

City of Tucson, Arizona



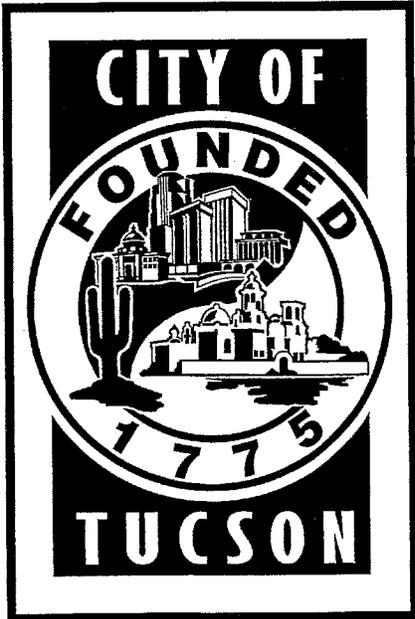
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year July 1, 2009-June 30, 2010

City of Tucson, Arizona
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010



Prepared by: The Department of Finance,
Accounting Division



City of Tucson, Arizona



INTRODUCTION

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2010

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	v
City of Tucson Officials	xi
City of Tucson Organizational Chart	xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	15
Statement of Activities	16
<u>Fund Financial Statements</u>	
Governmental Funds:	
Balance Sheet	18
Reconciliation of the Balance Sheet for Governmental Funds to the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Proprietary Funds:	
Statement of Net Assets	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets	23
Statement of Cash Flows	24
Fiduciary Funds:	
Statement of Fiduciary Net Assets	26
Statement of Changes in Fiduciary Net Assets	27
<u>Notes to Basic Financial Statements</u>	
Note 1 - Summary of Significant Accounting Policies	29
Note 2 - New Accounting Pronouncements	39
Note 3 - Property Tax	40
Note 4 - Individual Fund Disclosures	41
Note 5 - Deposits and Investments	41
Note 6 - Interfund Balances and Transfers	50
Note 7 - Capital Assets	52
Note 8 - Changes in Long-term Debt and Liabilities	53
Note 9 - Lease Obligations	54
Note 10 - Bond Issues	55
Note 11 - Advance Refunding/Defeasance of Debt	59
Note 12 - Landfills	59
Note 13 - Pensions and Other Postemployment Benefits	60
Note 14 - Self Insurance Program	63
Note 15 - Pledged Revenues	64
Note 16 - Contingencies and Commitments	64
Note 17 - Remediation Liability	67
Note 18 - Subsequent Event	67

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2010

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
<u>Schedule of Revenues, Expenditures, and Changes in Fund Balance</u>	
Original Budget, Final Budget and Actual - Major Funds:	
General Fund	69
Mass Transit Special Revenue Fund	70
Note to Required Supplementary Information	71
COMBINING STATEMENTS AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
<u>Combining Statements</u>	
Nonmajor Governmental Funds:	
Balance Sheets	73
Statements of Revenues, Expenditures, and Changes in Fund Balances	80
Nonmajor Enterprise Funds:	
Statement of Net Assets	89
Statement of Revenues, Expenses, and Changes in Fund Net Assets	90
Statement of Cash Flows	91
Internal Service Funds:	
Statement of Net Assets	92
Statement of Revenues, Expenses, and Changes in Fund Net Assets	93
Statement of Cash Flows	94
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities - All Agency Funds	95
Nonmajor Component Unit Funds:	
Statement of Net Assets	96
Statement of Revenues, Expenses, and Changes in Fund Net Assets	97
Statement of Cash Flows	98
<u>Schedule of Revenues, Expenditures, and Changes in Fund Balance</u>	
Budget and Actual - Nonmajor Governmental Funds:	
Parkwise	100
Convention Center Fund	101
Capital Improvements Fund	101
H.U.R.F. Fund	102
Civic Contribution Fund	103
Community Development Block Grants Fund	103
Development Fee Fund	104
Miscellaneous Housing Grant Funds	105
Public Housing Section 8 Fund	105
Public Housing HOME Program Fund	106
Other Federal Grants Fund	107
Non-Federal Grants Fund	107
Regional Transportation Authority Fund	108
Special Assessment Bond and Interest Debt Service Fund	110
General Obligation Bond and Interest Debt Service Fund	111
Street and Highway Bond and Interest Debt Service Fund	111
2000 General Obligation Bond Capital Project Funds	113

CITY OF TUCSON, ARIZONA
Comprehensive Annual Financial Report
Table of Contents
For the Year Ended June 30, 2010

	Page
<u>Combining Statements continued:</u>	
<u>Schedule of Revenues, Expenditures, and Changes in Fund Balance</u>	
Budget and Actual - Enterprise Funds:	
Environmental Services Fund	114
Golf Course Fund	115
Public Housing Fund	116
Water Utility Fund	117
Revenues, Expenses and Flow of Funds Per Ordinance No. 6347:	
Water Utility Fund	118
 STATISTICAL SECTION (UNAUDITED)	
	Table
Expenditures/Expenses by Department	I 122
Net Assets by Component	II 123
Changes in Net Assets	III 124
Fund Balances, Governmental Funds	IV 126
Tax and Other Agency Revenues, General Fund	V 127
Changes in Fund Balances, Governmental Funds	VI 128
Taxable Sales by Category	VII 130
Business Privilege Taxes	VIII 131
Principal Business Privilege Tax Remitters by Activity	IX 132
Ratios of Outstanding Debt by Type	X 133
Ratios of Net General Bonded Debt Outstanding	XI 134
Direct and Overlapping Governmental Activities Debt	XII 135
Legal Debt Margin Information	XIII 136
Pledged Revenue Coverage	XIV 137
Demographic and Economic Statistics	XV 138
Principal Employers	XVI 139
Adopted Budget Full-time-Equivalent City Employees by Function	XVII 140
Capital Asset Statistics by Function	XVIII 141
Operating Indicators by Function	XIX 142
 GLOSSARY	 143





CITY OF TUCSON

FINANCE DEPARTMENT
ADMINISTRATION

December 8, 2010

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, 2010, as required by Chapter XXIX of the City Charter. The CAFR was prepared in accordance with accounting principles generally accepted in the United States of America.

City management is responsible for both the accuracy of the data and the completeness and fairness of the presentations, including all disclosures. To provide a reasonable basis for making these representations, the City 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 is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

Independent Audits

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 auditors' 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*.

City Profile

Permanent settlements were built in Tucson nearly 2,000 years ago by the Hohokam people. More than 300 years after Tucson's founding as a mission site, the City continues to grow and celebrate its diverse cultural influences. It is the 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 City has four discretely presented component units: Silverbell Homes Limited Partnership, Posadas Sentinel, L.L.L.P., South Park Development Partners, L.L.L.P., and Tucson House Apartments, L.L.L.P. All component units are 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.

Budget System and Controls

Tucson, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets 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. This expenditure limitation was effective for fiscal years 2007 through 2010. In November 2009, the Alternate Expenditure Limitation was not approved by City voters for another four years, so the City will follow the State expenditure limitation starting with fiscal year 2011.

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 Budget Director and the City Manager approve changes within purpose categories and Mayor and Council approve changes between purposes. Additional information is provided in the notes to the basic financial statements.

Assessing Economic Condition

Arizona is lagging behind other parts of the country, but conditions are looking better. The same can be said about the Tucson Metropolitan Area. Consumer spending is increasing especially in some categories, such as furniture sales, while other categories, such as restaurant and food sales have remained flat. Unemployment continues to be an issue with wide spread losses across all sectors except health services. Housing prices are beginning to stabilize and inventories still remain high. Figures 1 through 4 provide Tucson Metropolitan Area and State of Arizona comparisons of population growth, unemployment, retail sales, and personnel income.

FIGURE 1

POPULATION GROWTH
Percent Change from Previous Year

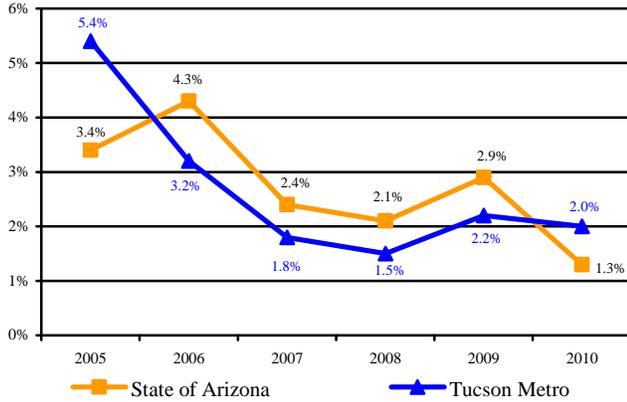


FIGURE 2

UNEMPLOYMENT RATE

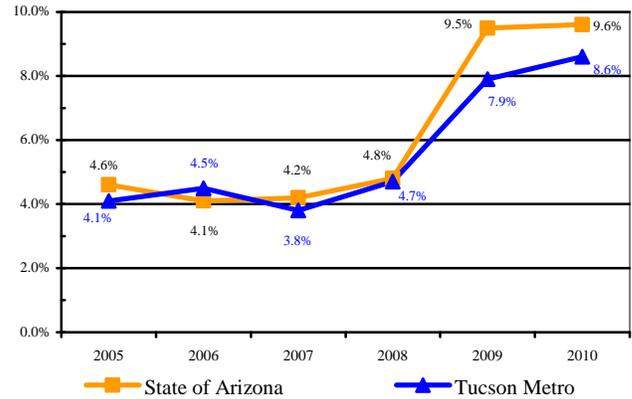


FIGURE 3

AGGREGATE RETAIL SALES
Percent Change from Previous Year

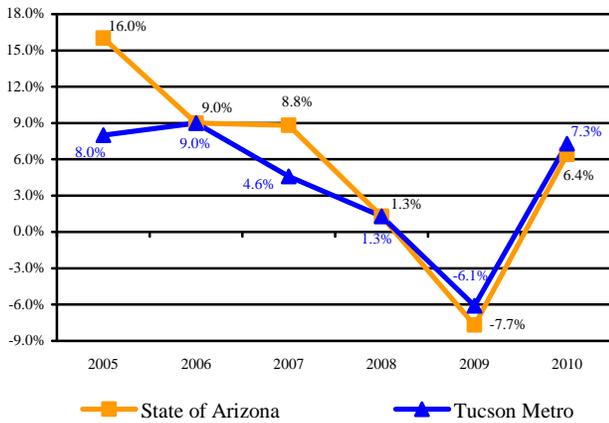
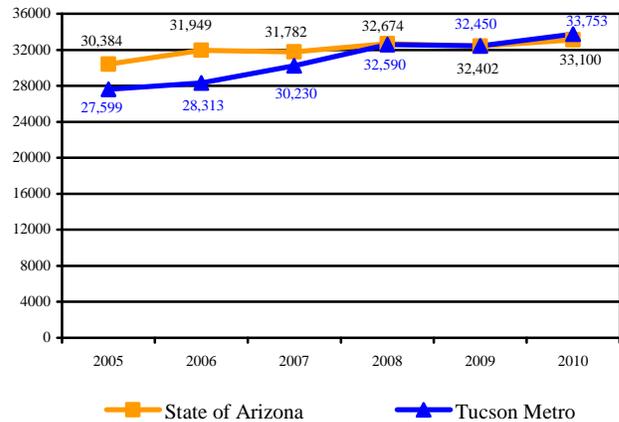


FIGURE 4

PERSONAL INCOME
Per Capita



Although stabilizing, the recession continues to adversely impact local sales tax revenues; however, the reductions are shrinking. The sales tax reduction from fiscal years 2008 to 2009 was 15.5% as compared to a 1.8% reduction between fiscal years 2009 and 2010. State shared revenues, which represents 30% of general fund revenues, continued with a \$16.1 million decline from fiscal year 2009. To offset these declining revenues, the City increased public utility tax rates from 2% to 4%, increased transit fares, and increased other fees and fines in Parks and Recreation, Development Services, Fire, and Courts. Since revenues were still not sufficient to address the deficit, expenditure reductions were necessary. These reductions included service cutbacks and eliminations, layoffs, employee furloughs, hiring freezes, debt restructuring, and deferred maintenance. Through a combination of these permanent and non-permanent solutions, the City was able to increase unassigned fund balance from 4.1% of general fund expenditures in fiscal year 2009 to 6% for fiscal year 2010. With local sales tax revenues remaining flat, continued decreases in State Shared Revenues, and the limited effectiveness of non-permanent, one-time solutions, the City's deficit is projected to be \$25 million for fiscal year 2011 and \$50-\$55 million in 2012.

Long-Term Planning

With the continued impact of the recession on revenues that threaten the core services provided to the community, the City is developing a more strategic solution to the structural deficit for the long term. Revenue increases, service cutbacks and eliminations, one-time revenue sources, and staffing at 1998 levels still has not reduced the possibility of permanent core service cuts. To allow a more proactive approach to plan for future revenue and expenditure changes, a Five-Year Financial model has been developed that will help prioritize limited resources, evaluate the long-term impact of decisions, evaluate risk, improve communication and understanding, and provide a guide to develop a balanced budget. The implementation on the model will start with the general fund and gradually include all funds over time. The Model is based on a collection of revised financial policies that include fiscal planning, budget, revenue collection, fund balance policies that will be approved by Mayor and Council.

Major Initiatives

The City was awarded a \$63 million TIGER grant to complete a 3.9 mile modern streetcar line that will connect the City's major activity centers. This project will support sustainable growth, provide new transit connections, and add much needed service capacity for the downtown area.

City Policies

Unassigned Fund Balance: The Mayor and Council's policy is to maintain an unassigned fund balance at 10% of General Fund expenditures. Management's priorities are to restore the unassigned fund balance to this level.

Debt Management: The City's debt program includes a variety of financing mechanisms to meet long-term capital needs of the community. In all cases, the City aggressively manages the debt program with the assistance of a financial advisor and bond counsel. Restructuring, refinancing, and advance refunding are used to limit the City's debt service costs and provide maximum future borrowing flexibility.

Risk Management: The City maintains a self insurance program for liability claims, unemployment compensation, and workers' compensation. For workers' compensation, the City posted a \$24,943,069 bond required by the Industrial Commission of Arizona for self insurance purposes. The liability insurance program is largely self-funded for liability claims and lawsuits, settlements and expenses. Third-party liability claims against the City and subrogation efforts by the City are handled internally by licensed claim adjusters. The property and casualty insurance program combines commercial and self insurance to cover standard risks associated with City structures, equipment and vehicles. Casualty coverage's include crime insurance, public official bonds and auto liability on vehicles. The workers' compensation program is a self-insured program with employer's liability insurance at the \$1,000,000 limit.

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, 2009. 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 a 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 28 consecutive years (fiscal years ended 1982 through 2009). 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 Shane Oman, Finance Manager, Vivian Newsheller, Principal Accountant, Kristie Ellis, Principal Accountant and Michael Mason, CPA, Finance Administrator, and to the entire accounting staff who prepared this CAFR.

Omar Garcia
Ted Garza
Aaron Williams, CPA

David Moffitt
Ronda Lane
Leticia Brumbaugh

Valerie Sparks
Marsha Schlanger
Cheryl Van De Beuken

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,



Kelly Gottschalk, CPA
Chief Financial Officer



City Of Tucson Officials

CITY COUNCIL



HONORABLE
ROBERT E. WALKUP
MAYOR



REGINA ROMERO
WARD 1



PAUL CUNNINGHAM
WARD 2



KARIN UHLICH
WARD 3



SHIRLEY C. SCOTT
WARD 4



RICHARD FIMBRES
WARD 5



STEVE KOZACHIK
WARD 6

CITY ADMINISTRATION

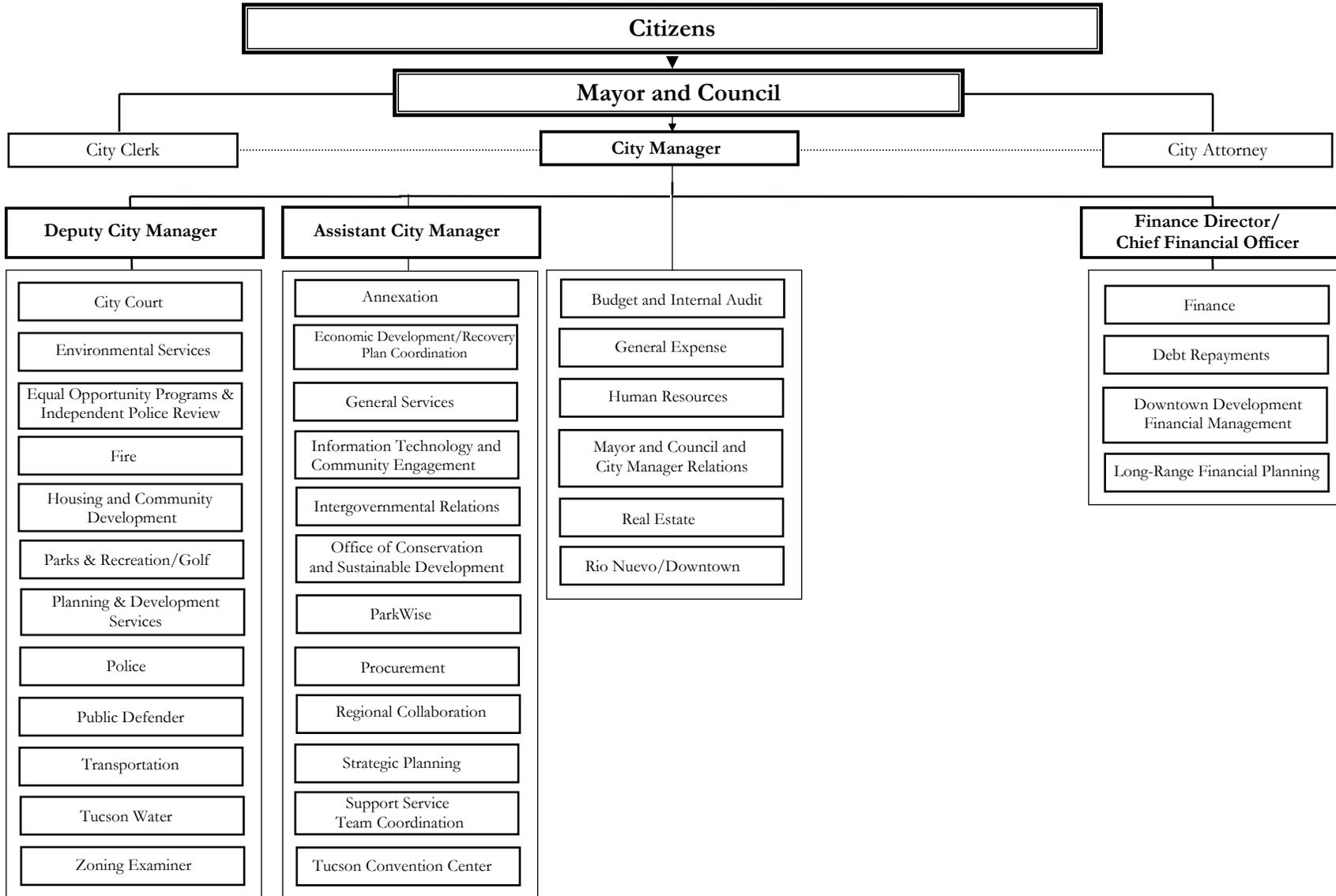
MIKE LETCHER
CITY MANAGER

KELLY GOTTSCHALK
CHIEF FINANCIAL OFFICER

MICHAEL MASON
FINANCE ADMINISTRATOR



**CITY OF TUCSON
ORGANIZATION CHART
FISCAL YEAR 2010**



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, 2009

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.



A stylized handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



City of Tucson, Arizona



FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Tucson, Arizona (the "City") as of and for the year ended June 30, 2010, 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 did not audit the financial statements of the Housing Partnerships discretely presented component units, which represent 5%, 1%, and 1%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units and remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Partnerships discretely presented component units, is based on the reports of the other auditors.

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, each major fund, and the aggregate discretely presented component units and remaining fund information of the City of Tucson, Arizona, as of June 30, 2010, 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.

As described in Note 2, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting of Derivative Instruments* and Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2010, which represents changes in accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 and budgetary comparison information on pages 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The Introductory Section, Combining Statements and Individual Fund Statements and Schedules of the Financial Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Combining Statements and Individual Fund Statements and the Schedules of the Financial Section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Heinfeld, Meech & Co., P.C.

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

December 8, 2010

City of Tucson, Arizona



MANAGEMENT'S DISCUSSION AND ANALYSIS

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

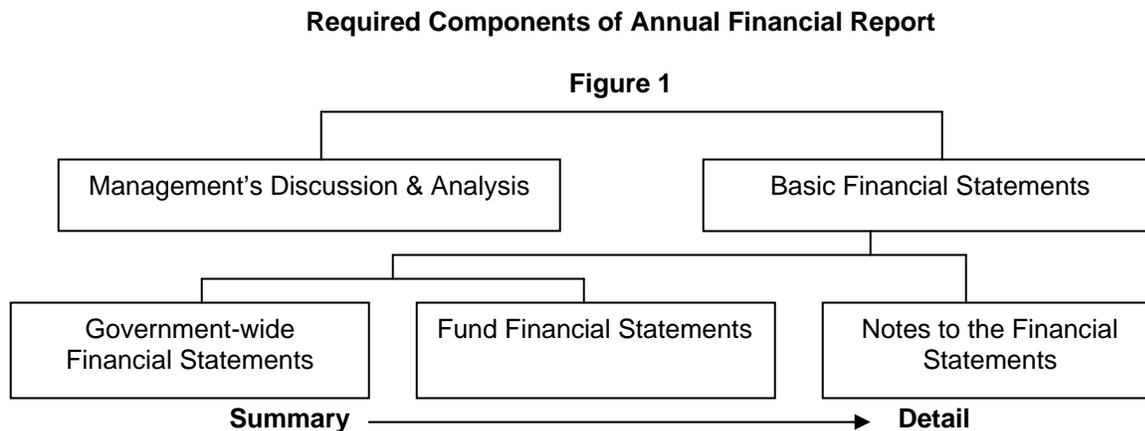
INTRODUCTION

The Management's Discussion and Analysis (MD&A) section of the City's Comprehensive Annual Financial Report (CAFR) presents discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2010. Please read it in conjunction with the transmittal letter at the beginning of the CAFR and the City's financial statements which immediately follow this section. The purpose of the MD&A is to (1) focus on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any individual fund issues or concerns and (5) provide descriptions of significant asset and debt activity.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$2.1 billion—reported as net assets. Assets totaled \$3.5 billion and liabilities were \$1.4 billion.
- Total net assets increased by \$102.5 million over last fiscal year. Governmental activities increased \$89.7 million in net assets, while business-type activities increased \$12.8 million.
- The City's governmental funds reported a combined fund balance of \$136.2 million, a decrease of \$8.2 million from last fiscal year. The primary factors for the decrease are the continued low tax revenues collected combined with expending both state highway grant proceeds and certificates of participation proceeds received in prior years. Within the combined fund balance total, \$21.3 million is unassigned.
- The General Fund reported a fund balance of \$47.2 million, which represents a \$7.4 million increase from last year. The unassigned fund balance is \$22.8 million, a \$5.8 million increase from last year, which represents 6.0% of total General Fund expenditures for the fiscal year. The increase was primarily due to larger than budgeted expenditure reductions in Public Safety and Parks and Recreation. See Note 2 regarding the Governmental Accounting Standards Board (GASB) Statement 54 change in governmental fund classifications.
- With unprecedented revenue shortages due to the economic recession, the City's focus was to reduce the structural deficit through a combination of revenue increases and expenditure reductions. Even with revenue increases, significant expenditure reductions were necessary, including layoffs, furloughs, other compensation reductions, debt restructuring and deferred maintenance.

OVERVIEW OF FINANCIAL STATEMENTS



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

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. Finally, the notes to the financial statements should be read in conjunction with the financial statements as they are an integral part of fully understanding the statements.

Basic Financial Statements

The Basic Financial Statements section 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 comparable to a private-sector business. Following the government-wide statements are the *fund* financial statements which provide a short-term view of the City's operations at a more detailed level.

The financial statements also include notes that provide more detailed data for some of the figures in the financial statements. The statements are followed by a section of Required Supplementary Information that provides a major fund budgetary analysis. The Combining Statements and Individual Fund Statements and Schedules section presents combining statements for non-major governmental funds, non-major enterprise funds, non-major internal service funds, and non-major component funds, along with budget to actual comparisons on individual funds.

Government-wide Financial Statements

The government-wide financial statements, found in the Basic Financial Statements section, report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets (pg. 15) includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities (pg. 16) regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure financial health. 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 or proprietary funds, represents those areas in which the City charges fees to customers to cover the costs of certain services it provides. The City's enterprise funds: Environmental Services, Water Utility, Golf Course and Public Housing Asset Management Properties (AMP) are 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 record and report specific funding sources and expenditures/expenses for particular programs. Some funds are required by State law or by bond covenants, while Mayor and Council establish other funds for management purposes.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

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 (pgs. 18-21)* disclose how general government services, such as police, fire and parks and recreation, were financed in the short-term as well as what remains for future expenditures. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities, reported in the government-wide financial statements, and governmental funds is provided in a reconciliation following the respective fund financial statements. Reconciling items include: converting fund capital expenditures to capital assets, reducing long-term debt by debt service principal expenditures, and issuing new debt such as bonds and capital leases.
- *Proprietary fund statements (pgs.22-25)* contain revenues from fees charged to customers for services provided by the City and are reported in the same manner as the government-wide financial statements. Because both types of statements 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 both the governmental and business-type activities in the government-wide financial statements.
- *Fiduciary fund statements (pgs. 26-27)* represent funds for which the City acts as a trustee, and like the proprietary funds, they 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 5.2% over the course of the year to \$2.1 billion. Governmental activities contributed to \$89.7 million of the increase, while business-type net assets increased \$12.8 million. As shown in Figure 2, the largest component of net assets represents the City's investment in capital assets, i.e., land, buildings, equipment and infrastructure, net of accumulated depreciation and related debt. The second largest component of net assets represents restricted net assets, the use of which is restricted by external sources such as debt covenants, enabling legislation or grant stipulations. The final component of net assets is unrestricted.

The change in net assets for Governmental Activities was largely due to an increase of \$102.8 million in invested capital assets, net of related debt. This increase is due to capital asset activity exceeding debt activity. The restricted fund balance decreased \$24.7 million, mainly due to spending Certificates of Participation (COPS) proceeds for capital projects. The unrestricted net assets balance increase of \$11.6 million is mainly due to the General Fund planned departmental expenditure reductions, which increased the General Fund fund balances.

The Highway User Revenue Fund (HURF) typically transfers funds to the Street and Highway Debt Service Fund to subsidize the July 1 principal and interest payments. A transfer in the current fiscal year was unnecessary because the City refunded the July 1, 2010 Streets and Highway principal payments totaling \$11.2 million (see long-term debt discussion) as a short-term expenditure reduction.

During fiscal year 2010, the business-type invested in capital assets net of related debt, increased \$10.4 million, which was primarily due to a \$6.7 million capitalization of a closed landfill cell.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

Figure 2 is a comparative summary of the City's net assets for fiscal years 2010 and 2009:

Net Assets	Figure 2					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 276,033,910	\$ 278,908,833	\$ 162,567,933	\$ 129,920,753	\$ 438,601,843	\$ 408,829,586
Capital Assets	1,794,516,210	1,716,762,586	1,217,850,319	1,200,184,801	3,012,366,529	2,916,947,387
Total Assets	2,070,550,120	1,995,671,419	1,380,418,252	1,330,105,554	3,450,968,372	3,325,776,973
Current and Other Liabilities	133,760,543	137,617,017	64,238,169	61,483,765	197,998,712	199,100,782
Long-term Liabilities	588,159,502	599,074,905	579,677,170	544,934,286	1,167,836,672	1,144,009,191
Total Liabilities	721,920,045	736,691,922	643,915,339	606,418,051	1,365,835,384	1,343,109,973
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	1,231,660,136	1,128,906,123	737,714,049	727,347,232	1,969,374,185	1,856,253,355
Restricted	129,992,175	154,738,778	35,566,434	33,361,233	165,558,609	188,100,011
Unrestricted (Deficit)	(13,022,236)	(24,665,404)	(36,777,570)	(37,020,962)	(49,799,806)	(61,686,366)
Total Net Assets	\$ 1,348,630,075	\$ 1,258,979,497	\$ 736,502,913	\$ 723,687,503	\$ 2,085,132,988	\$ 1,982,667,000

Figure 3 shows condensed financial information derived from the government-wide Statement of Activities (pg. 16) and reflects how the City's net assets changed during the course of the fiscal year:

Changes in Net Assets	Figure 3					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 102,596,184	\$ 101,861,260	\$ 186,970,950	\$ 182,202,735	\$ 289,567,134	\$ 284,063,995
Operating Grants and Contributions	124,171,155	119,638,739	7,762,635	6,761,845	131,933,790	126,400,584
Capital Grants and Contributions	116,859,034	124,734,954	10,190,038	16,126,145	127,049,072	140,861,099
Total Program Revenues	343,626,373	346,234,953	204,923,623	205,090,725	548,549,996	551,325,678
General Revenues:						
Taxes:						
Property Taxes	33,033,945	36,427,562			33,033,945	36,427,562
Business Privilege Taxes	172,738,382	184,328,136			172,738,382	184,328,136
Public Utility Taxes	18,216,381	6,711,441			18,216,381	6,711,441
Transient Occupancy Taxes	11,692,050	10,987,895			11,692,050	10,987,895
Occupational Taxes	127,851	86,868			127,851	86,868
Liquor Taxes	732,622	702,523			732,622	702,523
Unrestricted Grants and Contributions	125,011,993	141,187,557			125,011,993	141,187,557
Investment Income (Loss)	1,086,559	2,505,708	866,019	1,752,143	1,952,578	4,257,851
Miscellaneous	7,500,061	2,082,053			7,500,061	2,082,053
Total General Revenues	370,139,844	385,019,743	866,019	1,752,143	371,005,863	386,771,886
Total Revenues	713,766,217	731,254,696	205,789,642	206,842,868	919,555,859	938,097,564
Expenses:						
Elected and Official	18,771,020	18,779,409			18,771,020	18,779,409
Support Services	44,550,729	42,727,879			44,550,729	42,727,879
Neighborhood Services	354,449,593	366,985,315			354,449,593	366,985,315
Environment and Development	137,548,043	143,961,284			137,548,043	143,961,284
Strategic Initiatives	5,538,870	6,517,311			5,538,870	6,517,311
Non-Departmental	29,756,362	43,079,731			29,756,362	43,079,731
Interest on Long-term Debt	27,605,603	27,364,406			27,605,603	27,364,406
Fiscal Agent and Other	801,342	327,635			801,342	327,635
Public Housing AMP			12,370,229	11,006,286	12,370,229	11,006,286
Environmental Services			48,824,879	44,676,920	48,824,879	44,676,920
Golf			9,184,549	9,864,806	9,184,549	9,864,806
Water			127,688,652	125,467,271	127,688,652	125,467,271
Total Expenses	619,021,562	649,742,970	198,068,309	191,015,283	817,089,871	840,758,253
Changes in Net Assets						
before transfers	94,744,655	81,511,726	7,721,333	15,827,585	102,465,988	97,339,311
Transfers	(5,094,077)	(1,031,319)	5,094,077	1,031,319		
Changes in Net Assets	\$ 89,650,578	\$ 80,480,407	\$ 12,815,410	\$ 16,858,904	\$ 102,465,988	\$ 97,339,311

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

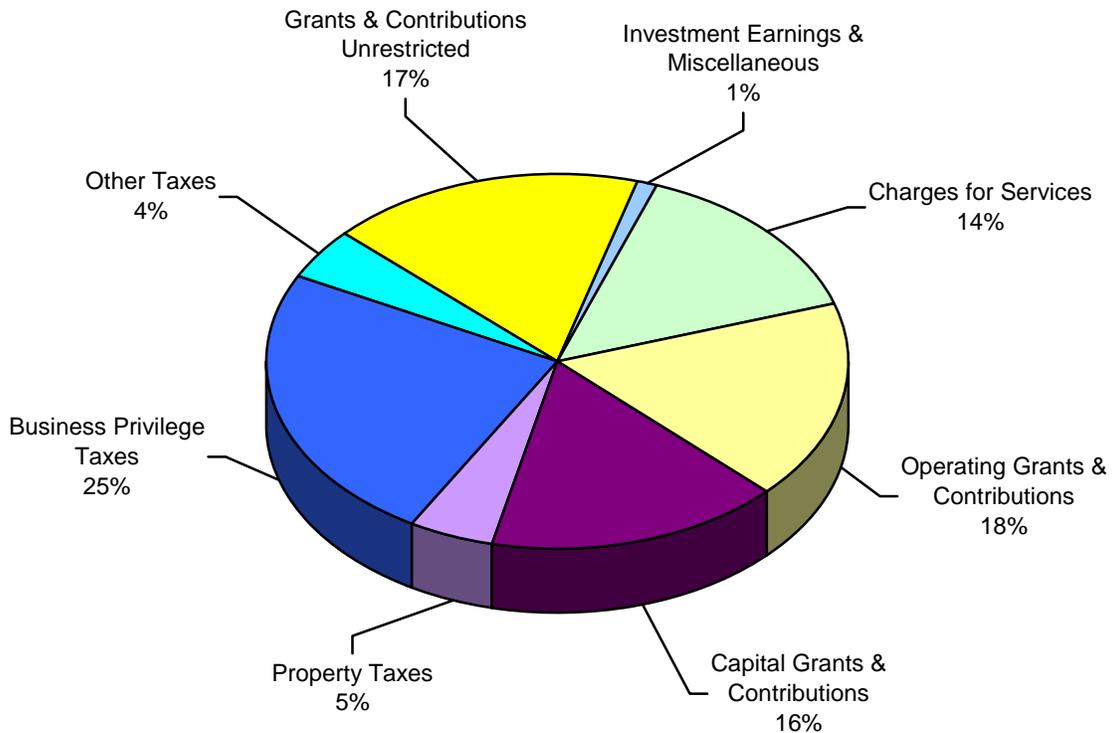
Governmental Activities

Total expenses for governmental activities for fiscal year 2010 were \$619.0 million, which was a \$30.7 million decrease from fiscal year 2009. Program revenues, including charges for services and restricted grants or contributions, covered 55.5% of these costs. General revenues covered the remaining 44.5% of governmental costs. Components of general revenues include taxes, unrestricted grants and contributions, investment income and miscellaneous revenues.

The significant changes in program revenues were due to increases in the operating grants and contributions, of \$4.5 million, which included increased activity in the City's Housing and Urban Development (HUD) grants. The capital grants and contributions decreased \$7.9 million due to fewer developer contributions (right of way) and reduced mass transit capital grants.

The following chart depicts both program and general revenues generated by governmental activities for fiscal year 2010:

Governmental Activities-Revenue Sources
For the Fiscal Year Ended June 30, 2010



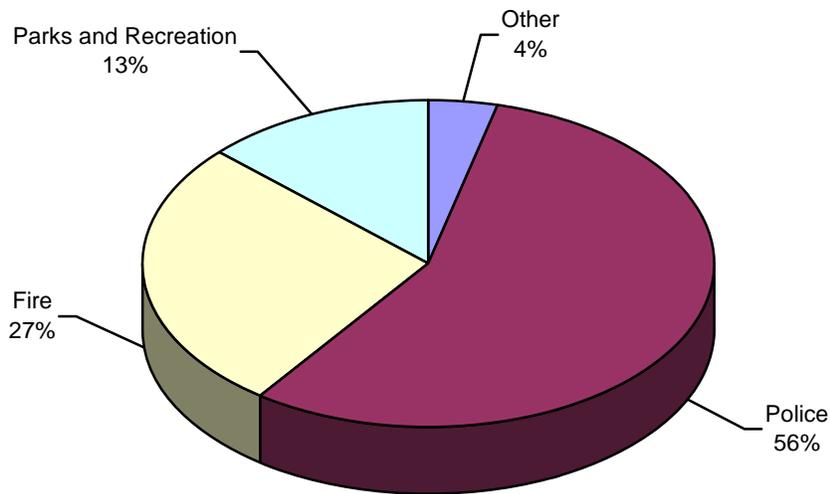
**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS**
For the Year Ended June 30, 2010

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

Net Expense/Revenue-Governmental Activities		Figure 4		
Function	2010		2009	
	Net (Exp)/Rev	Percentage	Net (Exp)/Rev	Percentage
Elected and Official	\$ (16,927,146)	6%	\$ (17,914,765)	6%
Support Services	(10,994,928)	4%	(21,395,572)	7%
Neighborhood Services	(229,468,971)	84%	(262,708,902)	87%
Environment and Development	40,492,304	(15%)	59,592,881	(20%)
Strategic Initiatives	(2,173,619)	1%	(3,036,256)	1%
Non-Departmental	(27,915,884)	10%	(30,353,362)	10%
Interest on Long-term Debt	(27,605,603)	10%	(27,364,406)	9%
Fiscal Agent Fees and Other	(801,342)	0%	(327,635)	0%
Total Net Expense	\$ (275,395,189)	100%	\$ (303,508,017)	100%

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

**Neighborhood Services Expenses by Department
For Fiscal Year ended June 30, 2010**



CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

Business-type Activities

The Water Utility Fund, the Environmental Service Fund, the Golf Course Fund, and the Public Housing AMP Fund comprise the City's business-type, or enterprise activities. The Environmental Service Fund and the Water Utility Fund are major funds for the City's enterprise activity. In fiscal year 2010 the business-type net assets increased \$12.8 million. The majority of this change is the capital contributions to the Water Fund during the fiscal year. The contributions primarily consist of infrastructure that is built by developers and donated to the City. These consist mainly of water distribution systems.

Water Utility Revenues

Total program revenues increased in fiscal year 2010 by \$2.2 million. Charges for services increased by \$8.1 million primarily due to an increase in metered sales, however, developer contributions decreased by \$5.8 million.

Water Utility Expenses

Total operating expenses increased by \$1.7 million in fiscal year 2010 compared to fiscal year 2009. The increase is primarily a net result of lower personnel costs of \$4.1 million, but higher contractual expenses and depreciation. Personnel cost reduction is attributed to continued attrition and furlough days. Higher Central Arizona Project (CAP) commodity costs and an increase in the City's internal service charges contributed to a \$3.7 million increase in contractual services. Additionally, depreciation expense increased by \$2.5 million. This reflects the expansion of, and improvements to, the water distribution and collection system.

Environmental Services Revenues

Total operating revenues decreased \$2.9 million in fiscal year 2010 as compared with fiscal year 2009. The main reason was a decrease in metal revenue and landfill services, due to waste handlers increasing their use of other landfills rather than City landfills.

Environmental Services Expenses

Total operating expenses increased by \$2.5 million, mainly due to an increase in Contractual Services by \$4.0 million further reflecting the cost of remediation associated with the Silverbell Landfill.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City has two major governmental funds: the General Fund and the Mass Transit Fund. General Fund revenues decreased \$10.3 million and expenditures decreased by \$36.7 million. The decrease in revenues is largely attributed to a net decrease in total state shared revenue sources of \$11.9 million. Current economic conditions have also resulted in lower business privilege tax (sales tax) collections. Because of these conditions, the City placed budget restrictions on departments which resulted in a significant decrease in expenditures. In addition the City refunded the July 1, 2010 COPS principal payment, as a part of a debt restructuring plan. The unassigned fund balance increased by \$5.8 million.

General Fund Revenues

- Total tax revenues increased \$7.1 million (3.4%). Comprised primarily of an increase in public utility taxes in July 2009 from 2% to 4%, resulting in an \$11.5 million additional tax revenue, combined with a reduction in business privilege taxes of \$3.1 million, and a reduction of use tax by \$2.1 million.
- Fines and forfeitures decreased \$1.2 million. The bulk of the decrease was from criminal traffic violations, which decreased by \$2.6 million and was partially offset by the addition of photo radar fines of \$1.7 million.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

- Contribution revenue from agencies decreased by \$16.5 million. Nearly the entire decrease is attributed to the City receiving \$11.9 million less in revenue sharing (state income taxes) from the State of Arizona than in fiscal year 2009.

General Fund Expenditures

- General Fund expenditures decreased by \$36.7 million dollars. The decrease is attributed to significant departmental budget restrictions and aggressive mid-year cost cutting measures based on the projected (and resulting) decrease in revenues. The significant reductions included Police expenditures which decreased by \$13.8 million, Non-Departmental expenditures decreased by \$11.5 million, with Fire followed by Parks and Recreation decreasing by \$4.7 million and \$4.4 million respectively. Parks and Recreation center hours continued to be reduced and 17 pools were closed. Increases included additional pension contributions the City was required to make based on the pension actuary's calculations.

Mass Transit Fund Revenues

- Total revenues decreased by \$2.1 million, a 3.7% decrease from fiscal year 2009. The significant part of the decrease is due to \$4.6 million less revenue in capital grant income for van and bus purchases. The decrease in revenues was partially offset by an increase of \$1.8 million in Regional Transit Authority (RTA) revenue from projects targeting overcrowding relief and special transportation needs.

Mass Transit Fund Expenditures

- Total expenditures decreased \$4.5 million, a 5.2% decrease from fiscal year 2009. This reduction is largely attributed to the decrease in bus purchases.

General Fund Budgetary Highlights

The annual budget is the legally adopted expenditure control document of the City. The budgetary comparison schedule for the General Fund (pg 69) shows the original budget (adopted), the final budget (revised), and actual revenues and expenditures for the fiscal year. The variance of the actual revenues to the final budget is a negative \$13.9 million (3.2%).

- Actual revenues from taxes came in at the final budget. The largest portion of taxes the City collects is the Business Privilege Tax, which is a 2% sales and use tax paid by consumers.
- The other large variance is a decrease of \$6.7 million in other agencies revenues. The main source of other agencies revenues is from the City's portion of the Arizona state shared revenues. The current economic conditions resulted in lower distributions for state income, sales, and auto-lieu taxes.
- The total positive variance of \$21.3 million in expenditures and other financing sources/uses can be primarily contributed to aggressive cost cutting policies city-wide. Within current expenditures, Neighborhood Services (Public Safety and Parks and Recreation), which represents 71.9% of General Fund expenditures, had the largest positive variance of \$9.4 million.
- The decrease of \$11.3 million in the final budgeted amounts compared to the original budgeted amounts, in both revenues and expenditures, is due to management actions in response to the economic recession. Reduced revenue collections and the corresponding expenditure reduction initiatives resulted in the changes.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Figure 5 provides details of the City's capital assets as of June 30, 2010 and June 30, 2009:

Capital Assets (net of depreciation)						Figure 5
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 680,644,113	\$ 655,817,293	\$ 65,958,375	\$ 65,569,319	\$ 746,602,488	\$ 721,386,612
Buildings and Improvements	287,922,584	261,374,423	98,596,827	93,502,503	386,519,411	354,876,926
Equipment	107,262,096	108,246,035	31,402,849	31,027,648	138,664,945	139,273,683
Infrastructure	378,576,974	378,969,472	860,760,495	839,100,792	1,239,337,469	1,218,070,264
Construction in Progress	340,110,443	312,355,363	108,986,090	118,810,783	449,096,533	431,166,146
Goodwill			18,715	46,788	18,715	46,788
Water Rights			52,126,968	52,126,968	52,126,968	52,126,968
Total	\$ 1,794,516,210	\$ 1,716,762,586	\$ 1,217,850,319	\$ 1,200,184,801	\$ 3,012,366,529	\$ 2,916,947,387

Additional information regarding capital assets can be found in Note 7 on page 52.

Governmental Activities

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

- The net increase in land holdings was \$24.8 million. Half of the increase (\$12.8 million) is land conveyed to the City from the Rio Nuevo Multipurpose Facilities District (the District) west of downtown. The City also recognized \$4.4 million additional right-of-way contributed the City by developers after construction of neighborhoods and commercial developments were completed. The City also expended \$3.9 million to purchase right-of-way properties for road improvements and widening projects.
- Building and improvements had a net increase of \$43.2 million due to the capitalization of several capital improvement projects. These projects include \$5.2 million for the fire administration and station relocation, Neighborhood Stabilization Program (NSP) properties of \$5.3 million, the crime lab investigation division renovation of \$4.9 million, and the bus maintenance & storage facility of \$4.6 million. Capital asset additions were offset with \$17.2 million of depreciation expense.
- Infrastructure improvements include streets, sidewalks, street lighting, traffic signals and drainage. The City's infrastructure remained consistent with prior fiscal year 2009. Depreciation for the City's Infrastructure assets was \$20.6 million
- Total increase over fiscal year 2009 of the City construction-in-progress (CIP) assets is \$27.8 million, which consisted of several large projects such as the fire station head quarters and police evidence buildings. Additionally, during fiscal year 2010, it was decided that some of the CIP assets purchased by the District should be included in the City's capital assets. The book value of the CIP assets donated was \$1.6 million.

**CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

Business-type Activities

Business-type activities had a net increase of \$17.7 million in capital assets during the fiscal year.

- The Water Utilities' capital program provides for the construction, expansion, and replacement of both potable and reclaimed water distribution systems. In fiscal year 2010 there was a net increase of \$42.6 million which included an increase in pipes of \$39.6, tanks and reservoirs increased by \$3.3 million, and hydrants and meters increased by \$7.0 million.
- The net change in business-type CIP was a decrease of \$9.8 million. Two of the business-type funds recognized the bulk of the increase. The Water Utility's CIP assets decreased by \$3.0 million as a result of more projects were completed and capitalized than capital project expenditures were incurred during the year. The Environmental Services Fund CIP balance decreased by \$6.7 million mainly due to the capitalization of the Los Reales Landfill project.

Long-term Debt

Figure 6 illustrates the City's long-term debt as of June 30, 2010 and June 30, 2009. Additional information regarding long-term debt can be found in Notes 8 through 12 starting on page 53.

Long-term Debt	Figure 6					
	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Debt	\$ 238,315,610	\$ 254,075,610	\$	\$	\$ 238,315,610	\$ 254,075,610
Street & Highway Revenue Bonds	123,550,000	124,150,000			123,550,000	124,150,000
Certificates of Participation	190,771,000	191,226,000	14,529,000	14,529,000	205,300,000	205,755,000
Special Assessment Bonds	3,626,000	4,192,635			3,626,000	4,192,635
Federal Highway Loan		5,900,000				5,900,000
Clean Renewable Energy Bonds	7,011,600	7,595,900			7,011,600	7,595,900
Water Revenue Bonds			483,682,203	459,874,394	483,682,203	459,874,394
Central Arizona Project Loan			2,230,711	3,264,066	2,230,711	3,264,066
Deferred Amount on Refundings, Premiums and Discounts	7,900,713	6,813,126	171,962	100,721	8,072,675	6,913,847
Landfill Closure/Post Closure			37,222,517	40,016,425	37,222,517	40,016,425
Deferred Revenue			53,237,580	42,362,755	53,237,580	42,362,755
Remediation	1,675,632	1,991,951	6,585,000	785,000	8,260,632	2,776,951
Capital Leases Payable	5,687,600	7,697,512	2,738,197	5,028,084	8,425,797	12,725,596
Other Post-employment Benefits	1,120,724	1,924,809	261,761	433,506	1,382,485	2,358,315
Compensated Absences	37,549,860	35,848,372	6,158,467	5,748,864	43,708,327	41,597,236
Claims and Judgments	40,065,287	31,117,560			40,065,287	31,117,560
Total	\$ 657,274,026	\$ 672,533,475	\$ 606,817,398	\$ 572,142,815	\$ 1,264,091,424	\$ 1,244,676,290

Outstanding debt for the City totaled \$1.26 billion with 52% attributed to governmental activities and the remaining 48% attributed to business-type activities. The following information describes significant changes in long-term debt for the fiscal year.

Governmental Activities

- To assist with cash flow constraints, the City issued two debt refundings during fiscal year 2010. The first refunding was issued June 28, 2010 to refund the July 1, 2010 Senior Lien Street & Highway bond principal payment in the amount of \$10.6 million. The second refunding was also issued June 28, 2010 in the amount of \$13.3 million to refund the July 1, 2010 principal Certificates of Participation (COPS) payments.

CITY OF TUCSON, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010

- The City paid \$15.8 million in general obligation principal debt in fiscal year 2010.
- The City paid \$3.8 million in capital lease payments. A new lease was added for Reid Park lighting safety improvements for \$1.8 million. The lease purchasing cycle on several leases is concluding resulting in a decrease in capital lease debt balance.

Business-type Activities

- In fiscal year 2010 the Water Utility issued \$38.5 million in revenue bonds and \$3.0 million in Water Infrastructure Finance Authority (WIFA) bonds to pay for water infrastructure construction and improvements.

Bond Ratings

Figure 7 provides the bond ratings for fiscal year 2010 (current) and fiscal year 2009 (previous):

Bond Ratings	Figure 7					
	Moody's		Standard & Poor's		Fitch	
Type of Bond:	Current	Previous	Current	Previous	Current	Previous
General Obligation Bonds	Aa3	Aa3	AA-	AA-	AA	AA
Street & Highway User Revenue Bonds						
Senior Lien	Aa3	A1	AA+	AA+	AA	AA-
Junior Lien	A2	A2	AA	A	AA-	A+
Water System Revenue Bonds						
Senior Lien	Aa2	Aa3	AA-	AA-	AA	AA
Junior Lien	N/R	N/R	N/R	N/R	N/R	N/R
Certificates of Participation	Aa3	A1	A+	A+	AA-	AA-

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Accounting Division, 255 W. Alameda, 8th floor, Tucson, Arizona 85701, (520) 837-4330, www.tucsonaz.gov.



City of Tucson, Arizona



BASIC FINANCIAL STATEMENTS

CITY OF TUCSON, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Partnerships
ASSETS				
Current assets:				
Pooled Cash and Investments	\$ 53,833,790	\$ 26,957,509	\$ 80,791,299	\$ 31,813
Cash & Investments - Restricted		38,498,730	38,498,730	850,517
Cash & Investments with Fiscal Agent - Restricted	34,390,319	28,554,858	62,945,177	
Taxes Receivable, Net	16,776,534		16,776,534	
Accounts Receivable, Net	24,600,488	26,100,592	50,701,080	337,983
Special Assessments Receivable	2,794,917		2,794,917	
Internal Balances	20,198,607	(20,198,607)		
Due from Other Agencies	48,251,674	890,158	49,141,832	
Interest Receivable	301,859	18,588	320,447	
Inventories	5,371,500	2,184,929	7,556,429	
Other Assets	696,840	974,333	1,671,173	13,294
Total current assets	207,216,528	103,981,090	311,197,618	1,233,607
Noncurrent assets:				
Long Term Accounts Receivable	17,956,233	53,764,973	71,721,206	
Long Term Notes Receivable	21,333,372		21,333,372	
Long Term Investments	1,598,240		1,598,240	
Other Assets - Restricted	21,538,913	601,009	22,139,922	
Deferred Charges	6,390,624	4,220,861	10,611,485	82,378
Land & Construction in Progress	1,020,754,556	174,944,465	1,195,699,021	1,025,901
Other Capital Assets, Net	773,761,654	990,760,171	1,764,521,825	41,805,325
Goodwill, Net		18,715	18,715	
Water Rights		52,126,968	52,126,968	
Total noncurrent assets	1,863,333,592	1,276,437,162	3,139,770,754	42,913,604
Total assets	2,070,550,120	1,380,418,252	3,450,968,372	44,147,211
LIABILITIES				
Current liabilities:				
Accounts Payable	18,970,293	4,089,367	23,059,660	587,287
Accrued Payroll Liabilities	9,975,563	1,637,108	11,612,671	13,171
Accrued Interest Payable	123,917	49,892	173,809	969,552
Due to Other Agencies	1,047,560	1,520,653	2,568,213	
Refundable Deposits	7,477,057	3,487,475	10,964,532	203,854
Liabilities Payable from Restricted Assets	24,827,329	27,251,718	52,079,047	
Unearned Revenue	2,224,300	148,819	2,373,119	12,325
Current portion of Long Term Liabilities	69,114,524	26,053,137	95,167,661	
Total current liabilities	133,760,543	64,238,169	197,998,712	1,786,189
Noncurrent liabilities:				
Long Term Liabilities	588,159,502	579,677,170	1,167,836,672	44,611,490
Total non-current liabilities	588,159,502	579,677,170	1,167,836,672	44,611,490
Total liabilities	721,920,045	643,915,339	1,365,835,384	46,397,679
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,231,660,136	737,714,049	1,969,374,185	(1,186,872)
Restricted for Debt Service	9,478,926	29,089,383	38,568,309	
Restricted for Capital	46,922,073	991,356	47,913,429	
Restricted for Grants and Entitlements	22,804,814	5,485,695	28,290,509	
Restricted for Other Purposes	6,645,654		6,645,654	850,517
Restricted for Self Insurance Mandates	24,560,096		24,560,096	
Restricted for Transportation	19,580,612		19,580,612	
Unrestricted	(13,022,236)	(36,777,570)	(49,799,806)	(1,914,113)
Total net assets	\$ 1,348,630,075	\$ 736,502,913	\$ 2,085,132,988	\$ (2,250,468)

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

**CITY OF TUCSON, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Elected and Official	\$ 18,771,020	\$ 757,582	\$ 1,086,292	\$
Support Services	44,550,729	32,511,057	785,549	259,195
Neighborhood Services	354,449,593	36,254,528	63,236,301	25,489,793
Environment and Development	137,548,043	27,887,679	59,042,622	91,110,046
Strategic Initiatives	5,538,870	3,352,751	12,500	
Non-Departmental	29,756,362	1,832,587	7,891	
Interest	27,605,603			
Fiscal Agent Fees	801,342			
Total governmental activities	<u>619,021,562</u>	<u>102,596,184</u>	<u>124,171,155</u>	<u>116,859,034</u>
Business-type activities:				
Public Housing AMP	12,370,229	3,575,243	7,762,635	
Environmental Services	48,824,879	40,998,260		177,262
Golf Course	9,184,549	7,341,967		
Water Utility	127,688,652	135,055,480		10,012,776
Total business-type activities	<u>198,068,309</u>	<u>186,970,950</u>	<u>7,762,635</u>	<u>10,190,038</u>
Total primary government	<u>\$ 817,089,871</u>	<u>\$ 289,567,134</u>	<u>\$ 131,933,790</u>	<u>\$ 127,049,072</u>
Component Unit:				
Housing Partnerships	<u>\$ 8,196,857</u>	<u>\$ 1,774,790</u>	<u>\$ 1,981,974</u>	

General revenues:

Taxes:

- Property Taxes
- 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

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

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Governmental Activities	Business-type Activities	Totals	Housing Partnerships
\$ (16,927,146)	\$	\$ (16,927,146)	
(10,994,928)		(10,994,928)	
(229,468,971)		(229,468,971)	
40,492,304		40,492,304	
(2,173,619)		(2,173,619)	
(27,915,884)		(27,915,884)	
(27,605,603)		(27,605,603)	
(801,342)		(801,342)	
<u>(275,395,189)</u>		<u>(275,395,189)</u>	
	(1,032,351)	(1,032,351)	
	(7,649,357)	(7,649,357)	
	(1,842,582)	(1,842,582)	
	<u>17,379,604</u>	<u>17,379,604</u>	
	6,855,314	6,855,314	
<u>(275,395,189)</u>	<u>6,855,314</u>	<u>(268,539,875)</u>	
			<u>(4,440,093)</u>
33,033,945		33,033,945	
172,738,382		172,738,382	
18,216,381		18,216,381	
11,692,050		11,692,050	
127,851		127,851	
732,622		732,622	
125,011,993		125,011,993	
1,086,559	866,019	1,952,578	4,132
7,500,061		7,500,061	
(5,094,077)	5,094,077		
<u>365,045,767</u>	<u>5,960,096</u>	<u>371,005,863</u>	<u>4,132</u>
89,650,578	12,815,410	102,465,988	(4,435,961)
<u>1,258,979,497</u>	<u>723,687,503</u>	<u>1,982,667,000</u>	<u>2,185,493</u>
<u>\$ 1,348,630,075</u>	<u>\$ 736,502,913</u>	<u>\$ 2,085,132,988</u>	<u>\$ (2,250,468)</u>

CITY OF TUCSON, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Pooled Cash and Investments	\$	\$ 261,500	\$ 46,005,081	\$ 46,266,581
Cash/Investments with Fiscal Agents	1,414,997	4,507	25,458,430	26,877,934
Cash & Investments with Fiscal Agent - Restricted			4,491,202	4,491,202
Taxes Receivable - Current	18,483,353			18,483,353
Accounts Receivable, Net	23,140,629	523,327	817,431	24,481,387
Special Assessments Receivable			2,794,917	2,794,917
Notes & Loans Receivable	3,425,301		17,908,071	21,333,372
Due from Other Agencies	19,391,187	4,205,899	24,635,928	48,233,014
Interfund Receivable	37,806,727		20,017,374	57,824,101
Grants & Entitlements Receivable		3,072,619	14,883,614	17,956,233
Interest Receivable	12,093		40,181	52,274
Inventories	1,374,597	3,095,154		4,469,751
Long Term Investments			1,598,240	1,598,240
Other Assets		320,641	56,810	377,451
Total assets	<u>\$ 105,048,884</u>	<u>\$ 11,483,647</u>	<u>\$ 158,707,279</u>	<u>\$ 275,239,810</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,175,733	\$ 4,489,104	\$ 8,527,937	\$ 16,192,774
Accrued Payroll Liabilities	8,353,731	303,880	868,196	9,525,807
Accrued Interest Payable			901	901
Interfund Payable	20,017,376	2,941,371	17,200,960	40,159,707
Due to Other Agencies	989,965		55,967	1,045,932
Refundable Deposits	6,236,634	403	1,227,497	7,464,534
Bonds & Interest Payable, including Special Assessments			24,827,329	24,827,329
Deferred Revenue	19,123,440	67,087	20,586,286	39,776,813
Total liabilities	<u>57,896,879</u>	<u>7,801,845</u>	<u>73,295,073</u>	<u>138,993,797</u>
Fund balances:				
Nonspendable	3,091,091	3,415,795	1,598,240	8,105,126
Restricted	4,288,438		68,556,717	72,845,155
Committed	5,412,146	4,507	3,280,037	8,696,690
Assigned	11,523,823	261,500	13,517,739	25,303,062
Unassigned	22,836,507		(1,540,527)	21,295,980
Total fund balances	<u>47,152,005</u>	<u>3,681,802</u>	<u>85,412,206</u>	<u>136,246,013</u>
Total liabilities and fund balances	<u>\$ 105,048,884</u>	<u>\$ 11,483,647</u>	<u>\$ 158,707,279</u>	<u>\$ 275,239,810</u>

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, 2010

Total Governmental Fund Balances (pg. 18)		136,246,013
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		1,769,975,688
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Deferred Charges	6,301,014	
Allowance for Doubtful Accounts	(1,706,819)	
Total Other Long-term Assets		4,594,195
Liabilities that are not due and payable in the current period and therefore are not reported in the governmental funds. These liabilities consist of:		
Bonds and Notes Payable	(373,392,322)	
Capital Leases	(196,446,202)	
Matured Lease Principal	(919,988)	
Compensated Absences	(37,549,860)	
OPEB Liabilities	(1,120,724)	
Total Long-term Liabilities		(609,429,096)
Interest payable on long-term debt is not reported in governmental funds.		(123,016)
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.		37,552,513
Internal service funds are used by management to charge the costs of fleet maintenance, self-insurance, and facilities management. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		(4,039,562)
Adjustment to consolidate internal service activities.		13,853,340
Net Assets of Governmental Activities (pg. 15)		\$ 1,348,630,075

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 215,668,210	\$	\$ 21,396,898	\$ 237,065,108
Licenses and Permits	21,786,026		65,454	21,851,480
Fines and Forfeitures	14,148,259		442,953	14,591,212
Developer Fees			3,617,096	3,617,096
Use of Money and Property	1,949,314	257,051	863,609	3,069,974
Federal Grants and Contributions		26,303,155	81,994,141	108,297,296
Other Agencies	126,282,205	13,529,437	102,472,726	242,284,368
Charges for Services	41,578,013	11,896,786	5,633,766	59,108,565
Special Assessments			652,683	652,683
Contributions from Outside Sources			230,085	230,085
Miscellaneous	1,421,761	1,605,257	655,408	3,682,426
Total revenues	<u>422,833,788</u>	<u>53,591,686</u>	<u>218,024,819</u>	<u>694,450,293</u>
Expenditures:				
Current -				
Elected and Official	17,349,689		1,085,855	18,435,544
Support Services	38,201,829		92,059	38,293,888
Neighborhood Services	272,460,827		62,413,346	334,874,173
Environment and Development	8,853,634	63,731,012	29,173,220	101,757,866
Strategic Initiatives			5,378,320	5,378,320
Non-Departmental	26,530,343		3,878,915	30,409,258
Capital Outlay	2,577,376	12,420,905	7,208,583	22,206,864
Capital Projects	1,292,568	7,206,131	87,360,741	95,859,440
Debt service -				
Principal	3,259,613		23,508,023	26,767,636
Interest	8,255,956		19,358,361	27,614,317
Fiscal Agent Fees	199,205		10,575	209,780
Issuance Costs of Debt	190,397		231,682	422,079
Total expenditures	<u>379,171,437</u>	<u>83,358,048</u>	<u>239,699,680</u>	<u>702,229,165</u>
Excess (deficiency) of revenues over expenditures	<u>43,662,351</u>	<u>(29,766,362)</u>	<u>(21,674,861)</u>	<u>(7,778,872)</u>
Other financing sources (uses):				
Bond Issuance			10,560,000	10,560,000
Capital Leases	15,080,000			15,080,000
Premium on Debt Issuance	549,486		1,136,970	1,686,456
Transfers In	69,988	29,751,202	7,131,132	36,952,322
Refunded Bond Escrow Agent	(13,499,089)		(11,465,288)	(24,964,377)
Transfers Out	(38,438,299)		(1,260,862)	(39,699,161)
Total other financing sources (uses)	<u>(36,237,914)</u>	<u>29,751,202</u>	<u>6,101,952</u>	<u>(384,760)</u>
Changes in fund balances	<u>7,424,437</u>	<u>(15,160)</u>	<u>(15,572,909)</u>	<u>(8,163,632)</u>
Fund balances, beginning of year	39,727,568	3,696,962	100,985,115	144,409,645
Fund balances, end of year	<u>\$ 47,152,005</u>	<u>\$ 3,681,802</u>	<u>\$ 85,412,206</u>	<u>\$ 136,246,013</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, 2010

Net Change in Fund Balances - Total Governmental Funds (pg. 20)		\$ (8,163,632)
<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	118,066,304	
Depreciation Expense	<u>(52,831,685)</u>	65,234,619
<p>Only gains or losses on sale of capital assets are reported in the Statement of Activities, whereas total proceeds are recorded in the governmental funds. The change in net assets differs by the cost of the assets sold.</p>		
Proceeds on the sale of an asset	(539,461)	
Gain on the sale of an asset	322,040	
Loss on the sale of an asset	<u>(375,128)</u>	(592,549)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		25,675,248
<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	(27,326,456)	
Repayment of Debt Principal	<u>26,767,636</u>	(558,820)
<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		24,380,000
<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	422,080	
Amortization of Issuance Costs	<u>(571,930)</u>	(149,850)
<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>		
Accrued Interest Expense	8,714	
Amortization of Premium on Debt	<u>598,868</u>	607,582
<p>Governmental funds do not recognize the changes in long-term debt:</p>		
Change in Compensated Absences Liability		(1,856,606)
Change in OPEB Liability		804,085
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet services, to individual funds. A portion of the net revenue (expense) of the internal service funds is reported within governmental activities.</p>		
		(15,729,499)
Change in Net Assets of Governmental Activities (pg. 17)		<u>\$ 89,650,578</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, 2010

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Pooled Cash and Investments	\$ 9,836,854	\$ 10,722,380	\$ 6,398,275	\$ 26,957,509	\$ 7,567,209
Cash & Investments - Restricted	991,356	37,507,374		38,498,730	
Cash & Investments with Fiscal Agent - Restricted	797,459	27,547,524	209,875	28,554,858	3,021,183
Accounts Receivable, Net	3,239,952	22,775,029	85,611	26,100,592	119,101
Due from Other Agencies	35,340	112,739	742,079	890,158	18,660
Interest Receivable	7,718	8,478	2,392	18,588	249,585
Inventories		1,722,741	462,188	2,184,929	901,749
Other Assets		974,333		974,333	319,389
Total current assets	<u>14,908,679</u>	<u>101,370,598</u>	<u>7,900,420</u>	<u>124,179,697</u>	<u>12,196,876</u>
Noncurrent assets:					
Long Term Accounts Receivable		677,753	53,087,220	53,764,973	
Other Assets - Restricted		601,009		601,009	21,538,913
Deferred Charges	356,129	3,791,586	73,146	4,220,861	89,610
Land & Construction in Progress	9,909,437	153,075,321	11,959,707	174,944,465	90,692
Other Capital Assets, Net	23,543,397	933,280,793	33,935,981	990,760,171	24,449,830
Goodwill, Net		18,715		18,715	
Water Rights, Net		52,126,968		52,126,968	
Total noncurrent assets	<u>33,808,963</u>	<u>1,143,572,145</u>	<u>99,056,054</u>	<u>1,276,437,162</u>	<u>46,169,045</u>
Total assets	<u>48,717,642</u>	<u>1,244,942,743</u>	<u>106,956,474</u>	<u>1,400,616,859</u>	<u>58,365,921</u>
LIABILITIES					
Current liabilities:					
Accounts Payable	1,629,645	1,807,668	652,054	4,089,367	1,857,531
Accrued Payroll Liabilities	435,091	979,696	222,321	1,637,108	449,756
Accrued Interest Payable	42,538		7,354	49,892	
Interfund Payable			6,345,267	6,345,267	11,319,127
Due to Other Agencies	406	1,472,114	48,133	1,520,653	1,628
Refundable Deposits	41,135	2,509,345	936,995	3,487,475	12,523
Current Portion of Bonds Payable		20,035,756		20,035,756	584,300
Current Portion of Contracts Payable	1,567,096	198,592	5,969	1,771,657	7,395
Claims Payable					8,621,183
Remediation Obligations					211,540
Current Portion of Compensated Absences	712,337	2,027,552	201,877	2,941,766	
Liabilities Payable from Restricted Assets		27,251,718		27,251,718	
Unearned Revenue		24,064	124,755	148,819	
Current portion of Long Term Liabilities	1,303,958			1,303,958	
Total current liabilities	<u>5,732,206</u>	<u>56,306,505</u>	<u>8,544,725</u>	<u>70,583,436</u>	<u>23,064,983</u>
Noncurrent liabilities:					
Unearned Revenue			53,237,580	53,237,580	
Bonds Payable		463,723,233		463,723,233	6,427,300
Contracts Payable	11,903,529		3,687,187	15,590,716	5,004
Claims Payable					31,444,104
Remediation Obligations					1,464,092
Compensated Absences	763,793	2,221,229	231,679	3,216,701	
Other Post-employment Benefits	120,798	97,861	43,102	261,761	
Long Term Liabilities	42,503,559			42,503,559	
Long Term Liabilities Payable from Restricted Assets		1,143,620		1,143,620	
Total non-current liabilities	<u>55,291,679</u>	<u>467,185,943</u>	<u>57,199,548</u>	<u>579,677,170</u>	<u>39,340,500</u>
Total liabilities	<u>61,023,885</u>	<u>523,492,448</u>	<u>65,744,273</u>	<u>650,260,606</u>	<u>62,405,483</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	20,359,649	675,081,888	42,272,512	737,714,049	17,606,357
Restricted for Debt Service	797,459	28,082,049	209,875	29,089,383	
Restricted for Capital	991,356			991,356	
Restricted for Self Insurance Mandates					24,560,096
Restricted for Grants and Entitlements			5,485,695	5,485,695	
Unrestricted	(34,454,707)	18,286,358	(6,755,881)	(22,924,230)	(46,206,015)
Total net assets	<u>\$ (12,306,243)</u>	<u>\$ 721,450,295</u>	<u>\$ 41,212,201</u>	<u>\$ 750,356,253</u>	<u>\$ (4,039,562)</u>
Reconciliation to government-wide Statement of Net Assets					
Adjustment to consolidate internal service activities	(10,386,004)	(3,122,544)	(344,792)	(13,853,340)	
Total Net Assets - Business Type	<u>\$ (22,692,247)</u>	<u>\$ 718,327,751</u>	<u>\$ 40,867,409</u>	<u>\$ 736,502,913</u>	

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

CITY OF TUCSON, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds				Governmental Activities
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Operating revenues:					
Charges for Services	\$ 39,197,577	\$ 134,933,197	\$ 10,852,996	\$ 184,983,770	\$ 52,178,237
Federal Grants and Contributions			7,762,635	7,762,635	
Miscellaneous	1,800,683	122,283	64,214	1,987,180	144,368
Total operating revenues	<u>40,998,260</u>	<u>135,055,480</u>	<u>18,679,845</u>	<u>194,733,585</u>	<u>52,322,605</u>
Operating expenses:					
Personal Services	15,351,762	30,074,694	7,501,240	52,927,696	15,470,511
Contractual Services	20,418,629	43,749,734	8,239,366	72,407,729	13,336,489
Commodities	3,766,922	6,131,043	2,616,999	12,514,964	13,551,396
Cost of Goods Sold			251,674	251,674	
Benefits and Claims					18,904,171
Depreciation	4,593,940	27,088,441	2,534,186	34,216,567	6,207,913
Total operating expenses	<u>44,131,253</u>	<u>107,043,912</u>	<u>21,143,465</u>	<u>172,318,630</u>	<u>67,470,480</u>
Operating income (loss)	<u>(3,132,993)</u>	<u>28,011,568</u>	<u>(2,463,620)</u>	<u>22,414,955</u>	<u>(15,147,875)</u>
Nonoperating revenues (expenses):					
Other Agencies		5,000		5,000	
Investment Income	54,808	242,056	32,740	329,604	108,820
Gain (loss) on Sale of Property/Equipment	355,725	179,635	1,055	536,415	234,392
Federal Grants and Contributions	177,262	112,956		290,218	
Interest Expense	(677,579)	(17,646,472)	(188,134)	(18,512,185)	(490)
Amortization of Issuance Costs	(19,500)	(291,434)	(7,315)	(318,249)	(7,185)
Other Non-operating Income (Expense)		(992,207)		(992,207)	
Total nonoperating revenues (expenses)	<u>(109,284)</u>	<u>(18,390,466)</u>	<u>(161,654)</u>	<u>(18,661,404)</u>	<u>335,537</u>
Income (loss) before capital contributions and transfers	<u>(3,242,277)</u>	<u>9,621,102</u>	<u>(2,625,274)</u>	<u>3,753,551</u>	<u>(14,812,338)</u>
Capital Contributions					
Transfers In	368,416	9,894,820	2,481,270	9,894,820	334,899
Transfers Out	(2,265)	2,456,656	(210,000)	5,306,342	173,402
				(212,265)	(7,352,500)
Changes in net assets	<u>(2,876,126)</u>	<u>21,972,578</u>	<u>(354,004)</u>	<u>18,742,448</u>	<u>(21,656,537)</u>
Total net assets, beginning of year	<u>(9,430,117)</u>	<u>699,477,717</u>	<u>41,566,205</u>	<u>731,613,805</u>	<u>17,616,975</u>
Total net assets, end of year	<u>\$ (12,306,243)</u>	<u>\$ 721,450,295</u>	<u>\$ 41,212,201</u>	<u>\$ 750,356,253</u>	<u>\$ (4,039,562)</u>
Reconciliation to government-wide Statement of Net Assets					
Changes in net assets	(2,876,126)	21,972,578	(354,004)	18,742,448	
Adjustment to consolidate internal service activities	(3,996,547)	(1,714,627)	(215,864)	(5,927,038)	
Changes in net assets - Business-type activities	<u>\$ (6,872,673)</u>	<u>\$ 20,257,951</u>	<u>\$ (569,868)</u>	<u>\$ 12,815,410</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, 2010**

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities:					
Cash Received from Customers	\$ 39,110,377	\$ 132,676,145	\$ 10,502,852	\$182,289,374	\$ 52,135,711
Cash Payments to Suppliers for Goods and Services	(19,682,642)	(47,975,391)	(11,080,263)	(78,738,296)	(27,528,055)
Cash Payments to Employees for Services	(15,205,610)	(29,944,434)	(7,464,396)	(52,614,440)	(15,438,032)
Subsidy from Federal Grant			7,911,403	7,911,403	
Other Operating Revenues	1,799,745		663	1,800,408	135,644
Cash Payments to Claimants					(9,956,444)
Net Cash Provided (Used) by Operating Activities	<u>6,021,870</u>	<u>54,756,320</u>	<u>(129,741)</u>	<u>60,648,449</u>	<u>(651,176)</u>
Cash Flows from Noncapital Financing Activities:					
Interfund Transfers	366,152		2,271,270	2,637,422	(2,226,047)
Advances from Other Funds			848,012	848,012	(979,748)
Subsidy from Federal Grant	204,604	256,227		460,831	
Interest Paid on Advances			(10,138)	(10,138)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>570,756</u>	<u>256,227</u>	<u>3,109,144</u>	<u>3,936,127</u>	<u>(3,205,795)</u>
Cash Flows from Capital and Related Financing Activities:					
Bond Issuance		39,800,000		39,800,000	
Acquisition and Construction of Capital Assets	(3,067,093)	(32,870,363)	(35,845)	(35,973,301)	(221,987)
Transfers from Other Funds					151,787
Principal Paid on Capital Debt	(2,221,084)	(18,850,885)	(5,675)	(21,077,644)	(588,868)
Interest Paid on Capital Debt	(380,491)	(18,028,815)	(180,441)	(18,589,747)	(574)
Fiscal Agent Fees Paid on Capital Debt		(822,475)		(822,475)	
Landfill Closure Costs	(1,039,886)			(1,039,886)	
Proceeds from Sale of Assets/Equipment	506,721	184,086	6,441	697,248	282,519
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,201,833)</u>	<u>(30,588,452)</u>	<u>(215,520)</u>	<u>(37,005,805)</u>	<u>(377,123)</u>
Cash Flows from Investing Activities:					
Interest on Investments	49,120	198,651	31,405	279,176	290,524
Proceeds from Sale of Investments					24,986,000
Purchase of Investments					(22,011,940)
Net Cash Provided (Used) by Investing Activities	<u>49,120</u>	<u>198,651</u>	<u>31,405</u>	<u>279,176</u>	<u>3,264,584</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>439,913</u>	<u>24,622,746</u>	<u>2,795,288</u>	<u>27,857,947</u>	<u>(969,510)</u>
Cash and Cash Equivalents - July 1	<u>11,185,756</u>	<u>51,154,532</u>	<u>3,812,862</u>	<u>66,153,150</u>	<u>11,557,902</u>
Cash and Cash Equivalents - June 30	<u>\$ 11,625,669</u>	<u>\$ 75,777,278</u>	<u>\$ 6,608,150</u>	<u>\$ 94,011,097</u>	<u>\$ 10,588,392</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, 2010**

	Enterprise Funds			Governmental Activities	
	Environmental Services	Water Utility Fund	Non-Major Enterprise Funds	Total	Internal Service Funds
Reconciliation of Operating Income to Net					
Cash Provided (Used)by Operating Activities:					
Operating Income (Loss)	\$ (3,132,993)	\$ 28,011,568	\$ (2,463,620)	\$ 22,414,955	\$ (15,147,875)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	4,593,940	27,088,441	2,534,186	34,216,567	6,207,913
Provision for Landfill Closure	4,045,977			4,045,977	
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable	(85,629)	(2,644,861)	(17,386)	(2,747,876)	(75,407)
Inventory		138,888	30,735	169,623	(41,122)
Prepaid Expenses					48,206
Due from Other Agencies			(547,092)	(547,092)	24,032
Decrease in Other Assets		2,351,751		2,351,751	
Increase (Decrease) in Liabilities:					
Accounts Payable	456,681	(1,183,194)	(42,771)	(769,284)	(332,872)
Accrued Payroll Liabilities	32,735	14,164	37,234	84,133	32,480
Accrued Compensated Absences	133,210	262,517	16,509	412,236	
Accrued Other Post-Employment Benefits	(19,793)	(146,422)	(5,530)	(171,745)	
Unearned Revenue			150,360	150,360	
Customer/Refundable Deposits	(2,508)	265,526	236,189	499,207	1,147
Claims and Judgments Payable					8,947,727
Remediation Obligation					(316,321)
Due to Other Agencies	250	597,942	17,647	615,839	916
Other Operating Liabilities			(76,202)	(76,202)	
Net Cash Provided (Used) by Operating Activities	\$ 6,021,870	\$ 54,756,320	\$ (129,741)	\$ 60,648,449	\$ (651,176)
Noncash Investing, Capital, and Financing Activities:					
Contributions of capital assets		8,805,673		8,805,673	334,899
Total Noncash Investing, Capital, and Financing Activities:	\$	\$ 8,805,673	\$	\$ 8,805,673	\$ 334,899

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, 2010

	<u>Pension Trust</u>	<u>Agency</u>
<u>ASSETS</u>		
Pooled Cash and Investments	\$ 1,466,202	\$ 1,670,208
Accounts Receivable, Net		7,917,029
Employer Contributions Receivable	851,641	
Employee Contributions Receivable	297,188	
Due from Other Agencies		1,669,890
Interest Receivable		2,465
Interest & Dividends Receivable	1,473,343	
Due from Brokers	17,334,274	
Short Term Investments	21,663,971	
Securities Lending Collateral	36,617,146	
U.S. Treasuries, Agencies & Other Government Bonds	100,410,544	
Corporate Bonds & Other Fixed Income Instruments	40,879,228	
Common Stocks	231,462,232	
International Investments	81,909,546	
Real Estate	30,221,020	
Infrastructure	26,198,541	
Other Capital Assets, Net	89,527	
Total assets	<u>590,874,403</u>	<u>\$ 11,259,592</u>
<u>LIABILITIES</u>		
Accounts Payable	1,139,542	1,204,544
Accrued Payroll Liabilities	16,806	
Due to Other Agencies		10,055,048
Due to Securities Borrowers	36,617,146	
Due to Brokers	38,978,506	
Refundable Deposits	882	
Total liabilities	<u>76,752,882</u>	<u>\$ 11,259,592</u>
<u>NET ASSETS</u>		
Held in trust	<u>\$ 514,121,521</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, 2010

	Pension Trust
Additions:	
Employer Contributions	\$ 23,260,609
Employee Contributions	9,598,580
Contributions from Other Sources	50,000
Other Plans	1,652,656
Net Increase (Decrease) in Fair Value of Investment	40,143,355
Interest, Dividends and Other Income	14,184,744
Securities Lending Income	91,625
Less: Investment Activity Expense	(4,096,007)
Less: Securities Lending Expense	(25,401)
Miscellaneous Additions	3,640
Total additions	84,863,801
 Deductions:	
Payments to Participants	51,700,541
Refunds and Transfers to Other Plans	3,008,445
Administrative Expense	672,622
Total deductions	55,381,608
 Changes in net assets	 29,482,193
 Net assets, beginning of year	 484,639,328
 Net assets, end of year	 \$ 514,121,521

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, 2010

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

The accompanying financial statements include the City and all of its component units, collectively referred to as "the financial reporting entity". The component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Tucson Supplemental Retirement System

The Tucson Supplemental Retirement System (TSRS or System) is a single-employer defined benefit plan established by the City and administered by a seven-member Board of Trustees. Although the system is a separate legal entity, its sole purpose is to provide services exclusively to the City; therefore, it is included as a Pension Trust Fund in these basic financial statements. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Human Resources Department, PO Box 27210, Tucson, AZ 85726.

Silverbell Home Limited Partnership

The Silverbell Homes Limited Partnership (the Partnership) was formed on September 18, 2006. The Partnership developed 28 rental-housing units for elderly or disabled residents. All units are public housing with Low Income Housing Tax Credits pursuant to Internal Revenue Code Section 42. The units were built on property obtained from the City on an 89-year ground lease. The units were completed in December 2007 with certificates of occupancy and available for rent as of December 31, 2007. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

Posadas Sentinel, L.L.L.P.

Posadas Sentinel, L.L.L.P. (Posadas) was organized under the laws of the State of Arizona on October 29, 1999. Posadas was formed to acquire, develop, finance, rehabilitate, own, maintain, operate and sell or otherwise dispose of a total of 200 units of multi-family housing (140 units of which are to be publicly assisted units) intended for rental to low-income individuals and families. Posadas has qualified for and been allocated Low Income Housing Tax Credits pursuant to Internal Revenue Code Section 42. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

South Park Development Partners, L.L.L.P.

South Park Development Partners, L.L.L.P. (South Park) was formed as a limited liability limited partnership under the laws of the State of Arizona on November 8, 2002, for the purpose of constructing and operating a rental housing project. South Park has developed 48 rental-housing units in Tucson, Arizona, of which 28 were existing public housing units, rehabilitated as public housing tax credit units, and 20 units were newly constructed as lease purchase tax credit units. The lease purchase tax credit units will be rental housing for 15 years. At the end of the 15-year tax credit compliance period, the residents of each unit will have an option to purchase the unit at fair market value. Until that time, the units will remain as low-income housing. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

Tucson House Apartments, L.L.L.P.

Tucson House Apartments, L.L.L.P. (Tucson House) was organized under the laws of the State of Arizona on November 4, 2007; for the purpose of acquiring, developing, rehabilitating, and operating a rental housing project known as Tucson House. The project consists of 408 units located in Tucson, Arizona. Tucson House consists of two buildings and each building of the project has qualified for and been allocated low-income housing credits pursuant under Internal Revenue Code Section 42. Each building must meet the provision of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. The governing body is not substantially the same as the governing body of the City and the partnership provides low income public housing for the City. The partnership is included within these basic financial statements as a discretely presented component. Separately issued financial statements are prepared and may be requested by contacting the City of Tucson, Community Services Department, PO Box 27210, Tucson, AZ 85726.

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, such as cash.

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

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

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 balance/net assets, 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 and report all financial resources of the general government, except those accounted for in another fund.

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

Non-major Funds:

Special Revenue Funds - These funds and certain other governmental funds are used to account for and report the proceeds of specific revenue sources (other than proprietary and fiduciary functions) that are restricted to expenditures for specified purposes other than debt service and capital projects. This includes federal grants and various City functions such as Tucson Convention Center, Highway User Revenue Fund, Human and Community Development, and Development Fees.

Debt Service Funds - These funds and certain other governmental funds are used to account for and report 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 and report financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (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.

2. Enterprise Funds

The City has four enterprise funds which are used to account for certain operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity; 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges; or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

Major Funds:

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

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.

Non-major Funds:

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

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. The costs of the internal service fund services are spread to the appropriate functions on the government-wide Statement of Activities, and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any "doubling-up" effect of these revenues and expenses.

4. Fiduciary Funds

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

D. Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are susceptible to accrual (i.e., when they are both "measurable and available"). "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers specific revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when the related liability is incurred. However, principal and interest on long-term debt are recorded as fund liabilities when the payment is due or when amounts have been accumulated in the debt service fund for payment early in the following fiscal year. Certain compensated absences and claims and judgment expenditures are recorded when payment is due. In general, only matured assets and liabilities are shown on the balance sheets, and unassigned fund balance is considered a measure of "available spendable resources."

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

Major revenue sources susceptible to accrual are special assessments when an enforceable legal claim has arisen, grants and similar items when all eligibility requirements are met, and business 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 nonspendable 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 capital contributions.

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).

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.

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 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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

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, Support Services, Strategic Initiatives 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, 2010.

G. Cash and Cash Equivalents

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

H. 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.

I. Accounts/Notes Receivable

Accounts Receivables of the major and non-major governmental and proprietary funds and fiduciary funds as of June 30, 2010, 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, 2010

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

Fund	Receivables	Allowance for Doubtful Accounts	Net
Governmental Activities:			
General Fund	\$ 24,183,366	\$ 1,042,737	\$ 23,140,629
Mass Transit Fund	523,327		523,327
Non-major Governmental Funds	817,431		817,431
Internal Service Funds	173,805	54,704	119,101
Total Governmental Activities	<u>25,697,929</u>	<u>1,097,441</u>	<u>24,600,488</u>
Business-Type Activities:			
Environmental Services Fund	3,405,103	165,151	3,239,952
Water Utility Fund	23,132,191	357,162	22,775,029
Non-major Business-Type Fund	156,339	70,728	85,611
Total Business-Type Activities	<u>26,693,633</u>	<u>593,041</u>	<u>26,100,592</u>
Fiduciary Funds	<u>7,917,029</u>		<u>7,917,029</u>
Total All Funds	<u>\$ 60,308,591</u>	<u>\$ 1,690,482</u>	<u>\$ 58,618,109</u>

The Water Utility Funds' assets and revenues include \$9,077,402 for water sales delivered, but unbilled at June 30, 2010.

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 lien holder. Dependent upon the homeowner's qualification, an affordability period (from 5 to 20 years) is determined. Each lien is forgiven evenly over the determined affordability period. The City only receives a payoff if a property is sold prior to the end of the affordability period (some sales do not result in payment to the City). Less than 10% of these liens have resulted in payoffs to the City in the past 5 years and have totaled approximately 5% of the original loans. As of June 30, 2010, these loans totaled \$5,191,174. Due to the immateriality and infrequent payoff of these loans, notes receivable are not recorded, and the revenues for such amounts are recorded when payments are received.

J. Inventories/Prepays

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

K. Restricted Assets/Liabilities

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

L. Capital Assets

Capital assets, which include property, equipment, buildings, and infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems), are depreciated and reported in the applicable governmental or business-type activity columns in the government-wide financial statements. No capital assets or depreciation are shown in the governmental fund financial statements.

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

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

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

	<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 Financial Accounting Standards Board Statement 62, Capitalization of Interest Cost. Interest costs capitalized during the fiscal year for the City's water utility fund was \$3,160,002. Interest on general government capital projects is not capitalized.

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

M. Goodwill

Enterprise fund goodwill is recorded upon acquisition of water companies 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, 2010, were \$1,187,338/\$1,168,623 for the Water Utility Fund.

N. Water Rights

The City does not place a limitation on the life of the water rights, an intangible capital asset, and does not expect to cease utilizing the water rights in the foreseeable future. The water rights are recorded at historical cost and are considered to have an indefinite useful life. The total book value for water rights for the Water Utility Fund is \$52,126,968 at June 30, 2010.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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 Balance Policies

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable and Restricted fund balances represent the restricted classifications and Committed, Assigned, and Unassigned represent the unrestricted classifications.

Nonspendable fund balance includes amounts that can not be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact. Restricted fund balance is externally (outside the City) enforceable limitations imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation (changes in City Charter). Committed fund balance is self-imposed limitations imposed at the highest level of decision making authority, namely, Mayor and Council. Mayor and Council approval is required to commit resources or to rescind the commitment. Assigned fund balance represents limitations imposed by management. Assigned fund balance requests are submitted to the Chief Financial Officer for approval/non-approval. Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

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

As of June 30, 2010, the fund balance details by classification are listed below:

	<u>General Fund</u>	<u>Mass Transit</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Long -Term Investment-Parking	\$	\$	\$ 1,598,240	\$ 1,598,240
Inventory	1,374,597	3,095,154		4,469,751
Prepaid Expenditures		320,641		320,641
Rio Nuevo Long-Term Receivable	1,716,494			1,716,494
Restricted:				
Debt Service	140,000		6,547,670	6,687,670
Capital Projects			46,922,073	46,922,073
Donations			2,497,215	2,497,215
Federal Grants			12,589,759	12,589,759
Transit		4,507		4,507
Public Safety	4,148,438			4,148,438
Committed To:				
Streets and Highway	1,750,410		2,926,905	4,677,315
Parks and Recreation	1,150,710			1,150,710
Public Housing	374,175			374,175
Public Safety	656,931			656,931
Economic Development	1,283,828			1,283,828
Other Purposes	196,092		353,132	549,224
Assigned To:				
Convention Center			29,400	29,400
Street and Highways			13,378,567	13,378,567
Transportation			109,772	109,772
Transit Operations		261,500		261,500
Management Contingencies	11,097,062			11,097,062
Other Purposes	426,761			426,761
Unassigned:				
	22,836,507		(1,540,527)	21,295,980
Total Fund Balances	\$ <u>47,152,005</u>	\$ <u>3,681,802</u>	\$ <u>85,412,206</u>	\$ <u>136,246,013</u>

The Mayor and Council has established a minimum fund balance policy for the General Fund of 10% of expenditures and is reported in the unassigned fund balance classification. As of June 30, 2010, the unassigned fund balance is 6% of General Fund expenditures.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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

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 Balances. The "doubling-up" effect of internal service fund activity has been removed by adjusting the expenses shown in the various functions within the Statement of Activities.

R. Donor-Restricted Endowments

The City receives gifts and donations from individuals and/or organizations to support various City functions. The net appreciation of investments was \$12,904 and is included in restricted net assets as Restricted for Donations. 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:

The following new Governmental Accounting Standards Board (GASB) statements were implemented effective July 1, 2009:

GASB Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, addresses the recognition, measurement, and disclosure of regarding derivative instruments entered into by the City of Tucson. Generally derivative instruments are reported at fair value. The disclosures provide a summary of activity and the information necessary to assess the objectives for derivative instruments, their significant terms, and the associated risks. For more information concerning this change, see Note 5, section G.

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unreserved to five new classifications, which are Nonspendable, Restricted, Committed, Assigned, and Unassigned. GASB Statement 54 added additional note disclosures for the new classifications and refined the definitions of the various governmental fund types. For more information concerning this change, see Note 1, section P.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 2 – NEW ACCOUNTING PRONOUNCEMENTS (continued):

The following tables illustrate the reclassification of fund balances:

Fund Balance as of June 30, 2009

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:				
Reserved for Debt Services	\$ 4,042,673	\$	\$ 13,200,689	\$ 17,243,362
Reserved Capital Improvements	1,076,026		70,013,306	71,089,332
Reserved for Advances and Deposits	8,604,413	342,993	31,900	8,979,306
Reserved for Inventories	1,242,223			1,242,223
Reserved for Other Purposes	7,761,828	3,353,969	16,639,787	27,755,584
Unreserved:				
Undesignated	17,000,405			17,000,405
Unreserved reported in:				
Special Revenue			1,099,433	1,099,433
Total Fund Balances	<u>\$ 39,727,568</u>	<u>\$ 3,696,962</u>	<u>\$ 100,985,115</u>	<u>\$ 144,409,645</u>

Fund Balance Reclassification as of June 30, 2009

	General Fund	Mass Transit Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable	\$ 7,994,051	\$ 3,353,969	\$ 1,468,923	\$ 12,816,943
Restricted	8,922,696		94,575,932	103,498,628
Committed	5,413,998	81,493	3,276,715	8,772,206
Assigned	396,418	261,500	3,132,468	3,790,386
Unassigned	17,000,405		(1,468,923)	15,531,482
Total Fund Balances	<u>\$ 39,727,568</u>	<u>\$ 3,696,962</u>	<u>\$ 100,985,115</u>	<u>\$ 144,409,645</u>

Note 3 - PROPERTY TAX:

Property taxes are levied and collected by the Pima County Treasurer on behalf of the City. Property taxes are levied no later than the third Monday in August and are payable in two installments. Taxes become delinquent after the first business days of November and May, respectively, and a lien against the assessed property attaches if payments are not received by those dates.

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

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. The City Charter sets an upper property tax limit of \$1.75 per \$100 of assessed value. Therefore, the City cannot levy a combined primary and secondary property tax that exceeds \$1.75.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 3 - PROPERTY TAX (continued):

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.

Arizona State law allows cities and towns to include tort claim reimbursements in the primary tax levy. The property tax revenue represents a reimbursement to the City's Self-Insurance Fund for the actual cost of liability claim judgments paid during the prior fiscal year.

Note 4 - INDIVIDUAL FUND DISCLOSURES:

At June 30, 2010, the following funds had deficit fund balances or net assets:

Environmental Services Fund	\$	(12,306,243)
Self Insurance Fund	\$	(28,015,945)
General Services Fund	\$	(3,591,526)

Deficits are intended to be recovered through annual increased fees and transfers. The deficit in the General Services Fund is due to the incurrence of debt to build capital assets that are transferred to other functions once completed. This fund has a revenue source to pay the debt service.

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), a defined benefit pension plan, are held in trust separately from those of other City funds by a master custodian. However, biweekly contributions to the fund for this plan are held in the investment pool to cover recurring expenditures.

Following is a reconciliation of the City's deposit and investment balances as of June 30, 2010:

	Pooled Cash and Investments	Reconciling Adjustments	Total
Bank Deposits	\$ 148,891,941	\$ (26,465,502)	\$ 122,426,439
Investments	595,746,036	(264,383)	595,481,653
Total	<u>\$ 744,637,977</u>	<u>\$ (26,729,885)</u>	<u>\$ 717,908,092</u>
	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Pooled Cash and Investments	\$ 80,791,299	\$ 3,136,410	\$ 83,927,709
Investments	26,119,425	569,362,228	595,481,653
Cash & Investments Restricted	38,498,730		38,498,730
Total	<u>\$ 145,409,454</u>	<u>\$ 572,498,638</u>	<u>\$ 717,908,092</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (continued):

A. Deposits

This total bank balance was covered by federal depository insurance or collateral held by the City's agents in the City's name. Reconciling items in the previous table are made up of outstanding checks, deposits in transit and other miscellaneous items.

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-2/P-2 (or better), 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 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 this fund may be made up of commercial paper, time deposits, guaranteed insurance contracts, money market funds or any other short-term investment fund (STIF) vehicle permitted.

The City's deposits and investments are held by the City or its agents in the City's name and are 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.

The City's deposits and investments for all funds at fiscal year-end are listed at the top of the next page.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (continued):

	Fair Value
U.S. Issues not on Securities Loan:	
U.S. Treasuries, Agencies & Other Government Bonds	\$ 154,133,141
Corporate Bonds & Other Fixed Income Instruments	34,501,447
Corporate Stock	208,398,569
Non-U.S. Issues not on Securities Loan:	
International Bonds	13,283,362
International Stock	65,860,768
Sub-Total	476,177,287
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral:	
U.S. Treasuries, Agencies & Other Government Bonds	2,914,361
Corporate Bonds & Other Fixed Income Instruments	6,377,782
U.S. Stock	23,063,663
International Stock	2,765,415
Sub-Total	35,121,221
Securities Lending Short-Term Collateral Investment Pool	36,617,146
Money Market Funds/Short-Term Investments	140,302,762
Real Estate Funds	30,221,020
Infrastructure Funds	26,198,541
Sub-Total	233,339,469
Total Deposits and Investments	\$ 744,637,977

C. Credit Risk

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

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

- 1) Obligations of the U.S. Government, its agencies and instrumentalities, 2) Repurchase agreements whose underlying collateral is commercial paper rated A-1/P-1 with maturities not to exceed 180 days or rated A-2/P-2 with maturities not to exceed 60 days, 3) Bonds, notes and debentures issued by U.S. corporations rated "AAA" or "AA" by Moody's and Standard & Poor's, 4) 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, 5) 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, 6) a minimum of 15% of the portfolio shall be in highly liquid securities, 7) not more than 25% of the portfolio shall be invested in corporate bonds, notes and commercial paper.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following credit risk structure as of June 30, 2010:

<u>Investment Type</u>	<u>Credit Rating (1)</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
Money Market Funds:			
Wells Fargo Treasury Plus MM	AAA	\$ 10,000	
Wells Fargo Government Money MM	AAA	101,308,309	
		<u>101,318,309</u>	77.05%
Federal Agency:			
<i>Federal Home Loan Bank</i>			
FHLB Coupon Notes	AAA	15,117,200	
		<u>15,117,200</u>	11.50%
<i>Federal Farm Credit Bank</i>			
FFCB Coupon Notes	AAA	10,050,000	
		<u>10,050,000</u>	7.64%
<i>Federal National Mortgage Corp</i>			
FNMA Coupon Note	AAA	5,010,950	
		<u>5,010,950</u>	3.81%
Grand Total		<u>\$ 131,496,459</u>	<u>100%</u>

(1) Moody's rating

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, 2010, these funds consisted of: a U.S. Treasury Note with a fair market value of \$24,813,175, a U.S. Agency Bond with a fair market value of \$1,645,632, and various cash balance accounts totaling \$19,794,184. The City of Tucson banking policy for these cash accounts are consistent with the investment pool account policy described above.

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: 1) 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, 2) Exposure to corporate bonds should be limited to 50% of the portfolio, 3) The investment manager is expected to maintain a weighted average bond portfolio quality rating of at least "AA", 4) Securities, at the time of purchase, shall be rated no lower than "A3" by Moody's and "A-" by Standard & Poor's.

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: 1) the maximum position in a single issuer (excluding obligations of U.S.

Government and its Agencies) should not exceed 5% of the portfolio's assets at current market value, 2) The portfolio should maintain an average quality of a least "A", 3) Money market instruments must be rated in one of the two highest categories by a nationally recognized rating agency, 4) The minimum rating of individual issues should be CCC as rated by Moody's, Standard & Poor's or Fitch, 5) Should an issue be downgraded below the minimum, the manager will determine the appropriate action to be taken.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The TSRS fund had the following credit risk structure as of June 30, 2010:

Investment Type	Holdings	Average Credit Rating	Fair Value	Percent of Grand Total
Cash and Cash Equivalents:				
Cash & Short Term Investment Fund	2	AAA	\$ 18,891,446	
U.S. Agency - Less than 1 Year	1	AGY	2,697,525	
Sub Total	<u>3</u>		<u>21,588,971</u>	12.26%
U.S. Treasury Notes & Bonds:				
	<u>15</u>	UST	<u>10,881,158</u>	6.18%
U.S. Agency & Other Government Obligations:				
U.S. Agency Bonds	34	AGY	80,768,982	
Municipal Bonds	11	AA2	8,760,404	
Sub Total	<u>45</u>		<u>89,529,386</u>	50.82%
Corporate & Other Fixed Income Instruments:				
Collateralized Mortgage Obligations (CMO)	2	AA3	251,240	
Fixed Income Swaps & Options	61	A2	(150,146) ⁽¹⁾	
Banks & Finance	17	A3	12,406,374	
Industrials	9	BAA2	11,519,450	
Utilities	8	BAA1	8,428,325	
Other Corporate Issues	8	A3	7,265,425	
Convertible Securities	3	BA2	1,113,700	
Futures Contracts	7	AAA	44,861	
Sub Total	<u>115</u>		<u>40,879,229</u>	23.21%
International Bonds:				
	<u>34</u>	A3	<u>13,283,362</u>	7.54%
Grand Total	<u>212</u>		<u>\$ 176,162,106</u>	<u>100%</u>

Footnotes:

(1) A negative value in any of the instruments noted above is the result of netting long and short positions against each other. This strategy is utilized as a means to mitigate interest rate risk obtained from holding long positions in mortgages and/or corporate bonds.

D. Interest Rate Risk

As defined by the GASB Statement No. 40, interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. For fixed income securities, there is an inverse relationship between the change in interest rates and their fair value. For example, in a rising interest rate environment the value of fixed income securities will tend to fall by varying degrees depending on the length of their maturities. In general, the value of fixed income securities with a longer duration will tend to decrease more than shorter duration securities in a rising interest rate environment.

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

- 1) 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.
- 2) 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.
- 3) Not more than 25% of the portfolio shall be invested in securities with a maturity longer than two years.
- 4) Not more than 50% of the portfolio shall be invested in securities with a maturity longer than eighteen months.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

The City's investment pool account had the following maturity structure as of June 30, 2010:

<u>Investment Type</u>	<u>Maturity Date</u>	<u>Next Call Date (1)</u>	<u>Fair Value</u>	<u>Percent of Grand Total</u>
<i>Money Market Funds:</i>				
Wells Fargo Treasury Plus MM			\$ 10,000	
Wells Fargo Government Money MM			101,308,309	
			<u>101,318,309</u>	77.05%
 <i><u>Due Between 1 & 2 Years</u></i>				
<i>Federal Agency:</i>				
FHLB Coupon Note	12/28/11	B	5,029,700	
FNMA Coupon Note	12/30/11	09/30/10	5,010,950	
			<u>10,040,650</u>	7.64%
 <i><u>Due in More Than 2 Years</u></i>				
<i>Federal Agency:</i>				
FHLB Coupon Note	09/24/12	09/24/10	5,006,250	
FHLB Coupon Note	11/28/12	B	5,081,250	
FFCB Coupon Note	03/15/13	07/08/10	5,001,550	
FFCB Coupon Note	04/05/13	04/05/11	5,048,450	
			<u>20,137,500</u>	15.31%
Grand Total			<u><u>\$ 131,496,459</u></u>	<u><u>100%</u></u>

(1) B=Bullet - Not called on designated call date, will run until maturity, unless sold

The TSRS fund's investment policy regarding interest rate risk for the internally managed fixed income account is to limit duration to within two years (plus or minus) to its investment performance benchmark: the Barclays Government/Credit Bond Index. For the externally managed fixed income account for the TSRS trust fund, the investment policy is to limit duration to within 30% of the custom benchmark which is defined as 70% Barclays Mortgage Backed Securities Index, 15% Barclays U.S. Credit Index, 15% Barclays Corporate High Yield Index.

The TSRS fund had the following maturity structure as of June 30, 2010:

<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>	
Cash & Short Term Investment Fund	\$ 18,891,446	\$	\$	\$	\$ 18,891,446
U.S. Treasury Issues			3,060,638	7,820,520	10,881,158
U.S. Agency & Other Government Obligations	2,697,525	16,127,067	6,053,590	67,348,729	92,226,911
Corporate & Other Fixed Income Instruments	2,135,811	11,099,975	20,393,195	7,250,248	40,879,229
International Bonds	1,990,188	8,117,216	1,426,505	1,749,453	13,283,362
Total	<u><u>\$ 25,714,970</u></u>	<u><u>\$ 35,344,258</u></u>	<u><u>\$ 30,933,928</u></u>	<u><u>\$ 84,168,950</u></u>	<u><u>\$ 176,162,106</u></u>

Average Modified Duration: Internal Account: 5.49 yrs
External Account: 6.11 yrs

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

E. Foreign Currency Risk

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

The TSRS fund had the following foreign currency risk exposure as of June 30, 2010:

Currency	Fair Value (1)	Percent of Total
Australian Dollar	\$ 5,943	0.001%
Brazil Real	395,640	0.077%
British Pound Sterling	4,505,250	0.882%
Canadian Dollar	566,474	0.111%
Chinese Yuan Renminbi	2,482,646	0.486%
Euro Currency Unit	28,675,825	5.611%
Hong Kong Dollar	1,213,739	0.238%
Japanese Yen	6,698,015	1.311%
Mexican New Peso	(472) (2)	0.000%
New Taiwan Dollar	(1,780) (2)	0.000%
Norwegian Krone	672,872	0.132%
Singapore Dollar	596,089	0.117%
South Korean Won	2,432,721	0.476%
Swedish Krona	476,419	0.093%
Swiss Franc	4,348,516	0.851%
U.S. Dollar	457,955,387	89.615%
TOTAL	\$ 511,023,284	100%

Footnotes:

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

(2) A negative currency position is obtained by accepting an obligation to deliver the designated currency to a counterparty at a specified date in the future. This position is favorable for portfolio returns if the currency depreciates in value versus the U.S. dollar over the period of the contract.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

F. Securities Lending

The Board of Trustees for the Tucson Supplemental Retirement System permits the custodian bank, BNY Mellon, to lend securities to broker-dealers and other entities. Each loan is executed with a simultaneous agreement to return the collateral for the same securities in the future. The custodian bank lends U.S. securities for collateral initially valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned for collateral initially valued at 105% of the fair value of the securities plus any accrued interest. Collateral is marked-to-market daily. As of June 30, 2010, the carrying amount and fair value of securities on loan was \$35,121,221. If the fair value of the pledged collateral falls below the specified levels, additional collateral is required to be pledged by the close of the next business day.

In the event of a borrower's default, the custodian bank is obligated to indemnify the lender if, and to the extent that, the fair value of the collateral is insufficient to replace the loaned securities. BNY Mellon's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations covering securities lending.

Although the average term of the security loans is one week, each loan can be terminated at will by either the lender or the borrower. Cash collateral is invested in a short-term investment pool, which on average had a weighted maturity of 30 days. The relationship between the maturities of the investment pool and the security loans are affected by the maturities of the loans made by other entities that use the agent's pool.

The lender cannot pledge or sell collateral securities received until, and unless, a borrower defaults. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses known to the securities lending agent. As of June 30, 2010, the lenders had no credit risk exposure to borrowers because the fair value of collateral held exceeded the fair value of securities loaned.

G. Derivatives

The Tucson Supplemental Retirement System (TSRS), a fiduciary fund, permits the limited use of derivatives by its international equity and external fixed income managers. Examples of derivative instruments permitted, but not limited to, are foreign exchange contracts, financial futures, forwards, options, swaps and swaptions. All derivative instruments utilized are considered "Investment Derivative Instruments" as defined in GASB Statement 53.

The following table is a summary of the various derivative instruments utilized by the TSRS's external fixed income manager as of June 30, 2010. Changes in fair value is included as part of the overall Increase (Decrease) in Fair Value of Investments in the Statement of Changes in Fiduciary Net Assets, Fiduciary Fund – Pension Trust. Fair value is included as part of investments listed under Corporate Bonds & Other Fixed Income Instruments in the Statement of Fiduciary Funds Net Assets, Pension Trust column.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 5 - DEPOSITS AND INVESTMENTS (Continued):

Investment Derivative Instrument	Notional Amount	Changes in Fair Value	Fair Value	Principal Risk
Credit Default Swaps	\$ 15,646,300	\$ (280,664)	\$ 287,987	Credit
Foreign Forward Currencies	(1)	\$ 188,434	\$ (672,453)	Foreign Currency
Exchange Traded Futures	(1)	\$ (779,987)	\$ 40,311,060	Interest Rate/ Foreign Currency
Interest Rate Swaps	(2) \$ 10,300,000	\$ 18,478	\$ (13,375)	Interest Rate
Exchange Traded Options	\$ (51,400,000)	\$ 12,055	\$ (6,475)	Interest Rate
OTC Swaptions	\$ (30,900,000)	\$ (181,449)	\$ (377,854)	Interest Rate

Footnotes:

(1) Notional amount is denominated in various foreign currencies

(2) Notional amount is denominated in Brazilian dollars

Whenever possible, the investment manager will base the valuation of securities on market information; however, where market quotes are not readily available, an independent third party pricing vendor will be utilized. Exchange-traded securities are an example of securities where market quotes are available, whereas over-the-counter (OTC) securities are not traded over standardized markets.

In addition to the principal risks noted above, Forward Foreign Currencies, Credit Default Swaps and Interest Rate Swaps are also subject to counterparty risk. In general, counterparty risk is the risk of loss of an amount expected to be delivered under an agreement in the event of the default or bankruptcy of the counterparty. Generally, counterparty risk is controlled through dealing with a number of different counterparties reasonably deemed to be creditworthy by the investment manager. Counterparty risk with swaps is limited by execution under standardized International Swap and Derivatives Association Agreements. These contracts allow for the mutual exchange of collateral should an overall unsecured market value exceed a certain threshold (e.g., \$250,000). Credit, interest rate and foreign currency risks are addressed in previous sections of Note 5. These risks, applicable to other fixed income and foreign investments, are not substantially different from principal risks associated with derivative instruments.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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.

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General Fund	\$ 37,806,727	\$ 20,017,376
Mass Transit Fund		2,941,371
Other Non-major Governmental Funds	<u>20,017,374</u>	<u>17,200,960</u>
Total Governmental Funds	57,824,101	40,159,707
 Internal Service Funds:		
Self Insurance		11,319,127
 Enterprise Funds:		
Golf Course Fund		6,345,267
Total All Funds	<u><u>\$ 57,824,101</u></u>	<u><u>\$ 57,824,101</u></u>

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, 2010, were as follows:

Fund	Due From Other Agencies	Due to Other Agencies
Governmental Funds:		
General Fund	\$ 19,391,187	\$ 989,965
Mass Transit Fund	4,205,899	
Other Non-major Governmental Funds	<u>24,635,928</u>	<u>55,967</u>
Total Governmental Funds	48,233,014	1,045,932
 Internal Service Funds:		
General Services		1,044
Fleet Services	<u>18,660</u>	<u>584</u>
Total Internal Service Funds	18,660	1,628
 Enterprise Funds:		
Water Utility	112,739	1,472,114
Environmental Services	35,340	406
Other Non-major Enterprise Funds	<u>742,079</u>	<u>48,133</u>
Total Enterprise Funds	<u>890,158</u>	<u>1,520,653</u>
Total All Funds	<u><u>\$ 49,141,832</u></u>	<u><u>\$ 2,568,213</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 6 - INTERFUND BALANCES AND TRANSFERS (Continued):

Transfers are primarily: 1) To move receipts restricted to debt service from the funds collecting the receipts to the debt service funds when payment is due, and 2) Operational subsidies from the General Fund to various funds. Capital asset transfers from Internal Service Fund of \$7,286,251 to governmental fund and enterprise funds are not included. All transfers are consistent with the operation of the governmental funds.

Transfers made during the year ended June 30, 2010, were as follows:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 69,988	\$ 38,438,299
Mass Transit Fund	29,751,202	
Other Non-major Governmental Funds	<u>7,131,132</u>	<u>1,260,862</u>
Total Governmental Funds	<u>36,952,322</u>	<u>39,699,161</u>
Internal Service Funds:		
General Services	151,787	
Fleet Services	<u>21,615</u>	<u>66,249</u>
Total Internal Service Funds	<u>173,402</u>	<u>66,249</u>
Enterprise Funds:		
Environmental Services	368,416	
Other Non-major Enterprise Funds	<u>2,481,270</u>	<u>210,000</u>
Total Enterprise Funds	<u>2,849,686</u>	<u>210,000</u>
Total All Funds	<u><u>\$ 39,975,410</u></u>	<u><u>\$ 39,975,410</u></u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 7 - CAPITAL ASSETS:

The following is a summary of changes in capital assets as of June 30, 2010:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Non-depreciated Assets				
Land	\$ 655,817,294	\$ 25,058,407	\$ (231,588)	\$ 680,644,113
Construction-in-Progress	312,355,363	86,166,375	(58,411,295)	340,110,443
Capital Assets being Depreciated:				
Buildings and Improvements	429,028,133	43,703,166	(497,703)	472,233,596
Equipment	260,568,114	20,879,257	(16,239,812)	265,207,559
Infrastructure	765,457,424	20,168,839		785,626,263
Totals at Historical Cost	<u>2,423,226,328</u>	<u>195,976,044</u>	<u>(75,380,398)</u>	<u>2,543,821,974</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	167,653,712	17,155,002	(497,702)	184,311,012
Equipment	152,322,079	21,323,258	(15,699,874)	157,945,463
Infrastructure	386,487,952	20,561,337		407,049,289
Total Accumulated Depreciation	<u>706,463,743</u>	<u>59,039,597</u>	<u>(16,197,576)</u>	<u>749,305,764</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,716,762,585</u>	<u>\$ 136,936,447</u>	<u>\$ (59,182,822)</u>	<u>\$ 1,794,516,210</u>
Depreciation expense was charged to governmental purposes as follows:				
Elected and Official				\$ 92,943
Support Services				11,559,017
Neighborhood Services				12,232,412
Environment and Development				33,554,297
Strategic Initiatives				363,717
Non-Departmental				1,237,211
Total Depreciation Expense				<u>\$ 59,039,597</u>
Business-Type Activities:				
Non-depreciated Assets				
Land	\$ 65,569,319	\$ 1,019,350	\$ (630,294)	\$ 65,958,375
Construction-in-Progress	118,810,783	41,428,296	(51,252,989)	108,986,090
Water Rights	52,126,968			52,126,968
Capital Assets being Depreciated:				
Buildings and Improvements	179,021,253	10,824,632		189,845,885
Equipment	75,924,430	14,405,405	(12,205,263)	78,124,572
Distribution and Collection Systems	1,133,897,978	57,135,001	(14,503,519)	1,176,529,460
Goodwill	1,187,338			1,187,338
Totals at Historical Cost	<u>1,626,538,069</u>	<u>124,812,684</u>	<u>(78,592,065)</u>	<u>1,672,758,688</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	85,518,600	5,730,458		91,249,058
Equipment	44,896,784	7,514,210	(5,689,271)	46,721,723
Distribution and Collective Systems	294,797,334	20,971,631		315,768,965
Goodwill	1,140,550	28,073		1,168,623
Total Accumulated Depreciation	<u>426,353,268</u>	<u>34,244,372</u>	<u>(5,689,271)</u>	<u>454,908,369</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,200,184,801</u>	<u>\$ 90,568,312</u>	<u>\$ (72,902,794)</u>	<u>\$ 1,217,850,319</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 8 - CHANGES IN LONG-TERM DEBT AND LIABILITIES:

The following is a summary of changes in long-term debt as of June 30, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Yr.
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Debt	\$ 254,075,610	\$	\$ (15,760,000)	\$ 238,315,610	\$ 15,955,000
Street & Highway Revenue Bonds	124,150,000	10,560,000	(11,160,000)	123,550,000	11,745,000
Certificates of Participation	191,226,000	13,280,000	(13,735,000)	190,771,000	9,685,000
Special Assessment Bonds	4,192,635		(566,635)	3,626,000	573,000
Federal Highway Loan	5,900,000		(5,900,000)		
Clean Renewable Energy Bonds	7,595,900		(584,300)	7,011,600	584,300
Deferred Amount:					
on Premiums	17,398,113	1,686,456	(1,849,700)	17,234,869	
on Discounts	(377,968)		21,116	(356,852)	
on Refundings	(10,207,019)		1,229,715	(8,977,304)	
Total Bonds and Notes Payable	<u>593,953,271</u>	<u>25,526,456</u>	<u>(48,304,804)</u>	<u>571,174,923</u>	<u>38,542,300</u>
Other Liabilities:					
Capital Leases	7,697,512	1,800,000	(3,809,912)	5,687,600	2,811,676
Other Post Employment Benefits	1,924,809	4,658,198	(5,462,283)	1,120,724	
Compensated Absences	35,848,372	18,676,782	(16,975,294)	37,549,860	18,927,825
Remediation	1,991,951		(316,319)	1,675,632	211,540
Claims and Judgments	31,117,560	18,612,602	(9,664,875)	40,065,287	8,621,183
Total Other Liabilities	<u>78,580,204</u>	<u>43,747,582</u>	<u>(36,228,683)</u>	<u>86,099,103</u>	<u>30,572,224</u>
Governmental Activities Long Term Liabilities	<u>\$ 672,533,475</u>	<u>\$ 69,274,038</u>	<u>\$ (84,533,487)</u>	<u>\$ 657,274,026</u>	<u>\$ 69,114,524</u>
Business-type Activities:					
Bonds and Notes Payable:					
Enterprise Bonds	\$ 459,874,394	\$ 42,510,000	\$ (18,702,191)	\$ 483,682,203	\$ 20,035,756
Certificate of Participation	14,529,000	90,000	(90,000)	14,529,000	95,000
Deferred Amount:					
on Premiums	12,403,467		(980,090)	11,423,377	
on Refundings	(12,302,746)		1,051,331	(11,251,415)	
Total Bonds and Notes Payable	<u>474,504,115</u>	<u>42,600,000</u>	<u>(18,720,950)</u>	<u>498,383,165</u>	<u>20,130,756</u>
Other Liabilities:					
Landfill Closure/Post Closure Costs	40,016,425		(2,793,908)	37,222,517	1,115,683
Unearned Revenue	42,362,755	10,874,825		53,237,580	
Remediation	785,000	5,800,000		6,585,000	188,275
Capital Leases	5,028,084		(2,289,887)	2,738,197	1,676,657
Other Post Employment Benefits	433,506	7,507	(179,252)	261,761	
Compensation Absences	5,748,864	736,833	(327,230)	6,158,467	2,941,766
Central Arizona Project Loan (1)	3,264,066		(1,033,355)	2,230,711	1,087,091
Total Other Liabilities	<u>97,638,700</u>	<u>17,419,165</u>	<u>(6,623,632)</u>	<u>108,434,233</u>	<u>7,009,472</u>
Business-type Activities Long Term Liabilities	<u>\$ 572,142,815</u>	<u>\$ 60,019,165</u>	<u>\$ (25,344,582)</u>	<u>\$ 606,817,398</u>	<u>\$ 27,140,228</u>

(1) Current portion is shown in Liabilities Payable from Restricted Assets

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 9 - LEASE OBLIGATIONS:

A. Capital Leases

The City has entered into several long-term capital leases involving the acquisition of real estate and equipment for general city purposes; these commitments are expected to be funded by the City's General, Special Revenue and Internal Service Funds.

Below is a schedule by years of future minimum lease payments under the capital leases as of June 30, 2010.

Years ending June 30,	Governmental Activites	Business-Type Activites
2011	\$ 21,174,642	\$ 2,514,966
2012	19,750,126	1,536,273
2013	19,292,959	1,126,456
2014	19,184,767	861,911
2015	20,080,467	982,959
2016-2020	91,616,407	7,870,977
2021-2025	65,565,892	6,237,518
2026-2030	15,083,214	4,375,300
Total Minimum Lease Payments	<u>271,748,474</u>	<u>25,506,360</u>
Less: Amount Representing Interest (interest rates range from 2.00% to 12.00%)	75,289,874	8,239,163
Present Value of Net Minimum Lease Payments	<u>\$ 196,458,600</u>	<u>\$ 17,267,197</u>

Assets purchased through capital leases for Governmental Activities include buildings (\$39,377,419), improvements other than buildings (\$26,800,000), equipment (\$32,002,778), and land (\$9,950,000).

Assets purchased through capital leases for Business-Type Activities include equipment (\$13,305,887).

B. Operating Leases

Operating lease expenditures for the fiscal year were \$5,618,841. Minimum future lease payments on non-cancelable operating leases for Governmental Activities at June 30, 2010, were as follows:

Years ending June 30,	
2011	4,254,564
2012	3,671,851
2013	252,018
2014	277,820
2015	239,112
2016-2020	1,058,215
2021-2025	1,197,273
2026-2030	1,354,605
2031-2035	1,532,611
2036-2040	1,734,009
2041-2045	1,961,872
2046-2050	2,219,678
2051-2055	1,983,983
Total Minimum Future Lease Payments	<u>\$ 21,737,611</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 10 - BOND ISSUES:

A. Governmental Funds

General Obligation Bonds provide funds for construction of police and fire facilities, street lighting and sidewalk improvements, drainage system improvements, environmental safety improvements, parks improvements and the payment of costs relating to the issuance of the bonds. Debt service payments are scheduled annually from July 1, 2010 to July 1, 2023. General Obligation Bonds are payable from property taxes and from Environmental Service fees.

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, 2010 to July 1, 2020. All Street and Highway Revenue Bonds are payable from state motor vehicle fuel taxes.

At June 30, 2010 bonds payable were:

General Obligation Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2010
1984 Series E and F	6.55	2012	\$ 25,000,000	\$ 1,084,600
1993 Refunding	5.40	2013	17,006,000	1,326,010
1984 Series G (1994)	7.625	2014	21,540,000	3,140,000
1994 Series A (1995)	7.375	2013	23,600,000	6,600,000
1994 Series B (1996)	7.625	2015	24,745,000	3,745,000
1994 Series C (1997)	7.00	2016	10,510,000	2,510,000
1998 Refunding	4.60-5.50	2021	26,470,000	25,930,000
1994 Series D (1998)	6.25	2014	11,010,000	2,760,000
1994 Series E (1999)	6.70	2011	13,855,000	225,000
2000 Series A (2000)	6.00-7.25	2013	18,840,000	2,000,000
2000 Series B (2001)	4.625-5.75	2016	26,680,000	3,500,000
2002 Refunding	5.00	2012	25,035,000	11,700,000
2003 Refunding	3.00-5.00	2020	22,465,000	15,030,000
2000 Series C (2003)	3.00-4.00	2021	29,840,000	16,500,000
2000 Series D (2004)	4.00-5.00	2014	15,000,000	4,500,000
2005 Series Refunding	3.50-5.00	2020	34,240,000	33,930,000
2005-B Series Refunding	4.00-4.50	2021	21,725,000	8,045,000
2000-E Series (2005)	3.50-3.75	2016	25,815,000	13,000,000
2006 Series Refunding	4.00-5.00	2021	50,525,000	50,525,000
2007 Series Refunding	5.00	2019	19,190,000	18,940,000
2000-F Series (2007)	4.00-5.00	2023	13,325,000	13,325,000
Total			<u>\$ 476,416,000</u>	<u>\$ 238,315,610</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 10 - BOND ISSUES (Continued):

Street and Highway Issued and Outstanding				
Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2010
1994 Series A (1995)	7.00	2012	\$ 10,900,000	\$ 3,900,000
1994 Series B (1996)	7.50	2012	10,025,000	2,275,000
1994 Series C (1997)	7.00	2012	5,000,000	1,000,000
1994 Series D (1998)	4.70-6.60	2013	14,675,000	3,750,000
1994 Series E (2000)	6.75-7.00	2013	19,400,000	6,000,000
1994 Series F (2001) & 2000 Series A (2001)	6.00	2014	15,500,000	3,250,000
2003 Refunding	4.50	2012	30,665,000	8,240,000
2003 Series A Refunding	3.25-5.00	2016	15,055,000	14,950,000
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
2009 Refunding	5.00	2019	10,130,000	10,130,000
2010 Refunding	4.00-5.00	2020	10,560,000	10,560,000
Total			\$ 201,405,000	\$ 123,550,000

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 10 - BOND ISSUES (Continued):

B. Enterprise Funds

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

Water Utility Revenue Bonds Issued and Outstanding

Series	Interest Rates	Maturity Date	Original Amount	Balance Outstanding June 30, 2010
1993 Refunding	5.50	2014	\$ 35,360,000	\$ 7,310,000
1994 Series A (1996)	6.0-8.0	2018	33,000,000	2,000,000
1994 Series D (2000)	7.25	2013	23,740,000	1,950,000
2000 Series A (2001)	5.0-7.5	2014	37,800,000	2,000,000
2000 Series B (2002)	4.125-5.125	2012	18,900,000	1,000,000
2000 Series D (2004)	4.0-4.25	2014	18,765,000	2,000,000
2001A Refunding	5.00	2016	40,850,000	26,870,000
2002 Refunding	5.50	2018	57,820,000	45,525,000
2003 Refunding	5.00	2018	12,000,000	12,000,000
2005 Refunding	5.00	2022	55,110,000	49,465,000
2005 Series A (2005)	3.5-4.45	2025	31,665,000	28,835,000
2005 Series B (2007)	4.375-5.00	2032	35,765,000	35,765,000
2005 Series C (2008)	4.00-5.00	2026	20,425,000	20,425,000
2006 Refunding	3.50-4.25	2024	85,460,000	82,885,000
2007 Refunding	5.00	2021	31,460,000	31,180,000
2009 Refunding	5.00	2019	2,815,000	2,815,000
Water System Revenue Obligations 2009	5.00	2029	38,450,000	35,635,000
Water System Revenue Obligations 2010	6.00	2030	38,510,000	38,510,000
1998A Water Infrastructure Finance Authority (WIFA)	3.425	2017	6,000,000	2,772,001
2000 Water Infrastructure Finance Authority (WIF1)	4.125	2020	5,120,000	3,175,740
2000 Water Infrastructure Finance Authority (WIF2)	4.125	2020	7,780,000	4,970,915
2001 Water Infrastructure Finance Authority (WIF3)	3.430	2021	8,800,000	5,764,886
2003 Water Infrastructure Finance Authority (WIF4)	3.48	2022	8,300,000	5,840,844
2000 Water Infrastructure Finance Authority (WIF5)	3.75	2023	3,000,000	2,235,393
2004 Water Infrastructure Finance Authority (WIF6)	3.255	2023	2,500,000	1,867,731
2005 Water Infrastructure Finance Authority (WIF7)	3.113	2024	2,997,000	2,368,900
2006 Water Infrastructure Finance Authority (WIF8)	3.424	2026	2,500,000	2,124,894
2007 Water Infrastructure Finance Authority (WIF9)	3.210	2026	2,000,000	1,694,245
2007 Water Infrastructure Finance Authority (WIF10)	3.208	2026	6,500,000	5,506,124
2007 Water Infrastructure Finance Authority (WIF11)	3.552	2027	17,800,000	15,854,354
2007 Water Infrastructure Finance Authority (WIF12)	3.600	2028	1,000,000	928,742
2007 Water Infrastructure Finance Authority (WIF13) *	3.375	2028	2,500,000	2,407,434
2010 Water Infrastructure Finance Authority (WIF14) *	2.928	2028	2,750,000	
			<u>\$ 697,442,000</u>	<u>\$ 483,682,203</u>

* WIFA loans not fully drawn down during FY 2010. The balance of the loans will be recognized in FY 2011.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 10 - BOND ISSUES (Continued):

C. Special Assessments

The principal amount of the City's special assessment debt outstanding at June 30, 2010 is \$3,626,000 that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$2,139,315 in the Special Assessment Bond & Interest Fund at June 30, 2010 is restricted for the retirement of outstanding special assessment bonds.

D. Clean Renewable Energy Bonds (CREBS)

In fiscal year 2009, the City entered into a lease agreement with Banc of America to issue the City CREBS to design, acquire, construct and install solar panels on various City buildings. CREBS are included in the Emergency Economic Stabilization Act of 2008 passed by the US Congress and awarded for projects that generate electricity from renewable resources. The bonds issued to the City are non interest bearing and mature on December 15, 2021.

E. Annual Principal and Interest Requirements

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

Years Ending June 30,	Governmental Activities					
	General Obligation		Street and Highway		Special Assessment	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 15,955,000	\$ 11,448,579	\$ 11,745,000	\$ 6,318,469	\$ 573,000	\$ 171,169
2012	13,479,600	13,541,949	12,255,000	5,623,075	583,000	142,025
2013	15,496,010	12,560,276	12,050,000	4,899,550	463,000	115,553
2014	18,565,000	9,396,336	12,170,000	4,283,363	429,000	92,606
2015	19,975,000	8,400,674	12,750,000	3,687,300	257,000	70,064
2016-2020	126,480,000	25,371,783	62,580,000	8,744,700	1,321,000	81,483
2021-2024	28,365,000	1,661,075				
	<u>\$ 238,315,610</u>	<u>\$ 82,380,671</u>	<u>\$ 123,550,000</u>	<u>\$ 33,556,457</u>	<u>\$ 3,626,000</u>	<u>\$ 672,900</u>

Years Ending June 30,	Governmental Activities		Business-type Activities	
	Clean Renewal Energy Bonds		Water Utility Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 584,300		\$ 20,035,756	\$ 23,019,719
2012	584,300		21,628,339	22,014,904
2013	584,300		22,476,487	20,947,542
2014	584,300		23,937,765	19,838,651
2015	584,300		26,839,270	18,677,712
2016-2020	2,921,500		153,632,941	73,026,687
2021-2025	1,168,600		140,725,580	37,784,368
2026-2030			67,566,521	12,229,303
2031-2035			6,839,544	725,000
	<u>\$ 7,011,600</u>		<u>\$ 483,682,203</u>	<u>\$ 228,263,886</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 11 - ADVANCE REFUNDING/DEFEASANCE OF DEBT:

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 \$128,640,000 and General Obligation and Street and Highway debt of \$54,352,000 and \$25,650,000, respectively.

On June 29, 2010, the City issued \$10,560,000 Senior Lien Street and Highway User Revenue Refunding Bonds to partially refund debt maturing on July 1, 2010 of the 1996 Senior Refunding and 2003 and 2003-A Junior Refunding Bonds and to pay costs relating to the issuance of the bonds. The interest rate on the bonds is 4.898% with a final maturity due July 1, 2020. Debt service payments are scheduled semi-annually at amounts that range from \$261,119 to \$10,818,250. The economic loss resulting from this refunding is \$186,803 (based upon NPV from delivery date.) The difference in cash flow requirements to service the old debt of \$11,465,288 and the cash flows to service the new debt of \$15,727,869 is \$4,262,581.

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, 2010. The total closure and post-closure cost estimates are based on what it would cost to perform those functions in 2010. Actual costs will likely vary due to inflation, changes in technology, or changes in regulations.

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

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

<u>Landfill Site</u>	<u>Landfill Capacity Used as of 6/30/2010</u>	<u>Estimated Closure/Post- Closure Costs</u>	<u>Liability Recognized at 6/30/10</u>	<u>Estimated Closure/ Postclosure Cost to be Recognized in Future Years</u>	<u>Estimated Remaining Life in Years</u>
Los Reales	84 %	\$ 32,437,000	\$ 27,279,517	\$ 5,157,483	60
Harrison	100 %	5,518,000	5,518,000		
Irvington	100 %	2,364,000	2,364,000		
Mullins	100 %	2,061,000	2,061,000		
Totals		<u><u>\$ 42,380,000</u></u>	<u><u>\$ 37,222,517</u></u>	<u><u>\$ 5,157,483</u></u>	

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

The operation of the landfills is a function of the City's Environmental Services Department that is accounted for as an enterprise fund. Management has started accumulating a portion of net assets (\$930,000) to address the closure/post-closure liability and (\$860,000) towards the construction of new landfill cells.

The June 30, 2010, liability for closure and post-closure costs is \$37,222,517 which represents the cumulative amount reported to date based on the estimated capacity of the landfills.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS:

A. Plan Descriptions

The City contributes to the plans described below. Benefits are established by City Charter and state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits.

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 who is appointed by the City Manager. Benefit provisions and changes in benefits or funding are recommended by the Board of Directors and must be approved by Mayor and Council. The TSRS issues a publicly available financial report that includes financial statements and required supplementary information. The financial statements may be obtained from their administrative office located at 255 W. Alameda Street, Tucson, AZ 85701.

The *Arizona Public Safety Personnel Retirement System of the State of Arizona* (System or PSPRS) administers an agent multiple-employer public employee retirement system established by the Arizona Revised Statutes (A.R.S. Title 38, Chapter 5, Article 4). All commissioned Police and Fire employees of the City participate in the System. The Fund Manager and 220 Local Boards jointly administer the System. The Fund Manager is a five-member board. The governor appoints three members, and two members are appointed by the state legislature. Each eligible group participating in the System has a five-member Local Board. Three members are appointed by the chief elected official of the organization, and two members are elected by the active members of the eligible group. The Fund Manager is responsible for the investment of the System's assets. The Local Board is responsible for determining eligibility for membership, service credits, eligibility for benefits, the timing of benefit payments, and the amount of benefits for its eligible group of employees. PSPRS 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.

The *Elected Officials' Retirement Plan* (EORP) administers a cost-sharing, multiple-employer defined benefit pension plan and a cost-sharing multiple employer defined benefit health insurance premium plan. At June 30, 2010, the City had 7 covered officials. Covered payroll for the year then ended was \$182,216 (out of the total City payroll of \$257,304,967). All elected officials of the City are members of the Plan.

No additional disclosures regarding EORP are provided due to its immateriality to these financial statements as a whole. Financial statements for the Plan are available by contacting Elected Officials' Retirement System at 3010 East Camelback Road, Suite 200, Phoenix, AZ 85016.

Post-employment health care and life insurance benefits (OPEB) are provided in addition to the pension benefits described, the City provides post-employment health care and life insurance benefits (OPEB) for retired employees through a single-employer defined benefit plan. The benefits, benefits levels, employee contributions and employer contributions are governed by the City and can be amended by the City through management approval. This benefit is offered to retirees who have qualified to receive a monthly retirement allowance from either the Tucson Supplemental Retirement System or from the Arizona Public Safety Retirement System. The City contribution to medical premiums ends when the retiree reaches age 65 and becomes eligible for Medicare. Separate financial statements are not issued.

The City contributed towards the medical premiums of 1,358 participants as of June 30, 2010. Depending upon the date of retirement, the City generally pays between 75% and 100% of the medical insurance premiums for eligible retirees and their dependents. City of Tucson employees retiring, entering a Deferred Retirement Option Plan program, or entering an End of Service program after January 1, 2011, will receive a maximum fixed retiree health subsidy.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued):

B. Funding Policy

For the *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% of base pay. For fiscal year 2010 the rate of contribution for employees hired after June 30, 2006 was 8.852%.

A reserve is established for contributions and earnings allocations, less amounts transferred to reserves for retirement, 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 17.13% and for employees hired after June 30, 2006 the contribution rate is 13.278%.

Employees covered by the *Public Safety Personnel Retirement System* contribute 7.65% of their salary to the System. The System's funding policy provides for actuarially determined employer contribution rates which will provide assets sufficient to pay benefits when due. For the fiscal year ended June 30, 2010, the required employer contribution rates were 26.27% and 27.26%, respectively, for Police and Fire. The health insurance premium portion of the contribution rate was actuarially set at .51% for Public Safety members of covered payroll.

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

The City's policy for other *Post-employment Benefits* is to contribute 75% of the cost of retiree medical premiums prior to Medicare eligibility (age 65). Effective January 1, 2011, the employer contribution will change to a flat rate. Contribution amounts will vary based on plan options. The City also provides a life insurance benefit of \$7,500 to all retirees, regardless of age. Currently the costs associated with this retirement benefit are expended as the appropriate medical insurance premiums are paid. For fiscal year 2010 the City's portion of the retiree medical insurance was \$5,107,087. The costs associated with the life insurance premiums are expended as the insurance premium is paid. For fiscal year 2010 the City's cost for retiree life insurance was \$331,598.

The City's annual OPEB cost (expense) of \$7,797,000 was equal to the employer's annual required contribution (ARC) for the fiscal year, as the transition liability was set at zero as of June 30, 2007. The plan is financed on a pay-as-you-go basis. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended, June 30	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Liability)
2010	\$ 7,797,000	\$ 6,414,515	82.3%	\$ 1,382,485
2009	\$ 8,077,000	\$ 5,926,410	73.4%	\$ 2,150,590
2008	\$ 7,618,000	\$ 5,616,461	73.7%	\$ 2,001,539

C. Funding Status

The funded status of the plans as of the most recent valuation date, June 30, 2010, along with the actuarial assumptions and methods used in those valuations follow. For this valuation, the PSPRS pension and health insurance benefit amounts were aggregated. In future years these benefits will be disaggregated and reported separately.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (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)	Unfunded(Overfunded) AAL as a Percentage of Active Annual Member Covered Payroll (b-a) / (c)
TSRS						
2010	\$ 641,819	\$ 904,480	\$ 262,662	71.0 %	\$ 141,459	185.7 %
2009	665,136	859,485	194,349	77.4	149,925	129.6
2008	650,227	822,205	171,978	79.1	153,982	111.7
Police*						
2009	347,308	522,026	174,718	66.5	64,821	269.5
2008	335,867	502,997	167,130	66.8	69,950	238.9
2007	324,841	501,673	176,832	64.8	60,617	291.7
Fire*						
2009	217,864	329,273	111,408	66.2	38,757	287.5
2008	212,974	321,985	109,011	66.1	39,842	273.6
2007	206,680	321,180	114,500	64.4	36,357	314.9
OPEB (City)						
2010	0	128,041	128,041	0.0	243,864	52.5
2009	0	131,809	131,809	0.0	257,456	51.2
2008	0	121,711	121,711	0.0	351,181	34.6

* Fiscal Year 2010 figures not available at time of printing.

D. Trend Information

Annual pension cost information for the current and two preceding years follows for each of the agent plans. Annual OPEB cost information for the current year (i.e., transition year) is as follows.

Three Year Trend Information *(Dollar amounts are in thousands)*

	Fiscal Year Ended 6/30	Annual Pension and OPEB Cost	Percentage of OPEB and APC Contributed	Net Pension and OPEB Obligation
TSRS	2010	\$ 34,825	100 %	\$ 0
	2009	28,757	100	0
	2008	27,601	100	0
Police*	2009	19,122	100	0
	2008	16,384	100	0
	2007	11,595	100	0
Fire*	2009	11,744	100	0
	2008	10,830	100	0
	2007	7,261	100	0
OPEB (City)	2010	7,797	82.3	1,382
	2009	8,077	73.4	2,358
	2008	7,618	73.7	2,002

* Fiscal Year 2010 figures not available at time of printing.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 13 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued):

	Actuarial Information			
	TSRS	APSPRS		OPEB
		Police**	Fire**	
Actuarial Valuation Date	June 30, 2010	June 30, 2009	June 30, 2009	June 30, 2010
Actuarial Cost Method	Individual Entry Age	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Dollar, 30 Years, Open
Remaining Amortization Period	Open 15 Years from June 30, 2010	28 years for unfunded actuarial accrued liability, 20 years for excess	28 years for unfunded actuarial accrued liability, 20 years for excess	30 years for unfunded actuarial accrued liability
Asset Valuation Method	4-Year Smoothed Market	4-Year Smoothed Market	4-Year Smoothed Market	N/A
Actuarial Assumptions:				
Investment Rate of Return	7.75%	8.50%	8.50%	4.50%
Projected Salary Increases*	3.50% - 7.50%	5.50% - 8.50%	5.50% - 8.50%	N/A
Inflation	3.50%	5.00%	5.00%	N/A
Cost-of-Living Adjustment	As approved by TSRS Board	None	None	N/A

* Projected salary increases include inflation.

** Fiscal Year 2010 figures not available at time of printing.

Note 14 - 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, 2010, and 2009, are as follows:

	2010	2009
Beginning of fiscal year liability	\$ 31,117,560	\$ 32,094,391
Current year claims and changes in estimates	18,612,602	5,487,523
Claim Payments	(9,664,875)	(6,464,354)
Balance at fiscal year end	<u>\$ 40,065,287</u>	<u>\$ 31,117,560</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 15 – PLEDGED REVENUES:

The City has pledged future utility customer revenues, net of specified operating expenses, to repay \$697,442,000 million in utility system revenue bonds issued since March 1993. Proceeds from the bonds provided financing for the construction of various utility related projects including new water pipelines and water treatment plants. The bonds are payable solely from utility customer net revenues and are payable through June 2032. Fiscal year 2010 annual principal and interest payments on the bonds are expected to require less than 55% of net revenues. The total principal and interest remaining to be paid on the bonds is \$711,946,089. Principal and interest paid for the current year and total customer net revenues were \$36,827,118 and \$67,009,373 respectively.

The City has pledged future Highway User Tax (HURF) Revenues distributed from the State to repay \$201,405,000 million in Street and Highway Bonds issued since 1995. Proceeds from the bonds provided financing for the construction and acquiring rights-of-way for and maintaining City streets and highways. The bonds are payable solely from HURF revenues and are payable through 2020. Fiscal Year 2010 annual principal and interest payments on the bonds required 14% of HURF revenues. The total principal and interest remaining to be paid on the bonds is \$157,106,457. Principal and interest paid for the current year and total HURF revenues were \$6,150,817 and \$43,475,000, respectively.

Note 16 - 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 \$2,162,580. 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 \$12,890,152.

C. Construction and Other Commitments

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

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

D. Federal and State Grants

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

E. Sale of Tucson House

On November 1, 1997, the City sold the Tucson House, a public housing apartment complex, to a limited partnership that has renovated the complex with money obtained through Federal Home Loan Bank (FHLB) subsidies. Notes and interest receivables have been established for: the sales price, certain construction costs paid by the City, and accrued interest due on the notes at 7.5%. The note balance, with accrued interest at 7.5% thereon, totaled \$21,581,206 at June 30, 2010.

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 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 \$18,696,601 at June 30, 2010.

Eligibility of Posadas Sentinel LLLP for the tax credits requires that the properties be operated as affordable housing for a period of 15 years after the development is completed, at the end of which time the lease agreement may be terminated in exchange for forgiveness of the associated debt. The City has made certain commitments to ensure eligibility for the tax credit, and therefore has potential associated liability. The likelihood of such liability occurring is considered remote by the City.

G. Financing of South Park Low-income Housing

On December 2, 2002, the City entered into a capital lease with South Park Development Partners LLLP (South Park), whereby the City leased various properties to South Park for 75 years. Under the terms of the lease, South Park will develop and operate the properties solely as low-income residential housing facilities. South Park is financing this development through low-income housing tax credits from the State of Arizona, and through a 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 \$3,317,029 at June 30, 2010.

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.

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

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 \$1,804,121 at June 30, 2010.

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 \$2,200,000 at June 30, 2010.

The proceeds from the 2007 Taxable Certificates of Participation in the amount of \$2,545,000 will be used by the City to acquire a leasehold interest in the 2007 Taxable Property, which consists of certain real property and a parking garage to be constructed thereon, from Starr Pass pursuant to the 2007 Starr Pass Lease. Starr Pass will use such amount to finance the construction of a second parking garage for use by guests of the JW Marriott Starr Pass Resort located in the City. The City will assign its interest in the 2007 Starr Pass Lease and the 2007 Taxable Property to the Trustee. The Trustee will, in turn, lease its interest in the 2007 Taxable Property to the City pursuant to the Series 2007 Lease. The City will then sublease the 2007 Taxable Property to Starr Pass to manage and operate the second public parking garage over a 20-year period. The Resort is paying the City under the sublease the amount equal to the debt service. The notes receivable balance due to the City is \$2,320,000 at June 30, 2010.

J. 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, 2010, the City intended to honor \$106,196,037 of outstanding encumbrances in the new year.

General Fund	\$ 2,871,794
Mass Transit	3,734,818
Nonmajor Government Funds	99,589,425
Total	<u>\$ 106,196,037</u>

CITY OF TUCSON, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

Note 16 - CONTINGENCIES AND COMMITMENTS (Continued):

K. Rio Nuevo Multipurpose Facilities District

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) and was a component unit of the City for fiscal year 2009. On November 23, 2009, Senate Bill 1003 passed, which changed Arizona law regarding the governance of the District. The bill created a new governing board, which resulted in the City no longer having majority control of the District's board, nor meeting the other requirements as stated by GASB Statement No. 14, *The Financial Reporting Entity*. As a result for fiscal year 2010, the District is no longer a component unit of the City. As part of the operation of the District, revenue bonds were issued and backed by the City. According to the bond covenants, if the District is unable to make the debt service payments, the City would be responsible for the payments. As of fiscal year 2010, the annual debt service ranges from \$8,093,344 to \$15,668,544 over the life of the debt. Arizona Revised Statute 48-4255 states the City is entitled to receive TIF funding to cover the debt service until paid, even if the District no longer exists. The current outstanding debt balance is \$83,010,000.

Note 17 - REMEDIATION LIABILITY

The City owned and operated fueling facilities that are now closed. When the underground storage tanks were removed, evidence was found that contaminants had leaked into the ground creating a possible hazard to our groundwater resources. In accordance with state statutes, the City started remediation actions to clear, remove, and monitor the sites. Cost estimates are based on actual monthly expenditures annualized for the ten year estimate. Changes to the estimates will depend on the periodic sampling of the affected areas. See Note 8 for liability information.

Note 18 – SUBSEQUENT EVENT

On July 14, 2010, the City issued \$47,020,000 taxable Certificates of Participation (Series 2010-A). The interest rates range from 3.2% to 6.75% with the final maturity due on July 1, 2030. The debt service payments are scheduled semi-annually at amounts that range from \$161,830 to \$1,274,451.



City of Tucson, Arizona



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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 216,980,240	\$ 215,659,640	\$ 215,668,210	\$ 8,570
Licenses and Permits	22,641,960	22,641,960	21,786,026	(855,934)
Fines and Forfeitures	18,002,040	18,002,040	14,148,259	(3,853,781)
Use of Money and Property	3,957,320	3,957,320	1,949,314	(2,008,006)
Federal Grants and Contributions	762,370	762,370		(762,370)
Other Agencies	133,002,920	133,002,920	126,282,205	(6,720,715)
Charges for Services	37,887,320	37,887,320	41,578,013	3,690,693
Miscellaneous	14,747,920	4,794,570	1,421,761	(3,372,809)
Total revenues	447,982,090	436,708,140	422,833,788	(13,874,352)
Expenditures:				
Current -				
Elected and Official	20,410,660	19,490,482	17,349,689	2,140,793
Support Services	42,238,650	40,280,564	38,201,829	2,078,735
Neighborhood Services	287,523,250	281,844,277	272,460,827	9,383,450
Environment and Development	10,331,580	9,536,711	8,853,634	683,077
Non-Departmental	34,042,000	30,623,940	26,530,343	4,093,597
Capital Outlay	859,440	1,070,080	2,577,376	(1,507,296)
Capital Projects	69,000	1,335,864	1,292,568	43,296
Debt service -				
Principal	16,145,570	16,145,570	3,259,613	12,885,957
Interest	9,017,130	9,017,130	8,255,956	761,174
Fiscal Agent Fees			199,205	(199,205)
Issuance Costs of Debt			190,397	(190,397)
Total expenditures	420,637,280	409,344,618	379,171,437	30,173,181
Excess (deficiency) of revenues over expenditures	27,344,810	27,363,522	43,662,351	16,298,829
Other financing sources (uses):				
Capital Leases	11,400,000	11,400,000	15,080,000	3,680,000
Premium on Debt Issuance			549,486	549,486
Transfers In	170,000	170,000	69,988	(100,012)
Refunded Bond Escrow Agent			(13,499,089)	(13,499,089)
Transfers Out	(38,914,810)	(38,914,810)	(38,438,299)	476,511
Total other financing sources (uses)	(27,344,810)	(27,344,810)	(36,237,914)	(8,893,104)
Change in fund balances		18,712	7,424,437	7,405,725
Fund balances, July 1, 2009			39,727,568	39,727,568
Fund balances, June 30, 2010	\$	\$ 18,712	\$ 47,152,005	\$ 47,133,293

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, 2010**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Use of Money and Property	\$ 570,000	\$ 570,000	\$ 257,051	\$ (312,949)
Federal Grants and Contributions	43,979,500	43,979,500	26,303,155	(17,676,345)
Other Agencies	15,285,980	15,285,980	13,529,437	(1,756,543)
Charges for Services	13,266,420	13,266,420	11,896,786	(1,369,634)
Miscellaneous	575,000	575,000	1,605,257	1,030,257
Total revenues	73,676,900	73,676,900	53,591,686	(20,085,214)
Expenditures:				
Current -				
Environment and Development	70,077,910	66,338,149	63,731,012	2,607,137
Capital Outlay	19,202,490	17,414,872	12,420,905	4,993,967
Capital Projects	16,396,500	12,639,749	7,206,131	5,433,618
Total expenditures	105,676,900	96,392,770	83,358,048	13,034,722
Excess (deficiency) of revenues over expenditures	(32,000,000)	(22,715,870)	(29,766,362)	(7,050,492)
Other financing sources (uses):				
Transfers In	32,000,000	32,000,000	29,751,202	(2,248,798)
Total other financing sources (uses)	32,000,000	32,000,000	29,751,202	(2,248,798)
Change in fund balances		9,284,130	(15,160)	(9,299,290)
Fund balances, July 1, 2009			3,696,962	3,696,962
Fund balances, June 30, 2010	\$	\$ 9,284,130	\$ 3,681,802	\$ (5,602,328)

See accompanying notes to this schedule.

CITY OF TUCSON, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

NOTE - BUDGET INFORMATION:

The City prepares a legally adopted annual operating budget for the General Fund and Mass Transit fund. The City's budget is adopted using a basis of accounting consistent with generally accepted accounting principles (GAAP), with immaterial exceptions (e.g., beginning fund balance is budgeted as a revenue source). The City's actuals are presented on a GAAP basis; therefore, no reconciliation is necessary.



City of Tucson, Arizona



**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, 2010

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Pooled Cash and Investments	\$ 33,113,937	\$ 6,419,155	\$ 6,471,989	\$ 46,005,081
Cash/Investments with Fiscal Agents	631,601	24,826,829		25,458,430
Cash & Investments with Fiscal Agent - Restricted	4,491,202			4,491,202
Accounts Receivable, Net	817,431			817,431
Special Assessments Receivable		2,794,917		2,794,917
Notes & Loans Receivable	17,908,071			17,908,071
Due from Other Agencies	24,635,928			24,635,928
Interfund Receivable	20,017,374			20,017,374
Grants & Entitlements Receivable	14,883,614			14,883,614
Interest Receivable	34,338	1,450	4,393	40,181
Long Term Investments	1,598,240			1,598,240
Other Assets	56,810			56,810
Total assets	<u>\$ 118,188,546</u>	<u>\$ 34,042,351</u>	<u>\$ 6,476,382</u>	<u>\$ 158,707,279</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 8,515,706	\$ 432	\$ 11,799	\$ 8,527,937
Accrued Payroll Liabilities	868,196			868,196
Accrued Interest Payable	901			901
Interfund Payable	17,200,960			17,200,960
Due to Other Agencies	55,967			55,967
Refundable Deposits	1,178,090	49,407		1,227,497
Bonds & Interest Payable, including Special Assessments		24,827,329		24,827,329
Deferred Revenue	17,794,776	2,791,510		20,586,286
Total liabilities	<u>45,614,596</u>	<u>27,668,678</u>	<u>11,799</u>	<u>73,295,073</u>
Fund balances:				
Nonspendable	1,598,240			1,598,240
Restricted	55,718,461	6,373,673	6,464,583	68,556,717
Committed	3,280,037			3,280,037
Assigned	13,517,739			13,517,739
Unassigned	(1,540,527)			(1,540,527)
Total fund balances	<u>72,573,950</u>	<u>6,373,673</u>	<u>6,464,583</u>	<u>85,412,206</u>
Total liabilities and fund balances	<u>\$ 118,188,546</u>	<u>\$ 34,042,351</u>	<u>\$ 6,476,382</u>	<u>\$ 158,707,279</u>

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	ParkWise	Convention Center Fund	Capital Improvements Fund	HURF Fund
ASSETS				
Pooled Cash and Investments	\$ 2,700	\$ 923,929		\$ 2,444,115
Cash/Investments with Fiscal Agents				165,347
Cash/Investments with Fiscal Agents-Restricted			4,491,202	
Accounts Receivable, Net	165,192	84,822		384,989
Notes & Loans Receivable				
Due from Other Agencies			3,350,001	6,567,994
Interfund Receivable			12,412,990	7,604,384
Grants & Entitlements Receivable				
Interest Receivable			11,435	6,526
Long-term Investments	1,598,240			
Other Assets				
Total assets	<u>\$ 1,766,132</u>	<u>\$ 1,008,751</u>	<u>\$ 20,265,628</u>	<u>\$ 17,173,355</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 208,503	\$ 38,440	\$ 1,409,680	\$ 294,019
Accrued Payroll Liabilities	21,003	66,105	516	564,866
Accrued Interest Payable	901			
Interfund Payable	1,468,999			
Due to Other Agencies		21		918
Refundable Deposits	9,013	874,785		8,080
Deferred Revenue				
Total liabilities	<u>1,708,419</u>	<u>979,351</u>	<u>1,410,196</u>	<u>867,883</u>
Fund balances:				
Nonspendable	1,598,240			
Restricted			18,855,432	
Committed				2,926,905
Assigned		29,400		13,378,567
Unassigned	(1,540,527)			
Total fund balances	<u>57,713</u>	<u>29,400</u>	<u>18,855,432</u>	<u>16,305,472</u>
Total liabilities and fund balances	<u>\$ 1,766,132</u>	<u>\$ 1,008,751</u>	<u>\$ 20,265,628</u>	<u>\$ 17,173,355</u>

Civic Contribution Fund	Human & Community Development	Development Fee Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund	Public Housing HOME Program Fund
\$ 2,853,436	\$ 50,000	\$ 21,995,517		\$ 4,467,350	
	6,201,991			180,628	11,706,080
	1,815,506		251,623		
1,866		14,511	3,243,703	298,283	653,657
				56,810	
<u>\$ 2,855,302</u>	<u>\$ 8,067,497</u>	<u>\$ 22,010,028</u>	<u>\$ 3,495,326</u>	<u>\$ 5,003,071</u>	<u>\$ 12,359,737</u>
\$ 4,924	\$ 519,302	\$ 233,973	\$ 564,049	\$ 304,074	\$ 129,518
	35,148		19,730	80,694	5,104
	1,213,862		2,816,263		519,035
31	50,431				
	280		462	215,992	
	1,428,596				11,706,080
<u>4,955</u>	<u>3,247,619</u>	<u>233,973</u>	<u>3,400,504</u>	<u>600,760</u>	<u>12,359,737</u>
2,497,215	4,819,878	21,776,055	94,822	4,402,311	
353,132					
<u>2,850,347</u>	<u>4,819,878</u>	<u>21,776,055</u>	<u>94,822</u>	<u>4,402,311</u>	
<u>\$ 2,855,302</u>	<u>\$ 8,067,497</u>	<u>\$ 22,010,028</u>	<u>\$ 3,495,326</u>	<u>\$ 5,003,071</u>	<u>\$ 12,359,737</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010
(Concluded)

	Other Federal Grants Fund	Non-Federal Grants Fund	Regional Transportation Authority Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 376,890			\$ 33,113,937
Cash/Investments with Fiscal Agents	466,254			631,601
Cash/Investments with Fiscal Agents-Restricted				4,491,202
Accounts Receivable, Net	1,800			817,431
Notes & Loans Receivable				17,908,071
Due from Other Agencies			14,466,310	24,635,928
Interfund Receivable				20,017,374
Grants & Entitlements Receivable	8,458,271	414,194		14,883,614
Interest Receivable				34,338
Long-term Investments				1,598,240
Other Assets				56,810
Total assets	\$ 9,303,215	\$ 414,194	\$ 14,466,310	\$ 118,188,546
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 1,465,179	\$ 49,844	\$ 3,294,201	\$ 8,515,706
Accrued Payroll Liabilities	56,206	18,824		868,196
Accrued Interest Payable				901
Interfund Payable		10,692	11,172,109	17,200,960
Due to Other Agencies	4,494	72		55,967
Refundable Deposits	69,457	21		1,178,090
Deferred Revenue	4,325,359	334,741		17,794,776
Total liabilities	5,920,695	414,194	14,466,310	45,614,596
Fund balances:				
Nonspendable				1,598,240
Restricted	3,272,748			55,718,461
Committed				3,280,037
Assigned	109,772			13,517,739
Unassigned				(1,540,527)
Total fund balances	3,382,520			72,573,950
Total liabilities and fund balances	\$ 9,303,215	\$ 414,194	\$ 14,466,310	\$ 118,188,546

CITY OF TUCSON, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS
JUNE 30, 2010

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund	Totals
<u>ASSETS</u>				
Pooled Cash and Investments	\$ 2,184,797	\$ 4,234,358	\$	\$ 6,419,155
Cash/Investments with Fiscal Agents	92,315	21,834,964	2,899,550	24,826,829
Special Assessments Receivable	2,794,917			2,794,917
Interest Receivable	1,450			1,450
Total assets	\$ 5,073,479	\$ 26,069,322	\$ 2,899,550	\$ 34,042,351
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 432	\$	\$	\$ 432
Refundable Deposits	49,407			49,407
Bonds & Interest Payable, including Special Assessments	92,815	21,834,964	2,899,550	24,827,329
Deferred Revenue	2,791,510			2,791,510
Total liabilities	2,934,164	21,834,964	2,899,550	27,668,678
Fund balances:				
Restricted	2,139,315	4,234,358		6,373,673
Total fund balances	2,139,315	4,234,358		6,373,673
Total liabilities and fund balances	\$ 5,073,479	\$ 26,069,322	\$ 2,899,550	\$ 34,042,351

CITY OF TUCSON, ARIZONA
 COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

	2000 General Obligation Fund
<u>ASSETS</u>	
Pooled Cash and Investments	\$ 6,471,989
Interest Receivable	4,393
Total assets	\$ 6,476,382
 <u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts Payable	\$ 11,799
Total liabilities	11,799
Fund balances:	
Restricted	6,464,583
Total fund balances	6,464,583
Total liabilities and fund balances	\$ 6,476,382



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, 2010

	Special Revenue	Debt Service	2000 General Obligation Fund
Revenues:			
Taxes	\$	\$ 21,396,898	\$
Licenses and Permits	65,454		
Fines and Forfeitures	428,287	14,666	
Developer Fees	3,617,096		
Use of Money and Property	823,033	10,155	30,421
Federal Grants and Contributions	81,994,141		
Other Agencies	95,238,698	7,234,028	
Charges for Services	5,633,766		
Special Assessments		652,683	
Contributions from Outside Sources	230,085		
Miscellaneous	654,908		500
Total revenues	<u>188,685,468</u>	<u>29,308,430</u>	<u>30,921</u>
Expenditures:			
Current -			
Elected and Official	1,085,855		
Support Services	92,059		
Neighborhood Services	62,124,682		288,664
Environment and Development	29,160,144		13,076
Strategic Initiatives	5,378,320		
Non-Departmental	3,878,915		
Capital Outlay	7,208,583		
Capital Projects	86,267,238		1,093,503
Debt service -			
Principal	7,181,388	16,326,635	
Interest	867,216	18,491,145	
Fiscal Agent Fees		10,575	
Issuance Costs of Debt		231,682	
Total expenditures	<u>203,244,400</u>	<u>35,060,037</u>	<u>1,395,243</u>
Excess (deficiency) of revenues over expenditures	<u>(14,558,932)</u>	<u>(5,751,607)</u>	<u>(1,364,322)</u>
Other financing sources (uses):			
Bond Issuance		10,560,000	
Premium on Debt Issuance		1,136,970	
Transfers In	7,131,132		
Refunded Bond Escrow Agent		(11,465,288)	
Transfers Out	(177,140)	(1,083,722)	
Total other financing sources (uses)	<u>6,953,992</u>	<u>(852,040)</u>	
Change in fund balances	<u>(7,604,940)</u>	<u>(6,603,647)</u>	<u>(1,364,322)</u>
Fund balances, beginning of year	80,178,890	12,977,320	7,828,905
Fund balances, end of year	<u>\$ 72,573,950</u>	<u>\$ 6,373,673</u>	<u>\$ 6,464,583</u>

Total
Non-Major
Governmental
Funds

\$ 21,396,898
65,454
442,953
3,617,096
863,609
81,994,141
102,472,726
5,633,766
652,683
230,085
655,408
218,024,819

1,085,855
92,059
62,413,346
29,173,220
5,378,320
3,878,915
7,208,583
87,360,741

23,508,023
19,358,361
10,575
231,682
239,699,680

(21,674,861)

10,560,000
1,136,970
7,131,132
(11,465,288)
(1,260,862)
6,101,952

(15,572,909)

100,985,115

\$ 85,412,206

**CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010**

	ParkWise	Convention Center Fund	Capital Improvements Fund
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	428,287		
Developer Fees			
Use of Money and Property	395,225	46,506	81,693
Federal Grants and Contributions			
Other Agencies			9,767,115
Charges for Services	1,989,192	3,434,245	
Contributions from Outside Sources			
Miscellaneous	17,711		
Total revenues	<u>2,830,415</u>	<u>3,480,751</u>	<u>9,848,808</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			919
Environment and Development	1,936,824		317,624
Strategic Initiatives		5,344,956	
Non-Departmental		3,778,335	
Capital Outlay			4,577,208
Capital Projects	367,819		20,029,439
Debt service -			
Principal	5,920		
Interest	462,139		131,357
Total expenditures	<u>2,772,702</u>	<u>9,123,291</u>	<u>25,056,547</u>
Excess (deficiency) of revenues over expenditures	<u>57,713</u>	<u>(5,642,540)</u>	<u>(15,207,739)</u>
Other financing sources (uses):			
Transfers In		5,642,540	81,967
Transfers Out			(177,140)
Total other financing sources (uses)		<u>5,642,540</u>	<u>(95,173)</u>
Change in fund balances	<u>57,713</u>		<u>(15,302,912)</u>
Fund balances, beginning of year		29,400	34,158,344
Fund balances, end of year	<u>\$ 57,713</u>	<u>\$ 29,400</u>	<u>\$ 18,855,432</u>

H.U.R.F. Fund	Civic Contribution Fund	Community Development Block Grants Fund	Development Fee Fund	Miscellaneous Housing Grant Fund	Public Housing Section 8 Fund
\$ 65,454	\$	\$	\$	\$	\$
175,103	12,904	1,221	3,617,096		
36,308,431		11,392,390	100,143	11,046,946	34,442,661
210,329					
413,655	230,085				223,542
<u>37,172,972</u>	<u>242,989</u>	<u>11,393,611</u>	<u>3,717,239</u>	<u>11,046,946</u>	<u>34,666,203</u>
	5,598				
293,551	287,724	5,177,147	14,190	8,885,765	34,085,038
25,089,369	33,364				
100,580	18,398	40,000			
790,741	40,852	6,069,464	3,620,878	2,182,026	
1,611,768					
99,719					64,229
<u>27,985,728</u>	<u>385,936</u>	<u>11,286,611</u>	<u>3,635,068</u>	<u>11,067,791</u>	<u>34,149,267</u>
9,187,244	(142,947)	107,000	82,171	(20,845)	516,936
1,083,722			322,903		
<u>1,083,722</u>			<u>322,903</u>		
10,270,966	(142,947)	107,000	405,074	(20,845)	516,936
6,034,506	2,993,294	4,712,878	21,370,981	115,667	3,885,375
<u>\$ 16,305,472</u>	<u>\$ 2,850,347</u>	<u>\$ 4,819,878</u>	<u>\$ 21,776,055</u>	<u>\$ 94,822</u>	<u>\$ 4,402,311</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, 2010
(Concluded)

	Public Housing HOME Program Fund	Other Federal Grants Fund	Non-Federal Grants Fund
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property		10,238	
Federal Grants and Contributions	4,549,228	20,562,916	
Other Agencies			1,563,000
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>4,549,228</u>	<u>20,573,154</u>	<u>1,563,000</u>
Expenditures:			
Current -			
Elected and Official		990,730	89,527
Support Services		92,059	
Neighborhood Services	4,358,830	7,634,819	1,386,699
Environment and Development		848,333	
Strategic Initiatives			
Non-Departmental			
Capital Outlay		1,408,380	86,774
Capital Projects	190,398	7,421,286	
Debt service -			
Principal		5,563,700	
Interest		109,772	
Total expenditures	<u>4,549,228</u>	<u>24,069,079</u>	<u>1,563,000</u>
Excess (deficiency) of revenues over expenditures		<u>(3,495,925)</u>	
Other financing sources (uses):			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances		<u>(3,495,925)</u>	
Fund balances, beginning of year		6,878,445	
Fund balances, end of year	<u>\$</u>	<u>\$ 3,382,520</u>	<u>\$</u>

Regional Transportation Authority Fund	Totals
\$	\$ 65,454
	428,287
	3,617,096
	823,033
	81,994,141
47,600,152	95,238,698
	5,633,766
	230,085
	654,908
<u>47,600,152</u>	<u>188,685,468</u>

	1,085,855
	92,059
	62,124,682
967,994	29,160,144
	5,378,320
	3,878,915
1,077,823	7,208,583
45,554,335	86,267,238
	7,181,388
	867,216
<u>47,600,152</u>	<u>203,244,400</u>

(14,558,932)

	7,131,132
	(177,140)
	<u>6,953,992</u>

(7,604,940)

80,178,890

\$ \$ 72,573,950

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010

	Special Assessment Bond & Interest Fund	General Obligation Bond & Interest Fund	Street & Highway Bond & Interest Fund
Revenues:			
Taxes	\$	\$ 21,396,898	\$
Fines and Forfeitures	14,666		
Use of Money and Property	10,155		
Other Agencies			7,234,028
Special Assessments	652,683		
Total revenues	<u>677,504</u>	<u>21,396,898</u>	<u>7,234,028</u>
Expenditures:			
Debt service -			
Principal	566,635	15,760,000	
Interest	200,664	12,139,664	6,150,817
Fiscal Agent Fees	4,750	5,075	750
Issuance Costs of Debt			231,682
Total expenditures	<u>772,049</u>	<u>27,904,739</u>	<u>6,383,249</u>
Excess (deficiency) of revenues over expenditures	<u>(94,545)</u>	<u>(6,507,841)</u>	<u>850,779</u>
Other financing sources (uses):			
Bond Issuance			10,560,000
Premium on Debt Issuance			1,136,970
Refunded Bond Escrow Agent			(11,465,288)
Transfers Out			(1,083,722)
Total other financing sources (uses)			<u>(852,040)</u>
Change in fund balances	<u>(94,545)</u>	<u>(6,507,841)</u>	<u>(1,261)</u>
Fund balances, beginning of year	2,233,860	10,742,199	1,261
Fund balances, end of year	<u>\$ 2,139,315</u>	<u>\$ 4,234,358</u>	<u>\$</u>

Totals

\$ 21,396,898
14,666
10,155
7,234,028
652,683
29,308,430

16,326,635
18,491,145
10,575
231,682
35,060,037

(5,751,607)

10,560,000
1,136,970
(11,465,288)
(1,083,722)
(852,040)

(6,603,647)

12,977,320

\$ 6,373,673

**CITY OF TUCSON, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 NON-MAJOR CAPITAL PROJECTS FUNDS
 YEAR ENDED JUNE 30, 2010**

	<u>2000 General Obligation Fund</u>
Revenues:	
Use of Money and Property	\$ 30,421
Miscellaneous	500
Total revenues	<u>30,921</u>
 Expenditures:	
Current -	
Neighborhood Services	288,664
Environment and Development	13,076
Capital Projects	1,093,503
Total expenditures	<u>1,395,243</u>
Change in fund balances	<u>(1,364,322)</u>
Fund balances, beginning of year	7,828,905
 Fund balances, end of year	<u>\$ 6,464,583</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	<u>Golf Course Fund</u>	<u>Public Housing (AMP) Funds</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Pooled Cash and Investments	\$ 49,550	\$ 6,348,725	\$ 6,398,275
Cash & Investments with Fiscal Agent - Restricted	209,875		209,875
Accounts Receivable, Net		85,611	85,611
Due from Other Agencies		742,079	742,079
Interest Receivable		2,392	2,392
Inventories	196,473	265,715	462,188
Total current assets	<u>455,898</u>	<u>7,444,522</u>	<u>7,900,420</u>
Noncurrent assets:			
Long Term Accounts Receivable		53,087,220	53,087,220
Deferred Charges	73,146		73,146
Land & Construction in Progress	3,411,006	8,548,701	11,959,707
Other Capital Assets, Net	15,790,944	18,145,037	33,935,981
Total noncurrent assets	<u>19,275,096</u>	<u>79,780,958</u>	<u>99,056,054</u>
Total assets	<u>19,730,994</u>	<u>87,225,480</u>	<u>106,956,474</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts Payable	\$ 105,431	\$ 546,623	\$ 652,054
Accrued Payroll Liabilities	118,127	104,194	222,321
Accrued Interest Payable	4,353	3,001	7,354
Interfund Payable	6,345,267		6,345,267
Due to Other Agencies	48,095	38	48,133
Refundable Deposits	652	936,343	936,995
Current Portion of Contracts Payable	5,969		5,969
Current Portion of Compensated Absences	113,121	88,756	201,877
Deferred Revenue	124,755		124,755
Total current liabilities	<u>6,865,770</u>	<u>1,678,955</u>	<u>8,544,725</u>
Noncurrent liabilities:			
Unearned Revenue		53,237,580	53,237,580
Contracts Payable	3,687,187		3,687,187
Compensated Absences	102,167	129,512	231,679
Other Post-employment Benefits	43,102		43,102
Total non-current liabilities	<u>3,832,456</u>	<u>53,367,092</u>	<u>57,199,548</u>
Total liabilities	<u>10,698,226</u>	<u>55,046,047</u>	<u>65,744,273</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	15,578,774	26,693,738	42,272,512
Restricted for Debt Service	209,875		209,875
Restricted for Grants and Entitlements		5,485,695	5,485,695
Unrestricted	(6,755,881)		(6,755,881)
Total net assets	<u>\$ 9,032,768</u>	<u>\$ 32,179,433</u>	<u>\$ 41,212,201</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Golf Course Fund	Public Housing (AMP) Funds	Totals
Operating revenues:			
Charges for Services	\$ 7,341,304	\$ 3,511,692	\$ 10,852,996
Federal Grants and Contributions		7,762,635	7,762,635
Miscellaneous	663	63,551	64,214
Total operating revenues	<u>7,341,967</u>	<u>11,337,878</u>	<u>18,679,845</u>
Operating expenses:			
Personal Services	3,995,484	3,505,756	7,501,240
Contractual Services	2,007,473	6,231,893	8,239,366
Commodities	1,795,349	821,650	2,616,999
Cost of Goods Sold	251,674		251,674
Depreciation	723,256	1,810,930	2,534,186
Total operating expenses	<u>8,773,236</u>	<u>12,370,229</u>	<u>21,143,465</u>
Operating loss	<u>(1,431,269)</u>	<u>(1,032,351)</u>	<u>(2,463,620)</u>
Nonoperating revenues (expenses):			
Investment Income		32,740	32,740
Gain (loss) on Sale of Property/ Equipment	2,371	(1,316)	1,055
Interest Expense	(188,134)		(188,134)
Amortization of Issuance Costs	(7,315)		(7,315)
Total nonoperating revenues (expenses)	<u>(193,078)</u>	<u>31,424</u>	<u>(161,654)</u>
Income (loss) before capital contributions and transfers	<u>(1,624,347)</u>	<u>(1,000,927)</u>	<u>(2,625,274)</u>
Transfers In		2,481,270	2,481,270
Transfers Out		(210,000)	(210,000)
Change in net assets	<u>(1,624,347)</u>	<u>1,270,343</u>	<u>(354,004)</u>
Total net assets, beginning of year	10,657,115	30,909,090	41,566,205
Total net assets, end of year	<u>\$ 9,032,768</u>	<u>\$ 32,179,433</u>	<u>\$ 41,212,201</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Golf Course Fund	Public Housing (AMP) Funds	Total
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 7,276,471	\$ 3,226,381	\$ 10,502,852
Cash Payments to Suppliers for			
Goods and Services	(3,988,538)	(7,091,725)	(11,080,263)
Cash Payments to Employees for Services	(3,989,208)	(3,475,188)	(7,464,396)
Subsidy from Federal Grant		7,911,403	7,911,403
Other Operating Revenues	663		663
Net Cash Provided (Used) by Operating Activities	<u>(700,612)</u>	<u>570,871</u>	<u>(129,741)</u>
Cash Flows from Noncapital Financing Activities:			
Interfund Transfers		2,271,270	2,271,270
Advances from Other Funds	848,012		848,012
Interest Paid on Advances	(10,138)		(10,138)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>837,874</u>	<u>2,271,270</u>	<u>3,109,144</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(35,845)		(35,845)
Principal Paid on Capital Debt	(5,675)		(5,675)
Interest Paid on Capital Debt	(180,441)		(180,441)
Proceeds from Sale of Assets/Equipment	2,371	4,070	6,441
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(219,590)</u>	<u>4,070</u>	<u>(215,520)</u>
Cash Flows from Investing Activities:			
Interest on Investments		31,405	31,405
Net Cash Provided (Used) by Investing Activities		<u>31,405</u>	<u>31,405</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(82,328)</u>	<u>2,877,616</u>	<u>2,795,288</u>
Cash and Cash Equivalents - July 1	<u>341,753</u>	<u>3,471,109</u>	<u>3,812,862</u>
Cash and Cash Equivalents - June 30	<u>\$ 259,425</u>	<u>\$ 6,348,725</u>	<u>\$ 6,608,150</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (1,431,269)	\$ (1,032,351)	\$ (2,463,620)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	723,256	1,810,930	2,534,186
Other Adjustments:			
Decrease (Increase) in Assets:			
Accounts Receivable		(17,386)	(17,386)
Due from Other Agencies		(547,092)	(547,092)
Inventory	27,441	3,294	30,735
Increase (Decrease) in Liabilities:			
Accounts Payable	972	(43,743)	(42,771)
Accrued Payroll Liabilities	23,176	14,058	37,234
Accrued Compensated Absences		16,509	16,509
Accrued Other Post-Employment Benefits	(5,530)		(5,530)
Unearned Revenue		150,360	150,360
Customer/Refundable Deposits		236,189	236,189
Due to Other Agencies	37,544	(19,897)	17,647
Other Operating Liabilities	(76,202)		(76,202)
Net Cash Provided (Used) by Operating Activities	<u>\$ (700,612)</u>	<u>\$ 570,871</u>	<u>\$ (129,741)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Fleet Services	Self Insurance Fund	General Services Fund	Totals
ASSETS				
Current assets:				
Pooled Cash and Investments	\$ 3,519,411	\$	\$ 4,047,798	\$ 7,567,209
Cash & Investments with Fiscal Agent - Restricted		3,021,183		3,021,183
Accounts Receivable, Net	28,657		90,444	119,101
Due from Other Agencies	18,660			18,660
Interest Receivable	858	246,626	2,101	249,585
Inventories	901,749			901,749
Other Assets		319,389		319,389
Total current assets	<u>4,469,335</u>	<u>3,587,198</u>	<u>4,140,343</u>	<u>12,196,876</u>
Noncurrent assets:				
Other Assets - Restricted		21,538,913		21,538,913
Deferred Charges			89,610	89,610
Land & Construction in Progress	60,450	30,242		90,692
Other Capital Assets, Net	24,103,104	134,805	211,921	24,449,830
Total noncurrent assets	<u>24,163,554</u>	<u>21,703,960</u>	<u>301,531</u>	<u>46,169,045</u>
Total assets	<u>28,632,889</u>	<u>25,291,158</u>	<u>4,441,874</u>	<u>58,365,921</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	\$ 879,221	\$ 205,837	\$ 772,473	\$ 1,857,531
Accrued Payroll Liabilities	172,638	28,835	248,283	449,756
Interfund Payable		11,319,127		11,319,127
Due to Other Agencies	584		1,044	1,628
Refundable Deposits	138	12,385		12,523
Current Portion of Bonds Payable			584,300	584,300
Current Portion of Contracts Payable	7,395			7,395
Claims Payable		8,621,183		8,621,183
Remediation Obligations		211,540		211,540
Total current liabilities	<u>1,059,976</u>	<u>20,398,907</u>	<u>1,606,100</u>	<u>23,064,983</u>
Noncurrent liabilities:				
Bonds Payable			6,427,300	6,427,300
Contracts Payable	5,004			5,004
Claims Payable		31,444,104		31,444,104
Remediation Obligations		1,464,092		1,464,092
Total non-current liabilities	<u>5,004</u>	<u>32,908,196</u>	<u>6,427,300</u>	<u>39,340,500</u>
Total liabilities	<u>1,064,980</u>	<u>53,307,103</u>	<u>8,033,400</u>	<u>62,405,483</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	24,151,379	165,047	(6,710,069)	17,606,357
Restricted for Self Insurance Mandates		24,560,096		24,560,096
Unrestricted	3,416,530	(52,741,088)	3,118,543	(46,206,015)
Total net assets	<u>\$ 27,567,909</u>	<u>\$ (28,015,945)</u>	<u>\$ (3,591,526)</u>	<u>\$ (4,039,562)</u>

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, 2010

	<u>Fleet Services</u>	<u>Self Insurance Fund</u>	<u>General Services Fund</u>	<u>Totals</u>
Operating revenues:				
Charges for Services	\$ 21,504,035	\$ 13,108,296	\$ 17,565,906	\$ 52,178,237
Miscellaneous	135,644	2,576	6,148	144,368
Total operating revenues	<u>21,639,679</u>	<u>13,110,872</u>	<u>17,572,054</u>	<u>52,322,605</u>
Operating expenses:				
Personal Services	6,007,707	1,055,845	8,406,959	15,470,511
Contractual Services	3,866,339	3,476,057	5,994,093	13,336,489
Commodities	11,858,594	44,786	1,648,016	13,551,396
Benefits and Claims		18,904,171		18,904,171
Depreciation	6,163,615	12,401	31,897	6,207,913
Total operating expenses	<u>27,896,255</u>	<u>23,493,260</u>	<u>16,080,965</u>	<u>67,470,480</u>
Operating income (loss)	<u>(6,256,576)</u>	<u>(10,382,388)</u>	<u>1,491,089</u>	<u>(15,147,875)</u>
Nonoperating revenues (expenses):				
Investment Income	6,244	87,518	15,058	108,820
Gain (loss) on Sale of Property/ Equipment	234,392			234,392
Interest Expense	(490)			(490)
Amortization of Issuance Costs			(7,185)	(7,185)
Total nonoperating revenues (expenses)	<u>240,146</u>	<u>87,518</u>	<u>7,873</u>	<u>335,537</u>
Income (loss) before capital contributions and transfers	<u>(6,016,430)</u>	<u>(10,294,870)</u>	<u>1,498,962</u>	<u>(14,812,338)</u>
Capital Contributions	334,899			334,899
Transfers In	21,615		151,787	173,402
Transfers Out	(243,021)		(7,109,479)	(7,352,500)
Change in net assets	<u>(5,902,937)</u>	<u>(10,294,870)</u>	<u>(5,458,730)</u>	<u>(21,656,537)</u>
Total net assets, beginning of year	33,470,846	(17,721,075)	1,867,204	17,616,975
Total net assets, end of year	<u>\$ 27,567,909</u>	<u>\$ (28,015,945)</u>	<u>\$ (3,591,526)</u>	<u>\$ (4,039,562)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Fleet Services	Self Insurance Fund	General Services Fund	Total
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 21,533,840	\$ 13,110,872	\$ 17,490,999	\$ 52,135,711
Cash Payments to Suppliers for Goods and Services	(15,804,161)	(3,883,876)	(7,840,018)	(27,528,055)
Cash Payments to Employees for Services	(5,997,387)	(1,053,504)	(8,387,141)	(15,438,032)
Other Operating Revenues	135,644			135,644
Cash Payments to Claimants		(9,956,444)		(9,956,444)
Net Cash Provided (Used) by Operating Activities	<u>(132,064)</u>	<u>(1,782,952)</u>	<u>1,263,840</u>	<u>(651,176)</u>
Cash Flows from Noncapital Financing Activities:				
Interfund Transfers	(66,249)		(2,159,798)	(2,226,047)
Advances from Other Funds	23,880	1,086,585	(2,090,213)	(979,748)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(42,369)</u>	<u>1,086,585</u>	<u>(4,250,011)</u>	<u>(3,205,795)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(153,999)	(24,807)	(43,181)	(221,987)
Transfers from Other Funds			151,787	151,787
Principal Paid on Capital Debt	(4,568)		(584,300)	(588,868)
Interest Paid on Capital Debt	(574)			(574)
Proceeds from Sale of Assets/Equipment	282,519			282,519
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>123,378</u>	<u>(24,807)</u>	<u>(475,694)</u>	<u>(377,123)</u>
Cash Flows from Investing Activities:				
Interest on Investments	5,958	270,987	13,579	290,524
Proceeds from Sale of Investments		24,986,000		24,986,000
Purchase of Investments		(22,011,940)		(22,011,940)
Net Cash Provided (Used) by Investing Activities	<u>5,958</u>	<u>3,245,047</u>	<u>13,579</u>	<u>3,264,584</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(45,097)</u>	<u>2,523,873</u>	<u>(3,448,286)</u>	<u>(969,510)</u>
Cash and Cash Equivalents - July 1	<u>3,564,508</u>	<u>497,310</u>	<u>7,496,084</u>	<u>11,557,902</u>
Cash and Cash Equivalents - June 30	<u>\$ 3,519,411</u>	<u>\$ 3,021,183</u>	<u>\$ 4,047,798</u>	<u>\$ 10,588,392</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(6,256,576)	(10,382,388)	1,491,089	(15,147,875)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	6,163,615	12,401	31,897	6,207,913
Other Adjustments:				
Decrease (Increase) in Assets:				
Accounts Receivable	5,648		(81,055)	(75,407)
Inventory	(41,122)			(41,122)
Prepaid Expenses		48,206		48,206
Due from Other Agencies	24,032			24,032
Increase (Decrease) in Liabilities:				
Accounts Payable	(38,394)	(95,940)	(198,538)	(332,872)
Accrued Payroll Liabilities	10,320	2,341	19,819	32,480
Customer/Refundable Deposits	125	1,022		1,147
Claims and Judgments Payable		8,947,727		8,947,727
Remediation Obligation		(316,321)		(316,321)
Due to Other Agencies	288		628	916
Net Cash Provided (Used) by Operating Activities	<u>\$ (132,064)</u>	<u>\$ (1,782,952)</u>	<u>\$ 1,263,840</u>	<u>\$ (651,176)</u>
Noncash Investing, Capital, and Financing Activities:				
Contributions of capital assets	334,899			334,899
Total Noncash Investing, Capital, and Financing Activities:	<u>\$ 334,899</u>	<u>\$</u>	<u>\$</u>	<u>\$ 334,899</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
JUNE 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Sewer User Fee Fund				
Assets				
Pooled Cash and Investments	\$ 1,020,788	\$ 93,933,487	\$ 93,355,946	\$ 1,598,329
Accounts Receivable, Net	6,102,215	98,563,399	96,748,585	7,917,029
Interest Receivable	1,211	10,748	9,494	2,465
Total assets	\$ 7,124,214	\$ 192,507,634	\$ 190,114,025	\$ 9,517,823
Liabilities				
Due to Other Agencies	7,124,214	194,061,322	191,667,713	9,517,823
Total liabilities	\$ 7,124,214	\$ 194,061,322	\$ 191,667,713	\$ 9,517,823
Employee Prepaid Insurance Fund				
Assets				
Pooled Cash and Investments	\$ 25,000	\$ 58,051,292	\$ 58,004,413	\$ 71,879
Accounts Receivable, Net	2,546	362	2,908	
Due From Other Agencies	3,382,697	2,112,848	3,825,655	1,669,890
Total assets	\$ 3,410,243	\$ 60,164,502	\$ 61,832,976	\$ 1,741,769
Liabilities				
Accounts Payable	565,400	53,986,205	53,347,061	1,204,544
Due to Other Agencies	2,844,843	537,225	2,844,843	537,225
Total liabilities	\$ 3,410,243	\$ 54,523,430	\$ 56,191,904	\$ 1,741,769
High-Intensity Drug Trafficking (HIDTA)				
Assets				
Pooled Cash and Investments	\$	\$ 638,004	\$ 638,004	\$
Total assets	\$	\$ 638,004	\$ 638,004	\$
Liabilities				
Due to Other Agencies		638,004	638,004	
Total liabilities	\$	\$ 638,004	\$ 638,004	\$
Totals				
Assets				
Pooled Cash and Investments	\$ 1,045,788	\$ 152,622,783	\$ 151,998,363	\$ 1,670,208
Accounts Receivable, Net	6,104,761	98,563,761	96,751,493	7,917,029
Due From Other Agencies	3,382,697	2,112,848	3,825,655	1,669,890
Interest Receivable	1,211	10,748	9,494	2,465
Total assets	\$ 10,534,457	\$ 253,310,140	\$ 252,585,005	\$ 11,259,592
Liabilities				
Accounts Payable	565,400	53,986,205	53,347,061	1,204,544
Due to Other Agencies	9,969,057	195,236,551	195,150,560	10,055,048
Total liabilities	\$ 10,534,457	\$ 249,222,756	\$ 248,497,621	\$ 11,259,592

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL NON-MAJOR COMPONENT UNITS
DECEMBER 31, 2009

	Silverbell Homes Limited Partnership	Posadas Sentinel. L.L.L.P.	South Park Development Partners, L.L.L.P.	Tucson House Apartments, L.L.L.P.	Totals
ASSETS					
Current assets:					
Cash and Cash Equivalents	\$ 14,019	\$	\$ 17,794	\$	\$ 31,813
Cash and Investments - Restricted	4,900	493,542	97,354	254,721	850,517
Accounts Receivable, Net	249,604	21,444	62,310	4,625	337,983
Other Assets			13,294		13,294
Total current assets	<u>268,523</u>	<u>514,986</u>	<u>190,752</u>	<u>259,346</u>	<u>1,233,607</u>
Noncurrent assets:					
Deferred Charges				82,378	82,378
Land & Construction in Progress	364,000		661,900	1	1,025,901
Other Capital Assets, Net	4,463,815	20,292,221	4,703,236	12,346,053	41,805,325
Total noncurrent assets	<u>4,827,815</u>	<u>20,292,221</u>	<u>5,365,136</u>	<u>12,428,432</u>	<u>42,913,604</u>
Total assets	<u>5,096,338</u>	<u>20,807,207</u>	<u>5,555,888</u>	<u>12,687,778</u>	<u>44,147,211</u>
LIABILITIES					
Current liabilities:					
Accounts Payable	\$	\$ 48,362	\$ 18,236	\$ 32,340	\$ 98,938
Accrued Payroll Liabilities				13,171	13,171
Accrued Interest Payable	210,869		758,683		969,552
Unearned Revenue		5,195		7,130	12,325
Refundable Deposits	4,900	115,549	20,670	62,735	203,854
Other Accrued Expenses	256,862	185,021	46,466		488,349
Total current liabilities	<u>472,631</u>	<u>354,127</u>	<u>844,055</u>	<u>115,376</u>	<u>1,786,189</u>
Noncurrent liabilities:					
Notes and Loans Payable	3,407,910	18,080,820	2,536,272	19,993,096	44,018,098
Other Long Term Liabilities				593,392	593,392
Total non-current liabilities	<u>3,407,910</u>	<u>18,080,820</u>	<u>2,536,272</u>	<u>20,586,488</u>	<u>44,611,490</u>
Total liabilities	<u>3,880,541</u>	<u>18,434,947</u>	<u>3,380,327</u>	<u>20,701,864</u>	<u>46,397,679</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,419,905	2,211,401	2,828,864	(7,647,042)	(1,186,872)
Restricted Other	4,900	493,542	97,354	254,721	850,517
Unrestricted	(209,008)	(332,683)	(750,657)	(621,765)	(1,914,113)
Total net assets	<u>\$ 1,215,797</u>	<u>\$ 2,372,260</u>	<u>\$ 2,175,561</u>	<u>\$ (8,014,086)</u>	<u>\$ (2,250,468)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Silverbell Homes Limited Partnership	Posadas Sentinel. L.L.L.P.	South Park Development Partners, L.L.L.P.	Tucson House Apartments, L.L.L.P.	Totals
Operating revenues:					
Federal Grants and Contributions	\$ 72,815	\$ 497,568	\$ 110,335	\$ 1,301,256	\$ 1,981,974
Charges for Services	32,694	528,554	211,529	981,937	1,754,714
Miscellaneous	145			19,931	20,076
Total operating revenues	<u>105,654</u>	<u>1,026,122</u>	<u>321,864</u>	<u>2,303,124</u>	<u>3,756,764</u>
Operating expenses:					
Personal Services	43,980	245,299	118,211	285,224	692,714
Contractual Services	57,546	489,874	151,471	1,294,237	1,993,128
Commodities		330,422		713,663	1,044,085
Depreciation	204,097	602,549	284,486	496,689	1,587,821
Total operating expenses	<u>305,623</u>	<u>1,668,144</u>	<u>554,168</u>	<u>2,789,813</u>	<u>5,317,748</u>
Operating income (loss)	<u>(199,969)</u>	<u>(642,022)</u>	<u>(232,304)</u>	<u>(486,689)</u>	<u>(1,560,984)</u>
Nonoperating revenues (expenses):					
Investment Income	2,880	1,077	175		4,132
Interest Expense	(71,410)	(1,264,867)	(142,995)	(1,399,837)	(2,879,109)
Total nonoperating revenues (expenses)	<u>(68,530)</u>	<u>(1,263,790)</u>	<u>(142,820)</u>	<u>(1,399,837)</u>	<u>(2,874,977)</u>
Income (loss) before capital contributions and transfers	<u>(268,499)</u>	<u>(1,905,812)</u>	<u>(375,124)</u>	<u>(1,886,526)</u>	<u>(4,435,961)</u>
Capital Contributions					
Change in net assets	<u>(268,499)</u>	<u>(1,905,812)</u>	<u>(375,124)</u>	<u>(1,886,526)</u>	<u>(4,435,961)</u>
Total net assets, beginning of year	1,484,296	4,278,072	2,550,685	(6,127,560)	2,185,493
Total net assets, end of year	<u>\$1,215,797</u>	<u>\$2,372,260</u>	<u>\$ 2,175,561</u>	<u>\$ (8,014,086)</u>	<u>\$ (2,250,468)</u>

CITY OF TUCSON, ARIZONA
COMBINING STATEMENT OF CASH FLOWS - ALL NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Silverbell Homes Limited Partnership	Posadas Sentinel. L.L.L.P.	South Park Development Partners, L.L.L.P.	Tucson House Apartments, L.L.L.P.	Totals
Cash Flows from Operating Activities:					
Cash Received from Operations	\$ 4,450	\$ (55,228)	\$ (4,765)	\$ (36,089)	\$ (91,632)
Net Cash Provided (Used) by Operating Activities	<u>4,450</u>	<u>(55,228)</u>	<u>(4,765)</u>	<u>(36,089)</u>	<u>(91,632)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers to Partners	103				103
Transfers from Partners			541		541
Transfers to City of Tucson			5,087		5,087
Net Cash Provided (Used) by Noncapital Financing Activities	<u>103</u>		<u>5,628</u>		<u>5,731</u>
Cash Flows from Capital and Related Financing Activities:					
Capital Debt Payments			(17,855)		(17,855)
Net Cash Provided (Used) by Capital and Related Financing Activities			<u>(17,855)</u>		<u>(17,855)</u>
Cash Flows from Investing Activities:					
Interest on Investments	2,880	11,234	(11,239)	(1)	2,874
Reserve Deposits		17,365	5,037		22,402
Purchase of Investments		(7,600)			(7,600)
Net Cash Provided (Used) by Investing Activities	<u>2,880</u>	<u>20,999</u>	<u>(6,202)</u>	<u>(1)</u>	<u>17,676</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>7,433</u>	<u>(34,229)</u>	<u>(23,194)</u>	<u>(36,090)</u>	<u>(86,080)</u>
Cash and Cash Equivalents - January 1	<u>11,486</u>	<u>527,771</u>	<u>138,342</u>	<u>290,811</u>	<u>968,410</u>
Cash and Cash Equivalents - December 31	<u>\$ 18,919</u>	<u>\$ 493,542</u>	<u>\$ 115,148</u>	<u>\$ 254,721</u>	<u>\$ 882,330</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (199,969)	\$ (642,022)	\$ (232,304)	\$ (486,689)	\$ (1,560,984)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	204,097	602,549	284,486	496,689	1,587,821
Other Adjustments:					
Decrease (Increase) in Assets:					
Accounts Receivable		(3,801)	(7,541)	(3,135)	(14,477)
Prepaid Expenses		2,008	(42,276)		(40,268)
Increase (Decrease) in Liabilities:					
Accounts Payable		(7,094)	(7,109)	(50,672)	(64,875)
Accrued Payroll Liabilities				3,386	3,386
Accrued Expenses	(103)	(8,035)	(51)		(8,189)
Accrued Admin Fees				5,000	5,000
Customer/Refundable Deposits	425		30	(380)	75
Prepaid Revenue		1,167		(288)	879
Net Cash Provided (Used) by Operating Activities	<u>\$ 4,450</u>	<u>\$ (55,228)</u>	<u>\$ (4,765)</u>	<u>\$ (36,089)</u>	<u>\$ (91,632)</u>

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, 2010**

	ParkWise		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures	330,660	428,287	97,627
Developer Fees			
Use of Money and Property	101,400	395,225	293,825
Federal Grants and Contributions			
Other Agencies			
Charges for Services	2,494,390	1,989,192	(505,198)
Contributions from Outside Sources			
Miscellaneous		17,711	17,711
Total revenues	<u>2,926,450</u>	<u>2,830,415</u>	<u>(96,035)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	1,940,990	1,936,824	4,166
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	125,000	367,819	(242,819)
Debt service -			
Principal	406,920	5,920	401,000
Interest	453,540	462,139	(8,599)
Total expenditures	<u>2,926,450</u>	<u>2,772,702</u>	<u>153,748</u>
Excess (deficiency) of revenues over expenditures		<u>57,713</u>	<u>57,713</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances		<u>57,713</u>	<u>57,713</u>
Fund balances, July 1, 2009			
Fund balances (deficits), June 30, 2010	<u>\$</u>	<u>\$ 57,713</u>	<u>\$ 57,713</u>

Convention Center Fund			Capital Improvements Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
44,000	46,506	2,506		81,693	81,693
4,637,500	3,434,245	(1,203,255)	24,358,600	9,767,115	(14,591,485)
<u>4,681,500</u>	<u>3,480,751</u>	<u>(1,200,749)</u>	<u>24,358,600</u>	<u>9,848,808</u>	<u>(14,509,792)</u>
				919	(919)
			92,147	317,624	(225,477)
5,931,468	5,344,956	586,512			
3,778,340	3,778,335	5			
			4,889,140	4,577,208	311,932
			37,510,459	20,029,439	17,481,020
				131,357	(131,357)
<u>9,709,808</u>	<u>9,123,291</u>	<u>586,517</u>	<u>42,491,746</u>	<u>25,056,547</u>	<u>17,435,199</u>
<u>(5,028,308)</u>	<u>(5,642,540)</u>	<u>(614,232)</u>	<u>(18,133,146)</u>	<u>(15,207,739)</u>	<u>2,925,407</u>
			26,711,840		(26,711,840)
5,094,810	5,642,540	547,730		81,967	81,967
				(177,140)	(177,140)
<u>5,094,810</u>	<u>5,642,540</u>	<u>547,730</u>	<u>26,711,840</u>	<u>(95,173)</u>	<u>(26,807,013)</u>
<u>66,502</u>		<u>(66,502)</u>	<u>8,578,694</u>	<u>(15,302,912)</u>	<u>(23,881,606)</u>
	29,400	29,400		34,158,344	34,158,344
<u>\$ 66,502</u>	<u>\$ 29,400</u>	<u>\$ (37,102)</u>	<u>\$ 8,578,694</u>	<u>\$ 18,855,432</u>	<u>\$ 10,276,738</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, 2010
(Continued)

	H.U.R.F. Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$ 1,157,500	\$ 65,454	\$ (1,092,046)
Fines and Forfeitures			
Developer Fees			
Use of Money and Property	20,000	175,103	155,103
Federal Grants and Contributions			
Other Agencies	37,705,520	36,308,431	(1,397,089)
Charges for Services	300,000	210,329	(89,671)
Contributions from Outside Sources			
Miscellaneous		413,655	413,655
Total revenues	<u>39,183,020</u>	<u>37,172,972</u>	<u>(2,010,048)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	959,885	293,551	666,334
Environment and Development	27,353,185	25,089,369	2,263,816
Strategic Initiatives			
Non-Departmental	290,020	100,580	189,440
Capital Outlay	152,750		152,750
Capital Projects	2,704,555	790,741	1,913,814
Debt service -			
Principal	1,390,300	1,611,768	(221,468)
Interest	85,290	99,719	(14,429)
Total expenditures	<u>32,935,985</u>	<u>27,985,728</u>	<u>4,950,257</u>
Excess (deficiency) of revenues over expenditures	<u>6,247,035</u>	<u>9,187,244</u>	<u>2,940,209</u>
Other financing sources (uses):			
Capital Leases			
Transfers In		1,083,722	1,083,722
Transfers Out			
Total other financing sources (uses)		<u>1,083,722</u>	<u>1,083,722</u>
Change in fund balances	<u>6,247,035</u>	<u>10,270,966</u>	<u>4,023,931</u>
Fund balances, July 1, 2009		6,034,506	6,034,506
Fund balances (deficits), June 30, 2010	<u>\$ 6,247,035</u>	<u>\$ 16,305,472</u>	<u>\$ 10,058,437</u>

Civic Contribution Fund			Community Development Block Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	12,904	12,904		1,221	1,221
			13,177,780	11,392,390	(1,785,390)
381,080	230,085	(150,995)			
<u>381,080</u>	<u>242,989</u>	<u>(138,091)</u>	<u>13,177,780</u>	<u>11,393,611</u>	<u>(1,784,169)</u>
	5,598	(5,598)			
347,580	287,724	59,856	6,637,256	5,177,147	1,460,109
	33,364	(33,364)			
	18,398	(18,398)	44,799	40,000	4,799
158,500	40,852	117,648	8,123,091	6,069,464	2,053,627
			8,580		8,580
<u>506,080</u>	<u>385,936</u>	<u>120,144</u>	<u>14,813,726</u>	<u>11,286,611</u>	<u>3,527,115</u>
<u>(125,000)</u>	<u>(142,947)</u>	<u>(17,947)</u>	<u>(1,635,946)</u>	<u>107,000</u>	<u>1,742,946</u>
<u>(125,000)</u>	<u>(142,947)</u>	<u>(17,947)</u>	<u>(1,635,946)</u>	<u>107,000</u>	<u>1,742,946</u>
	2,993,294	2,993,294		4,712,878	4,712,878
<u>\$ (125,000)</u>	<u>\$ 2,850,347</u>	<u>\$ 2,975,347</u>	<u>\$ (1,635,946)</u>	<u>\$ 4,819,878</u>	<u>\$ 6,455,824</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, 2010
(Continued)

	Development Fee Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees	8,005,500	3,617,096	(4,388,404)
Use of Money and Property		100,143	100,143
Federal Grants and Contributions			
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>8,005,500</u>	<u>3,717,239</u>	<u>(4,288,261)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	140,663	14,190	126,473
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	8,912,956	3,620,878	5,292,078
Debt service -			
Principal			
Interest			
Total expenditures	<u>9,053,619</u>	<u>3,635,068</u>	<u>5,418,551</u>
Excess (deficiency) of revenues over expenditures	<u>(1,048,119)</u>	<u>82,171</u>	<u>1,130,290</u>
Other financing sources (uses):			
Capital Leases			
Transfers In		322,903	322,903
Transfers Out			
Total other financing sources (uses)		<u>322,903</u>	<u>322,903</u>
Change in fund balances	<u>(1,048,119)</u>	<u>405,074</u>	<u>1,453,193</u>
Fund balances, July 1, 2009		21,370,981	21,370,981
Fund balances (deficits), June 30, 2010	<u>\$ (1,048,119)</u>	<u>\$ 21,776,055</u>	<u>\$ 22,824,174</u>

Miscellaneous Housing Grant Fund			Public Housing Section 8 Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
13,540,640	11,046,946	(2,493,694)	31,559,800	34,442,661	2,882,861
<u>13,540,640</u>	<u>11,046,946</u>	<u>(2,493,694)</u>	<u>31,559,800</u>	<u>34,666,203</u>	<u>3,106,403</u>
				223,542	223,542
11,906,378	8,885,765	3,020,613	34,158,219	34,085,038	73,181
742,200	2,182,026	(1,439,826)			
<u>12,648,578</u>	<u>11,067,791</u>	<u>1,580,787</u>	<u>34,183,369</u>	<u>34,149,267</u>	<u>(39,079)</u>
				64,229	34,102
<u>892,062</u>	<u>(20,845)</u>	<u>(912,907)</u>	<u>(2,623,569)</u>	<u>516,936</u>	<u>3,140,505</u>
<u>892,062</u>	<u>(20,845)</u>	<u>(912,907)</u>	<u>(2,623,569)</u>	<u>516,936</u>	<u>3,140,505</u>
	115,667	115,667		3,885,375	3,885,375
<u>\$ 892,062</u>	<u>\$ 94,822</u>	<u>\$ (797,240)</u>	<u>\$ (2,623,569)</u>	<u>\$ 4,402,311</u>	<u>\$ 7,025,880</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, 2010
(Continued)

	Public Housing HOME Program Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Licenses and Permits	\$	\$	\$
Fines and Forfeitures			
Developer Fees			
Use of Money and Property			
Federal Grants and Contributions	7,690,880	4,549,228	(3,141,652)
Other Agencies			
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	<u>7,690,880</u>	<u>4,549,228</u>	<u>(3,141,652)</u>
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services	6,488,498	4,358,830	2,129,668
Environment and Development			
Strategic Initiatives			
Non-Departmental			
Capital Outlay			
Capital Projects	212,518	190,398	22,120
Debt service -			
Principal			
Interest	1,780		1,780
Total expenditures	<u>6,702,796</u>	<u>4,549,228</u>	<u>2,153,568</u>
Excess (deficiency) of revenues over expenditures	<u>988,084</u>		<u>(988,084)</u>
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	<u>988,084</u>		<u>(988,084)</u>
Fund balances, July 1, 2009			
Fund balances (deficits), June 30, 2010	<u>\$ 988,084</u>	<u>\$</u>	<u>\$ (988,084)</u>

Other Federal Grants Fund			Non-Federal Grants Fund		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
1,320,730	10,238	(1,310,492)			
35,375,820	20,562,916	(14,812,904)	6,504,360	1,563,000	(4,941,360)
<u>36,696,550</u>	<u>20,573,154</u>	<u>(16,123,396)</u>	<u>6,504,360</u>	<u>1,563,000</u>	<u>(4,941,360)</u>
2,959,201	990,730	1,968,471	296,340	89,527	206,813
419,270	92,059	327,211	925,600		925,600
14,999,192	7,634,819	7,364,373	3,770,030	1,386,699	2,383,331
1,272,170	848,333	423,837	174,713		174,713
1,628,210	1,408,380	219,830	7,800	86,774	(78,974)
21,484,028	7,421,286	14,062,742	85,320		85,320
2,368,190	5,563,700	(3,195,510)			
83,610	109,772	(26,162)			
<u>45,213,871</u>	<u>24,069,079</u>	<u>21,144,792</u>	<u>5,259,803</u>	<u>1,563,000</u>	<u>3,696,803</u>
<u>(8,517,321)</u>	<u>(3,495,925)</u>	<u>5,021,396</u>	<u>1,244,557</u>		<u>(1,244,557)</u>
<u>(8,517,321)</u>	<u>(3,495,925)</u>	<u>5,021,396</u>	<u>1,244,557</u>		<u>(1,244,557)</u>
	6,878,445	6,878,445			
<u>\$ (8,517,321)</u>	<u>\$ 3,382,520</u>	<u>\$ 11,899,841</u>	<u>\$ 1,244,557</u>	<u>\$</u>	<u>\$ (1,244,557)</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, 2010
(Concluded)

	Regional Transportation Authority 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	117,450,700	47,600,152	(69,850,548)
Charges for Services			
Contributions from Outside Sources			
Miscellaneous			
Total revenues	117,450,700	47,600,152	(69,850,548)
Expenditures:			
Current -			
Elected and Official			
Support Services			
Neighborhood Services			
Environment and Development	916,840	967,994	(51,154)
Strategic Initiatives			
Non-Departmental			
Capital Outlay	3,425,133	1,077,823	2,347,310
Capital Projects	112,498,649	45,554,335	66,944,314
Debt service -			
Principal			
Interest			
Total expenditures	116,840,622	47,600,152	69,240,470
Excess (deficiency) of revenues over expenditures	610,078		(610,078)
Other financing sources (uses):			
Capital Leases			
Transfers In			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances	610,078		(610,078)
Fund balances, July 1, 2009			
Fund balances (deficits), June 30, 2010	\$ 610,078	\$	\$ (610,078)

Totals		
Budget	Actual	Variance - Positive (Negative)
\$ 1,157,500	\$ 65,454	\$ (1,092,046)
330,660	428,287	97,627
8,005,500	3,617,096	(4,388,404)
1,486,130	823,033	(663,097)
101,344,920	81,994,141	(19,350,779)
186,019,180	95,238,698	(90,780,482)
7,431,890	5,633,766	(1,798,124)
381,080	230,085	(150,995)
	654,908	654,908
<u>306,156,860</u>	<u>188,685,468</u>	<u>(117,471,392)</u>
3,255,541	1,085,855	2,169,686
1,344,870	92,059	1,252,811
79,407,701	62,124,682	17,283,019
31,750,045	29,160,144	2,589,901
5,931,468	5,378,320	553,148
4,068,360	3,878,915	189,445
10,147,832	7,208,583	2,939,249
192,557,276	86,267,238	106,290,038
4,165,410	7,181,388	(3,015,978)
657,950	867,216	(209,266)
<u>333,286,453</u>	<u>203,244,400</u>	<u>130,042,053</u>
<u>(27,129,593)</u>	<u>(14,558,932)</u>	<u>12,570,661</u>
26,711,840		(26,711,840)
5,094,810	7,131,132	2,036,322
	(177,140)	(177,140)
<u>31,806,650</u>	<u>6,953,992</u>	<u>(24,852,658)</u>
<u>4,677,057</u>	<u>(7,604,940)</u>	<u>(12,281,997)</u>
	80,178,890	80,178,890
<u>\$ 4,677,057</u>	<u>\$ 72,573,950</u>	<u>\$ 67,896,893</u>

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, 2010

	<u>Special Assessment Bond & Interest Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$	\$	\$
Fines and Forfeitures		14,666	14,666
Use of Money and Property		10,155	10,155
Other Agencies			
Special Assessments	748,070	652,683	(95,387)
Total revenues	<u>748,070</u>	<u>677,504</u>	<u>(70,566)</u>
Expenditures:			
Debt service -			
Principal	554,250	566,635	(12,385)
Interest	193,820	200,664	(6,844)
Fiscal Agent Fees		4,750	(4,750)
Issuance Costs of Debt			
Total expenditures	<u>748,070</u>	<u>772,049</u>	<u>(23,979)</u>
Excess (deficiency) of revenues over expenditures		<u>(94,545)</u>	<u>(94,545)</u>
Other financing sources (uses):			
Bond Issuance			
Premium on Debt Issuance			
Refunded Bond Escrow Agent			
Transfers Out			
Total other financing sources (uses)			
Change in fund balances		<u>(94,545)</u>	<u>(94,545)</u>
Fund balances, July 1, 2009		2,233,860	2,233,860
Fund balances (deficits), June 30, 2010	<u>\$</u>	<u>\$ 2,139,315</u>	<u>\$ 2,139,315</u>

General Obligation Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$ 24,960,840	\$ 21,396,898	\$ (3,563,942)
<u>24,960,840</u>	<u>21,396,898</u>	<u>(3,563,942)</u>
15,760,000	15,760,000	
12,149,930	12,139,664	10,266
	5,075	(5,075)
<u>27,909,930</u>	<u>27,904,739</u>	<u>5,191</u>
<u>(2,949,090)</u>	<u>(6,507,841)</u>	<u>(3,558,751)</u>
<u>(2,949,090)</u>	<u>(6,507,841)</u>	<u>(3,558,751)</u>
	10,742,199	10,742,199
<u>\$ (2,949,090)</u>	<u>\$ 4,234,358</u>	<u>\$ 7,183,448</u>

Street & Highway Bond & Interest Fund		
Budget	Actual	Variance - Positive (Negative)
\$	\$	\$
	5,597,900	7,234,028
		1,636,128
<u>5,597,900</u>	<u>7,234,028</u>	<u>1,636,128</u>
5,597,900	6,150,817	(552,917)
	750	(750)
	231,682	(231,682)
<u>5,597,900</u>	<u>6,383,249</u>	<u>(785,349)</u>
	850,779	850,779
	12,000,000	10,560,000
		(1,440,000)
		1,136,970
(12,000,000)	(11,465,288)	534,712
	(1,083,722)	(1,083,722)
	(852,040)	(852,040)
	(1,261)	(1,261)
	1,261	1,261
<u>\$</u>	<u>\$</u>	<u>\$</u>

(Continued)

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2010
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Taxes	\$ 24,960,840	\$ 21,396,898	\$ (3,563,942)
Fines and Forfeitures		14,666	14,666
Use of Money and Property		10,155	10,155
Other Agencies	5,597,900	7,234,028	1,636,128
Special Assessments	748,070	652,683	(95,387)
Total revenues	<u>31,306,810</u>	<u>29,308,430</u>	<u>(1,998,380)</u>
Expenditures:			
Debt service -			
Principal	16,314,250	16,326,635	(12,385)
Interest	17,941,650	18,491,145	(549,495)
Fiscal Agent Fees		10,575	(10,575)
Issuance Costs of Debt		231,682	(231,682)
Total expenditures	<u>34,255,900</u>	<u>35,060,037</u>	<u>(804,137)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,949,090)</u>	<u>(5,751,607)</u>	<u>(2,802,517)</u>
Other financing sources (uses):			
Bond Issuance	12,000,000	10,560,000	(1,440,000)
Premium on Debt Issuance		1,136,970	1,136,970
Refunded Bond Escrow Agent	(12,000,000)	(11,465,288)	534,712
Transfers Out		(1,083,722)	(1,083,722)
Total other financing sources (uses)	<u>(852,040)</u>	<u>(852,040)</u>	<u>(852,040)</u>
Change in fund balances	<u>(2,949,090)</u>	<u>(6,603,647)</u>	<u>(3,654,557)</u>
Fund balances, July 1, 2009		12,977,320	12,977,320
Fund balances (deficits), June 30, 2010	<u>\$ (2,949,090)</u>	<u>\$ 6,373,673</u>	<u>\$ 9,322,763</u>

CITY OF TUCSON, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2010

	2000 General Obligation Fund		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Use of Money and Property	\$	\$ 30,421	\$ 30,421
Miscellaneous		500	500
Total revenues		<u>30,921</u>	<u>30,921</u>
Expenditures:			
Current -			
Neighborhood Services	136,619	288,664	(152,045)
Environment and Development		13,076	(13,076)
Capital Projects	6,520,078	1,093,503	5,426,575
Total expenditures	<u>6,656,697</u>	<u>1,395,243</u>	<u>5,261,454</u>
Excess (deficiency) of revenues over expenditures	<u>(6,656,697)</u>	<u>(1,364,322)</u>	<u>5,292,375</u>
Other financing sources (uses):			
Bond Issuance	4,632,200		(4,632,200)
Total other financing sources (uses)	<u>4,632,200</u>		<u>(4,632,200)</u>
Change in fund balances	<u>(2,024,497)</u>	<u>(1,364,322)</u>	<u>660,175</u>
Fund balances, July 1, 2009		7,828,905	7,828,905
Fund balances (deficits), June 30, 2010	<u>\$ (2,024,497)</u>	<u>\$ 6,464,583</u>	<u>\$ 8,489,080</u>

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSET
ENVIRONMENTAL SERVICES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Environmental Services		
	Budget	Actual	Variance - Positive (Negative)
Operating revenues:			
Charges for Services	\$ 45,180,000	\$ 39,197,577	\$ (5,982,423)
Miscellaneous	4,154,780	1,800,683	(2,354,097)
Total operating revenues	<u>49,334,780</u>	<u>40,998,260</u>	<u>(8,336,520)</u>
Operating expenses:			
Personal Services	16,013,803	15,351,762	662,041
Contractual Services	24,942,003	20,418,629	4,523,374
Commodities	5,594,770	3,766,922	1,827,848
Depreciation/Amortization		4,593,940	(4,593,940)
Total operating expenses	<u>46,550,576</u>	<u>44,131,253</u>	<u>2,419,323</u>
Operating Income (Loss)	<u>2,784,204</u>	<u>(3,132,993)</u>	<u>(5,917,197)</u>
Nonoperating revenues (expenses):			
Investment Income	132,000	54,808	(77,192)
Gain (Loss) on Sale of Property/Equipment		355,725	355,725
Federal Grants and Contributions	595,130	177,262	(417,868)
Interest Expense	(380,370)	(677,579)	(297,209)
Amortization of Cost Issuance		(19,500)	(19,500)
Other Nonoperating Income (Expenses)	(2,702,230)		2,702,230
Total nonoperating revenues (expenses)	<u>(2,355,470)</u>	<u>(109,284)</u>	<u>2,246,186</u>
Income (Loss) before capital contributions and transfers	<u>428,734</u>	<u>(3,242,277)</u>	<u>(3,671,011)</u>
Transfers In		368,416	368,416
Transfers Out		<u>(2,265)</u>	
Changes in net assets	<u>\$ 428,734</u>	<u>(2,876,126)</u>	<u>\$ (3,304,860)</u>
Total net assets, beginning of year		(9,430,117)	
Total net assets, end of year		<u>\$ (12,306,243)</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, 2010

	Golf Course Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 8,445,070	\$ 7,341,304	\$ (1,103,766)
Miscellaneous Revenue		663	663
Total operating revenues	<u>8,445,070</u>	<u>7,341,967</u>	<u>(1,103,103)</u>
Operating expenses:			
Personal Services	3,924,820	3,995,484	(70,664)
Contractual Services	1,896,310	2,007,473	(111,163)
Commodities	2,051,340	1,795,349	255,991
Cost of Goods Sold		251,674	(251,674)
Depreciation	23,600	723,256	(699,656)
Total operating expenses	<u>7,896,070</u>	<u>8,773,236</u>	<u>(877,166)</u>
Operating income (loss)	<u>549,000</u>	<u>(1,431,269)</u>	<u>(1,980,269)</u>
Nonoperating revenues (expenses):			
Interest Expense	(159,000)	(188,134)	(29,134)
Amortization of Cost Issuance		(7,315)	(7,315)
Other Nonoperating Income (Expenses)	(390,000)	2,371	392,371
Total nonoperating revenues (expenses)	<u>(549,000)</u>	<u>(193,078)</u>	<u>355,922</u>
Income (loss) before capital contributions and transfers		<u>(1,624,347)</u>	<u>(1,624,347)</u>
Changes in net assets	<u>\$</u>	<u>(1,624,347)</u>	<u>\$ (1,624,347)</u>
Total net assets, beginning of year		10,657,115	
Total net assets, end of year		<u>\$ 9,032,768</u>	

CITY OF TUCSON, ARIZONA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PUBLIC HOUSING FUND - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Public Housing Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 6,204,880	\$ 3,511,692	\$ (2,693,188)
Federal Grants and Contributions	9,180,000	7,762,635	(1,417,365)
Miscellaneous		63,551	63,551
Total operating revenues	<u>15,384,880</u>	<u>11,337,878</u>	<u>(4,047,002)</u>
Operating expenses:			
Personal Services	3,650,300	3,505,756	144,544
Contractual Services	10,425,401	6,231,893	4,193,508
Commodities	129,350	821,650	(692,300)
Depreciation/Amortization		1,810,930	(1,810,930)
Total operating expenses	<u>14,205,051</u>	<u>12,370,229</u>	<u>1,834,822</u>
Operating Income (Loss)	<u>1,179,829</u>	<u>(1,032,351)</u>	<u>(2,212,180)</u>
Nonoperating revenues (expenses):			
Investment Income		32,740	32,740
Gain (Loss) on Sale of Property/Equipment		(1,316)	(1,316)
Interest Expense	(460)		460
Total nonoperating revenues (expenses)	<u>(460)</u>	<u>31,424</u>	<u>31,884</u>
Income (Loss) before capital contributions and transfers	<u>1,179,369</u>	<u>(1,000,927)</u>	<u>(2,180,296)</u>
Transfers In		2,481,270	2,481,270
Transfers Out		(210,000)	(210,000)
Changes in net assets	<u>\$ 1,179,369</u>	<u>1,270,343</u>	<u>\$ 90,974</u>
Total net assets, beginning of year		30,909,090	
Total net assets, end of year		<u>\$ 32,179,433</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, 2010

	Water Utility Fund		Variance - Positive (Negative)
	Budget	Actual	
Operating revenues:			
Charges for Services	\$ 139,360,300	\$ 134,933,197	\$ (4,427,103)
Miscellaneous	(3,704,060)	122,283	3,826,343
Total operating revenues	<u>135,656,240</u>	<u>135,055,480</u>	<u>(600,760)</u>
Operating expenses:			
Personal Services	32,097,330	30,074,694	2,022,636
Contractual Services	46,025,510	43,749,734	2,275,776
Commodities	8,934,520	6,131,043	2,803,477
Depreciation/Amortization	27,088,441	27,088,441	(27,088,441)
Total operating expenses	<u>87,057,360</u>	<u>107,043,912</u>	<u>(19,986,552)</u>
Operating Income (Loss)	<u>48,598,880</u>	<u>28,011,568</u>	<u>(20,587,312)</u>
Nonoperating revenues (expenses):			
Investment Income	726,700	242,056	(484,644)
Gain (Loss) on Sale of Property/Equipment	179,635	179,635	179,635
Federal Grants and Contributions	293,000	112,956	(180,044)
Other Agencies	865,000	5,000	(860,000)
Interest Expense	(25,462,280)	(17,646,472)	7,815,808
Amortization of Cost Issuance	(291,434)	(291,434)	(291,434)
Other Nonoperating Income (Expenses)	(15,454,720)	(992,207)	14,462,513
Total nonoperating revenues (expenses)	<u>(39,032,300)</u>	<u>(18,390,466)</u>	<u>20,641,834</u>
Income (Loss) before capital contributions and transfers	<u>9,566,580</u>	<u>9,621,102</u>	<u>54,522</u>
Capital Contributions	3,932,000	9,894,820	5,962,820
Transfers In		<u>2,456,656</u>	2,456,656
Changes in net assets	<u>\$ 13,498,580</u>	<u>21,972,578</u>	<u>\$ 8,473,998</u>
Total net assets, beginning of year		699,477,717	
Total net assets, end of year		<u>\$721,450,295</u>	

**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2010**

Revenues:

Sale of Water:		
Potable Water Sales	\$	112,308,639
Reclaimed Water Sales		9,910,430
Central Arizona Project Surcharge		2,185,323
Connection Fees		1,918,477
Environmental and Sewer Billing Services		3,050,619
TCE Clean Up Reimbursement		1,269,426
Plan Review and Inspection Fees		676,146
Other		3,815,255

Non-Operating Income:

Impact Fees	3,545,803	
Investment Earnings - Operating Fund	134,198	
Investment Earnings - Debt Service	1,404	
Proceeds from Sale of Property/Equipment	184,086	
Total Non-Operating Income		<u>3,865,491</u>
Total Revenues		<u>138,999,806</u>

Operation and Maintenance Expenses:

Director's Office		4,114,085
Business Services		3,895,829
Customer Services		5,952,415
Water Operations		16,215,753
Planning and Engineering		6,745,891
Quality Management		9,584,144
Power - Potable System		12,172,155
Power - Reclaimed System		1,434,454
CAP Water Purchases:		
Commodity	12,890,152	
Capital Charges	2,162,580	
Total CAP Water Purchases		15,052,732
General Expenses		3,294,618
Capitalized Operation and Maintenance Expense		(6,471,643)
Total Operation and Maintenance Expense		<u>71,990,433</u>

Net Revenue Available After Operations (2)	\$	<u>67,009,373</u>
--	----	-------------------

**CITY OF TUCSON, ARIZONA
WATER UTILITY FUND
REVENUES, EXPENSES AND FLOWS OF FUNDS
PER ORDINANCE NO. 6347 (1)
YEAR ENDED JUNE 30, 2010**

Bond Debt Service:

Senior Liens

Interest	18,018,477
Principal	14,252,045
Total Debt Service for Water Revenue Bonds	32,270,522

Junior Liens (Water Infrastructure Finance Authority)

Interest	1,188,752
Principal	3,367,844
Total Debt Service for Water Infrastructure Finance Authority	4,556,596

Combined Senior and Junior Liens

Interest	19,207,229
Principal	17,619,889
Total Debt Service	36,827,118

Net Revenue Available After Operations and Bond Debt Service for Senior Liens	\$ 34,738,851
--	---------------

Net Revenue Available After Operations and Bond Debt Service for Combined Liens	\$ 30,182,255
--	---------------

- (1) This is a special purpose financial statement intended to show compliance with Ordinance 6347. It is not prepared in accordance with Generally Accepted Accounting Principles (GAAP). Financials statements on pages 22 through 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 \$39,149,225. 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, 2010, maximum future annual debt service coverage of senior lien debt is 171%.

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, 2010, the debt coverage on Senior Lien Annual Debt Service Requirement was 208%.

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, 2010, the debt coverage for the Annual Debt Service Requirement for the Junior Lien is 762%

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, 2010, is 182%. The maximum future debt service coverage is 149%.



City of Tucson, Arizona



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.

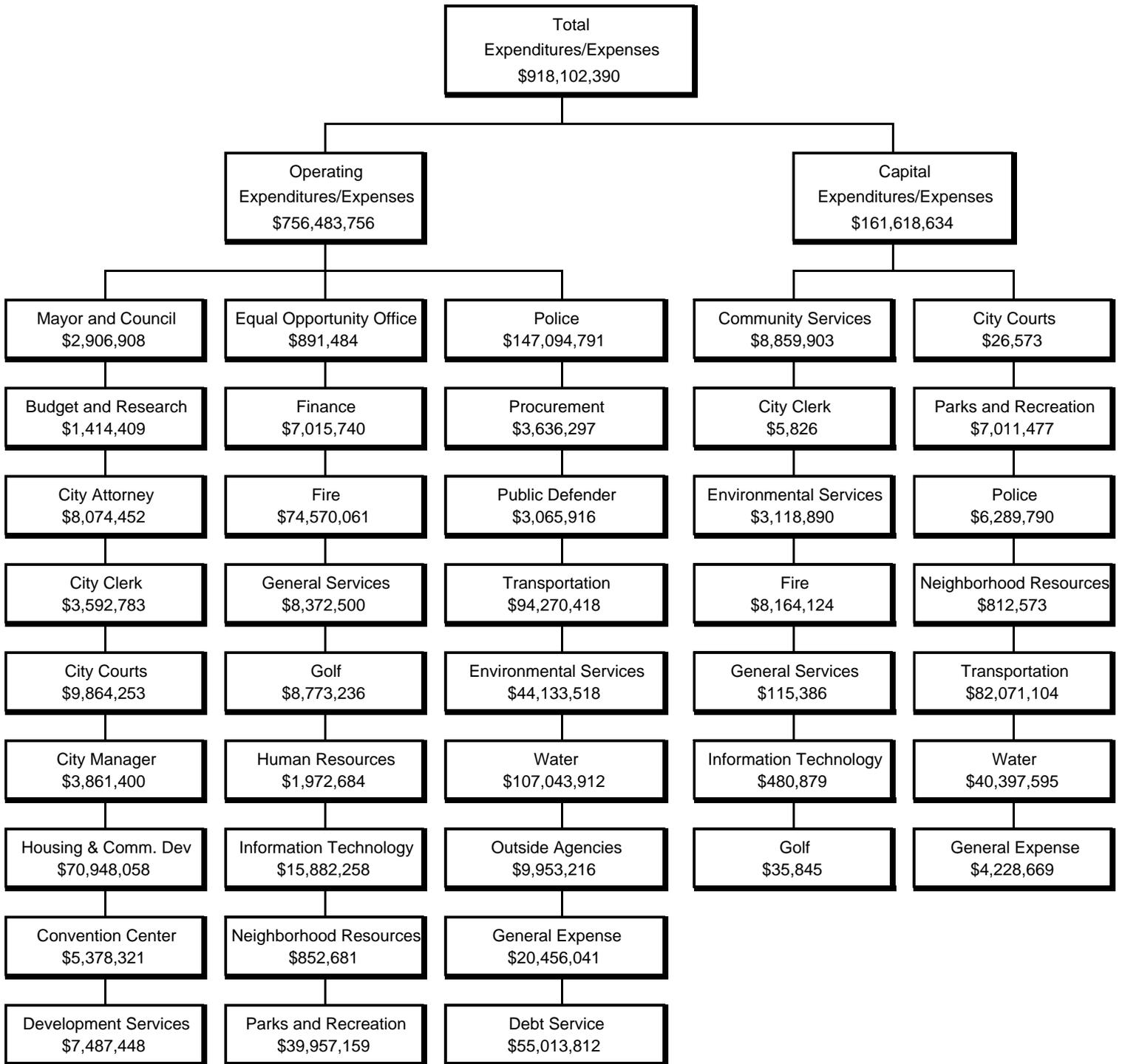
Contents

	<u>Page</u>
Financial Trends	122
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	126
These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales taxes.	
Debt Capacity	129
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	134
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	137
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 2010

TABLE I



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

TABLE II

	Fiscal Year								
	2002	2003(1)	2004(2)	2005	2006(3)	2007(4)	2008	2009	2010
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	959,636,068	1,048,004,576	1,128,906,123	1,231,660,136
Restricted	155,080,000	63,053,748	69,416,688	82,813,522	138,645,084	177,158,918	164,195,246	154,738,778	129,992,175
Unrestricted	(43,480,000)	(36,914,246)	22,536,654	18,134,646	42,058,585	28,276,910	(2,780,426)	(24,665,404)	(13,022,236)
Total Net assets	1,014,884,000	1,000,171,390	1,088,087,778	1,099,169,492	1,157,353,173	1,165,071,896	1,209,419,396	1,258,979,497	1,348,630,075
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	681,599,255	696,128,404	727,347,232	737,714,049
Restricted	6,145,000	484,199	2,670,658	9,013,682	3,254,815	25,024,209	26,615,863	33,361,233	35,566,434
Unrestricted	30,524,000	33,543,287	(19,982,539)	(27,574,213)	(20,024,020)	(42,876,565)	(60,875,072)	(37,020,962)	(36,777,570)
Total Net assets	569,831,000	586,178,497	559,646,121	575,863,343	566,397,280	663,746,899	661,869,195	723,687,503	736,502,913
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	1,641,235,323	1,744,132,980	1,856,253,355	1,969,374,185
Restricted	161,225,000	63,537,947	72,087,346	91,827,204	141,899,899	202,183,127	190,811,109	188,100,011	165,558,609
Unrestricted	(12,956,000)	(3,370,959)	2,554,115	(9,439,567)	22,034,565	(14,599,655)	(63,655,498)	(61,686,366)	(49,799,806)
Total Net assets	\$ 1,584,715,000	1,586,349,887	1,647,733,899	1,675,032,835	1,723,750,453	1,828,818,795	1,871,288,591	1,982,667,000	2,085,132,988

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.

(4) Restated ending FY 2007/beginning FY 2008 Net Assets for Governmental and Business-type Activities to meet new HUD reporting requirements.

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

TABLE III

	Fiscal Year								
	2002	2003	2004	2005(1)	2006	2007	2008	2009	2010
Expenses									
Governmental Activities									
Elected and Official	\$ 16,780,000	14,457,000	15,724,295	15,418,836	17,443,632	18,282,947	20,700,143	18,779,409	18,771,020
Support Services	51,768,000	45,314,000	42,465,015	58,587,923	58,092,060	48,489,229	47,471,907	42,727,879	44,550,729
Neighborhood Services	274,536,000	292,322,000	295,870,113	337,049,181	341,517,918	359,333,504	372,033,490	366,985,315	354,449,593
Environment and Development	115,901,000	142,322,000	149,983,180	131,039,748	137,175,591	153,134,680	156,511,559	143,961,284	137,548,043
Strategic Initiatives	29,073,000	14,303,000	13,359,186	14,039,464	12,499,925	8,156,745	7,217,537	6,517,311	5,538,870
Non-Departmental	18,899,000	13,196,000	10,439,491	12,788,223	14,972,390	35,332,418	46,693,111	43,079,731	29,756,362
Interest on Long-term Debt	26,619,000	21,975,000	23,701,247	22,270,724	24,108,533	27,227,363	27,105,560	27,364,406	27,605,603
Fiscal Agent Fees and Other	-	-	32,158	46,301	74,613	43,875	41,025	327,635	801,342
Total Governmental Activities	533,576,000	543,889,000	551,574,685	591,240,400	605,884,662	650,000,761	677,774,332	649,742,970	619,021,562
Business-type Activities									
Public Housing AMP (2)							11,184,715	11,006,286	12,370,229
Environmental Services				39,464,082	42,987,747	46,037,471	53,420,043	44,676,920	48,824,879
Golf	10,082,000	9,640,000	9,323,864	10,064,093	9,003,837	9,692,464	10,847,587	9,864,806	9,184,549
Water	106,731,000	105,200,000	104,427,551	112,359,007	119,187,111	118,221,611	130,340,130	125,467,271	127,688,652
Total Business-type Activities	116,813,000	114,840,000	113,751,415	161,887,182	171,178,695	173,951,546	205,792,475	191,015,283	198,068,309
Total Primary Government Expenses	\$ 650,389,000	658,729,000	665,326,100	753,127,582	777,063,357	823,952,307	883,566,807	840,758,253	817,089,871
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	10,160,837	6,901,801	6,472,160
Recreation Fees	3,321,000	3,870,000	4,146,918	4,329,235	4,388,275	4,240,903	4,302,267	4,256,646	4,558,748
Paramedic Services Fees	4,101,000	5,066,000	7,721,889	6,645,483	7,184,801	7,243,133	8,510,101	8,830,533	10,921,989
Refuse/Landfill Fees (1)	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	10,205,276	11,058,854	11,896,786
Other Charges for Service	39,530,000	40,242,000	41,704,463	64,021,068	67,970,643	59,651,892	68,504,419	70,813,426	68,746,501
Operating Grants & Contributions	127,254,000	129,445,000	96,836,225	127,785,107	134,853,525	119,726,357	112,001,911	119,638,739	124,171,155
Capital Grants and Contributions	23,666,000	17,063,000	74,014,269	26,158,108	36,449,563	56,340,464	87,427,159	124,734,954	116,859,034
Total Governmental Activities Program Revenues	223,383,000	222,363,000	257,841,693	247,357,302	272,085,479	266,969,695	301,111,970	346,234,953	343,626,373
Business-type Activities:									
Charge for Services:									
Public Housing AMP (2)							7,415,970	3,454,415	3,575,243
Environmental Services (1)				35,506,968	39,809,587	42,960,815	42,533,898	43,888,522	40,998,260
Water	112,794,000	109,405,000	114,557,992	111,347,469	119,838,422	115,937,118	122,794,083	126,998,731	135,055,480
Golf	9,620,000	9,769,000	9,513,921	8,980,101	8,230,509	8,900,670	9,284,924	7,861,067	7,341,967
Operating Grants and Contributions	1,000							6,761,845	7,762,635
Capital Grants and Contributions		10,172,000	11,889,083	15,396,024	23,309,465	18,305,223	18,768,422	16,126,145	10,190,038
Total Business-type Activities Program Revenues	122,415,000	129,346,000	135,960,996	171,230,562	191,187,983	186,103,826	200,797,297	205,090,725	204,923,623
Total Primary Government Program Revenues	\$ 345,798,000	351,709,000	393,802,689	418,587,864	463,273,462	453,073,521	501,909,267	551,325,678	548,549,996

	Fiscal Year								
	2002	2003	2004	2005(1)	2006	2007	2008	2009	2010
Net (Expenses) Revenue									
Governmental Activities	\$ (310,193,000)	(321,526,000)	(293,732,992)	(343,883,098)	(333,799,183)	(383,031,066)	(376,662,362)	(303,508,017)	(275,395,189)
Business-type Activities	5,602,000	14,506,000	22,209,581	9,343,380	20,009,288	12,152,280	(4,995,178)	14,075,442	6,855,314
Total Primary Government Net Expense	\$ (304,591,000)	(307,020,000)	(271,523,411)	(334,539,718)	(313,789,895)	(370,878,786)	(381,657,540)	(289,432,575)	(268,539,875)
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	38,247,154	36,427,562	33,033,945
Business Privilege Taxes	159,525,000	167,589,000	177,117,183	183,102,463	195,790,010	209,180,346	204,012,348	184,328,136	172,738,382
Public Utility Taxes	7,853,000	9,267,000	7,887,631	7,654,851	7,585,462	7,176,742	7,048,842	6,711,441	18,216,381
Transient Occupancy Taxes	6,339,000	6,395,000	9,145,965	10,768,492	12,276,201	12,979,893	12,367,631	10,987,895	11,692,050
Occupational Taxes	1,941,000	2,115,000	2,049,759	2,098,216	2,044,040	2,124,410	881,679	86,868	127,851
Liquor Taxes	746,000	731,000	713,674	740,742	721,117	731,380	670,480	702,523	732,622
Unrestricted Grants and Contributions	107,524,000	108,437,000	106,317,054	114,662,691	129,370,825	136,287,823	148,335,159	141,187,557	125,011,993
Investment Income (Loss)	6,467,000	3,737,000	1,037,894	2,605,029	3,932,688	11,613,881	6,480,118	2,505,708	1,086,559
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	3,750,250	2,082,053	7,500,061
Transfers				(3,971,822)	59,894	(410,991)	(783,799)	(1,031,319)	(5,094,077)
Total Governmental Activities	322,622,000	328,593,000	337,381,939	354,964,812	400,991,984	425,723,352	421,009,862	383,988,424	365,045,767
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	2,633,875	1,752,143	866,019
Miscellaneous	114,000	211,000							
Transfers				3,971,822	(59,894)	410,991	783,799	1,031,319	5,094,077
Total Business-type Activities	12,044,000	1,841,000	705,809	6,873,843	2,750,010	3,997,671	3,417,674	2,783,462	5,960,096
Total Primary Government	\$ 334,666,000	330,434,000	338,087,748	361,838,655	403,741,994	429,721,023	424,427,536	386,771,886	371,005,863
Change in Net Assets									
Governmental Activities	\$ 12,429,000	7,067,000	43,648,947	11,081,714	67,192,801	42,692,286	44,347,500	80,480,407	89,650,578
Business-type Activities	17,646,000	16,347,000	22,915,390	16,217,223	22,759,298	16,149,951	(1,577,504)	16,858,904	12,815,410
Total Primary Government	\$ 30,075,000	23,414,000	66,564,337	27,298,937	89,952,099	58,842,237	42,769,996	97,339,311	102,465,988

Notes: (1) Refuse/Landfill fees are included in the Environmental Services Fund, which became an enterprise fund.

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

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

TABLE IV

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010(1)
General Fund									
Reserved	\$ 58,631,000	51,966,000	50,316,501	54,991,632	101,993,894	116,841,230	26,948,312	22,727,163	
Unreserved	15,894,000	4,262,000	23,045,832	43,069,860	62,715,037	50,947,576	31,124,703	17,000,405	
Nonspendable									3,091,091
Restricted									4,288,438
Committed									5,412,146
Assigned									11,523,823
Unassigned									22,836,507
Total General Fund	\$ 74,525,000	56,228,000	73,362,333	98,061,492	164,708,931	167,788,806	58,073,015	39,727,568	47,152,005
All Other Governmental Funds									
Reserved	\$ 71,110,000	68,318,000	56,832,573	68,845,203	53,211,786	58,199,299	128,066,834	103,582,644	
Unreserved, Reported In:									
Special Revenue Funds	35,213,000	18,738,000	20,146,697	9,331,994	4,648,468	(487,809)	(11,863,316)	1,099,433	
Capital Project Funds	(7,106,000)	1,642,000	173,256	(3,680,590)	(3,140,518)	(2,508,873)	(528,205)		
Debt Service Funds									
Total Unreserved	28,107,000	20,380,000	20,319,953	5,651,404	1,507,950	(2,996,682)	(12,391,521)	1,099,433	
Nonspendable									5,014,035
Restricted									68,556,717
Committed									3,284,544
Assigned									13,779,239
Unassigned									(1,540,527)
Total All Other Governmental Funds	\$ 99,217,000	88,698,000	77,152,526	74,496,607	54,719,736	55,202,617	115,675,313	104,682,077	89,094,008

Notes: For FY 2010 GASB Statement No. 54 was implemented. See Note 2 of the Notes to Basic Financial Statements.

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

TABLE V

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Tax Revenues									
Property Taxes	\$ 3,495,000	3,767,000	4,091,638	8,929,598	9,727,445	9,975,822	10,122,161	11,568,247	11,633,043
Public Utility Taxes	7,853,000	9,267,000	7,887,631	7,654,851	7,585,462	7,176,742	7,048,842	6,711,442	18,216,381
Local Use Taxes			4,266,605	4,949,414	5,406,243	6,839,887	7,949,205	8,770,451	6,688,928
Business Privilege Taxes	158,140,000	160,781,000	174,345,398	176,654,012	190,383,766	202,340,460	196,063,144	169,708,658	166,573,329
Transient Occupancy Taxes	6,339,000	6,395,000	9,145,964	10,768,492	10,206,786	10,963,953	10,488,453	9,270,796	8,578,730
Other Taxes	2,687,000	2,846,000	2,763,433	2,838,957	4,869,058	4,871,730	3,431,368	2,511,727	3,977,799
Total Tax Revenues	\$ 178,514,000	183,056,000	202,500,669	211,795,324	228,178,760	242,168,594	235,103,173	208,541,321	215,668,210
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	23,445,568	22,114,531	20,318,278
Sales Tax - State	37,533,000	38,161,000	41,216,598	45,700,066	51,801,435	50,310,855	48,272,651	41,597,129	38,800,312
Urban Revenue Sharing - State	50,934,000	50,486,000	44,022,893	45,774,828	52,493,683	62,547,187	75,343,982	77,475,899	65,593,404
Contributions and Agency Billings (1)	7,335,000	8,037,000	8,983,800	11,710,044	10,784,563	1,262,098	2,663,381	1,564,782	1,570,211
Total Other Agency Revenue	\$ 114,860,000	116,474,000	115,300,854	126,372,735	138,214,017	137,549,921	149,725,582	142,752,341	126,282,205

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

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

TABLE VI

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues									
Taxes	\$ 199,468,000	203,731,000	225,509,779	233,069,574	252,399,097	268,850,174	262,850,771	233,356,179	237,065,108
Licenses and Permits	18,098,000	17,088,000	17,762,372	19,502,424	21,014,411	22,211,469	23,372,170	22,067,281	21,851,480
Fines and Forfeitures	8,958,000	10,653,000	10,220,137	11,558,361	12,536,270	13,025,976	13,688,009	15,945,245	14,591,212
Developer Fees					8,585,307	6,985,561	5,936,592	6,782,474	3,617,096
Use of Money and Property	7,456,000	5,069,000	2,288,009	5,904,930	5,515,756	13,645,750	8,564,946	4,763,576	3,069,974
Federal Grants and Contributions	78,150,000	71,867,000	75,140,868	70,681,079	80,001,063	88,800,500	75,144,483	97,791,606	108,297,296
Other Agencies	176,900,000	178,658,000	179,542,430	196,010,931	209,999,995	210,751,555	256,350,134	266,729,414	242,284,368
Charges for Services	40,432,000	42,692,000	57,262,036	55,727,507	60,290,340	47,584,931	56,153,508	55,590,055	59,108,565
Special Assessments	1,631,000	1,559,000	684,162	863,322	1,337,976	873,801	1,712,882	1,155,596	652,683
Miscellaneous	2,935,000	3,505,000	5,540,913	7,349,494	9,704,478	6,046,159	4,916,002	5,188,266	3,912,511
Total Revenues	534,028,000	534,822,000	573,950,706	600,667,622	661,384,693	678,775,876	708,689,497	709,369,692	694,450,293
Expenditures									
Current									
Elected and Official	16,415,000	14,357,000	15,651,255	14,936,120	17,638,983	18,113,339	20,547,490	18,326,961	18,435,544
Support Services	41,582,000	42,399,000	40,499,625	53,968,431	56,762,595	45,444,738	43,182,510	37,623,756	38,293,888
Neighborhood Services	257,045,000	279,737,000	285,010,266	311,024,012	338,648,790	336,416,150	354,437,324	355,353,344	334,874,173
Environment and Development	108,810,000	116,314,000	121,560,502	103,510,740	111,266,055	119,417,994	125,894,170	112,662,056	101,757,866
Strategic Initiatives	11,927,000	13,597,000	12,811,453	13,297,336	12,368,978	7,760,831	7,017,029	6,298,094	5,378,320
Non-Departmental	7,544,000	10,549,000	8,298,062	11,976,825	12,349,781	34,744,063	39,918,390	36,356,093	30,409,258
Capital Outlay	20,130,000	11,019,000	6,878,900	8,844,020	22,131,307	11,767,166	20,350,305	27,979,817	22,206,864
Capital Projects	67,540,000	78,802,000	62,651,586	86,727,476	58,419,415	84,542,323	94,607,634	109,248,633	95,859,440
Debt Service									
Principal	21,328,000	21,079,000	21,917,431	22,391,353	28,092,430	32,408,561	39,356,327	27,609,139	26,767,636
Interest	26,424,000	21,842,000	23,701,247	22,270,724	24,108,533	27,227,363	27,105,560	27,276,527	27,614,317
Fiscal Agent Fees	251,000	1,213,000	32,158	46,301	74,613	43,875	41,025	49,197	209,780
Issuance Cost of Debt	1,325,000	27,000	783,501	2,363,772	1,334,278	1,512,249		1,183,612	422,079
Total Expenditures	580,321,000	610,935,000	599,795,986	651,357,110	683,195,758	719,398,652	772,457,764	759,967,229	702,229,165
Excess of Revenues Over (Under) Expenditures	\$ (46,293,000)	(76,113,000)	(25,845,280)	(50,689,488)	(21,811,065)	(40,622,776)	(63,768,267)	(50,597,537)	(7,778,872)

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses)									
Bond Issuance	\$ 73,426,000	145,701,000	23,500,000	109,719,606	347,766	72,167,871	14,972,655	10,505,635	10,560,000
Capital Leases	781,000	918,000	19,451,315	55,908,283	72,597,366	46,925,648	3,403,554	37,865,261	15,080,000
Premium on Issuance of Debt		-	408,845	8,054,895	1,095,521	5,263,499		1,757,629	1,686,456
Transfers In	76,205,000	73,421,000	66,914,931	65,305,681	69,095,663	64,238,616	66,240,407	42,237,209	36,952,322
Proceeds from Sale of Real Property	34,340,000								
Refunded Bond Escrow Agent	(58,095,000)	(107,773,000)	(45,479)	(92,443,595)		(65,418,781)		(28,778,672)	(24,964,377)
Discount on Issuance of Debt			(143,281)					(275,753)	
Transfers to Other Funds	(76,810,000)	(73,828,000)	(67,220,371)	(73,415,933)	(74,454,683)	(80,940,455)	(67,512,881)	(42,052,456)	(39,699,161)
Total Other Financing Sources (Uses)	49,847,000	38,439,000	42,865,960	73,128,937	68,681,633	42,236,398	17,103,735	21,258,853	(384,760)
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	(46,664,532)	(29,338,684)	(8,163,632)
Debt Service as a % of Noncapital Expenditures (1)	9.7%	8.2%	8.6%	8.0%	8.7%	9.6%	10.1%	8.8%	9.3%

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

CITY OF TUCSON
Taxable Sales by Category
Last Eight Fiscal Years

TABLE VII

Activity	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Utilities	\$ 890,884,761	1,011,953,381	1,056,963,347	1,052,260,259	1,056,932,157	1,092,862,650	1,068,164,744	1,923,276,726
Communications	358,249,077	336,616,804	289,225,380	277,701,526	296,114,202	274,517,930	233,305,130	239,170,728
Publishing & Printing	172,342,455	56,323,977	55,065,209	72,998,559	62,908,391	44,630,626	33,514,272	42,859,450
Restaurants	735,991,041	777,668,157	851,826,135	957,084,748	983,764,883	944,829,729	860,912,578	912,271,845
Amusements	51,861,916	49,997,899	54,664,073	60,603,914	69,179,339	61,369,236	56,834,943	68,781,574
Rentals	953,734,013	1,004,851,765	1,029,049,007	1,117,216,113	1,220,596,574	1,035,401,328	932,183,122	969,092,253
Contracting	771,816,123	845,537,417	912,930,149	896,249,698	1,090,299,763	1,111,139,795	873,469,195	673,629,284
Retail	4,640,805,874	4,851,948,423	5,171,389,247	5,584,386,248	5,789,394,611	5,643,126,171	4,772,347,619	4,353,405,547
Use Tax		145,338,032	184,561,040	266,189,312	303,859,500	397,460,235	447,307,576	412,501,242
Other	977,380	2,549,510	3,313,707	2,306,455	3,300,469	4,847,409	3,334,482	2,332,375
Total Business Privilege Activity	\$ 8,576,662,640	9,082,785,365	9,608,987,294	10,286,996,832	10,876,349,889	10,610,185,109	9,281,373,661	9,597,321,024
City's Tax Rate	2%	2%	2%	2%	2%	2%	2%	2%

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

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

TABLE VIII

<u>Fiscal Year</u>	<u>City's Rate</u>	<u>State's Rate (2)</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%	0.5%
2008	2.0%	5.6%	0.5%
2009	2.0%	5.6%	0.5%
2010	2.0%	6.6%	0.5%

Notes: (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.

(2) In May 2010 Arizona voters approved a 1% increase in the State's rate for 3 years.

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

TABLE IX

<u>Business Sector</u>	<u>Fiscal Year 2003</u>		<u>Fiscal Year 2010</u>	
	<u>Tax Paid</u>	<u>% of Total</u>	<u>Tax Paid</u>	<u>% of Total</u>
Utility	\$ 19,377,937	11.1%	\$ 33,825,614	17.5%
Communications	6,930,606	4.0%	4,800,508	2.5%
Publishing & Printing	1,095,575	0.6%	1,091,838	0.6%
Restaurants	15,011,123	8.6%	18,245,437	9.5%
Amusements	1,049,558	0.6%	1,606,313	0.8%
Rentals	21,705,274	12.4%	19,381,845	10.1%
Contracting	15,361,137	8.8%	13,484,617	7.0%
Retail	94,376,152	54.0%	93,371,576	48.5%
Use Tax (3)		0.0%	6,705,621	3.5%
Other Activities	14,238	0.0%	46,648	0.0%
Total (2)	\$ <u>174,921,600</u>	<u>100%</u>	\$ <u>192,560,017</u>	<u>100.0%</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 Nine Fiscal Years

TABLE X

Fiscal Year	Governmental Activities							Total Governmental Activities
	General Obligation Bonds	Street & Highway Revenue Bonds	Highway Expansion Loan Program	Certificates of Participation	Special Assessment Debt	Capital Leases	Clean Renewable Energy Bonds	
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
2008	223,590,377	124,665,000	13,400,000	172,670,000	4,333,254	11,484,700		550,143,331
2009	254,075,610	124,150,000	5,900,000	191,226,000	4,192,635	7,697,512	7,595,900	594,837,657
2010	238,315,610	123,550,000		190,771,000	3,626,000	5,687,600	7,011,600	568,961,810

Fiscal Year	Business-type Activities							
	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	3.37%	1,922.89
2008	436,255,222	45,515,223	7,687,215	4,645,000	494,102,660	1,044,245,991	3.15%	1,919.71
2009	459,874,394		5,028,084	14,529,000	479,431,478	1,074,269,135	3.27%	1,968.07
2010	483,682,203		2,738,197	14,529,000	500,949,400	1,069,911,210	3.06%	1,937.38

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

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

(2) Debt service is paid and bond liability reported in the Environmental Services Enterprise Fund. A restatement was done in FY 2009. to show in Governmental Activities in FY 2009.

CITY OF TUCSON
Ratios of Net General Bonded Debt Outstanding
Last Nine 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
2008 (3)	269,105,600	13,842,695	255,262,905	26,219,680,375	0.97%	458.92
2009 (4)	254,075,610	10,742,199	243,333,411	30,304,695,215	0.80%	445.79
2010	238,315,610	4,234,358	234,081,252	30,988,293,628	0.76%	423.87

Source: Estimated net full cash value is from the Taxable Certificates of Participation, Series 2010-A

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.
- (3) Includes \$45,515,223 of General Bonded debt in the Environment Services Fund.
- (4) General Bonded debt no longer in the Environment Services Fund.

CITY OF TUCSON
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

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	\$ 471,090,000	43.90%	\$ 206,808,510
Pima Community College District	27,335,000	43.90%	12,000,065
Tucson Unified School District No. 1	295,085,000	77.02%	227,274,467
Flowing Wells Unified School District No. 8	17,330,000	5.10%	883,830
Amphitheater Unified School District No. 10	75,705,000	15.99%	12,105,230
Sunnyside Unified School District No. 12	24,490,000	77.51%	18,982,199
Tanque Verde Unified School District No. 13	15,160,000	1.16%	175,856
Vail Unified School District No. 20	48,115,000	39.19%	18,856,269
Sahuarita Unified School District No. 30	24,350,000	0.29%	70,615
Other Debt (1)			
Pima County Capital Leases	44,543,006	43.90%	19,554,380
Pima Community College District Capital Leases	4,080,000	43.90%	1,791,120
Tucson Unified School District No. 1 Capital Leases	3,187,308	77.02%	2,454,865
Flowing Wells Unified School District No. 8 Capital Leases	152,687	5.10%	7,787
Sunnyside Unified School District No. 12 Capital Leases	512,566	77.51%	397,290
Vail Unified School District No. 20 Capital Leases	331,656	39.19%	129,976
Sahuarita Unified School District No. 30 Capital Leases	20,891	0.29%	61
Subtotal, Overlapping Debt			521,492,520
City of Tucson, Arizona Direct Debt			568,961,810
Total Direct and Overlapping Debt			<u>\$ 1,090,454,330</u>

Source: State Report of Indebtedness and Official Statement Dated June 2010, Taxable COP, Series 2010-A

Notes: (1) Outstanding Other Debt is as of Fiscal Year 2009

CITY OF TUCSON
 Legal Debt Margin Information
 Last Nine Fiscal Years

TABLE XIII

	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Primary Tax Rate	\$ 0.1403	0.2089	0.2089	0.3531	0.3469	0.3411	0.3296	0.3231	0.3144
Secondary Tax Rate	0.9799	0.9113	0.9480	0.8316	0.8895	0.8846	0.8025	0.6370	0.6200
Total Property Tax Rate (1)	\$ 1.1202	1.1202	1.1569	1.1847	1.2364	1.2257	1.1321	0.9601	0.9344
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	3,491,926,602	3,895,581,900	3,862,655,420
6% Limitation (2)	128,307,679	136,124,000	145,627,256	153,493,871	163,374,951	180,973,846	209,515,596	233,734,914	231,759,325
Less: Direct G.O. Bonds Outstanding	79,678,000	84,671,460	82,446,460	60,988,460	51,333,460	20,715,000	9,145,000	660,000	
Legal Debt Margin	48,629,679	51,452,540	63,180,796	92,505,411	112,041,491	160,258,846	200,370,596	233,074,914	231,759,325
Legal Debt Margin as a Percentage of the Debt Limit	37.90%	37.80%	43.39%	60.27%	68.58%	88.55%	95.64%	99.72%	100.00%
20% Limitation (2)	427,692,264	453,746,667	485,424,185	511,646,236	544,583,171	603,246,152	698,385,320	779,116,380	772,531,084
Less: Direct G.O. Bonds Outstanding	163,421,070	182,317,610	191,497,610	230,195,610	230,155,609	262,585,610	259,960,610	253,415,610	238,315,610
Legal Debt Margin	\$ 264,271,194	271,429,057	293,926,575	281,450,626	314,427,562	340,660,542	438,424,710	525,700,770	534,215,474
Legal Debt Margin as a Percentage of the Debt Limit	61.79%	59.82%	60.55%	55.01%	57.74%	56.47%	62.78%	67.47%	69.15%

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 its secondary assessed valuation. For any other general purpose improvements, the City may issue bonds up to 6% of its secondary assessed valuation.

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

TABLE XIV

Water System Revenue Bonds									
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Combined Debt Service		Senior Lien Debt Service		Combined Annual Debt Service Coverage Ratio	Senior Lien Annual Debt Service Coverage Ratio
				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
2008	129,575,735	77,116,750	52,458,985	13,589,134	18,816,787	10,515,000	17,813,015	1.61	1.85
2009	130,592,259	73,340,779	57,251,480	14,102,839	19,565,491	10,850,000	18,214,243	1.70	1.96
2010	138,999,806	71,990,433	67,009,373	17,619,889	19,207,229	14,252,045	18,018,477	1.82	2.08

Fiscal Year	Special Assessments				Highway User Fees (HURF)			
	Special Assessments Collections	Debt Service			HURF Revenues	Debt Service		Coverage
		Principal	Interest	Coverage		Principal	Interest	
2002	\$ 560,000	\$ 604,000	\$ 201,062	0.70	\$ 42,769,457	\$ 6,645,000	\$ 8,903,281	2.75
2003	1,125,000	668,597	249,147	1.23	44,532,807	7,460,000	7,125,180	3.05
2004	683,004	526,392	212,893	0.92	46,699,213	5,570,000	7,752,180	3.51
2005	898,339	452,900	187,446	1.40	49,076,490	8,380,000	7,040,918	3.18
2006	744,351	441,600	168,055	1.22	50,371,196	9,250,000	7,660,318	2.98
2007	692,291	453,001	170,514	1.11	49,427,956	9,600,000	7,263,235	2.93
2008	1,370,171	570,887	210,457	1.75	48,918,768	10,000,000	6,831,205	2.91
2009	742,520	516,254	214,151	1.02	45,849,257		6,118,500	7.49
2010	677,504	566,635	200,664	0.88	43,475,000		6,150,817	7.07

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 Nine 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	541,132	30,837,500,000	56,987	3.8%
2008	543,959	33,117,770,000	60,883	4.7%
2009	545,850	32,873,000,000	60,224	7.9%
2010	552,247	34,958,100,000	63,302	8.6%

Source: Department of Urban Planning. Economic Outlook, University of Arizona

CITY OF TUCSON
Principal Employers
Current Year and Nine Years Ago

TABLE XVI

Employer	2001		Employer	2010	
	Employees	Percentage of Total Tucson Statistical Area Employment		Employees	Percentage of Total Tucson Statistical Area Employment
University of Arizona	13,192	3.74%	Raytheon Missile Systems	12,515	3.59%
State Of Arizona	10,071	2.86%	University of Arizona	11,842	3.39%
Raytheon	10,000	2.84%	State of Arizona	8,710	2.50%
Davis-Monthan Air Force Base	8,346	2.37%	Wal-Mart Stores, Inc.	6,575	1.88%
Pima County	7,830	2.22%	U.S. Army Intelligence Center & Fort Huachuca	6,463	1.85%
Tucson Unified School District	7,500	2.13%	City of Tucson	6,028	1.73%
City of Tucson	5,000	1.42%	Tucson Unified School District No. 1	6,012	1.72%
Carondelet Health Services	3,596	1.02%	Freeport-McMoRan Copper & Gold Mine	5,956	1.71%
Phelps Dodge Corp	2,700	0.77%	Tohono O'Odham Nation	4,553	1.30%
Asarco Inc.	2,500	0.71%	Carondelet Health Network	4,455	1.28%
Total	70,735	20.08%	Total	73,109	20.95%

Source: City of Tucson Water Systems Revenue Bonds Series 2000-A (2001) Official Statement dated June 18, 2001 and Taxable Certificates of Participation, Series 2010-A Official Statement dated June 23, 2010
Arizona Workforce Web Site (CES/NAICS)

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

TABLE XVII

Function	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Elected and Official	254.74	228.25	235.75	215.00	234.50	223.50	253.50	250.00	247.50
Neighborhood Services	3,253.55	3,241.55	3,198.80	3,297.30	3,422.05	3,277.80	3,433.55	3,447.05	3,277.55
Environment and Development	811.00	795.00	799.00	1,098.50	578.00	564.50	577.50	563.50	456.00
Strategic Initiatives	85.50	85.50	78.75	93.25	93.75	63.75	63.75	63.75	
Support Services	756.37	729.66	699.71	720.71	720.71	724.71	702.16	702.16	676.66
Non-Departmental	5.50	5.75	4.75	4.75	4.75	14.75	4.00	4.00	
Utility Services-Environmental Services				263.00	262.00	251.00	264.00	263.00	248.00
Utility Services-Water	590.00	590.00	589.00	576.00	571.00	573.00	578.00	580.00	568.00
Golf	169.00	153.75	154.75	154.75	154.75	154.75	154.75	154.75	154.75
Total	5,925.66	5,829.46	5,760.51	6,423.26	6,041.51	5,847.76	6,031.21	6,028.21	5,628.46

Source: Adopted Budget - Volume I

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

TABLE XVIII

Function	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police Facilities	7	8	8	8	8	8	8	9	9
Fire Stations	18	18	18	20	20	20	21	21	21
Parks & Recreation									
Recreation/Regional Centers	16	17	17	19	18	18	18	18	18
Golf Courses	5	5	5	5	5	5	5	5	5
Parks	127	127	127	125	136	136	142	142	142
Playfields	195	195	195	182	231	231	231	231	231
Swimming Pools	26	26	26	27	27	27	27	27	27
Transportation									
Residential (Miles)	1,305	1,315	1,347	1,355	1,355	1,378	1,378	1,384	1,384
Collectors (Miles)	101	101	101	101	101	101	101	101	101
Arterials (Miles)	287	287	287	287	287	287	287	287	287
Interstate (Miles)	80	80	80	80	80	80	80	80	80
Transit									
Buses (Active Fleet)	194	194	189	189	189	196	203	230	241
Water									
Operable Wells	207	212	216	223	212	212	216	216	214
Miles of Water Mains	4,275	4,275	4,300	4,480	4,561	4,617	4,437	4,683	4,454

Source: Various City Departments

CITY OF TUCSON
Operating Indicators by Function
Last Nine Years

TABLE XIX

Function	Fiscal Year								
	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government									
Building Permits - New Construction	45,750	33,452	33,320	49,164	32,915	27,818	24,438	20,982	31,742
Police									
Calls for Service	337,102	344,223	373,509.00	349,220	337,224	346,836	345,395	327,882	296,316
Calls for Service per Capita	0.66	0.67	0.72	0.67	0.62	0.64	0.62	0.60	0.54
Part I Crimes (% Cleared) (1)	13.64%	13.90%	13.72%	14.04%	16.30%	16.97%	19.39%	18.41%	20.43%
Part II Crimes (% Cleared) (1)	86.22%	87.24%	87.93%	71.60%	89.05%	86.07%	94.14%	94.27%	97.90%
Fire									
Emergency Responses	67,183	67,151	68,487	69,667	71,843	76,567	79,940	79,380	77,800
Inspections	2,645	2,828	2,991	3,200	2,801	2,644	3,028	7,825	8,712
Parks & Recreation									
KIDCO Registration	6,525	5,325	4,640	7,824	8,273	6,851	4,423	2,967	2,947
Class Enrollment-Other than KIDCO	26,641	23,670	30,023	35,153	35,703	19,681	10,531	19,865	7,412
Facility Rental	11,510	11,620	12,200	12,194	13,095	14,197	14,215	14,021	13,032
Zoo Visitors	412,680	385,933	376,535	434,252	439,380	467,108	504,528	529,010	514,269
Environmental Services									
Landfill Tons of Waste Collected	Not Available	506,372	547,270	597,576	638,550	690,215	631,465	487,144	412,950
Tons of Material Recycled	Not Available	43,655	46,489	47,608	46,034	46,918	46,096	44,480	44,622
Water									
Average Total Monthly Connections									
Potable	199,613	204,701	211,466	215,785	220,571	225,048	224,129	228,157	224,562
Reclaimed	576	670	763	868	950	993	1,086	1,053	1,061
New Connections									
Potable	5,077	5,493	6,177	4,069	4,846	3,880	2,295	1,064	1,064
Reclaimed	88	113	89	99	48	55	15	17	17
Water Sales (1000 ccf)									
Potable	48,016	47,274	47,974	47,251	49,536	46,366	46,590	44,443	43,668
Reclaimed	4,990	4,638	5,197	5,003	5,998	5,848	6,617	7,151	6,913
Transportation									
Average Response Time (working days) to Complete Pothole Repairs	4	6	7	8	10	10	2 to 4 weeks	4 to 6 weeks	4 to 6 weeks
The % of Lane Miles Assessed as Satisfactory or	78.8%	76.6%	73.4%	87.9%	85.0%	79%	80%	81%	81%
Traffic Signal Expenditure per Repair	\$73.35	\$77.24	\$81.31	\$85.59	\$89.56	\$95.00	\$250.00	\$486.00	\$516.00
Sun Tran's Operating Expenses per Vehicle Revenue	\$4.65	\$4.73	\$5.00	\$5.28	\$5.67	\$5.91	\$6.02	\$6.44	\$6.23
Sun Tran's Operating Expenses per Passenger Mile	\$0.56	\$0.55	\$0.58	\$0.63	\$0.63	\$0.53	\$0.68	\$0.59	\$0.69

Source: Source: Various City Departments

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

City of Tucson, Arizona



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.

Intangible Asset. An asset with a initial useful life beyond a single reporting life and lacks physical substance and is not in a monetary form similar cash or investment securities.

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

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

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

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

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

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

Materiality. The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.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 (OPEB). 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.

