.26	6,041.51	5,847.76

Source: Adopted Budget - Volume I

**City of Tucson
Capital Asset Statistics by Function
Last Six Fiscal Years**

TABLE XVIII

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Police Facilities	7	8	8	8	8	8
Fire Stations	18	18	18	20	20	20
Parks & Recreation						
Recreation/Regional Centers	16	17	17	19	18	18
Golf Courses	5	5	5	5	5	5
Parks	127	127	127	125	136	136
Playfields	195	195	195	182	250	250
Swimming Pools	26	26	26	27	27	27
Transportation						
Residential (Miles)	1,305	1,315	1,347	1,355	1,355	1,378
Collectors (Miles)	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287
Interstate (Miles)	80	80	80	80	80	80
Transit						
Buses (Active Fleet)	194	194	189	189	189	196
Water						
Operable Wells	207	212	216	223	212	212
Miles of Water Mains	4,275	4,275	4,300	4,480	4,561	4,617

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Six Years

TABLE XIX

Function	Fiscal Year					
	2002	2003	2004	2005	2006	2007
General Government						
Building Permits - New Construction	7,926	5,238	4,438	3,328	3,083	1,709
Police						
Calls for Service	337,102	344,223	373,509	349,220	337,224	346,836
Calls for Service per Capita	0.66	0.67	0.72	0.67	0.62	0.63
Part I Crimes (% Cleared) (1)	13.64%	13.90%	13.72%	14.04%	16.30%	16.97%
Part II Crimes (% Cleared) (1)	86.22%	87.24%	87.93%	71.60%	89.05%	86.07%
Fire						
Emergency Responses	67,183	67,151	68,487	69,667	71,843	76,567
Inspections	2,645	2,828	2,991	3,200	2,801	2,644
Parks & Recreation						
KIDCO Registration	6,525	5,325	4,640	7,824	8,273	6,851
Class Enrollment-Other than KIDCO	26,641	23,670	30,023	35,153	35,703	19,681
Facility Rental	11,510	11,620	12,200	12,194	13,095	14,197
Zoo Visitors	412,680	385,933	376,535	434,252	439,380	467,108
Environmental Services						
Landfill Tons of Waste Collected (2)	Not Available	506,372	547,270	597,576	638,550	690,215
Tons of Material Recycled	Not Available	43,655	46,489	47,608	46,034	46,918
Water						
Average Total Monthly Connections						
Potable	199,613	204,701	211,466	215,785	220,571	225,048
Reclaimed	576	670	763	868	950	993
New Connections						
Potable	5,077	5,493	6,177	4,069	4,846	3,880
Reclaimed	88	113	89	99	48	55
Water Sales (1000 ccf)						
Potable	48,016	47,274	47,974	47,251	49,536	46,366
Reclaimed	4,990	4,638	5,197	5,003	5,998	5,848
Transportation						
Average Response Time (working days) to Complete Pothole Repairs	4	6	7	8	10	10
The % of Lane Miles Assessed as Satisfactory or Better	78.8%	76.6%	73.4%	87.9%	85.0%	79%
Traffic Signal Expenditure per Repair	\$73.35	\$77.24	\$81.31	\$85.59	\$89.56	\$95.00
Sun Tran's Operating Expenses per Vehicle Revenue Mile	\$4.65	\$4.73	\$5.00	\$5.28	\$5.67	\$5.91
Sun Tran's Operating Expenses per Passenger Mile	\$0.56	\$0.55	\$0.58	\$0.63	\$0.63	\$0.53

Source: Various City Departments

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

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 \$5,000.

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

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

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

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

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

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

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

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

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

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

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

Designated unreserved fund balance. Management's intended use of available expendable resources in governmental funds reflecting actual plans approved by the government's senior management. Expressed another way, designations reflect a government's self-imposed limitations on the use of otherwise available financial resources in governmental funds.

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

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

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

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

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

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

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

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

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

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

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

Fund type. One of 11 classifications into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.

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

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

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

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

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

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

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

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

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

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

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

Materiality. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.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 revenue trends. The use of the *other financing sources* category is limited to items so classified by GAAP.

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

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

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

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

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

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

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

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

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

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

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

